

# TRANSCRIPT

of

**THE HON WAYNE SWAN MP**  
**Treasurer**

**INTERVIEW WITH MIKE CARLTON & SANDY ALOISI**  
**Radio 2UE, Sydney**

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**E&OE**

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**SUBJECTS:** *RBA Rate Cut/Banks; National Broadband Network*

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**MIKE:** Treasurer Wayne Swan is on the line. Good morning.

**TREASURER:** Good morning, Mike. Good morning, Sandy.

**SANDY:** Good morning. Can you make the banks pass on the full rate cut, or even part of it?

**TREASURER:** Well, certainly I'm pretty disappointed with their decision, or the decision that has been announced so far, and certainly it's not helpful when we're trying to get everyone in the community working together to deal with this global financial crisis. Now, having said that, so far prior to yesterday, there has been something like 400 basis points in the cut in the cash rate announced by the Reserve and 385 of those have been passed on. And what that has meant in our economy is that monetary policy has been much more effective here than in any other country in the world. So, the failure of the banks to pass on this rate cut does blunt the effectiveness of monetary policy and of course does leave many customers with a higher burden than they otherwise should have. I'm pretty disappointed with what they've done. They take their commercial decisions. They'll have to justify their position in the court of public opinion.

**MIKE:** No, they won't. They wouldn't give a stuff about the court of public opinion.

**TREASURER:** Well, 385 basis points out of 400 means that they have been taking some notice. But you know what they're like. They do need a good kick up the bum occasionally. So, on this occasion, I'm not happy with it. The Prime Minister isn't happy with it. He's asked them to reconsider. There are two banks out there that haven't made their announcement, and we'll see how we go with those two.

**MIKE:** Right. Can't you use the stick rather than the carrot? The Government has

guaranteed bank deposits. These Big Four banks have got a rock-solid guarantee from the Australian taxpayer. Why don't you pull it out from under them?

TREASURER: Well, to begin with, the beneficiary of the guarantee is not the banks, it's the Australian people.

MIKE: Well, it would allow them to raise money much more cheaply.

TREASURER: No, it would not. That would in fact fundamentally rebound not just on the banks but on the Australian economy, and that is absolutely something we can't consider. It has been that bank guarantee which has been so essential to the stability of the Australian financial system, which has been much more stable in this country than in any other developed country. So, the beneficiaries of the guarantee aren't just the banks, it's the Australian people and all of their deposits. So, I wouldn't be contemplating that.

MIKE: No, I accept that. But you could point this out to the banks. They are making hay because they've got this guarantee, you know, they've got this platform underneath them.

TREASURER: That's one of the reasons we've had 385 out of 400 basis points cut passed through already. The banks say that their funding costs can't justify passing this through. It is true that from time to time in the past 12 months funding costs have been difficult and bouncing around. So, they ought to justify why they are so different right now as opposed to at any other point in the last nine months or so.

SANDY: I agree with you, Treasurer. They need a good kick up the bum. But while we have you here, can we take the opportunity to ask you about broadband?

TREASURER: Certainly.

SANDY: Are taxpayers exposed to too much of a risk?

TREASURER: I don't believe so. I believe this is an absolutely essential project for the future of the Australian economy. Nothing could be more fundamental to the future and long term economic health of this country than fast, open, competitive broadband, which is what we're putting in place. There's been a huge market failure here. And of course the previous government simply sat on its hands. We made no progress for a very long period of time. The Government is going to take the lead, but we believe this will be a very attractive investment for a lot of companies out there in the private sector.

MIKE: Now, you're going to finance a lot of this by selling bonds to the public. How and when is that going to happen?

TREASURER: Well, I don't believe we'll have to finance the lot of it by selling bonds to the public. We will certainly finance the government contribution by selling bonds.

MIKE: Yeah, that's what I mean.

TREASURER: But the government contribution won't be anything like the full costs of the project.

MIKE: No, I'm just intrigued by the bond issue. Are you going to call them Aussie Bonds?

TREASURER: Absolutely, and...

MIKE: And when are they going to be on sale?

TREASURER: That's part of the implementation study we're putting in place. You see, Mike, there

has been a detailed study by a panel of experts of proposals that were put forward by a number of people in the commercial sector over the last six months or so. What that showed was that none of those proposals represented the great value we need, or the sort of technology that we actually need. So, because of that market failure, we're going to take the lead and we believe in taking the lead, many companies out there will be willing to invest, very confident that many companies will come to the party particularly with equity.

MIKE: Right. But is that going to be mum and dad investing in Aussie Bonds?

TREASURER: Yes, very much so. They'll certainly be marketed to mums and dads, and the wholesale market takes up Commonwealth Government Securities all of the time. But we will be marketing these particularly to mums and dads if they want to be part and parcel of the Australian peoples' investment in this very exciting project.

SANDY: Okay, Treasurer, thanks for your time.

TREASURER: Good to be with you.

MIKE: Thanks very much indeed.

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