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TRANSCRIPT OF THE HON. MALCOLM TURNBULL MP INTERVIEW WITH TIM COX 936 ABC HOBART

Subjects: Small business strategy; Jobs for Australia community forum; G20 Summit; executive remuneration; incident with Kevin Rudd on RAAF plane; Joel Fitzgibbon; uranium sales; Tasmania.

E&OE………………………………………………………………………………………………………...

TIM COX:

Good morning.

MALCOLM TURNBULL:

Good morning. Good to be with you.

TIM COX:

You well?

MALCOLM TURNBULL:

I’m in great form.

TIM COX:

You’re talking yourself hoarse, I can hear it.

MALCOLM TURNBULL:

Well, you know, you go around, give lots of speeches. That’s the occupational hazard.
TIM COX:

You were talking at the ACCI, the Australian Chamber of Commerce and Industry dinner last night. What was your message to them?

MALCOLM TURNBULL:

Small business and jobs. Focusing on jobs, jobs, jobs. What I outlined was a six-point plan that we have laid out as part of our alternative economic plan for recovery, which focuses on small businesses and which is aimed at lowering the cost, for small businesses in particular, of employing Australians. So we’ve proposed that businesses that run up losses over the next few years should be able, as they can in many other countries I might say, carry back those losses against tax that they’ve paid in previous years. So if they’ve made profits and paid tax in previous years they can chose for the next two years either to carry forward those losses as we conventionally do or carry them back and get a refund of tax paid now. So that assists businesses right now. We’ve put a cap on it of $100,000 so it’s essentially focused on small businesses.

We’ve also, and I’ve announced this previously, proposed that in order to lower the cost of employing people, the Government should in this year rebate three of the nine per cent of the Superannuation Guarantee contribution, so three percentage points, and one and a half percentage points in the following year. That’d cost $5 billion over two years. It would put cash into the hands of every small business. This would apply to businesses with twenty or fewer employees.

TIM COX:

So that would be a one-off short-term measure?

MALCOLM TURNBULL:

That’s a short-term measure, yeah.

TIM COX:

What if small business likes it? Small business decides that that’s a measure it in fact quite likes and enables it to employ more, to grow and so on and so forth.

MALCOLM TURNBULL:

You would have to consider it, it is essentially a subsidy. It is a cash payment but it’s directed, targeted at reducing the cost of employment. See a number of the other things the Government has proposed, you know, the thirty per cent accelerated depreciation for purchasing new equipment, that’s obviously fine for businesses that wish to take advantage of it but a lot of small businesses won’t have the cash available to buy new equipment and they may not need new equipment anyway. So given that businesses are feeling the pinch in terms of cash flow at the moment, we looked at measures that would be targeted, we could form a very good estimate of the cost and that would reduce the cost of employment, improve their cash flow.
We’ve also proposed a number of other measures to reduce the regulatory and red tape burden to make it easier for businesses to get in and do their job. You know, we’ve been having these Jobs Forums around Australia – we’ve just had two in northern Tasmania this week – and it’s remarkable that the theme is very consistent: please government, get off our back, too much red tape, takes too long to fill in all these forms, too many things to comply with. Can’t you make it simpler for us to do our business?

TIM COX:

But you were part of a government for a decade that had that opportunity to be that sort of friend of small business, to make things easier for small business to operate and to grow, but clearly if they’re still saying, it didn’t.

MALCOLM TURNBULL:

Well Tim I think that there will always be the aim to reduce regulation and red tape but we just have to keep on doing more and I’m not excusing anybody for policies in the past but I’m the Leader of the Coalition now. I come from a life and a background in small business. There’s nobody in the front ranks of the Labor Party that can fit that description. Their leading players have had almost no experience in the private sector. Lucy and I have spent our whole lives starting businesses, employing people, creating jobs. I know what it involves to start a small business, to take those risks, to create jobs for Australians and so I am very focused on government, the government that I’ll lead after the election, doing everything it can to enable small business to do its best.

TIM COX:

Alright, we’ll come back to that in a moment. Of course, the big financial news this morning is what’s come out of the G20 Summit in London. Australia is by any measure – there’s an interesting piece in the *The Australian* today saying that the Australian seat at the table was in fact in Siberia – but can it work? Can the measures that have been agreed to at this Summit make a difference do you think?

MALCOLM TURNBULL:

Well the biggest thing they’ve done, overwhelmingly the most important thing they’ve done is agreed to commit about a trillion dollars to the International Monetary Fund collectively. Now that’s a good measure. That is to bulk up the IMF to enable it as a global banker to support economies that are really struggling with the global financial crisis and that is most notably in the developing world and of course Eastern Europe, which is doing it very, very tough where they have big foreign currency liabilities, their economies have dramatically slowed and they are facing real crisis. But that’s essentially what they’ve agreed to do. They’ve also agreed to undertake better regulation of financial institutions but most of it, the rest of it is essentially the re-announcement of initiatives already underway.

TIM COX:

Does that mean it is a missed opportunity perhaps?
MALCOLM TURNBULL:

No, I just don’t think you can solve all the problems of the world at one dinner party and so they’ve agreed on what they’ve agreed on with the IMF. It was well anticipated. It’s a good measure but it isn’t… I think Kevin Rudd at one point was hoping that there would be an agreement to have a massive fiscal stimulus around the world and more cash splashes and spendathons. Well there’s been no agreement of that kind at all. He’s had no endorsement of that whatsoever.

TIM COX:

Yes. The crack down on executive salaries and tax havens – I know there was a lot of talk in Canberra about this the week before last – if that was as egregious as it would appear from what most people are saying, why wasn’t it an issue before the financial crisis? Why wasn’t it an issue this time last year, these large executive salaries and payouts, why are we so worried about it now?

MALCOLM TURNBULL:

Well I think where the large executive… let me start by saying this Tim. Large executive payouts have always been an issue for me. In fact, nearly 20 years ago Lucy and I took John Fairfax, you know the newspaper company, to court to stop them awarding – we were shareholders in Fairfax at the time – stop them awarding options to the directors exercisable at a dollar when the share price was $1.50. They were just sort of writing themselves out a nice fat cheque and we went to court. I was the plaintiff, Lucy was the solicitor and her father Tom Hughes was the barrister so we did a family…

TIM COX:

Good family business there.

MALCOLM TURNBULL:

…family business there. And we succeeded in protecting the rights of shareholders. So I have always been passionate about proper accountability by company executives and directors. That’s why I believe their remuneration should be approved by shareholders. So that’s a strong view I’ve always had as a matter of principle.

TIM COX:

Vote directors off the board then.

MALCOLM TURNBULL:

Let me just go on and answer the question. Why wasn’t it an issue before? I think the reason that it’s become a hot issue now is that people have seen directors, and chief executives in particular, getting large sums of money at the same time as the company’s going backwards so a shareholder looks at his portfolio statement and says, gosh, my investment is halved and yet the chief executive who’s presided over
this is getting millions of dollars and that’s a bit rich. It’s far too rich so that’s why it’s become an issue.

TIM COX:

As I said though, vote those directors off the board if those directors are endeavouring to featherbed themselves in times where the performance is not as good or is perhaps even [inaudible]…

MALCOLM TURNBULL:

That’s a very powerful argument and I agree with that. I think there should be more shareholder activism. I think a lot of big institutional shareholders are too complacent.

TIM COX:

So do you think out of the G20 Summit that the changes that will come in will perhaps not prevent a similar sort of meltdown in the future but perhaps at least take some of the edges off it?

MALCOLM TURNBULL:

Well the best way… if you wanted to wind the clock back and say what caused the sub prime crisis in the United States which was the trigger, it wasn’t an excess of free market capitalism. It was in fact too much government meddling. I mean, you look at the causes, what happened – the US central bank, the Federal Reserve, kept interest rates too low for too long. You had very imprudent lending in the mortgage market which was in large measure supported and in fact subsidised by the government through the big government-sponsored mortgage funds Fannie Mae and Freddie Mac. They owned, one way or another, about 70 per cent of the entire mortgage book.

So when Kevin Rudd says the sub prime crisis was caused by an excess of neo-liberal free market extremism, he’s talking complete rubbish. The US Government made a number of bungles one way or another which contributed to this crisis, whereas in Australia under the leadership of John Howard we restructured our financial and prudential regulation more than a decade ago and we had no sub prime crisis in Australia. Our banks remain strong and our mortgage market actually was much less interfered with and supported and pushed around by actions of government than it was in the US. So I’m not absolving the bankers or the executives at all – there have been a lot of terrible mistakes made – but don’t buy this proposition that it was an excess of free market freedom that caused this crisis. Governments’ fingerprints are all over this.

TIM COX:

In Australia, well certainly to this stage Malcolm Turnbull, the terrors that have been visited on many economies have not occurred here. Is that because we’ve got about the right level of regulation in Australia perhaps?
MALCOLM TURNBULL:

Well I think what we’ve got in terms of the banking system, yes, I think we’ve got a very good system of regulation and you don’t just have to take my word as a former member of that government for that. Julia Gillard said at Davos, in the same week that Kevin Rudd was ranting and raving about the evils of capitalism, Julia Gillard said that Australia’s financial regulation was better than world class and she was quite right. But what she didn’t say, of course, was that it was put in place by the Coalition.

TIM COX:

Yes, alright. As a former banker, how do you react to those scenes of the protests in London and the suggestion or instruction – I’m not sure what you’d call it – that bank employees dress differently to go to work during this?

MALCOLM TURNBULL:

These sort of violent protests are always deplorable. Nobody can have any sympathy with this type of violent protest. Everyone supports the peaceful right of assembly and protest is part of a democratic society but when you start threatening people and breaking into property and so forth, they’re just criminals and they should be punished accordingly.

TIM COX:

What about the bankers having to dress differently to go to work?

MALCOLM TURNBULL:

Well if there’s a violent mob in the street threatening to lynch anybody that looks like an employee of a bank, I suppose you dress a bit differently.

TIM COX:

I say old chap.

MALCOLM TURNBULL:

Leave the furled umbrella and the bowler hat at home.

TIM COX:

Fourteen to nine. Malcolm Turnbull here on 936 ABC Hobart and ABC Northern Tasmania. Just to finish on G20 for now, could they have gone further? Were there more direct managerial levers I suppose they could have utilised to have made a difference particularly for some of those smaller economies that are through no fault of their own realy suffering?
MALCOLM TURNBULL:

Tim I think this is where the IMF can help. It can provide credit lines to support these smaller economies in particular. As I say, the Eastern Europeans are the ones that everyone’s focused on but I’m sure there are many others as well. Look, I think you’ve got to recognise that there are big differences between economies. The United States is not going to be dictated to by the G20 for a start and that is where the biggest job of restructuring needs to occur and it is happening. You know when people talk about, people often hear discussions about toxic assets and toxic debt, the word toxic is probably not really appropriate. All that means is that banks have got assets, loans of one kind or another on their balance sheets that are worth a lot less in truth than they’re carrying them for. So they’ve got a loan on their books valued at $100 and in fact it is worth $30 and so what banks have to do and this has happened many times in the past, in order to clean up their balance sheet what they have to do is bite the bullet, take the write downs, sell the loan off for whatever they can get and if that means they need to raise more capital as it generally will then they’ve got to raise more capital, get their balance sheet in order and when other people perceive a bank’s balance sheet is in order, in other words that its assets and liabilities fairly state the reality, then they will be more prepared to deal with them, to lend with them, to enter into letters of credit and all of those arrangements that are important to keep the world of business humming.

TIM COX:

On another matter, Kevin Rudd has apologised for his behaviour on a RAAF flight. The story is that he managed to reduce a crew member to tears over the contents of a meal. What do you say to that? How would you describe your own demeanour when you’re flying? You’re always flying as Malcolm Turnbull, I presume he’s always flying as Kevin Rudd. So how do you countenance that?

MALCOLM TURNBULL:

You have asked me to comment on Kevin Rudd’s behaviour.

TIM COX:

I have.

MALCOLM TURNBULL:

I think everyone will form their own judgment on that. It’s obviously not edifying and he was right to apologise for it. It certainly deserved an apology, merited an apology. I think what is also disappointing however was the fact that when this was initially raised with his office they denied that the incident had occurred so that wasn’t straightforward.

TIM COX:

Does that suggest they’re ashamed or embarrassed of the Prime Minister’s behaviour?
MALCOLM TURNBULL:

That’s one conclusion you could draw, yeah.

TIM COX:

Would you draw that conclusion?

MALCOLM TURNBULL:

Well I’d think you’d have to, you’d have to, Tim, wouldn’t you? What other conclusion could you draw? But the fact is that whether prime ministers should tell the truth and if they are asked questions they should answer them frankly. We have seen a lot of disingenuous conduct by the Rudd Government lately. I mean look at just the one sequence after another with Joel Fitzgibbon. First he says he’s never had any gifts from Mrs Liu other than small personal ones and then we discover there’s been two undisclosed fully paid trips to China and then apparently there’s another trip that occurred prior to him going in to parliament and you get the feeling with the Rudd Government that they only tell you the truth when they’ve been found out. That sort of confession or admission doesn’t have any virtue about it. If people ‘fess up after they’ve been caught red handed, that is hardly showing much integrity.

TIM COX:

It is, with respect though, not unprecedented. Politicians of all stripe will find themselves in that position every once in a while. I am not saying that you will or Julia Gillard will but it does occur. There was the famous Senator from Queensland in the previous parliament who, without ever having in fact been elected, he was appointed, had to resign after not disclosing the full extent of some share dealings. But did you have your team going through their own records following the Fitzgibbon revelations to ensure they hadn’t made similar oversights?

MALCOLM TURNBULL:

Tim I think every Member of Parliament has an obligation to make full disclosure in accordance with the rules. So one would hope that when these issues become newsworthy that everybody reflects on whether they have overlooked something. Now this again brings me back to Mr Fitzgibbon because you may recall last year there was quite a heated debate in the House of Representatives about some trips to China that had been disclosed by Mr Rudd but which had been paid for by a businessman and there were questions about what were the trips for, why did this person decide to pay for Mr Rudd to go to China, please explain the background and the circumstances, that was essentially the question. Now when all of that was going on, you would think that Mr Fitzgibbon sitting there would have turned his mind to his own travel to China and thought, gosh, I better check to see that I have disclosed everything and indeed the only time, as I said and this is a fact, this is unquestionable, the only time he ‘fessed up to those trips, undisclosed trips, was when the media became aware of them and he was found out. So what does that tell you about his candour, his integrity and what does it tell you about his capability to be Minister for Defence? I think what it tells you is that he shouldn’t have the job.
TIM COX:

How careful do you need to be though when…

MALCOLM TURNBULL:

You need to be very careful with matters like this I assure you.

TIM COX:

Not just on that but these are dealings with Chinese business people and I saw it somewhere the other day the race card being played. I don’t know why we don’t have the finance card being played or the employment card but we only have the race card. But how careful do you need to be to ensure that this doesn’t look perhaps a little xenophobic, at worst perhaps even racist.

MALCOLM TURNBULL:

Tim the conduct of Wayne Swan and Stephen Smith and Lindsay Tanner in trying to suggest that the concerns we had raised were somehow or other anti Chinese or racist or xenophobic were really contemptible. I have never said and none of my colleagues have ever said anything that could be described as denigratory of China or anything which does other than endorse the fact that we have a strong friendship with China and a very important economic relationship. They are very good friends but we do have competing interests. We all understand that and like in all relationships there is a degree of common interest and a degree of competing interest and so you have to recognise that. But the suggestion…Joel Fitzgibbon’s problems about the non-disclosure - what have been just as significant as the business person that had given him the trips, the undisclosed trips had come originally from another part of the world or indeed had been born in Australia.

So the reality is that the failure to disclose is a serious issue because the system depends on people telling the truth. The whole system depends on a view that MPs will disclose their interests voluntarily and comprehensively and will not disclose them only when they’ve been found out and this is the fact we now that we see with Mr Fitzgibbon. He’s only ‘fessed up when he was caught.

TIM COX:

You say he shouldn’t be in that job but is it possible he’s doing the job very well and that he’s come across some backsides that should be smacked in there and that they don’t like it and this is the way they respond to it by revealing these things that should have been revealed in the first place, there’s no denying that.

MALCOLM TURNBULL:

I don’t buy that proposition. I think if somebody is revealing things about Joel Fitzgibbon it is more likely to be outside of the Defence Department. Why would the Defence Department know about a trip he had taken to China before he was even Defence Minister? It seems unlikely. There have been suggestions that he’s got some
factional enemies in the Labor Party that might be responsible for it. I don’t know or it might just be intrepid journalists doing their job and finding things out. But the fact is whatever the origins are, what do we know about Joel Fitzgibbon? That he is a man who will only tell the truth when his lack of telling the truth has been found out and that doesn’t say much for his capacity to be Minister for Defence.

TIM COX:

Only a couple of minutes left. Malcolm Turnbull here on ABC Local Radio and online. Australia will sell more uranium to China, Martin Ferguson has announced that. Not to be confused with Malcolm Turnbull. Do you support the increase in the volume of uranium that Australia is selling?

MALCOLM TURNBULL:

We also regretted the Rudd Government not proceeding with sales of uranium to India. Uranium is an important export of Australia and as long as it’s sold with appropriate safeguards, which is the case, then nuclear power plays a very important part in the energy systems of the world. I mean nuclear power provides about 15 per cent of the world’s electricity, it is a low emission source of power and many countries that are seeking to reduce their CO₂ emissions are building up their nuclear energy as an alternative. It is a proven alternative. We were just talking about the G20. Well President Sarkozy of France has a country which generates 80 per cent of its electricity from nuclear power. That is one of the reasons its emissions are so low on a per capita basis.

TIM COX:

Tasmania, to finish, obviously presents a big hurdle for you next time we go to the polls – zero seats in the House and one fewer in the Senate then last time around. What do you see as your best prospect for here over the next 18 months? We’re about 18 months away from the polls.

MALCOLM TURNBULL:

Tim, Tasmanians know that I am a great believer in Tasmania and I have a great commitment to Tasmania. Unlike Kevin Rudd, I spend a lot of time here. I am getting to know the state more and more, and moving around the state spending time talking to Tasmanian businesses and community members about jobs; Jobs Forum in Burnie, Jobs Forum in Launceston. I have a grass roots approach to politics and Tasmanians as they get to understand that in this challenging economic times we offer an alternative government that is committed to them, that is committed to employment, that is committed to enterprise, and above all, committed to ensuring that there are plenty of jobs and good jobs for Tasmanians. I think that we will find that we will win a lot of support here in Tasmania but we will work very hard to win that support, I assure you.
TIM COX:

Why do you think then, to finish, that in a broader sense that message is not cutting through, that you are not getting any traction particularly when it comes to polling obviously?

MALCOLM TURNBULL:

Tim, mate, polls go up and down. They’re very volatile…

TIM COX:

Polls are pretty static with respect.

MALCOLM TURNBULL:

Well Tim the polls that you’re talking about don’t even include Tasmania so Tasmania isn’t even part of those polls.

TIM COX:

Maybe the country’s not as savvy as we are or perhaps more, I don’t know.

MALCOLM TURNBULL:

Look, the reality is the only poll that matters is the one on election day and you’ll get lots of volatility in polls particularly at times like this. The Prime Minister’s obviously very popular because he’s handing out lots of money. I mean this guy is running us up into hundreds of billions of dollars in debt and handing out money like someone who wants to be Father Christmas all year.

Now he is not helping our economy. He hasn’t created a job, not one job. He hasn’t stopped the economy going backwards but what he is delivering, and I was looking into the eyes of the young Tasmanian students that came along to the Jobs Forum in Launceston yesterday and I was thinking of them and the higher taxes and the higher interest rates they’re going to have to pay to fund all of the debt Kevin Rudd is running up to do his cash splashes today and that’s chilling. So the reality is Australians are smart and they will recognise that this extravagant economic mismanagement of Kevin Rudd is actually making a tough situation worse.

TIM COX:

Time will tell and I’m sure we’ll be talking frequently through that time. It’s good to see you. Thanks for coming in this morning.

MALCOLM TURNBULL:

Yeah, great to be here Tim. Thanks.

[ends]