

# Interview: Prime Minister Malcolm Turnbull on ABCC legislation, tax reform, negative gearing

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Reporter: Leigh Sales

The Prime Minister Malcolm Turnbull has announced both houses of Parliament would be recalled to deal with the bills and said he would call a double dissolution election to be held on July 2 if the bills were not passed.

## Transcript

LEIGH SALES, PRESENTER: Here with me in Sydney is the Prime Minister, Malcolm Turnbull.

Welcome back.

MALCOLM TURNBULL, PRIME MINISTER: Great to be here.

LEIGH SALES: You've set up the ABCC as a trigger for a federal election, a double dissolution no less, a very rare event in Australian politics. How many Australians do you think have actually heard of the ABCC, let alone care?

MALCOLM TURNBULL: Well I think many Australians have - many, if not most Australians are very well aware of the level of lawlessness and corruption and waste in the construction industry. The Hayden royal commission set it out very graphically, if we had reason to doubt it. There's about a hundred officials of the CFMEU and members of the CFMEU in - facing court proceedings at the moment. It is a - there has been a degree of lawlessness in that construction sector that was identified by the Cole royal commission years ago. The Howard Government set up the Australian Building and Construction Commission to have a strong industry watchdog which reduced disputes. It improved productivity by 20 per cent. The Labor Party in government, Mr Shorten in fact as the minister, abolished the ABCC and what have we seen? Industrial disputes rising, lawlessness rising. Do you know, Leigh, nearly 70 per cent of all of the industrial disputes in Australia are in the construction sector and that tells you that Hayden was right and I believe we are right ...

LEIGH SALES: You mentioned improved ...

MALCOLM TURNBULL: ... in saying there should be a special regulator.

LEIGH SALES: You mentioned improved productivity, but a report by the Productivity Commission in 2014 found that the introduction of the ABCC didn't improve construction productivity overall and nor did the removal of it have a negative effect. Overall its impact was fairly marginal.

MALCOLM TURNBULL: Well, I think you'll find that's not right. There is a ...

LEIGH SALES: Well I've got the report right here.

MALCOLM TURNBULL: Well I'm sure you do. But there is plenty of work been done on this by Independent Economics that show there was an increase in productivity following the introduction of the ABCC.

LEIGH SALES: But you're going to call a double dissolution election over it. Is the whole nation's

future at stake over this one oversight body?

MALCOLM TURNBULL: No, there is - this is - a double dissolution election, let's be clear, isn't - is just an election. There is - the reason it is special is because all of the senators go up for election instead of just half. The reason you have the double dissolution mechanism is because in the Parliament, in our Parliament, we have a House of Reps and a Senate and they have pretty much equal power. So, when they can't agree, when they persistently can't agree, there has to be a mechanism for breaking that deadlock. And so what happens is the bills on which they persistently can't agree on are the trigger for a double dissolution election and after the election ...

LEIGH SALES: Nonetheless, you're ...

MALCOLM TURNBULL: ... we come back and vote in a joint sitting on those bills. Otherwise, you'd never be able to resolve deadlocks.

LEIGH SALES: Nonetheless, you're using this particular bill and this particular issue as the trigger for an election. So you're putting workplace issues at the very forefront of the political debate, yet in nearly three years the Abbott-Turnbull Government has done nothing with workplace reform, despite business begging for it.

MALCOLM TURNBULL: Well, Leigh, I don't - I don't accept that. The Australian Building Construction Commission bill to reinstate that has already been into the Parliament and rejected by the Senate once. It's back in the Senate now and they kicked it off to a committee.

LEIGH SALES: But what about workplace reform more broadly?

MALCOLM TURNBULL: Registered Organisations, which is another important bill which essentially says that unions and employer organisations should be as responsible and accountable as companies, that's actually been rejected by the Senate three times. You see, Leigh, the real agenda here, the key agenda here is how do we successfully continue to manage our transition from an economy that was fuelled by a mining construction boom to a new and more diverse one?

LEIGH SALES: And if you listen to anyone in business, what they will tell you is that a big part of that is reform of the industrial relations sector. The outgoing chief of the Australian Chamber of Commerce and Industry, Kate Carnell, said in a recent interview that her greatest failures was in not being able to get workplace relations on the Government's agenda.

MALCOLM TURNBULL: Well workplace relations, I can assure you, is very much - is very much in our thinking, but we will be - whatever policies we take to the election, we'll lay out well in advance.

LEIGH SALES: And so there will be a comprehensive workplace reform policy going to the election?

MALCOLM TURNBULL: We will take workplace reform to the election, as we always would. But can I just say to you that the successful transition from a mining-construction boom-fuelled economy to one that is more diverse - and we are doing it successfully. We have three per cent real GDP growth, we have over 300,000 jobs created last year. There is no one silver bullet - not workplace relations, not tax reform, not industrial relations reform. You need to be pulling on every lever and that's why we are. So we have an innovation policy, we have a Defence policy that's going to put money into Australian industry. We're reforming the competition laws so that small and medium business cannot be pushed out of markets by big business. We are ensuring that our bankruptcy laws for corporate bankruptcy laws emphasise business continuity so that companies that get into financial difficulty can't be shut down pre-emptively by banks. So, right across the board, all of these measures are part of our economic plan.

LEIGH SALES: So ...

MALCOLM TURNBULL: I know people like to focus on one thing or another, and that's fair enough, but you've got to have reform right across the board and that's what we're doing.

LEIGH SALES: You've listed a range of policies there. When you look at what you have done as Prime Minister versus what Tony Abbott has - Tony Abbott did as Prime Minister, across a whole range of policy areas, the ones you've named as well as climate change, Defence, border protection, foreign policy, productivity, IR, education, same-sex marriage, the republic, there's very little difference. So then what was the point of knifing Tony Abbott?

MALCOLM TURNBULL: Well, I don't want to buy into that sort of - those sort of unpleasant metaphors. I mean, really, really ...

LEIGH SALES: But it is that something people have been - no, no, it is something that people have been discussing in a policy sense?

MALCOLM TURNBULL: No, no, no, but - but we shouldn't be using - can I just say we shouldn't be using violent metaphors like that talking about - so there was a change - OK, there was ...

LEIGH SALES: OK. I withdraw - replacing Tony Abbott.

MALCOLM TURNBULL: Yes, true. Let's talk ...

LEIGH SALES: So - but there's - what was the point of that because there's been very little policy change?

MALCOLM TURNBULL: Well that's - that's quite untrue, if I may say so. Let me run through a few. Firstly, we dealt with Senate voting reform. That was not on the agenda and it's done. It's been voted in and done. Secondly, we have a cities policy. We are not limiting our support in cities and generally to roads, we're supporting mass transit and public transport. Media ownership reform, kicked into the long grass, never to be seen again, apparently; taken out. It is now the Government's policy and we'll be proceeding to bring our media ownership laws into the 21st Century. And right across the agenda of innovation, that's - that is an innovation, if you like, of my prime ministership, but we are supporting investment in new start-up companies. We're ensuring that our universities and our best minds and our big research institutions work closely with and collaborate with business. I mentioned the point about business continuity and changing corporate bankruptcy laws. Right across the board, there are - there are many - look, between Tony and myself, Tony Abbott and myself, there is continuity. Of course; I was part of his government, part of his cabinet, but already is also a great deal of change. So, as you go from one Liberal prime minister to another, you have continuity and you have change and there has been a lot of change.

LEIGH SALES: So when voters come to vote on election day, are they voting for three years of Coalition government, because it's not - you're not a new government?

MALCOLM TURNBULL: They'll be voting - well, voters always look forward. They'll be voting for the next three years and they will be voting - they will be deciding who do they think is best able successfully to manage the transition of our economy so that we can ensure that our children and grandchildren have good, high-paying jobs in this, the most exciting time for Australia, and this, the time of the greatest economic opportunities.

LEIGH SALES: OK. Let's drill down ...

MALCOLM TURNBULL: And the choice is between me and Bill Shorten.

LEIGH SALES: Let's drill down into a few more details of your long-awaited economic policy.

You've said numerous times that tax reform is a central part of your economic plan. Is that still the case and will you be bringing out a tax package before the Budget on 3rd May?

MALCOLM TURNBULL: Well the Budget will be on 3rd May and all of our tax measures will be set out in the Budget, as they normally are.

LEIGH SALES: And why has it taken so long to bring out a tax package because when you first became Prime Minister you were saying that it was imminent that you'd be bringing something out?

MALCOLM TURNBULL: I don't believe I did, Leigh, as a matter of fact.

LEIGH SALES: Well you did in an interview with Fran Kelly. You said that it would be coming very soon.

MALCOLM TURNBULL: Well May 3rd is very soon.

LEIGH SALES: It wasn't back in October, though.

MALCOLM TURNBULL: Well, it is very soon. We are now very close to - to the - to the Budget. And can I just say, I know - look, Leigh, the media craves constant news and it wants to have - it wants politicians to make decisions on the run and provide some new revelation every day. My job as Prime Minister is to make the right decisions and to do so carefully and after due consideration.

LEIGH SALES: But you have been in for six months now.

MALCOLM TURNBULL: And if you want a contrast, consider what Labor and Shorten have done. They've come out with a so-called negative gearing housing affordability policy which will stunt investment. At a time when we need more investment, they're going to increase capital gains tax by 50 per cent. Now if you want people to do less of something, you put up the tax. Want people to smoke less, put up the tax on cigarettes. If you want people to invest less, increase capital gains tax.

LEIGH SALES: Let me ask you ...

MALCOLM TURNBULL: Is that what we really want to do in Australia in 2016? Do we really want less investment? I think we want more. Labor clearly thinks we want less.

LEIGH SALES: Well let me ask you - let me ask you about your tax plans. Arthur Sinodinos was yesterday floating the strong possibility of company tax cuts. On this program in December when I asked you about that you said that the problem with it was affordability and that a company tax cut would be an enormous charge on the budget at this present time. Is that still your thinking or not?

MALCOLM TURNBULL: Well, the problem is I was no more - I was offering you, frankly, a penetrating glimpse of the obvious and I apologise for doing so, but any tax cut is a charge on the budget and you've got to weigh all that up ...

LEIGH SALES: But you were implying then that it was going to be a big ask.

MALCOLM TURNBULL: No - you're - you see, this is the - this is the - this is the problem with the ...

LEIGH SALES: So now you think the budget can sustain a company tax cut?

MALCOLM TURNBULL: This is - your enthusiasm for putting words in my mouth is commendable.

LEIGH SALES: I just like clarity.

MALCOLM TURNBULL: Yes, and you should let me finish my sentence and then we can - then I can be clear. The - any cut in taxation in revenue is obviously a cost to the budget, OK? So all of these - and everything has to be affordable. And not all of the things you want to do in any budget can be afforded. So the choice is always - and this is why budgets have to be prepared with great care - the choice is between all sorts of competing priorities. And so, all of these measures, all of these things that people have an interest in - there are dozens of submissions being made to the Government about the Budget. People want this tax lowered, that benefit increased, that benefit lowered, he over here, that benefit increased at the expense of somebody else's benefit. All of those submissions are made and our job is to weigh them up.

LEIGH SALES: And so company tax cuts - are you leaning towards company tax cuts?

MALCOLM TURNBULL: I'm leaning towards having - I'm leaning towards the Budget on 3rd May and all of those details will be in the Budget.

LEIGH SALES: What about - by taking - I accept your point about wanting to work through things, but if I take that at face value, by taking so long though to release a comprehensive economic policy, haven't you allowed Labor to set the agenda so far in that area and don't the polls show the public marking you down for that?

MALCOLM TURNBULL: Well let me just - let me give you the point I was - continue the point I was making about Labor. So at a time we need more investment, they're increasing the tax on investments. Is that well thought out? I don't think so. At a time when we want Australians to have a go and be enterprising, start new businesses, start small businesses, they are - they are - with their negative gearing policy they are going to prohibit anyone from offsetting an investment loss against their personal income unless it is a new residential property. So - so ...

LEIGH SALES: There are countries overseas that have far less generous negative gearing policies than Australia. Their economics still tick over, their stock markets still grow, businesses still open up.

MALCOLM TURNBULL: Leigh ... let me finish. So that means, under the guise of housing affordability, you would not be able to not only buy an existing flat or a house and negative gear it against your personal income, you couldn't buy a shop, you couldn't buy a warehouse, you couldn't buy an office suite. What's that got to do with housing affordability? You couldn't buy a portfolio of shares in public companies. What's that got to do with housing affordability? You could not capitalise with a partner a private company to start a business and offset that against your income. Now, the reality is that most of us start off with only our human capital and we start off in life earning some money for ourselves in our profession, in a job and we leverage that - we borrow money and leverage that to start something else. Labor is saying you can't do that anymore.

LEIGH SALES: But in your first interview with this program as Prime Minister you said that the first principles of the Turnbull Government would be the free market.

MALCOLM TURNBULL: Yes.

LEIGH SALES: So why are you now violating that principle by backing negative gearing, which is a government intervention that distorts the market?

MALCOLM TURNBULL: That is - that is so wrong, Leigh. I'm sorry to ...

LEIGH SALES: It's a government policy, it's not free market.

MALCOLM TURNBULL: No - (laughs) Negative gearing is - is income tax 101. It's not a tax concession at all. What it means is - it is a fundamental principle of tax law and has been forever that

you can deduct from your income the interest expense of money that is borrowed to purchase an income-producing asset.

LEIGH SALES: It's a government incentive.

MALCOLM TURNBULL: It is - it is a normal tax deduction.

LEIGH SALES: It's not ...

MALCOLM TURNBULL: The incentives - the incentives - there are incentives given. We're providing incentives to invest in start-up companies. Superannuation is full of incentives. There are incentives to invest in certain types of projects - water projects, for example. Right across the country, there are tax incentives. Negative gearing is not an incentive, it is simply a basic income tax principle. Do you think ...

LEIGH SALES: You've raised - you've raised housing affordability as well. You assume - you seem to assume Australians want housing prices to keep rising when housing affordability is an issue of great concern to many Australians who might like to see housing prices fall.

MALCOLM TURNBULL: Well, I don't think it's - well, I don't think many Australians who own houses want housing prices to fall.

LEIGH SALES: No, but they want their kids to be able to afford them.

MALCOLM TURNBULL: Let me go on. The reason why housing is not as affordable or accessible as it should be is because we are not building enough houses. Now let me give you an example of what Labor's policy would do. If you take - underlay this plan, the only housing that investors can invest in and deduct their losses against their income would be new housing. Now if you go out to the outer suburbs of Sydney or Melbourne you will find lots of new subdivisions and new houses and young couples will be buying house and land packages. And that's - and they are the bulk of those buyers for that. Under Labor's plan, they will now be competing with investors.

LEIGH SALES: Isn't this going to my point that Labor is setting the agenda here because you are responding to their policy?

MALCOLM TURNBULL: But let me - Labor - well, they have put out a policy that is so ill-considered and so dangerous that it has to be responded to. But just let me come back into the city.

LEIGH SALES: Briefly 'cause I want to go through some other things.

MALCOLM TURNBULL: Yep. So we get into the city and we get close to the city and we have lots of apartment buildings. Most of those apartments are often tenanted, so people are renting them. The owners, naturally, are investors. Under Labor's plan, those investors when they sell can only sell to home owners. So what will happen is the number of tenatable, rentable properties will contract. Rents will go up. People who can't afford a home but need to rent will have fewer apartments to rent. And, of course, you will end up - because that will bring prices down, fewer new dwellings will be built. What we need is a comprehensive approach to cities, which is part of my government's policy, which will ensure that when we invest in infrastructure in cities, we get outcomes that will deliver more housing availability - planning outcomes that will ensure more dwellings can be built, and hence, there will be more affordable housing.

LEIGH SALES: Alright. Now before we run out of time, a couple of quick other things. Why didn't your Treasurer Scott Morrison know before this morning that the Budget was moving forward to May 3rd?

MALCOLM TURNBULL: Well, Scott Morrison - the Budget was set down for 10th May until I announced it was going to be on 3rd May.

LEIGH SALES: But that didn't just happen at 10 o'clock this morning. You must've been thinking about it for a while. Was your Treasurer not in the loop?

MALCOLM TURNBULL: Well, you can't - I know, again, some people think politicians should engage in a sort of thinking aloud process. The Budget was - the Budget was on 10th - set down for 10th May until I stood up and announced it was going to be on 3rd May.

LEIGH SALES: But why was your Treasurer not a part of that process, though?

MALCOLM TURNBULL: Well the Treasurer was aware that we were considering a whole range of options, but until I made the decision to change the date of the Budget, the Budget was on 10 May.

LEIGH SALES: And do you think that your relationship with the Treasurer is functioning effectively?

MALCOLM TURNBULL: Of course it is. It's excellent. I've known him for many years. Decades, in fact.

LEIGH SALES: Just - just finally before you go, when the Opposition Leader Mr Shorten was on the program last week I asked him if he would make the same commitment as previous Australian political leaders, which is to do two prime-time lengthy interviews on this show during the election campaign. He said he would be keen to do that. Would you like to?

MALCOLM TURNBULL: Why only two? Can't we - are politicians so dull? It could be quite a long election campaign.

LEIGH SALES: Excellent!

MALCOLM TURNBULL: Maybe we should have more!

LEIGH SALES: Well if you both want to come on once a week. Great! I'll throw that back to him next time he's on! Malcolm Turnbull, thank you very much.

MALCOLM TURNBULL: OK. Thank you very much.

LEIGH SALES: Thank you, Prime Minister.