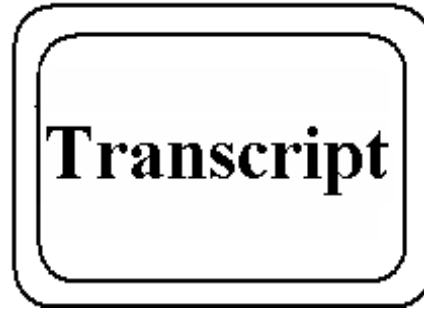




## ASSISTANT TREASURER

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### Transcript

**Senator Nick Sherry**  
Assistant Treasurer

Sky News AM Agenda

Interviewer: Ashleigh Gillon

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**SUBJECTS: Opposition Budget reply, Resource Super Profits Tax, Germany's ban on naked short-selling, Rudd Government's delivery on election promises**

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**Ashleigh Gillon:** Joining me here in Sydney is the Assistant Treasurer Nick Sherry, good morning to you.

**Nick Sherry:** Good morning Ashleigh, good morning to your viewers.

**Ashleigh Gillon:** Now Joe Hockey today is expected to announce plans for a top to bottom review of the competition and consumer protection laws including the trade practices act is that necessary?

**Nick Sherry:** Well if we look at the current laws they have been applied very rigorously we have had a number of recent examples in the banking wealth management sector for example they are working well and we don't believe there is a need to overhaul them in any significant way at all.

**Ashleigh Gillon:** What about the leaks that we have seen today suggesting Mr Hockey will announce forty plans for savings that would be a pretty good effort wouldn't it?

**Nick Sherry:** Well let's see the detail. We have had lots of thought bubbles; we have had promise after promise, we got that last Thursday from Mr Abbott and Mr Hockey that they would provide detail of cuts to expenditure to deliver a Budget surplus earlier than three years time but there has been no detail. Now they have a number of challenges. Firstly, the Liberals have made election promises of a cost of more than 15 billion dollars - how is that going to be paid for without pushing the budget into a higher deficit? Secondly, they have got to meet their promise to bring the Budget into surplus earlier, so that will require lots more cuts and thirdly, the saving that was announced last Thursday night by Mr Abbott about cuts to the public service in terms of the tax office that is going to result in lower revenue. So they have got a number of significant challenges and as I have said, we have had lots of promises, assurances, thought bubbles but no details about where billions of dollars in cuts are going to be delivered to meet their commitments

**Ashleigh Gillon:** Well you can't really expect the Opposition to have full costings at this stage can you? Last time before the last election Labor didn't come up with formal costings until the eleventh hour.

**Nick Sherry:** Well firstly, they made a commitment last Thursday - Mr Hockey and Mr Abbott made a commitment they would provide the detail, well it didn't happen Thursday night, it's up to Mr Hockey to provide that detail today. But every alternative Government has delivered the detail about where cuts would be made at this point of the election.

**Ashleigh Gillon:** But not full policy costing details that's ...

**Nick Sherry:** Well, they have made a commitment. They have made a promise to deliver the detail. Today is D day for Joe Hockey. As I say, he had lots of thought bubbles and ideas and they have assured us they will give us the detail, so let's see whether the detail of these major cuts is going to be delivered today.

**Ashleigh Gillon:** Well, of course, this is all just speculation at the moment. Joe Hockey will be delivering that speech at 12:30 today and that will be live on Sky news, so we can all look forward to that. On the resources tax - this is of course the controversial issue at the moment. Treasury Secretary Ken Henry said yesterday, said that six percent rate where the super profits tax kicked in, he said changing that threshold would offer the mining industry massive taxpayer subsidies. Does that mean that the Government is really closed in and can't change that threshold?

**Nick Sherry:** Well Ken Henry is right. I mean the fundamental of the resource super profit tax. As the mining industry boom mark 2, the stronger demand for mineral supply around the world has lifted the profits, it is only reasonable and fair that a part of those additional profits should be delivered to the broader Australian community and we have outlined how that will be done. There will be tax cuts, company tax cuts, particularly for small business, there will be improvements to superannuation

savings, there will be investment in infrastructure - so the fundamental tax design is right.

**Ashleigh Gillon:** So you are not looking at any substantial changes at all then?

**Nick Sherry:** No, I mean there is a consultation process about ...

**Ashleigh Gillon:** So, you are ruling out any change to that six percent threshold level?

**Nick Sherry:** That is a fundamental part of the design. Ken Henry is right and we have announced it and we stand by it. There are various transition issues; there is consultation panel, I myself...

**Ashleigh Gillon:** That isn't classed by your understanding of it a transitional issue that six percent tax?

**Nick Sherry:** That is correct.

**Ashleigh Gillon:** That is the threshold, there is going to be no change to that?

**Nick Sherry:** That is correct, it is a fundamental design feature, which we stand by and we agree, Ken Henry has been involved in the design of this, it is only fair and reasonable that where there are profits over and above that threshold a share of those profits – and the resources owned by the Australian people should be used to strengthen more broadly what is a strong Australian economy going forward.

**Ashleigh Gillon:** BHP is warning shareholders that their dividend payments could be hit as a result of this tax. That is not just a scare campaign is it? That is a very likely possibility.

**Nick Sherry:** Ashleigh, time and time again we have seen scare campaigns. I look back to the mid 1980's when the profits tax was introduced for the oil and gas industry - doom and gloom ...

**Ashleigh Gillon:** We do keep hearing that comparison, yet the industry says this is actually very different.

**Nick Sherry:** They make these claims ...

**Ashleigh Gillon:** The threshold is very different for this tax ...

**Nick Sherry:** They make these claims anytime there is a major policy change. They made it then ...

**Ashleigh Gillon:** So, are you guaranteeing BHP shareholders their dividends will not be affected by this resources tax?

**Nick Sherry:** What I am saying is there are a number of exaggerated claims made by some in the mining industry; we saw it back in the 80's we saw it ...

**Ashleigh Gillon:** But it is exaggerated by you to claim that there is not going to be any impact on profits for this company that's also an exaggerated claim ...

**Nick Sherry:** Clearly there is an impact. I mean what the Government is doing is collecting a share for the Australian community of the increased profits that flow from the mining boom, so clearly there is an impact...

**Ashleigh Gillon:** Dividends will be impacted.

**Nick Sherry:** There's a vast range of exaggerated claims. We saw it in respect to the gas and oil industry - the prediction was there would be no oil and gas industry in Australia, well it was wrong. When a tax was introduced on gold, gold was exempt; prediction was there would be no gold industry ...

**Ashleigh Gillon:** Well are you looking at exempting certain sectors in the resources industry from this new super profits tax, for example companies that work in quarry time resources gravel, lime phosphates and ...

**Nick Sherry:** Well again, as the Treasurer pointed out yesterday, in most cases they will actually have a reduction of tax where they pay the current royalties, but I have actually met with representatives of that industry in Perth and yesterday while I was here in Sydney and if they have specific transitional issues about impact they should state their case to the panel.

**Ashleigh Gillon:** Do you believe that the Opposition's claim that some of those taxes on the quarry products could increase the cost of house construction and food fertiliser costs?

**Nick Sherry:** But again we get these exaggerated claims. What I said to the representatives of that sector yesterday, because a number of them spoke to me about it, is you show your figures. You show how you will be impacted and where you will be impacted, as I said some of them ...

**Ashleigh Gillon:** If they can show there will be a negative impact, is the Government looking at exempting?

**Nick Sherry:** They will present their material to the panel and the panel will make its recommendations to the Government.

**Ashleigh Gillon:** So, it is open for discussion to exempt certain sectors?

**Nick Sherry:** Any sector that wants consideration of transitional issues about how they are impacted, it is open to them to make their submission to the panel. The panel will then make its recommendation to the Government, however, the fundamental design features are not open. We are determined to collect a part of a fair share of the increased profits in order to deliver a reduction in company tax, improved superannuation savings, it is not going to the budget bottom line.

**Ashleigh Gillon:** You keep saying that these claims were all exaggerated, but yesterday the credit rating agency Moody's, it warned that Australia's industry was at risk of collapsing and that Canada, Brazil and China may now become more attractive for investors.

**Nick Sherry:** Well then I read another credit rating agency, Fitch, saying that is not going to happen. What I am suggesting is...

**Ashleigh Gillon:** So, Moody's is wrong?

**Nick Sherry:** Well, I believe Moody's is wrong and frankly when I look at the record of credit rating agencies and their performance in the financial crisis, I think I can point to a degree of scepticism about some of the predictions of some of the credit rating agencies. But, as I say, there is a different view amongst the credit rating agencies, there is a range of exaggerated claims, you have heard these claims before, but the Government is utterly determined to ensure the Australian community via tax cuts, infrastructure investment, reduction in company taxes, improvements to write offs for small business, improvements to superannuation, that these benefits flow to the entire Australian community as a result of the Government collecting a fairer share of the increase in profits that are flowing from the mining boom.

**Ashleigh Gillon:** Looking overseas overnight, we saw Germany announce a ban on naked short selling. Do you support that sort of country-by-country ban when over the last few years the plan has been coming up with some sort of comprehensive set of rules on short selling?

**Nick Sherry:** In my former capacity as Minister for Corporate Law, we banned naked short selling in Australia. It was one of the responses to the financial crisis, there was a ban on naked short selling, there was a temporary prohibition on short selling, generally until the worst of the financial crisis, I mean what Germany decides to do is obviously up to them, but I think it's broadly consistent around the world to require much greater supervision and reporting of short selling and many jurisdictions have banned naked short selling in fact in the case of Germany ...

**Ashleigh Gillon:** There is nothing wrong with that, countries going ahead on a country basis rather than a global sort of agreement?

**Nick Sherry:** No, there is nothing wrong with that. I mean Australia made its decision about banning naked short selling eighteen months ago. We believed it was appropriate for the Australian markets. I mean, what you do need is co-ordination of these activities around the globe, but every country has got to act in regard to its own particular circumstances.

**Ashleigh Gillon:** Nick Sherry just finally, can you pledge to voters that working families are better off financially under your Government? You went to the last election promising cuts in grocery prices, putting downward pressures on petrol prices etc. A lot of these promises have not come to fruition.

**Nick Sherry:** Well, I believe that at the time of the next election people will look at this Government's record, look at delivered tax cuts for example income tax cuts for all Australians - we have delivered on that...

**Ashleigh Gillon:** Based very much on the plan Peter Costello put forward.

**Nick Sherry:** But we have delivered on tax cuts and we modified that plan, but we have delivered tax cuts for lower and middle income Australians. We have ensured a strong economy and the Australian economy is the strongest economy of all the advanced economies. We have kept unemployment very, very low, so look, I think people will assess that they will look at our record - a strong economy delivering on jobs growth when the rest of the advanced economic world is just wreckage and carnage and people will make that assessment at the next election.

**Ashleigh Gillon:** But can you understand that voters might be feeling pretty disappointed with your Government at the moment because there are so many broken promises? Yesterday, the Coalition sent out a list of I think it was about 47 broken promises one is the computer in schools. You said you modified the tax package that was one of the reasons why it was to fund ...

**Nick Sherry:** And we have delivered hundreds of thousands of computers to schools ...

**Ashleigh Gillon:** But not as many as you have promised.

**Nick Sherry:** Not as many, but we have still delivered hundreds of thousands more than the Liberal National Party, the Opposition. But on this fundamental issue of election promises, there has been a lot of focus on the Emissions Trading Scheme for example ...

**Ashleigh Gillon:** As there should be. There is another broken promise.

**Nick Sherry:** Well, how can the Government be blamed when we can't get it through the Senate. I mean I sit in the Senate, it has been my enduring frustration over the last two years, to see time and time again the Liberal Party - in the case of the Emissions Trading Scheme the Greens as well - block the passage of that legislation. We have made our best efforts, we put it into the Senate three times. At the end of the day, if the Liberal Party and the Greens are going to block the ETS you can hardly blame us. We have given it as good a go as we can and as reasonably as you can expect.

**Ashleigh Gillon:** That is a debate we could continue, but we are out of time. Nick Sherry thanks for joining us this morning.

**Nick Sherry:** Good morning Ashleigh, good morning to your viewers.