

INTERVIEW WITH JON FAINE

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SUBJECTS: Wages decision - Calls for banking inquiry

JON FAINE:

The Federal Government yesterday said that they didn't agree with the decision of the independent wage umpire to provide a zero wage rise for the lowest paid people in the community. So, the next question is, what are they going to do about it?

Nick Sherry is the Assistant Treasurer, and on duty this morning, on behalf of the Federal Government, to answer these questions. Mr Sherry, good morning.

NICK SHERRY:

Well, good morning, Jon, and good morning to your listeners.

JON FAINE:

If Julia Gillard, Acting Prime Minister and Workplace Relations Minister yesterday said that the Government was disappointed with the zero wage rise, what do you actually do now, to counter it?

NICK SHERRY:

Well firstly, I mean obviously I agree with Julia, it is disappointing, and particularly disappointing for workers for example, in retail and hospitality, struggling to meet basic costs, at a difficult economic time, so from that point of view, very disappointing. It is an independent organisation, and obviously we couldn't direct if we put a submission for a considered rise for the low paid...

JON FAINE:

Yes, and that submission was not accepted, so what do you now do as a consequence, what do you do to make the same contribution through other means or measures that are available to you?

NICK SHERRY:

Well there will be future consideration of wages by appropriate organisations for the low paid, and...

JON FAINE:

Like what?

NICK SHERRY:

Well, there will be arguments around - and debates around minimum wages, that's not going to go away, there will be submissions to increase minimum wages, so certainly I'm sure that Julia Gillard and the Government will be making a very strong submission next time.

JON FAINE:

But what about in the meantime?

NICK SHERRY:

Well, I have to say there have been a number of positives, despite the fact - and I have to correct you on one small thing, although it's an important issue, in your introduction, we're not in a technical recession...

JON FAINE:

It depends how you define it, but let's not argue and quibble over that, Nick Sherry, the question is, clearly there are people doing it tough, the Government's recognised that, you've acknowledged it in your own submission, and yet now, nothing's been done, so what do you do to implement your own views?

NICK SHERRY:

In terms of what impacts on peoples' lives, we have been making a significant difference. In the last budget we delivered the tax cuts, primarily for low and middle income earners, that's May last year, this year there was a further round of tax cuts, so that's been important, our stimulus package in minimising job losses, protecting the economy, there have been significant reductions in interest rates as well, so those all do help, those changes applying to Government policy do help, but at the same time, as I've said, disappointing, and we'll be making a much stronger submission next time for the low paid.

JON FAINE:

My concerns, Nick Sherry, are about equity and fairness at the moment, in the current climate there are plenty of people for whom the recession is

nothing other than an idea, or a notion, or something that's happening to other people, and yet the people who are worst paid in the community, people on pensions, people on disability allowances, people on unemployment benefits, and people on the lowest wage levels, are the ones who clearly are doing it tough, so what, if anything, does a Labor Government do, to try to spread...

NICK SHERRY:

Well I'd say some of the decisive actions the Government has taken to help lower middle income earners...

JON FAINE:

Is that it then?

NICK SHERRY:

Well, you mentioned pensioners, for example, the May budget this year delivered the first significant increase in improvement in the age pension, both for singles and couples, in 100 years, so that's another good example of where a Labor Government has acted to protect the low paid in our community, so there are a range of policies we put in place, and in future years, we'll continue to put in place policy changes, that help low and middle income earners.

JON FAINE:

So are you still agreeing that there needs to be more done for the worst paid in the community? You're...

NICK SHERRY:

Certainly I do, certainly I do, I mean unfortunately on this occasion, the independent umpire, the Fair Pay Commission, rejected a wage rise, and the Labor Government argued for a modest rise, but there are other policy changes as a Government we have already made...

JON FAINE:

Yes, I'm trying to flush out from you what additional measures you might put in place, and I'm failing.

NICK SHERRY:

Well, the Government will consider that, this year and in future years, and...

JON FAINE:

You can't tell us what those things might be?

NICK SHERRY:

Well, every time we prepare a budget, and we've just handed one down, we look at the issue of fairness, and where we can improve the circumstances for low and middle income earners, as I've said, this year's budget for pensioners was a very, very good example of where we acted decisively for millions of Australians.

JON FAINE:

All right, Senator Sherry, the other thing on the front page of The Age newspaper, and I suppose the Sydney Morning Herald, although I haven't seen it today, the six key economists in Australia, an open letter to you and your boss, the Treasurer, saying that the banking sector in Australia needs to be reviewed, that the big banks have now increased their market share and are in a way taking advantage of the current economic situation, to entrench their position, and their dominance in the Australian banking and financial marketplace. A response from the Government?

NICK SHERRY:

Well, firstly we know our financial system has performed very well, compared to other countries, and frankly, that's a good thing. We haven't had bank collapses of the dramatic scope, and the threat to the entire financial and economic system that other countries have had, and obviously again we acted decisively with the bank guarantee, to ensure that all banks, building societies and credit unions receive the Government guarantee.

So certainly, banks have increased their market share, I think from about 80 per cent, the Big Four, from 80 per cent two years ago, to 92 per cent. I think that's more a consequence - more a consequence of the contraction of other areas of financial services, particularly securitised lending...

JON FAINE:

But four Australian banks are now amongst the 10 biggest banks in the world, which is, you'd have to agree, really weird, given the size of our economy, and they now are - well, their strength is out of proportion to the Australian economy, and indeed punching above their weight around the world, and that creates problems for us.

NICK SHERRY:

Well I think they're amongst the 10 strongest and largest banks in the world, moreso because other banks around the world, have shrivelled and contracted dramatically...

JON FAINE:

Or to put together what you just said a moment ago, because the Australian taxpayers gave them an underwriting guarantee, and they are profiting from our underwriting of their situation.

NICK SHERRY:

Well firstly, they've received a guarantee, not just the Big Four, but all Australian banks, building societies and credit unions, and that hasn't cost the Australian Government or taxpayer one cent, it's a guarantee that's extremely unlikely to be ever called on, it's so remote.

But what's happened is the Big Four have become more dominant as the result of the shrivelling of other areas of our financial sector, such as securitised lending, which again is because of world financial circumstances, and where we've identified, where we've identified in our financial system, such as Storm Financial, which I'm sure you and your viewers - your listeners, are familiar with...

JON FAINE:

Yep.

NICK SHERRY:

...problems with Timber Corp, South Corp, we have a joint Parliamentary Inquiry...

JON FAINE:

Yep.

NICK SHERRY:

...into those particular areas of the financial system, where we've seen poor behaviour, or...

JON FAINE:

So will you or won't you look at the banks, very quickly?

NICK SHERRY:

Well, we don't plan any systemic review of the banks...

JON FAINE:

Thank you, I've got to go, because of the news.

Senator Nick Sherry, Assistant Treasurer in the Rudd Government.