

INSIDE CANBERRA
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HON CRAIG EMERSON MP

MINISTER FOR SMALL BUSINESS, INDEPENDENT CONTRACTORS AND
THE SERVICE ECONOMY
MINISTER ASSISTING THE MINISTER FOR FINANCE ON
DEREGULATION

SUBJECTS: Executive pay; Budget; petrol prices; Mal Brough; MPs' pay;
State of Origin.

KING: Now Alan Moss will walk away as the boss of Macquarie Bank with a \$80 million, the *Sydney Morning Herald* says today, in his pocket. Just imagine that. Prime Minister Kevin Rudd used the payout to call for salary restraint amongst our top executives and in fairness even Alan Moss, the Chief Executive, said that would be a very legitimate debate. Let's go *Inside Canberra* to see what our politicians think this morning. Dr Craig Emerson is the Rudd Government's Small Business Minister. Good morning.

EMERSON: Hello Madonna.

KING: And Senator George Brandis looks after Attorney General issues for the Opposition. Good to talk to you again Senator.

BRANDIS: Good morning Madonna.

KING: We need to start on this I guess. Alan Moss - \$80 million. Is there any reason someone should earn that amount of money George Brandis?

BRANDIS: Well, it's a lot of money, there's no doubt about that. I think you've got to look at these things in context. Now, most of the executive salary packages, at this level, and, you know, this is not just a major Australian company, but a major international company. It's one of the most successful banks in the world. Most of the salary packages are performance based and when you talk about a figure of multiples of millions of dollars, it's an enormous amount of money, but usually that's derived from, you know, a fraction of a per cent of increase in the profitability of the company. So when you're talking about, in this particular case, the *Courier Mail* says this morning that since Alan Moss has run Macquarie Bank its profitability has increased 30 fold and it's profit last year was \$1.8 billion.

KING: So he's being rewarded for that is what you're saying?

BRANDIS: You know, if it's performance related and it's calculated as a fraction of a per cent of the increase in the profitability of the company, then that's what you get.

KING: To you in just a moment Craig Emerson, but some people would say your job is performance related. Don't perform and you're thrown out by the voters. Most of us, if we turn up for work, if we're not doing a good job, we get the sack.

BRANDIS: Well, Mr Moss, no doubt if he weren't doing a good job would get the sack. I mean it's not at all uncommon to hear of the senior executives of big companies being given the sack.

KING: It would be good to get that money if you did well though.

BRANDIS: Well, that's another point, aspect to this debate that because the rewards are so great at the top levels of large companies and large banks, it's an extremely cut-throat environment - more cut-throat I daresay than politics or the media.

KING: Craig Emerson, are you going to defend an \$80 million payout to Alan Moss?

EMERSON: It is an astronomical sum. I think it makes Australians just shake their heads and wonder how people can earn this sort of money when, I'm sure we're going to get onto the subject of age pensioners and the squeeze that they're under. They have built this bank and what I wonder is why shareholders aren't more concerned that management gets so much of the money. Shareholders obviously are doing well too and that's perhaps why they aren't concerned. There's just a lot of wealth creation here. It's not so much a bank that lends to customers like you and me, but to other companies and businesses to build projects, that sort of thing.

KING: Yeah, we understand that but where do you stand? Do you think it's too much? Have you got a view?

EMERSON: Yeah I do have a view and I think it challenges the whole notion of us being an egalitarian society and at the time of this announcement and Alan Moss has just finishing up at Macquarie Bank, everyone's calling for restraint. Kevin Rudd, as you pointed out, is calling for restraint of executive salaries because I just think that average Australians just can't get their heads around the size of these sorts of remuneration packages.

KING: But what about...

EMERSON: George is right in that they are performance based but I think you're right too and that is most people's pay in one way or another is performance based.

KING: But what about George's point there that it's up to the shareholders to decide if they think he is worth that? Obviously they think he is.

EMERSON: Well, that's right and I don't know what sort of law that you could pass to say you can't have these sorts of salaries in our overall market economy.

KING: Could the Government cap...

EMERSON: Well we do, you see, Mr Moss would be on the top marginal rate of tax. We have a progressive tax system and so he would be paying a lot of tax. I suppose a lot of your listeners would say I'll bet he doesn't but under the law he does.

KING: On the top tax rate he would have to pay something like, what, \$35 million in tax?

EMERSON: Could well be, yeah. It depends. You see I don't know whether his payout is in the form of capital gains or income, could be a combination of both I guess.

BRANDIS: Can I make one briefly last point about this. I think we've got to realise too that Australia is now an economy that is globalised and that's the achievement of both sides of politics over the last 25 years. Now, Macquarie Bank as I say, it's an Australian bank but it's one of the most successful banks in the world and these chief executives are recruited in an international job market. Now, it might seem shocking but the sort of figures you are talking about Mr Moss earning are relatively modest on Wall Street.

KING: Whoa. Well, and it's an interesting thing. It's good that you have a different view on this, George Brandis, saying it's reasonable given his job, given his performance. Craig Emerson's saying, you know it probably could be a lot more reasonable. What do you think this morning? Let us know. But the reason it hit me so much, all those zeros is yesterday we were broadcasting outside with a group of pensioners and just hearing some of the stories of how tough people are doing it on \$273 a week, I just wonder, Craig Emerson did your Government just mismanage this? Not handle it?

EMERSON: We're faced with this situation Madonna. I reckon we're going to get onto probably the issue of interest rates. We've brought down a Budget which is a tough Budget, but does increase payments for pensioners and I'm not sure how widely that's understood, but the Utilities...

KING: \$8 a week.

EMERSON: Well, hold on, the Utilities Allowance goes from \$107 to \$500 and then there's a pensioner bonus of \$500. So, that's an increase of nearly \$900.

KING: No, no, no, no, can I just correct you on that. The \$500 payment was available under the Howard Government. Just in fairness.

EMERSON: It was a one-off payment paid for one year only and we've paid it again and so what I'm saying, there is another \$500 and I'm not...

KING: But what I'm saying, just so that we're fair here to anyone listening, a pensioner on what they got last year and what they got this year are up \$8 a week after the Budget – \$400 a year; from \$107 to \$500 a year. They got the \$500 last year, they got it this year.

EMERSON: Ok, can I now respond? We would like to increase it more. We would obviously. We take no delight in restraining spending, but if we don't restrain spending then interest rates go up and the cost of living goes up and that makes life more difficult for pensioners. So we are having a look at the adequacy of all this. We understand, absolutely and completely, that \$273 a week is not much at all to live on.

KING: But I'm just wondering about priorities in the term. There were groups in the community that you did address in the Budget. For example, working families. For example, people on \$149,000 can access the Baby Bonus, people on more than \$150,000 get a kick with a child care rebate. Were pensioners considered in that priority list?

EMERSON: We've had nothing but criticism of means testing the Baby Bonus. We've had nothing but criticism of means testing solar panel rebates. We've had nothing but criticism for means testing Family Tax Benefit Part B. So, I'm glad, it sounds like you're defending it Madonna, but not many are and this is the dilemma. People, I think, overall accept that we need to restrain spending but any spending cut that we announce is opposed. Now that's just the job of Government. We've been in Government for six months. We understand, I know myself, I've looked at the cost of living that pensioners confront, pensioners who rent, in particular, are really being squeezed in my area, in Logan City.

KING: We know this.

EMERSON: This is all very, very tough and we are looking at ways of easing the pressure on pensioners.

KING: All right. I'm not sure that answered my question of why the working-class families rather than the pensioners. But, George Brandis, your Party is no better here. You haven't even committed to increasing the base level for pensioners if that's what the review comes through with.

BRANDIS: Hang on a second. Let's pick up where Craig left off when he said we're looking at ways of helping pensioners. Well, that's what the Budget process was meant to be Craig. The time at which you do look at all these things and, having presumably looked at them, you've now produced a big fat nothing for pensioners. You know, I was very surprised at the Budget I must say because I thought the Kevin doctor spin machine would have done a better job in trying to come up with something that the electorate would swallow. But the Budget's been a flop and I think you and I both know and I'm

Madonna you're listeners know that the Budget's been a flop and there's a reason for that and the reason is that during the election campaign last year, and since, Kevin Rudd and Wayne Swan and people like Craig built up expectations about what a change in Government would mean. They built up expectations that it would mean taking the pressure off petrol prices, that it would take the pressure of grocery prices, that it would take the pressure off interest rates and now people are realising they were conned.

KING: But your Party's not offering pensioners any hope either George Brandis?

BRANDIS: Well, I tell you, well, yes we are. For example we, as Dr Nelson in his Budget Reply, undertook to reduce the taxation of fuel which feeds into prices at every level as well as directly at the pump.

KING: But then we hear Malcolm Turnbull didn't want that. Peter Costello didn't want that. There's a big split in your own Party.

BRANDIS: There's not a split. Everybody subscribes to the policy. Look, I mean that story that you're referring to earlier in the week is essentially a beat-up. I mean all it says is that in arriving at a decision, different points of view were canvassed. Well, der. I mean that's what happens when you have meetings. You canvass different points of view. What's important is that the Liberal Party arrived at a common position.

KING: Craig Emerson, your response to that?

EMERSON: Well, who wrote the email? There are obviously divisions there but I think your listeners are more interested in the whole issue of the adequacy of the pension. One of the initiatives that we are looking at, Madonna, is that we know that pensioners costs of living can very often increase faster than the general Consumer Price Index...

BRANDIS: What are you doing about it Craig? You're the Government now.

EMERSON: If I could answer that question George then maybe your listeners would appreciate that. We're looking at the construction of a special index called, if you like, a pensioner price index so that we can look at indexing the age pension by the higher of the Consumer Price Index, which is the average one, and a special pensioner price index to take account of the fact that very often pensioners living costs go up higher than the general inflation rate. That, plus the Utilities Allowance, that plus, yes the one off payment of the Pensioner Bonus was paid last year, we're paying it again this year. All of that too will be wrapped into this review by Ken Henry which looks at the adequacy and design of the tax and social welfare system. So we've been in Government for six months, we have started, but we recognise that pensioners are under enormous pressure.

BRANDIS: Six months is a long time in politics Craig. Now, you own this machine now. You run the Australian economy. You're at the wheel and do you know, in that last contribution of yours, you said you were going to look at things six times. What is this? Is this a Government of spectators? You've got to do something about it Craig.

EMERSON: Fine and I just said that in the Budget we did make some improvements. We recognise that they are modest. We recognise that pensioners are under a lot of pressure. We have already put a down-payment on this and we are looking at ways to improve it. Now, George, don't give me lectures about being in Government for six months when you lot were in for nearly 12 years.

KING: All right.

BRANDIS: And interest rates were a lot lower than they are now when we were in Government and the cost of living was a lot lower as your listeners know Madonna.

KING: Well, let's talk about interest rates. I want to move on to that for this reason. We'll go to you here Craig Emerson first. The Reserve Bank, we read this morning spent a fair amount of time last month at its meeting considering whether to put the cash rate up again. This can't be good news can it Dr Emerson?

EMERSON: And it's exactly the point I'm trying to make Madonna and that is if we spend, as a Government, without any restraint as the previous Government did, then there will be inflationary pressure. We do face a situation where there have been 12 interest rate rises since 2002. We inherited the highest inflation rate for 16 years. The Government is seeking to respond to those challenges through responsible economic management. George and his Party are the Government of just keep spending, don't worry about it. That's why we've got into this situation of rising prices and upward pressure on interest rates and the Budget itself is designed to put downward pressure on the cost of living and through downward pressure on interest rates. That's exactly my point.

KING: But Craig Emerson, you could have chosen in the Budget to give a bigger boost than \$8 a week to pensioners and to take more off people who are currently getting the Baby Bonus or not to deliver on \$31 billion in tax cuts. All I'm asking you is, in the issue of priorities, when everyone sat around, where were pensioners?

EMERSON: Well pensioners were discussed in those setting of priorities and that's why we recognise that there is plenty of pressure. But importantly Madonna, and I know this is novel for a government, we had a set of election commitments which included those tax cuts and we are delivering on those tax cuts. I know that sounds strange. That a political party says before the election that it would do things, then it when it gets elected it actually does them. I don't think you'd be criticising the fact that we are providing income

tax cuts, surely, and of course people can debate the issue of priorities, but as I say and I'm not blaming people, just about every spending cut that we have announced is being criticised, yet people do understand, as the Reserve Bank understands, that if we keep spending the way that George's party was spending in Government, then there will be further pressure on inflation and that can only risk higher interest rates. That's what we're taking head on. It's the war against inflation.

KING: But have you been a little bit surprised to the reaction to this? We've had hundreds of pensioners in Melbourne, in Sydney, in Brisbane. Did you foresee this?

EMERSON: I understand and we understand the pressures that pensioners are on. I know the grocery price increases as well. I mean, I go shopping, I'm not pretending that I'm in anywhere near the financial situation of age pensioners, but I notice the increases in milk prices, bread prices, beef prices and so on. But we have to keep our election commitments. That's what our compact was with the Australian people and we did bring down a Budget that restrains spending.

KING: All right George Brandis, your response to that?

BRANDIS: Well what about your election commitments to keep grocery prices down and keep petrol prices down? I mean I remember sitting in this studio seven or eight months ago, just before the election campaign, debating with a man who is now the Treasurer, Wayne Swan, and Wayne Swan kept saying you know this election is about who's going to put downward pressure on grocery prices and who's going to do something about petrol prices and I remember saying at the time, you know, well if you win the election Wayne let's see how good you are. Well, I think people now know Madonna this one simple thing. People know that they've got less money in their pockets today than they had this time last year or this time two years ago and that's the test.

KING: All right and you're not getting off the hook either this morning George Brandis. Everything we read, Malcolm Turnbull wants Brendan Nelson's job. Brendan Nelson has no support. They're not getting on well. Mal Brough, a former Minister in the Howard Government, writing in the paper this morning says that unless the Party rebuilds its administrative wing it will continue to lose at the State and Federal level.

BRANDIS: Well I think what Mr Brough said is a very sensible observation for a Party that's recently gone into opposition. Any Party that's recently gone into opposition needs to have a good look at itself and that's what Mal Brough is saying the Liberal Party ought to do and I agree with him.

KING: You were a big opponent to the merger in Queensland between the Liberal and National Parties. Do you remain an opponent?

BRANDIS: My views haven't changed.

KING: So you continue to think this is a bad idea for the Liberal Party?

BRANDIS: Yes I do and I agree with what Mr Brough has said about the Liberal Party. I think, in a fairly dismal time for us politically. One bright shining light we do have is Mal Brough, who sadly although he lost his seat, I think continues to command respect across the community and across Party lines.

KING: You say that. But someone was saying something similar the other day and someone said hold on Madonna, he lost his seat and think they said by a bigger majority than most Liberals or the uniform swing. Can you say that he is a shining light when his own electorate didn't want him?

BRANDIS: Absolutely, I mean, I doubt Craig would disagree with this, if you look at the demographics of the seat of Longman, which was the seat Mal Brough held, sort of outer urban seat. It was the very seat, type of seat that swung most sharply to the Labor Party right up and down the eastern seaboard. I think the loss of Mal Brough in Longman has absolutely nothing to do with him personally and has everything to do with the way the electorate in general moved at the last election.

KING: Kim called to ask whether Senator Brandis and Dr Emerson would refuse a pay rise in a show of respect to pensioners?

EMERSON: We have.

BRANDIS: We just have.

KING: The money going to pensioners?

BRANDIS: The annual cost of living indexation of MPs salaries has been suspended this year.

KING: All right. State of Origin. Craig Emerson, you'd be a Queenslander?

EMERSON: Yes, that's right. Are you looking for a tip?

KING: Oh yeah, if you've got one.

EMERSON: Well I think Queensland's the better team but they are playing in New South Wales and the record of Queensland at Homebush Bay isn't all that flash. So I'll give you a really good tip, whatever happens in the first State of Origin, Queensland will smash them in the second one.

KING: Good answer Dr Craig Emerson. Thank you. George Brandis?

BRANDIS: I'd predict Queensland by six points tonight.

KING: Now, you're a New South Welshman.

BRANDIS: No, I'm a Queenslander.

KING: Where were you born?

BRANDIS: I was born in Sydney but I've lived in Brisbane since I was nine years old so I think I qualify.

KING: So who's going to win tonight?

BRANDIS: Queensland by six points. I told you.

KING: Senator George Brandis thank you.

BRANDIS: Thank you Madonna. Thanks Craig.

EMERSON: Bye George. Bye Madonna.

KING: That's Craig Emerson and Senator George Brandis.