

ABC NEWSRADIO

Transcript – Small Business Minister Craig Emerson

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Marius: Craig Emerson, the Opposition says that if the banks want to hang onto the official interest rate cut that is expected tomorrow they should make their case, they should open their books, they should show why they need to hold onto that money and not pass it on to borrowers. Is that fair enough?

Emerson: It's pretty clear from the authorities that the borrowing costs - and indeed from the market itself which is very transparent - that borrowing costs have gone through the roof in the last little while and as a consequence the cost of money for those banks has gone up.

Now we want the banks to pass through as much of any interest rate cut that is humanely possible but we would be living in a delusion if we didn't recognise the fact that borrowing costs have gone up sharply. Now the Opposition has refused to recognise that. They have taken an opportunistic position on this saying this problem doesn't exist. There is a very big problem, it's called the global financial crisis and it's about time the Opposition recognised that and the implications of it for borrowing costs.

Marius: But why is the Government making this case for the banks about borrowing costs? Why don't you just leave it to the banks, if that's their argument let them argue it? Why has the Government decided to be the advocate for the banks?

Emerson: We're not being an advocate for the banks, we're being an advocate for reality, the reality being we want the banks to pass on the maximum amount of any interest rate reduction from the Reserve Bank but we recognise the international financial crisis.

Earlier in the year Malcolm Turnbull recognised that. He recognised issues of rising borrowing costs but now that he's Opposition Leader he's decided to abandon all that. He talks about bipartisanship – he's providing none, still blocking important aspects of our budget in the Senate and very importantly they are threatening to block a major infrastructure investment in this country that they neglected for the best part of 12 years which would be a very important component of both lifting productivity growth in this country and stimulating the economy. Now how is that bipartisanship when they are threatening to block the investment of Infrastructure Australia into much needed infrastructure in this country?

Marius: But just on the position of the banks, Peter Costello says they're already half of one per cent ahead of the game due to previous claims they've made above official interest rates. Why not leave it to the banks to argue their case and specifically are you in favour of the idea of the banks opening their

books and showing the public why they need to hang on to their next official cut in rates?

Emerson: If they want to open their books that's fine but what I'm saying is that the market cost of money is a very transparent reality. It's easy to look up the cost of borrowing money because it's a market price and that has gone up dramatically in the last little while. It is a result of the global financial crisis and we need to recognise the reality of that crisis, do everything we sensibly can in Australia to ride through it. I think Australia is better placed than just about any other country in the world but we are not served by cheap political opportunism masquerading as bipartisanship. It is anything but bipartisanship.

Marius: Is there a period of re-regulation ahead? The Prime Minister seems to have foreshadowed that. He's spoken of extreme capitalism. He says that "greed is good" is no longer good enough for the markets and that re-regulation is needed?

Emerson: The Prime Minister is talking about global financial regulation. Our own regulation here in Australia is very good. It's always incumbent upon governments to ensure that it remains very good but our financial system is properly regulated. It's probably the envy of the world but, for example in the United States regulation has proved to be very poor indeed and that reality seems to be spreading to some extent in Europe. So, what Kevin Rudd is saying is absolutely right, that there needs to be better and more efficient regulation of banks. Our own regulatory authorities have reason to be proud of their performance.

Marius: Dr Emerson can I ask you about one specific aspect of the local corporate scene which is the annual general meeting season that is beginning now and there are reports there is going to be a shareholder revolt against huge executive pay deals. Is that concern about executive pay deals valid?

Emerson: I think there is validity about concerns of executive pay deals. I must say that our issues here pale in insignificance relatively, and I say relatively not absolutely, compared with the United States where this whole financial mess has been created in significant part by company executives taking the money and running.

Marius: Craig Emerson, thank you very much.

Emerson: Thank you very much Marius.

ENDS.