



TRANSCRIPT

SENATOR THE HON NICK SHERRY

Minister for Small Business
Minister Assisting on Deregulation
Minister Assisting on Tourism

Sky News Saturday Agenda

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Hello and welcome to Saturday agenda, I'm Peter Van Onselen. Well today my fellow panellist Greg O'Mahoney and I, Greg thanks for being here, we are talking with the Minister for Small Business, Senator Nick Sherry out of Tasmania, joining us here in the Sky news studio. Senator Sherry thanks for your company.

SENATOR SHERRY: Thanks, morning Peter, morning Greg and good morning to your viewers. I'd much rather be at home with the kids but, it's Saturday morning.

VAN ONSELEN: Thanks for that. It's always great to have a willing participant on the panel you're here for half an hour and you don't even want to be here. Look, apart from your responsibilities for small business which are new responsibilities in this new term of Government, you've also got Minister assisting responsibilities for deregulation and tourism.

I thought we might start by talking about some of the issues there, in deregulation obviously there's a pretty good link to this whole thing that's going on, on the Opposition side with banking. Whether they're going to re-regulate the banks or whether that's even what Joe Hockey is talking about. How do you see that debate and what's going on, on the opposition side and then we can go from there.

SHERRY: Well, firstly the dereg agenda is the 27 COAG deregulatory, streamlining simplification and there's some obviously very critical reforms in that space.

Workplace health and safety's had a lot of attention, but also business names, personal securities, it's a very, very important ... productivity, improving the economy, adding to the jobs agenda, but specifically on the banking debate that we've seen this week. I think what is has shown is Joe Hockey, when it comes to economics and financial systems, doesn't have a particularly good understanding in a couple of key areas.

Firstly, his advocacy of regulating home lending rates will have a significant consequence for business, because when you've got limited capital available to lend if you restrict and limit rates in one area, it will lift rates in another and in this case particularly for business, small business.

The second point I'd make and it went little noticed is his nine-point agenda for bank reform, I thought rather astoundingly, included a proposal to review the complexity of the financial services reform act, the disclosure regime as it's known. Joe actually introduced that and it was a total shambles.

We ended up with hundred page disclosure ...

VAN ONSELEN: This was when he was Financial Services Minister in the late nineties

SHERRY: Exactly, when he was Financial Services Minister, so he was advocating reviewing and reforming his own set of massive red tape regulation

VAN ONSELEN: Let's bring Greg in on this. What's your view on the situation with Joe Hockey and what he's proposing?

O'MAHONEY: I wanted to ask Nick, I mean, haven't you got to be careful, there's no question as some of Joe's comments in the last week or two have been regrettable and don't speak to a guy with a great understanding of what's going on in the economy, but equally haven't you got to be a little bit careful that the constituents you're most going to bat for are small business, no one is doing it tougher at the moment as a result at the lack of competition in the banking market.

A sad, basic reality post GFC in Australia is that there's less competition than we've ever had in the banking sector and we've never had much competition to begin with.

Haven't you got to rather than sort of pick apart some of the silly things Joe's said, haven't you got to engage with the fact that we don't have a competitive banking space at the moment and that's a massive problem.

SENATOR SHERRY: We have acknowledged, I know Wayne and myself and other economic Ministers, have acknowledged that the level of competition, the structure of the provision of credit in the Australian financial system has changed fundamentally since the GFC.

It's a very different world before; big banks obviously have a greater level of concentration and power.

But what we've also said is you can't wave a magic wand and wish the world of three years ago to come back instantly and we have carried out a series of pro-competition reforms ... reforms in respect to transfer exit fees, of the like. We have provided credit to the markets through the RMBS process to (inaudible) of eight billion dollars, so we have been proactive, I think, in a realistic way to make a difference.

VAL ONSELEN: Can I just jump in and say, I think in a general sense, I actually think you're both a bit tough on Joe Hockey about basically saying he doesn't understand economics. If you were talking about Tony Abbott I'd probably agree with you.

But as far as Joe Hockey goes, I think this is an interesting pitch where he's trying to, on the one hand appeal to popularism, there's no doubt about that, and bank bashing is popular.

So, there is a political benefit there, but I actually think there is an interesting discussion to be had about whether trying to do something to control the banks to some extent given that the Government does have guarantees explicit or implicit still in place and those sort of things.

It's an interesting space to be in. The danger, of course though, is that the space looks regressive if Joe Hockey ends up talking from a perspective that makes him appear like he's suggesting that they re-regulate the banks or that he uses levers and that's his own mistake, I guess in terms of the language he's used.

O'MAHONEY: Could I ask you a question on the back of that pick up of what Peter just said, that the catch cries of the banks constantly of the criticism they get is that our wholesale rates are going up and everyone from the RBA down wonders whether that's true. What can the Government do to hold banks accountable for that sort of commentary?

SHERRY: Well, I don't accept the argument from the banks on that particular issue. Treasury and the Treasurer and the RBA have constantly made the point

O'MAHONEY: But you guys say that everyday, you're always not accepting that argument but nothing comes of that non acceptance.

SHERRY: But also we've introduced some realistic reforms and I've already mentioned those.

We've introduced some realistic reforms, but what we've seen as a consequence of the GFC are the non-bank providers shrivelling, the securitisation or other non bank providers largely, not totally but largely, disappear, they're slowly coming back, but I think it's going to take a couple of years before we see them actively participating in a much more competitive market and we're doing everything we can, I think, in a reasonable way to encourage that to happen.

O'MAHONEY: What is small business saying to you? I mean you must be the front line of the (Inaudible) economy. (inaudible) got massive companies nailing it doing extremely well, small business companies facing increased

staffing cost, increased financing costs, maybe not sharing in the boom like the large counterparts

SHERRY: There is a mixed picture and I think this again, it's tied also partly to the value of the Australia dollar. There are areas of small business, no doubt, that are doing it tough, tougher - manufacturing, tourism which I also have some responsibilities for, farming etcetera.

The world of credit for example, financing is a different world for them today than it was three years ago. It is tough, now there are a number of, in my particular ministerial responsibilities, a number of proactive support that we've provided, I mean the basic point I'd make and fundamental is we kept Australia out of recession, we stopped tens of thousands of businesses from going bust.

O'MAHONEY: But as a problem now we're still injecting stimulus into the economy, the biggest challenge small business faces is increased capital costs, increased cost of doing business, what are they saying to you about the stimulus spending, is still appropriate?

We were told from the get go that it would be timely, it would be temporary and it would be targeted. We're now almost a two-speed economy, we're on the cusp of another mining boom, almost full employment, isn't there an argument for winding it back and not placing pressure on interest rates

SHERRY: It has largely been wound back. I mean it peaked last year; it peaked in the middle of last year

O'MAHONEY: But there's still billions being spent.

SHERRY: And it's slowly being withdrawn because of the nature of the programs

O'MARNEY: But is that a problem in hindsight?

VAL ONSELEN: Greg can I jump in to that? Wouldn't you still need on your argument, if small business is doing it tough and if they're at the pointy end of the two-speed economy, isn't more stimulus spending, which provides opportunity for small business to continue to engage, isn't that a good thing therefore, cause it's helping avoid them suffer some of the pitfalls of the two-speed economy?

O'MARNEY: As I understand it the spending isn't targeted at small businesses

VAN ONSELEN: A lot of it is, a lot of the construction that comes out the BER is small builders and so forth

O'MAHONEY: Don't get me wrong, there are some construction companies on Port Macquarie, that you know, will be very tough when the spending is run back completely, but I would have thought in the short term when you speak to business leaders and you attend conferences everyone talks about the

increased capital cost (inaudible) being number one, you must be aware of that.

SHERRY: It is ...

O'MAHONEY: And Pete, my answer would be, whatever benefits they're getting from the stimulus spending and I'd love to know Nick's thoughts on this, surely that's being offset by the very real fears they have as to increased capital costs.

SHERRY: First, we've got to be careful, don't generalise about small business. There are two million entities here, the majority are actually micro business, they're usually single-person, usually family enterprises who employ one or two people on occasions.

That's the majority of small business. Look there are areas of small business, are taken in retail, some of the areas of franchising, food distribution, that comparatively have done well.

So, I think we've got to be careful about generalisation. There's no doubt the number one issue that I get all the time at the moment in from small business generally is financing, probably closely followed by regulatory issues and that's where the dereg hat that I wear comes in.

VAL ONSELEN: Can I ask you about what it's like being a Labor Small Business Minister; everything you hear rhetorically is that the Liberal Party is the party of small business and that would lead an observer or an outsider to conclude that it's a tough environment for you as a Labor Minister for Small Business dealing with small businesses. Is that idea that the Liberal Party is the party for small business indeed true?

SHERRY: Well, I enjoy the portfolio responsibilities. I mean there's a great set of issues there. But in terms of small business, what I would ask is people look at outcomes - what the Labor Government actually does; now, fundamentally we kept Australia's economy strong that was good for small business. You look at wreckage of small business in other economies, so that would be my first argument.

Secondly I would argue on a whole range of areas, deregulation we're making some very, very fundamental changes, workplace health and safety, business names, they are a couple of areas where there will be significant regulatory reform which will benefit all business but particularly small business. So look at outcomes.

VAL ONSELEN: Can I ask you about franchising, because my understanding is that it was a commitment going into the 0 seven election from Labor to deal with a problem with franchising that the individual franchisers feel weights too much heavily in favour of the (inaudible) franchisee or is that franchisor, or which one am I talking about?

SHERRY: Franchisee.

VAN ONSELEN: Franchisee. And when Craig Emerson was minister, I know that he was lobbied about this and it's an interesting debate this whole idea about whether or not more controls need to come in so that the individual franchisees, franchisors, feel like there're receiving, you know, adequate protection such that they can't be in a sense be dominated by the franchisee. Have you sort of been coming to terms with this since you've taken over the ministry, is this something you've been lobbied on?

SHERRY: It is, in fact one of my first speeches was to the franchisors conference a couple of weeks ago.

The fundamental issue is an argument about relative negotiating economic power between the franchisees who are the tens of thousands of operators and the franchisors.

Now Craig, when he was minister, carried out a set of fundamental reforms that start on July one this year January next year.

There is going to be increasing oversight, dispute resolution and there's a code of conduct, so that is coming in.

And part of it operative from one July and that does provide assistance to franchisees, but there's an ongoing debate, I noticed in South Australia and WA having reached a national agreement on a set of national reforms in that area, South Australia and WA now want to change that and add new provisions and break the national regulatory regime, and what I've said is: Look, a deal's a deal, there was an agreement reached on these reforms, let's allow three years for them to bed down before, see how they operate.
(Inaudible)

O'MAHONEY: Can I ask on the subject of reform more generally, the Government's been criticised this week for really it's handling of the Henry Tax Review for shying away from some of the more significant reforms (inaudible). I guess you can see where people are coming from this review was held back for a long time.

VAN ONSELEN: I get the impression there's a lot coming (inaudible).

O'MAHONEY: I'd love to know, there's a lot of anticipation out of all those recommendations a few were identified, one (inaudible) the mining super profit tax.

Then it was almost diluted out of existence, you can see why people might say, well, for all the anticipation, gosh it's produced absolutely nothing.

SHERRY: What annoys me I have to say in this debate, we actually put forward a massive package, a very substantial package of tax reform, now look, a lot of the public debate ...
(inaudible)

O'MAHONEY: Do you think people think that?

VAN ONSELEN: I think that's what annoys you isn't it? People don't realise that.

SHERRY: Because the debate inevitably was dominated by the mining tax side, if you look at the taxes we're actually cutting and the reform we're putting out, right off for small business from one thousand to five thousand dollars, cuts to company tax, small business first, another benefit to small business.

Increase in superannuation contributions.

VAL ONSELEN: Here's a question for you.

SHERRY: Sorry, cuts to tax for low income earners in superannuation. We've got a very substantial package there.

Now the difficulty I think was the debate centred on the revenue side rather than the outline of the details of the cuts.

O'MAHONEY: Is that in part because you guys didn't do a good enough job prosecuting the case? (inaudible) company tax?

VAL ONSELEN: (INAUDIBLE)

SHERRY: I think in any tax reform, there's inevitably a focus on tax revenue issues as distinct from the benefits of the package. Other benefits: standard tax deduction will take millions of Australians out of the time consuming and record keeping at tax time.

VAL ONSELEN: Let me jump in and ask you something, we're going to go to a break in a moment, but just as a last question before we do, I agree with a lot of what you say there about all the other (inaudible) of changes that were associated with the mining tax.

My question comes back to whether those can all still be achieved and offset by the revenue from the new mining tax that Julia Gillard negotiated, because a lot of people think that in a sense the big three miners got away with a newly constructed tax package that favoured them quite considerably in terms of the revenue not being what the Government probably needs to fund a lot of those other measures.

SHERRY: Well we're guided by Treasury. Treasury have indicated we'll raise sufficient revenue in the package to fund the other suite of tax cuts.

The fundamental point has always been made that if there's no mining tax, the other tax cuts ...

VAL ONSELEN: Have to go

SHERRY: Won't proceed. The mining tax revenue is not going towards bringing the budget into surplus, it's to carry out fundamental tax reform, for companies, superannuation, improve write offs for small business, and I have to say I think a large part of that's been missed in the debate.

VAL ONSELEN: Hold that thought, we'll go to a break, when we come back we'll continue with the Small Business Minister, Nick Sherry, also talking about some of his other responsibilities, one of which he mentioned off the

top, this idea of workplace safety that comes into the whole deregulation responsibilities.

I'll be interested for his thoughts on the stoush between Kristina Keneally and Julia Gillard on that front. You're watching Saturday agenda, back in a moment.

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VAN ONSELEN: Senator, can I go to work place safety and the issues that you mentioned off the top of the (inaudible) deregulation portfolio. There is the stoush going on between Julia Gillard and Kristina Keneally over this. Gillard is saying a deal is a deal. Keneally is saying workplace safety is more important and better regulated in NSW than it is under these new national proposals. I know you are obviously going to take sides with Julia Gillard on this that goes without saying, but why do you think Kristina Keneally is doing this? Is she playing to unions do you think ahead of what's going to be a difficulty election where she will need funding?

SHERRY: Well, I make the fundamental point that the Federal Labor Government will act in the national interest ...

VAN ONSELEN: Is Keneally acting in NSW's best interest?

SHERRY: Well, workplace health and safety, the economic value will be about 180 million dollars per year to our economy, but also I don't agree with the argument from NSW regarding workplace health and safety. We will actually improve workplace health and safety standards as well as a very, very important contribution to...

VAN ONSELEN: Keneally doesn't agree with that. Paul Howes a union leader came out on her side of that I think in his column in the Sunday Telegraph. She thinks that her system is best and has decided to back away from earlier agreements that's the system that should be applied nationally.

SHERRY: That's not what NSW and the other states agreed to when they signed up to the reform agenda. It was never going to be a process where you take one state's toughest, strongest regulatory regime that they would argue for and apply it uniformly across all states, that was never what was agreed on.

VAN ONSELEN: You see, I don't think it's about, to be honest from Keneally perspective, it's not about workplace safety. I think it's about appealing to Labor heartland, union heartland in NSW ahead of a difficult election. The News Poll that came out this week said that Labor had 23% support on the primary vote in NSW, given the NSW Government you could ask how on earth could 23% of people say they are going to vote for it! But that said, it's...

O'MAHONEY: That's actually a long way away Peter...

VAN ONSELEN: I wonder what you would have to do to convince those people not to vote Labor! But that said it's a very low figure and it's fractionally...

SHERRY: I am not an expert on NSW politics because I am from Tasmania, but look there is no doubt they do face a tough, a very tough election and the voters will make their judgement in March next year. What really concerns me about the NSW Government's position is that there was no agreement, it was never intended that you take one state's regulation. Victoria, for example, I was involved in the detail of national consumer credit trustee laws and Victoria compromised they actually had the toughest requirements in the country and they accepted in the national interest, in the sense of a stronger, simpler standard more productivity, they accepted a compromise as NSW did on Workplace Health and Safety, until it got to the point after the agreement was reached, that's what really angers me ...

O'MAHONEY: Nick, what about the politics of this? I mean Pete said the Keneally Government is really quite happy for this (inaudible) to pan out. It really makes her look quite good in the face of union movement that she needs the support of, surely it's not a bad thing for Federal Labor either, you can distance yourself from the train wreck that will probably be the March election next year.

SHERRY: The voters in NSW will make their judgement next year about Kristina and the state Labor Government in March and that will be their decision and their call...

O'MAHONEY: But it won't be a bad thing if you have differentiated yourself a little bit from that, you must be smiling on the inside?

SHERRY: What is important here is we have a fundamental reform agenda that strengthens our economy. Now health and safety's \$180 million dollars a year, consumer policy is 1.5 billion dollars per year, registration of business names 200 million dollars a year in improved economic productivity, in a stronger economy and that is in the national interest and whether it's Kristina or some other state, they signed up, they signed up to a reform agenda and in this case one of the most serious breaches, in fact, the most serious when you have reached an agreement...

O'MAHONEY: Your Government knows as well as anyone governments change their mind I mean...

SHERRY: There is a price, in this case a financial price, because they also agreed in return; there is about half a billion dollars in incentive payments and what is being put at risk by the NSW Government is up to \$140 million dollars in incentive payments. Now they signed up to this deal, they went into negotiations in good faith, we completed the negotiations in the case of Workplace Health and Safety and they have walked away from it and certainly I regard that as one of the most fundamental and serious breaches.

VAN ONSELEN: We had better move on to tourism because we've got around three minutes on program. You're the Minister Assisting on Tourism, just before that quick comment from me, I actually think that NSW elections coming up for Labor, QLD election if this Parliament federally goes full term, happening ahead of the next federal election, I think that those are two things you guys would be happy to get out of the way, because if these two Governments lose then at least you will be judged on your merit rather than perhaps discontent of the states ...

SHERRY: Let me quickly make the point, in Tassie I think it's fair to say, in Tassie in March we copped a bit of a hiding, we're still in Government, but Tasmania at the federal election was a very good result for Federal Labor, so I think you have to be a bit careful about state and federal election outcomes.

VAN ONSELEN: We have to move on to Tourism. So on Tourism, is the dollar is the rise in the Australian dollar, hurting the tourism industry?

SHERRY: There is no doubt it is having an impact, particularly in regional tourism. We have seen, interestingly enough, the number of international visitors has recovered from the GFC and it's actually slightly above, particularly from markets such as China, India and other parts of Asia....

O'MAHONEY: We are heading overseas, what can we do to make Australian tourists stay in Australia?

SHERRY: Exactly....

VAN ONSELEN: Are you encouraging people to spend locally, are you following Andrew Robb's advice and dropping the Australian dollar?

SHERRY: It's been a strong trend since 2004, it's not just a recent phenomenon, the cross-over point when there were more Australians heading overseas was actually six years ago, than visitors coming into Australia. But look, I can urge, particularly for short term holidays, take a break, please prioritise Australia, but no Government and no Minister can say look we are going to take your passports off you and stop you from going overseas that's just not going to happen! It's the individual's choice, decision and interestingly it's also a function of a strong economy again. I mean we have got one of the strongest advanced economies in the world and I mean there is no doubt as to the reason why Americans and Europeans are not travelling as much.

VAN ONSELEN: Yeah not much we can do about it, but we are out of time here, Senator Sherry we appreciate you coming in to talk to us about your various portfolio responsibilities, thanks for joining us here in the studio.

SHERRY: Thank you, good morning and good morning to your viewers.