

Interview with Fran Kelly, ABC RN Breakfast

FRAN KELLY:

Malcolm Turnbull – welcome to Breakfast.

PRIME MINISTER:

Great to be with you.

FRAN KELLY:

A tax on the banks, rail over roads, future proofing the NDIS and Medicare – could you have come up with a more Labor budget if you tried?

PRIME MINISTER:

If it was a Labor budget you'd have \$16.5 billion higher deficits and higher debt. In fact, we're bringing the deficit down, we are getting it down to a balance, surplus in 20/21 of \$7.4 billion. That is a big increase on what was forecast in last year's budget. So this is a responsible plan of economic management and as you said earlier, this is making the right choices for the better days ahead.

FRAN KELLY:

In the end it is a pretty simple formula, isn't it? A 0.5 per cent increase in the Medicare levy, a great big new tax on the banks and you fix the budget. Tax your way out of trouble?

PRIME MINISTER:

Fran, the important thing is to ensure that you bring the budget back into balance. I mean, there is no point kidding yourself about savings measures you can't get through the Senate.

Now we have got a lot of savings measures through the Senate and it's a great credit to Tony Abbott's government, and indeed to my team that we've been able to get over \$25 billion of savings through. But there are a number of measures we could not get through, so we had to take them off the books and we had to make sure that we did the right thing by our kids and grandkids and brought the budget back into balance.

You can see that from next year, in fact, we will no longer be borrowing to fund recurrent expenses like education and health and welfare and by 20/21 we will actually be in a very, in a substantial surplus, \$7.4 billion. Which is way up from where it was estimated at the end of last year.

FRAN KELLY:

It's four years off and we have heard this before, not from you but from prime ministers past. All Australians who currently pay the Medicare levy will be hit with the rise which will take the Medicare levy to 2.5 per cent of taxable income.

PRIME MINISTER:

That's right.

FRAN KELLY:

Why did you go after middle income earners? Why didn't you just increase, give the increase to the high income earners? They're going to lose that 2 per cent budget-

PRIME MINISTER:

You couldn't raise the money, Fran. I mean, in order to raise the money, you need to secure the National Disability Insurance Scheme which benefits all Australians. I mean, all of us could be beneficiaries of that – us or our children or someone we love. It is a vitally important part of our social infrastructure and it needs to be funded.

Now Labor promised it but they had no way of funding it. I mean they literally had a line on a graph. They were completely reckless about this.

We set out to fund it through savings as you know. We've not been able to get those savings through the Senate. So here is the choice – do you keep, do you just leave it unfunded? Are you going to turn around and say in a few years' time to parents of disabled kids: 'Sorry there is no money in the till'? So you've got to fund it and what we've done is taken the tough decision and said: 'Right, we'll increase the Medicare levy.' There was already 0.5 per cent in that which funds NDIS and now there will be another half per cent and now it is fully funded.

So you'll know, you'll know Fran, if you have a disabled child, you'll know and you're getting benefits from the NDIS or you're expecting to, you will know the money is there and it is there because Scott Morrison included it in the budget last night. That is why it is there. And that's fair.

FRAN KELLY:

That's half the money from the Medicare levy. The other half goes to-

PRIME MINISTER:

Medicare.

FRAN KELLY:

Fund those changes to Medicare or the restoration.

PRIME MINISTER:

Yep.

FRAN KELLY:

And the scrapping of the changes that were in the Tony Abbott 2014 budget. Is this just a war chest to protect you from another Labor mediscare campaign again?

PRIME MINISTER:

What it does is it guarantees Medicare. We are establishing a Medicare guaranteed fund. And as you know, we are putting the 1.5 per cent of the Medicare levy that goes to Medicare into that fund plus every year from July 1, an amount from personal income tax receipts will go into that fund and that will be fully disclosed, totally transparent, in a lock box to be only spent on Medicare and the Pharmaceutical Benefits Scheme, the PBS.

FRAN KELLY:

So Labor can't go after you again like they did last election?

PRIME MINISTER:

It will be, Medicare will be guaranteed. It will be guaranteed by an Act of Parliament and the money will be there for all to see.

FRAN KELLY:

Prime Minister, let's talk about the \$6 billion smash and grab on the banks. Why hit the banks with this levy at the same time you're planning to give them a tax cut of about the same size, as it happens? You give with one hand, take with the other. How is that good for economic growth?

PRIME MINISTER:

Let's talk about company tax first. Right around the world – and I saw this when I was in New York last week. In the United States in particular, there is a move to lower company taxes. Our company tax which used to be competitive is absolutely not at 30 per cent. And if you don't have a competitive company tax, then you'll get less investment – you get less investment, you get less jobs.

So lowering company taxes is very important.

Having said that, as far as the banks are concerned, the big banks benefit as you know from an implicit Government support – that is they are the most profitable banks in the world. I think the Canadian Banks are about the same level of profitability but they are absolute standouts, they can absolutely afford this, and it is fair that they make this contribution to bringing the budget back into balance.

FRAN KELLY:

But you talk about the banks as though these are personal riches. I mean this is essentially either a tax on shareholders or end up being a tax on mortgage holders wont it? The banks will almost certainly pass it on in some way. It's going to affect the shareholders at the very least.

PRIME MINISTER:

Well they have no need to pass it on.

FRAN KELLY:

But the shareholders will be effected by it?

PRIME MINISTER:

Well they may be Fran.

FRAN KELLY:

Well it is a chop to the profits.

PRIME MINISTER:

But Fran at the end of the day my job as Prime Minister is to manage the budget responsibly and that means I have to bring it back into balance.

Now you've talked, you've given a whole long list of people who have promised to bring it back into balance and haven't done so. Since I've been Prime Minister we've improved our forecast. Why? Because we're making tough decisions and that includes both cutting spending where we can, where its appropriate and where can get support in the Senate and also being prepared to raise revenue.

Look the fundamental test here is can we live within our means? I'm demonstrating that we have the will and the conviction and the character to do so.

FRAN KELLY:

Just taking into account though, we're going to be joined by Anna Bligh from the banker's lobby group, the ABA shortly, they're already saying this a direct attack on jobs and growth.

PRIME MINISTER:

Oh nonsense.

FRAN KELLY:

Elizabeth Proust, Chair of the Bank of Melbourne says it will hit the banks share price which means it will hit people's super funds. Did you take all this into account?

PRIME MINISTER:

Of course, and can I just say Fran the idea that the banks should be some sort of protected species is ridiculous. I mean the bottom line is –

FRAN KELLY:

Well you've been protecting them from the royal commission saying we need to protect the financial stability of the banks.

PRIME MINISTER:

Well, no, Fran what I have done, or what we have done in this budget, what Scott's done in the budget is set out reforms to the banking sector in terms of making Anna Bligh's executives of those banks accountable. Making sure that they're registered. If they do the wrong thing, they can't work in the industry, establishing a one stop shop, a financial complaint authority that will deal promptly and efficiently with customers and consumers and small businesses claims against the banks.

What we've done, if you look at what we've put in that bank reform package in the budget and you ask yourself- let's say you had a Royal Commission, let's say you spent half a billion dollars and went on for three years and the lawyers all made a fortune – what would the recommendations of the royal commission conceivably be? It's hard to imagine what they would recommend beyond what we have already done.

And this was my point, I said right at the outset we know what's wrong in the banking sector, we know the changes that need to be made. What we should do is get on and do them. Shorten's proposal for a royal commission would have delayed, wasted billions, hundreds of millions of dollars, possibly billions, and taken a long time to you know fluff around with lawyers making points about procedure and so forth. Instead my government has got on with the reforms right here right now. That's what they want me to do, they want me to govern – not to conduct royal commissions.

FRAN KELLY:

You're listening to *RN Breakfast*. Our guest is the Prime Minister Malcolm Turnbull. Prime Minister I know you're a very busy man this morning of course. Let's talk about some of these spending measures \$75 billion in infrastructure spending. The inland rail is going to cost \$8.4 billion. Infrastructure Australia recently put the risk return at 1.1 meaning the project would turn a profit but only just. And out of all of that of course would go to the operator, in this case the Commonwealth. How can you assure taxpayers that we're not going to be lumbered here with an expensive white elephant?

PRIME MINISTER:

Look, this is, you know, connecting Melbourne and Brisbane – it is vitally important to open up all of those opportunities.

FRAN KELLY:

Will it be profitable?

PRIME MINISTER:

Yes, yes it will be and that's what Infrastructure Australia has said.

But you know you need a bit of vision Fran and you've got to be prepared to build the infrastructure in advance.

The fact of the matter is that we have, our population is growing – South East Queensland and Melbourne are the two most populous parts of the country. Are we seriously saying that the only development in infrastructure is going to be snaking along the coast, the east coast of Australia? There is an enormous opportunity to create jobs, opportunities in inland Australia. So that rail line, that additional rail line that will go from Melbourne to Brisbane is going to open up all of that country. And this is not empty space of course you're talking about Western, you know Victoria, Western New South Wales, South East Queensland.

FRAN KELLY:

Sure but this is off the books, is it going to make a return?

PRIME MINISTER:

No it's on the books. It's on the books. It's on the balance sheet. Sure, it's an investment.

FRAN KELLY:

It's an investment but it's not going to the deficit, the bottom, it's not coming out of that sum. Because you say it's going to make a rate of return. What's the risk there?

PRIME MINISTER:

Well it's an investment but it's a massive piece of infrastructure. It's like Western Sydney Airport. We're going to build an airport as well. This is what governments should do. Governments have got to build and invest for the future.

FRAN KELLY:

And why are you going to buy the Snowy? That's already built, why do want the whole thing. That was a surprise last night.

PRIME MINISTER:

Yeah we need to invest, there's a lot of money we need to invest into Snowy and a lot of money that can come as debt obviously, but there would have to be some additional equity going into Snowy Hydro to expand it.

FRAN KELLY:

Snowy 2.0?

PRIME MINISTER:

Snowy 2.0. This is going to increase the scale of Snowy, of clean green renewable energy storage which makes all other renewables reliable. It's a vital investment. New South Wales and Victoria obviously would rather have their money out and they've been interested in selling. So what we've said to them is if they want to sell, we're happy to buy it. I think the public expect this piece of national infrastructure to be in the hands of the national government. Again, that is a very profitable company. It's a good investment and it'll be a great investment for generations to come.

FRAN KELLY:

Prime Minister a couple of other issues before you – there's a range of measures on housing in the budget but the first homebuyers offering, it's already been knocked back by Labor. Chris Bowen this morning on this program says they won't support that offer for first homebuyers to save in their super. Labor says this is just simply a hit on super. Is it back to the drawing board?

PRIME MINISTER:

Oh it's not. He's absolutely wrong. It does not deplete or diminish anybody's super. What we have done is we have set up a plan whereby a young person, a young couple can save, put additional savings over and above their super contributions into their superfund. That's for administrative purposes.

FRAN KELLY:

So it's in the super fund?

PRIME MINISTER:

It's in the super fund. Then they get the normal tax breaks for doing that. Then when they withdraw it, if they withdraw it to buy a house, they pay the marginal tax rate less 30 per cent. So it's very tax advantageous. It's got a cap of \$30,000 as you know. But what this does is it gives real support for young people seeking to get that deposit together. But it does not diminish their super. There's a lot of – you know, I've never supported people being able to divert superannuation into a home deposit scheme because superannuation is there to provide for retirement. But what this does is enable people, if they can, it gives them the incentive to save additional money, but to use the mechanism – because it's much simpler administratively – of saving it in their super fund.

FRAN KELLY:

Prime Minister in the welfare changes, the eye-catching one was the trials of drug testing, drug testing of new welfare recipients. Jobseekers who test positive will have their income quarantined – they're placed on the cashless debit card. Is that-

PRIME MINISTER:

We're doing them a favor. We're doing a huge-

FRAN KELLY:

Is that overkill?

PRIME MINISTER:

No.

FRAN KELLY:

A 25-year-old goes to a party the night before and gets drug tested the next day for having a joint. Is that really, they should be on the cashless welfare card?

PRIME MINISTER:

Well you know as well as I do, that substance abuse and drug dependency and alcohol dependency have got a very high correlation to unemployment and welfare dependency.

FRAN KELLY:

But a random drug test doesn't necessarily test for dependency does it?

PRIME MINISTER:

Well Fran look, the lesson is don't do drugs and the bottom line is if you're on welfare, what you've got to do is get off welfare and into a job. We're doing everything we can to ensure we can achieve that. This is doing those people a big favour.

FRAN KELLY:

You've got to go – just finally, the Treasurer calls this combined tax hikes a Senate tax. You're blaming the Senate for these tax increases. Are you just getting rid of these zombie measures because you're just sick of them, sick of the fights over them? Or because you think they're bad measures?

PRIME MINISTER:

They can't be legislated, so they're –

FRAN KELLY:

Were they bad measures?

PRIME MINISTER:

Well it's not a question of good or bad. I mean, they were measures that we thought, which we believed had merit. We took them up to the Senate, in some

cases several times.

But the fact is that we've got to live in the real world. We've got to live with the Parliament that the Australian people elected. My job is to get legislation through the Parliament.

Now we have 29 seats out of 76 in the Senate, so if the Labor Party won't support it, we've obviously got to find support on the crossbench. There is no point leaving savings or measures on the books if they cannot be legislated.

I mean it is critically important for us that we don't just talk about bringing the budget back into balance, but we do. We've got to deliver. That is what we're doing. What you've seen and you saw this confirmed by Moody's, the ratings agency last night – this is a credible budget, credible in bringing the budget back into balance. It is a conservative forecast, reasonable assumptions. This delivers for our kids and grandkids, whether it's on budget balance or on infrastructure, on assuring them of fair, needs-based school funding, guaranteeing Medicare, guaranteeing the NDIS. This is a fair budget.

FRAN KELLY:

A budget to be proud of?

PRIME MINISTER:

I'm very proud of this budget, believe me.

FRAN KELLY:

Malcolm Turnbull thank you very much for joining us.

PRIME MINISTER:

Thanks Fran.

[ENDS]

[Two-thirds of inspected firms violate environment rules](#)

Some 5,594 companies, or 66.2 percent of those examined, violated environmental standards during the latest round of air pollution inspections, China's environmental authority announced Tuesday.

The findings came after a month of inspections across 28 cities in the

Beijing-Tianjin-Hebei region and other nearby areas, which resulted in the discovery of problems including excessive emissions and insufficient pollution control equipment.

Inspectors reported the issues to the local authorities for further investigation, the Ministry of Environmental Protection (MEP) said in a statement.

As of May 2, local authorities had shut down 131 companies and halted production at another 213 due to failure to meet environment protection standards.

Chinese enterprises were fined around 264 million yuan (\$38 million) for violating standards in the first quarter of this year, the MEP said last month.

The ministry issued punishments in nearly 5,000 cases related to violations of environmental protection regulations and laws in Q1, up around 200 percent year on year.

In 224 cases, companies had to pay between 10,000 and 100,000 yuan per day after failing to rectify violations within the time frame set by the MEP.

[China has 3.5 mln registered nurses](#)

The number of registered nurses in China reached 3.5 million at the end of 2016, the National Health and Family Planning Commission (NHFPC) announced Wednesday.

Guo Yanhong, senior official at NHFPC, released the figure at a press conference ahead of International Nurses Day, which falls on May 12.

Registered nurses make up 42 percent of the country's healthcare professionals, Guo said, adding that China will launch a plan to retain nursing talent and motivate workers.

NHFPC will continue to provide improved nursing services to cope with the aging population and the increasing need for rehabilitation and hospital care, Guo said.

[12 dead in school bus crash](#)

A total 12 people have died after a school bus crashed in a tunnel and burst into flames at Weihai, East China's Shandong province, on Tuesday.

According to the city's publicity department, 13 people were on board the vehicle when the accident took place at about 9 am.

Those who died at the scene included five South Korean children, six Chinese students and the bus driver, with the Chinese teacher on board badly burnt.

The children were aged between three and six-years-old.

No further details have been released at this time.

[China issues regulation on military legislation](#)

President Xi Jinping, who is also chairman of the Central Military Commission, has signed a decree that will release a regulation on military legislation.

The regulation took effect Monday.

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