



**LEADER OF THE OPPOSITION
THE HON. MALCOLM TURNBULL MP
FEDERAL MEMBER FOR WENTWORTH**

8 April 2009

**TRANSCRIPT OF THE HON. MALCOLM TURNBULL MP
INTERVIEW WITH FRAN KELLY
ABC RADIO NATIONAL**

Subjects: Broadband network announcement; interest rates; budget; China.

E&OE.....

KELLY:

Malcolm Turnbull joins us in our Sydney studio, Malcolm Turnbull welcome.

MALCOLM TURNBULL:

Good morning Fran.

KELLY:

You started one of the first internet providers in this country, OzEmail, you'd be all for super fast broadband wouldn't you?

MALCOLM TURNBULL:

I'm all in favour of super fast broadband, very much so, but I'm also in favour of commercial viability, I'm in favour of political honesty and I'm in favour of governments spending tax payers money wisely. Let's just reflect on what Wayne Swan has done in the last few minutes. He has said that the Government is going to spend \$43 billion on a broadband network, which he and the Prime Minister have said will be commercially viable and which will be 50 per cent funded by the private sector.

They've both gone into the media and urged Australians to invest in it. They've said it's a great investment for these infrastructure bonds and yet we've just heard him say he does not know how many households will take it up. He does not know what price they will pay and in fact he does not know whether it's commercially viable at all. He says all of this will be determined in the implementation study. Now it's not an implementation study. Really what he's done, he and the Prime Minister have done, is spend \$43 billion on a project, the commercial viability of which they have absolutely no basis for knowing.

KELLY:

Is it a dream worth shooting for though? Is there anything wrong with saying this is the world's best practice, let's go for this, I mean I'm wondering if you're against the concept of if you're against the Government spending tax payers money on it?

MALCOLM TURNBULL:

Fran I think what the Government should do is ask itself this question; how can we provide the best broadband service at the least cost technology in a way that meets customers demand and that is at an affordable price? Now when we were in government we recognised there was one part of Australia in particular where the market was not going to deliver that, and that was regional Australia, so we had a specific proposal, the OPEL Project with Elders and Optus that would have delivered that with a government subsidy – I mean a fraction of what we're talking about here, it was less than a billion dollars – that would have provided that to regional Australia. And in the cities you have the telco's competing with each other, providing different forms of broadband technology. You've seen massive take up in wireless broadband, massive, four times as many people took up wireless broadband in the last six months than did fixed line.

KELLY:

We're still languishing behind a lot of the world though, I mean I think we're ranked 28 out of 30 in the tables of fast speed broadband, I mean that's pretty bad for a developed country like Australia isn't it? Don't we deserve better?

MALCOLM TURNBULL:

Well Fran it's a question of whether you're prepared to pay for it. You've got to ask yourself this question; this service to be viable, to be commercially viable would require an enormous number, a very, very large percentage of households to take it up and to pay prices north of \$150 a month.

KELLY:

Well Optus disagrees with that, we spoke to Optus earlier; they said that's not true?

MALCOLM TURNBULL:

Well Optus I'm afraid to say... I don't know what they said so I'm not going to comment on that because I didn't hear it. But if you look at the brokers research, the economic analysis, Goldman Sachs' work for example has been published this morning, it demonstrates quite clearly that you need to have a massive take up and you need to charge substantially higher prices. You see if you talk – let's say they can actually build this for \$43 billion and there's a lot of people that argue quite forcefully that that is a very low number – but to get an adequate commercial return on that it would need to generate a return of over \$6 billion a year. Now that is substantially more than Telstra's entire profit. Forty three billion dollars is substantially more than the value of all of the communication assets of Telstra. So this is a gigantic undertaking and the only way it could be built is with tax payer's dollars. The proposition that it is commercially viable has no basis because the Treasurer has said, just a few moments ago, your listeners, we have heard him admit that he has no basis for representing the project as commercially viable. If a business man or woman made statements like that with so little foundation they would be in ASIC under investigation now. This is sheer recklessness Fran.

KELLY:

Well the Government is not going to spend this money until they do this implementation study, what if the implementation study comes back and it says it is commercially viable and consumers won't be paying too much, will you support it then?

MALCOLM TURNBULL:

Well Fran we will assess it on its merits. We are not saying we're going to in a blanket way oppose this....

KELLY:

....well you have, I mean Nick Minchin said you might even rewind it.....

MALCOLM TURNBULL:

Might, might, Fran. Fran, the point is we reserve the right to vote as we see fit on proposals the Government presents when they are presented. At this stage we really don't know very much about this other than the Government's assertion that it will cost \$43 billion, we don't know whether that's right, their assertion that it is commercially viable, which was clearly made without any factual foundation.

You see you are, to the best of my knowledge, and if I may compliment you here, you are the only journalist that has actually asked Kevin Rudd or Wayne Swan a probing financial question. You said, 'how many households will take it up and what will the price be?' They are two key determinants of its financial and commercial viability. He couldn't answer either question.

KELLY:

The flip side of that is though should the Government not try not go for this not look at this. It's going to spend the dollars until it's done (inaudible). Should it not aim for this because it thinks it might be too expensive?

MALCOLM TURNBULL:

No what they should do is they should first do the work and find out what level of broadband services can be provided, what speed, at what price, what the demand is. You see here is a fundamental question; if you have got a wireless broadband or a fixed line broadband service at the moment at a speed of 10 megabites a second, for example, and say it's costing you \$50 a month, say that's what you're paying just as an example, and then the Government comes along and says we can give you a 100 megabites a month but it's going to cost you \$200, you may well say, I don't actually need that faster connection, I don't need to download movies in half a second, I'm happy with what I've got, and the question is; if the Government is going to provide a service like this at a huge loss, then it should say so.

But what they have said is that this will be commercially viable and they have urged, without any financial information before them, without having done their homework, they've urged Australians to invest in it. And I tell you as a businessman, if I were to do that in my business life, that is, to urge people to invest in a venture with no basis of knowing whether it was viable or not, I would be hauled into ASIC, I would be in the hottest of hot water.

Now what we've got at the moment is a Prime Minister and a Treasurer who are demonstrably utterly reckless with the nation's finances. They are running up debt at a reckless rate which will impose higher taxes and higher interest rates in the future.

KELLY:

Its eight minutes to eight on breakfast, our guest this morning in the breakfast studio is the Opposition Leader Malcolm Turnbull. Malcolm Turnbull can I ask you about the decision by at least one of the banks and certainly all of them not pass the RBA rate cut on in full yesterday, the NAB not at all, do you fear that monetary policy will stop working if banks don't pass on these rate cuts?

MALCOLM TURNBULL:

Well if banks don't pass them on at all, of course then it doesn't work, that's right. I mean the rate cuts are only effective in terms of stimulating the economy if they are passed on by banks. I'm very disappointed that the banks have not passed them on. The banks have received enormous support from the Government. They've got the benefit of a deposit guarantee, they've got the benefit of a wholesale term funding guarantee and really the least they can do is pass on these cuts in official rates. The banks are doing very, very well at the moment, particularly the big four, they're doing very well, competitively and in every other way.

KELLY:

A couple of quick questions on a couple of issues before I let you go, it's a...some pretty dire poll results out for you this week, are you hoping that the Budget will come along and be the circuit breaker for you, something needs to be the circuit breaker for you doesn't it?

MALCOLM TURNBULL:

Fran the Government is not making any tough decisions. Everything they're doing is very popular. Even yesterday, broadband for everybody, \$43 billion, don't worry it will be commercially viable and you're the only person, and again I compliment you on it, you're the only person that's actually asked the hard question, for which the Government says we have no idea. So this is la la land. They are sending out billions of dollars in cheques, every child is winning a prize at the moment, Kevin Rudd is Santa Claus all year round, so why are we surprised that he's popular?

KELLY:

Nevertheless with your personal standing, the gap 67 to 18 per cent in terms of preferred Prime Minister, I mean does it become unsustainable at some point, what happens for you, do you just keep (inaudible) on here?

MALCOLM TURNBULL:

Fran I'm focussed on the Government. I'm focussed on the way they're running up debt. I'm focussed on the reckless way, the reckless way they are urging Australians to invest in a project about which they have no, no reliable view on the commercial viability. So let's just consider that. This is really the question; Kevin Rudd and Wayne Swan have been out there saying this is a commercially viable project, Australians should invest in it and yet when you've asked them fundamental questions about the economics of it, they've said they don't have a clue – is that really responsible government? Is that the way Australians want to have their economy and their government managed so recklessly?

KELLY:

Could I ask you now about relationship with China or more broadly the investment decision that's coming up with Chinalco and Rio Tinto. National Party Senator Barnaby Joyce has called for a ban on all foreign state owned companies being able to invest in Australian mining, do you agree with that? Is that the line we should draw?

MALCOLM TURNBULL:

That no state owned enterprises should invest in Australian mining?

KELLY:

We shouldn't allow invest by state owned entities?

MALCOLM TURNBULL:

Well there would have to be a large amount of disinvestment if that were to be the case. Look let me; because there's already a number of Chinese state owned enterprises have invested in Australian minerals companies. Look historically these FIRB decisions, these foreign investment decisions have been taken on a case-by-case basis and in the Coalition we believe that's the right approach. As for Chinalco, Rio that is something we've been considering very carefully. We've discussed it in Shadow Cabinet and we'll be expressing some views on that shortly.

KELLY:

There has been some criticism of some of the comments made by you and others on your frontbench about China and the Government's relationship or closeness with China, I'm wondering if you've been approached at all by any representative from the Chinese Embassy or the Chinese community disapproving of your comments?

MALCOLM TURNBULL:

Well not at all. I mean I speak to the Chinese Ambassador reasonably regularly, Zhang Jun Sai, I know him. Our relations with China are very important. Australia has very friendly relations with China and we respect that but we also have to respect, recognise, that we have competing interests, we have national interests of our own.

To say that Australia has concerns about Chinese Government owned companies investing in key strategic natural resources in Australia is not to be critical of China, that is a vital national interest of ours. I mean we should never forget that when Chairman Mao won victory at the end of his revolution, he stood on the top of Tiananmen in Beijing; he said the Chinese people have stood up.

Now equally the Australian people must always be prepared to stand up for their interests and I say to you Fran, that as the alternative Prime Minister of Australia, Australians know that I will always stand up for the Australian people no matter how powerful or how friendly another nation may be. We need leaders that speak for Australia, a strong voice for Australia, now that's what I offer. I don't believe Kevin Rudd has been a strong enough voice for Australia. That's my criticism of him. It is no criticism of China. China's entitled to pursue its interests as it sees fit. But we must stand up for Australia and the Chinese respect that.

KELLY:

Malcolm Turnbull, thanks very much for joining us on breakfast.

MALCOLM TURNBULL:

Thank you.

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