

**HD** FINANCE MINISTER CORMANN DISCUSSES DEBT LEVY AND OTHER ISSUES IN INTERVIEW WITH CNBC SQUAWK BOX

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CANBERRA, ACT, May 14 -- Minister for Finance Mathias Cormann issued the following transcript:

MATTHEW TAYLOR: Let's bring in our next guest, the Finance Minister of Australia Senator Mathias Cormann joining us here in Canberra this morning. Senator thanks very much for chatting to us.

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MATHIAS CORMANN: Good to be here.

MATTHEW TAYLOR: We just played some comments from the Treasurer Joe Hockey saying that the Budget is all about changing the mindset of Australians, do you think the Budget will be successful in being able to deliver such outcomes?

MATHIAS CORMANN: The Budget that we delivered last night is an honest Budget, it's a fair Budget, it's a Budget that puts our government spending on a more sustainable medium to long term trajectory and it is a Budget that essentially will put our country back on track and help us build a stronger more prosperous economy.

MATTHEW TAYLOR: Okay, before the election the Prime Minister said that he wouldn't be a Prime Minister that delivered surprises yet we've got quite a few in the Budget, the debt levy for one on people earning more than \$180,000 also some changes to the health space, those co-payments for visits to the doctor. Australians you would think from reading a lot of the commentary this morning are a little bit annoyed, what is your response to the broader public?

MATHIAS CORMANN: Well what we've done over the last seven or eight months as we've worked to put this Budget together is assess all of the information about where we are, all of the information about where we would be heading if we didn't take corrective action and we made judgments that we believe are in the national interest. We have made judgments about doing the right thing for the right reasons and we are hopeful that people across Australia will come with us. We're asking them to make a contribution to help strengthen our country and we hope that they'll come with us.

MATTHEW TAYLOR: When I was in the lockup yesterday and crunching through all of the numbers, we were looking through the growth estimates that you had put down, 2.5 per cent for the shorter term moving up to about 3 per cent when you look at GDP. A number of economists were saying that those numbers appear to be a little bit conservative and the Budget could actually be in a better position. Have you deliberately been conservative with those estimates?

MATHIAS CORMANN: We have been realistic. The previous Government continuously overestimated revenue, underestimated expenditure and immediately after the Budget had to chase its tail because the Budget position was deteriorating literally within days. What we have done is we have taken realistic forecasts and we have those realistic forecasts in the Budget. The reality is that we inherited an economy growing below trend, rising unemployment, low consumer confidence, we are working to turn that situation around by getting rid of taxes like the carbon tax and the **mining** tax, by scrapping red tape, by investing in infrastructure in this Budget quite significantly to build a stronger economy into the future. So we are working on lifting that economic growth into the future.

MATTHEW TAYLOR: But won't putting in new taxes or levies like this debt levy do exactly what you're trying to avoid and damage confidence and sentiment.

MATHIAS CORMANN: We face a significant challenge. The previous Government delivered five budget deficits, totalling \$195 **billion**. Their last budget was another \$123 **billion** worth of projected deficits. We

have implemented some structural savings in this Budget which start low and slow and which build over time. So what we've asked Australians to do is make an immediate short term time limited special contribution and we've sought to spread that effort as fairly and as equitably across the whole community as possible, and the only way you can ensure high income earners participated in that effort sadly and regrettably is through the tax system.

MATTHEW TAYLOR: **Hong Kong** has some questions for you.

BERNIE LO: Hello Minister, it's Bernie Lo with Susan here in **Hong Kong**. Minister, even ultra-capitalists like Clive Palmer who was on with us this morning have been critical of the Budget and I guess the follow through is that balancing the Budget aiming over a decade to balance the Budget, isn't that really an exercise in ideology rather than pragmatism? I mean you look at the accumulated debt as a percentage of GDP and you're sitting very pretty in Australia. You're at 15 per cent thereabouts versus north of 70 per cent in OECD countries. You are in a very good fiscal state, to be taxing people at the top and cutting assistance at the bottom, I mean isn't this more about ideology and balancing the Budget in a vacuum, rather than according to relativity and your relative health compared to other places?

MATHIAS CORMANN: Well absolutely not. The only reason why our debt situation is not worse is because in 2007, when the previous Government came in, they inherited a strong budget and a strong economy. We had no government net debt, we had a \$20 **billion** surplus and we had cash in the bank. What we've inherited is essentially 16 years of successive deficits if we had not taken corrective action. So to understand what that means, right now the Government is borrowing money in order to fund consumption. So if we keep doing that, we're forcing our children and grandchildren to pay the price for our consumption today with interest. That reduces their opportunity in the future because they will have to pay a higher price because of our consumption today. The only circumstance, in our view, where it is appropriate for governments to engage in borrowing is to investment in long lasting productivity enhancing economic infrastructure, where there is a benefit over an extensive period of time. To fund your consumption today is like putting all of the cost of your groceries on your credit card and asking your children in ten years time to pay back the credit card for you with all of the interest that has accumulated in the interim. That is not fair and it is bad economics.

SUSAN LI: Minister, you also talked about selling off some Australian assets in order to help the country and the finances going forward and that includes selling the Australian Mint. Do you feel that you need to do that right now? I mean this is an organisation that produces not only coins for Australia, but also coins for foreign countries as well. Are you really at that point, at that desperation point where you need to sell off these types of assets right now?

MATHIAS CORMANN: Well what we're looking at doing is to sell assets which whether in public hands or in private hands will continue to provide services to the Australian community and which we believe that the private sector would provide more efficiently and more cost effectively. The proceeds from the **sale** of those assets we would reinvest, recycle if you will, by investing them in new productivity enhancing infrastructure. So we've got infrastructure, existing assets which we can sell, which will continue to provide benefits to the Australian economy and to the Australian community and we think that they would be able to do that better and would be able to invest the proceeds from those sales in strengthening our economy for the future.

MATTHEW TAYLOR: Let's talk about the infrastructure spend that you announced as well and also this new Medical Research Fund that you will be establishing, funded through those co-payments to GP's. What type of job creation are we going to see out of those two spends, out of the research fund and out of the infrastructure?

MATHIAS CORMANN: Well it's a very important point you raise. So beyond the structural savings that we've introduced in this Budget, in relation to the remaining spending there is a shift from consumption spending to investment. In terms of the investment into infrastructure, once that programme is complete, that will permanently add 1 per cent to our GDP. In terms of the investment through the Medical Research Future Fund, we are very excited and very hopeful that this will **lead** to some cures like for Alzheimer's, dementia, maybe even cancer. Australian researchers will be able to make a great contribution to the world when it comes to finding cures for these sorts of diseases.

MATTHEW TAYLOR: Okay well we're out of time but thanks very much for chatting to us as always. That was the Finance Minister Mathias Cormann joining us.

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