

THE HON LINDSAY TANNER MP
MINISTER FOR FINANCE AND DEREGULATION
TRANSCRIPT

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NEIL MITCHELL: But the broadband announcement, we reported it yesterday; one of the ministers involved in announcing it was the Finance Minister, Lindsay Tanner. He's on the line now. Mr Tanner good morning.

LINDSAY TANNER: Good morning, Neil.

NEIL MITCHELL: You've been appointed minister in charge of Mitchell have you?

LINDSAY TANNER: [Laughs]

NEIL MITCHELL: Bad luck [laughs]

LINDSAY TANNER: I think I just got it by random good luck.

NEIL MITCHELL: Could I just ask you quickly though about the banks first, because of the attention on the banks not passing on - well the interest rate cuts, some not passing on anything at all. Do you think their break fees are too excessive?

LINDSAY TANNER: Look I don't probably know enough to really comment on that, Neil. I think there is some particular fees, in some circumstances, that have been rightly criticised; ATMs being one of them and when there is an ongoing public debate that the Government is participating in. But I don't know enough on that specific question to really express a view.

NEIL MITCHELL: Oh well, it's worth a look because there are some people on \$200,000 mortgages are being charged \$15,000 to \$20,000 to change banks.

LINDSAY TANNER: Yeah look, if there's cases like that then clearly that suggests you're right. But, as I said, I don't have evidence in front of me that I could really form a view on. There is a lot of issues out there with respect to bank fees, where there is specific evidence that things are, you know, inappropriate. But as it - it's another minister's responsibility, it's not something that I can claim detailed expertise on I'm afraid.

NEIL MITCHELL: More in a general sense is there really anything you can do about banks passing on interest rates because they'd know damn well you'd want them to and they haven't done it?

LINDSAY TANNER: Oh look there is, it's just the case of keeping up constant pressure on them. We're in very regular dialogue with them about a whole range of issues, as you know. And because they've got government guarantees on their borrowings and of course on the deposits generally, it benefits them, it benefits the whole community. Of course it benefits our economy, so we're putting pretty strong pressure on them. But ultimately they're private organisations that have to make business decisions, so we can't direct them to do this or do that. If you look over the long haul, over the last 12 months, the vast bulk of the interest rate reductions have been passed on. Not necessarily at the same time though, there's been a bit of to-ing and fro-ing.

NEIL MITCHELL: Is it greed?

LINDSAY TANNER: Oh look I wouldn't want to cast judgement on the behaviour of the individuals in the banks and they want to earn lots of money for their shareholders. So in a sense really you're asking are the shareholders greedy. Well it's just human instinct, you want to get the highest wages, you want to get the best return on your shares, so that's ultimately where it all comes out. The key thing is making sure that we put as much pressure on them to charge the lowest possible price while remaining viable and stable.

NEIL MITCHELL: But that's where it stops isn't it? Pressure, there is nothing else you can do.

LINDSAY TANNER: Oh look there are potentially other things we can do, but there's also downsides to those things. I wouldn't want to start hares running by speculating on them. So it starts to get pretty messy if you have government literally directing businesses what prices they charge for things.

NEIL MITCHELL: Yeah. I was just looking at a figure from one of the banking analysts. He said they take \$1 billion a year in fees out of home loans, that's a hell of a whack isn't it?

LINDSAY TANNER: Well it is. But bear in mind that 20 years ago the differential on what banks paid you on your deposit and what they charged you on your mortgage was something like four per cent. That has shrunk dramatically over that time to well below two per cent and of course part of that gap has been covered by fees that didn't use to exist. So it's a very complex picture. But we think in this case they should be passing on the rate increase and we're going to keep up the - the rate reduction and we're going to keep up the pressure on them.

NEIL MITCHELL: I tell you I guarantee that they'll bring down their deposit rates. They won't bring down their lending rates.

LINDSAY TANNER: Look, clearly, I'd urge people to keep a very close eye on those things. We've got a common refrain here of course and that is people should shop around, particularly in things like credit cards, where there is a whole range of different products and different interest rates, put as much market pressure on them as possible.

NEIL MITCHELL: Well that's true. But you can't shop around with your mortgage because they're going to hit you \$15,000 or \$20,000 to move it.

LINDSAY TANNER: Oh look, there may well be instances of that, Neil, but I think that's one of the things that people when they are getting a mortgage, should look closely at. When I got mine, I did look closely at it and the fee that's attached to me moving in my mortgage is negligible. In fact I think it's only a couple of hundred dollars, so should I choose to move it, so I think there is enormous variation out there. Again if there are cases like you're citing, that is outrageous, but I think the vast bulk of them, the fees are pretty modest.

NEIL MITCHELL: Okay broadband. Now, how much more will it cost me than what I've got at the moment when it comes to my door?

LINDSAY TANNER: Look it's not possible, at this stage, to give assessments of pricing. Clearly one of the key issues here Neil is that you're likely to get a much greater diversity of products with the new network over time, because you'll have open competition between providers and you'll have much faster speed. So it will be very difficult to say well a particular kind of product that you get now will be exactly the same and will be normal, or universal, in let's say five or seven years time, because you'll see a lot of innovation, a lot of change. So the implementation study that we're doing is going to flesh out a lot of these issues. But it's very difficult to make predictions about things like pricing at this point.

NEIL MITCHELL: What even in a broad sense?

LINDSAY TANNER: Oh yeah, it is. I wouldn't want to hazard a guess. This is one of the reasons that you need this study, is to basically drill down into some detail to get a sense of that. The point I've made ad nauseam over the past day or so, is have a think about where the mobile phone has come from and where it's ended up. You know in the space of 15 years the incredible change; eight year old kids have got them, everybody has got them. They take pictures, they send videos, they send text messages. Nobody even thought of those things when those giant bricks first got introduced about, you know, 20 years ago.

NEIL MITCHELL: Yeah. I think that's a fair comparison, but I'm a bit surprised that the implementation study is made after the decision to do it. I mean what if your implementation study says no it's too expensive nobody is going to take it up.

LINDSAY TANNER: Oh look, clearly there are uncertainties associated with any decision of this scale. Just like, you know, building an EastLink or any kind of huge project.

NEIL MITCHELL: Yeah, but that's private enterprise but this is 51 per cent us.

LINDSAY TANNER: There is significant government involvement with the EastLink project, but inevitably there are risks and uncertainties. The real question we have to ask ourselves is what are the risks if we don't do this? This is the problem Australia has been going backwards, relative to the rest of the world, on broadband. It really is the electricity network or the road or rail network of the 21st century economy; crucial to productivity, crucial to business growth, new business opportunities and of course an increasing demand for education and health. If we don't do something of this kind, the Australian economy will suffer seriously. So we just have to balance those competing risks and uncertainties.

NEIL MITCHELL: Do we know what the download limits will be yet?

LINDSAY TANNER: I would be hope there won't be download limits. That's one of the issues that will obviously be considered. But you know, we're moving into a different world where you would expect you will have products that will be sold by providers without download limits. Again, I can't guarantee that, but I think this is the thing that we all need to be careful about is speculating what kind of products and what deals will be made available. There will be things that will occur that nobody has even thought of yet because of innovation and new business opportunities, new changing consumer preferences.

NEIL MITCHELL: Are the infrastructure bonds that you're going to sell, what about \$18 billion worth, is that right?

LINDSAY TANNER: Oh look I can't put a specific figure on the amount because of the issues that are still to be determined are what the ratio of debt to equity in the company will be. Keep in mind that this is a bit like establishing an Australia Post or Telstra as it was when it was when it was part - when it was majority publicly owned, but part privately owned. So the company will raise debt on its own account. But the issues of how much and what ratio between the equity and how much private investment relative to government investment, they are all yet to be pinned down. So that means that you can't specify the precise amount but it's a serious amount of money, no question about that.

NEIL MITCHELL: Can we specify how much taxpayers' money will go into it as distinct from private enterprise and investors?

LINDSAY TANNER: Not as yet, but clearly it's billions of dollars, there is no question about that. But the initial equity investment is \$4.7 billion. There will be an additional equity investment, clearly, from the taxpayer beyond that. How much that will be of course will largely depend on the decision of about how much additional equity is required for the company and how much private sector buy-in you get. The private sector buy-in is not all going to happen at once. I would expect that what you'll see is over a period of time you'll see that fluctuate a bit. You might get a significant amount early and then you might get a greater amount later on.

NEIL MITCHELL: This is a hell of a punt. It's effectively a blank cheque for something which we don't know how it's going to work.

LINDSAY TANNER: Oh look, I think there is risks and uncertainties; we're upfront about that Neil. But just as there were risks and uncertainties for our predecessors who rolled out electricity networks, who rolled out the telephone network, that is unavoidable. The point here is that if we don't do something of this kind then Australia becomes a backwater. Most of the countries in our region, most developed nations, are doing things of this kind and Australia has been languishing in this area for years. Now people are right to be raising questions about these risks and uncertainties, we're upfront about these things. The implementation study is intended to refine these things as much as possible. But ultimately there were risks and uncertainties with the Snowy Mountain scheme, there were risk and uncertainties with building a Sydney Harbour Bridge or with EastLink. These huge projects always carry these risks. You've just got to balance that against the alternative of doing nothing.

NEIL MITCHELL: What's the risk? What's the worst case scenario?

LINDSAY TANNER: Oh look, I can't identify those kinds of things but...

NEIL MITCHELL: Well I hope somebody had though. I mean if you go into this you've got to say this is the worst case scenario, we can live with that.

LINDSAY TANNER: Oh look clearly there has been some consideration of all the magnitude of the risks like the financial risks, the technology risks, patronage risk. All of those things have been considered in detail by the Government. But the purpose of having the implementation study is to flesh that out in far greater detail. But there are limitations to how much you can predict the future. That's the other thing we've got to be conscious of, whether it's this project or anything else. Businesses are in the same position every day, people make investment decisions. Governments make decisions about big projects where they do everything possible to identify these things, to measure them, but nobody can guarantee what the future holds on anything.

NEIL MITCHELL: Country access?

LINDSAY TANNER: The broad proposal is that this - the cyber network will hit 90 per cent of Australians and we calculate that means everybody who lives in a town of 1000 people or more will have the fibre to the premises.

NEIL MITCHELL: Yep.

LINDSAY TANNER: People in more remote areas, or smaller towns, will have an alternative which will be based on either the satellite or wireless and we calculate that the speed that that will deliver will be around 12 megabytes per second. The important thing there is that was the speed that we were proposing for everybody, as the minimum speed, in the proposal that we put to the election.

NEIL MITCHELL: Okay.

LINDSAY TANNER: So it's - there will be different speeds in different parts of the country, unavoidably. But it will still be a huge step forward, even for people in really remote outer lying places.

NEIL MITCHELL: Do we yet know how the bonds will work?

LINDSAY TANNER: As in the Aussie infrastructure bonds?

NEIL MITCHELL: Yeah.

LINDSAY TANNER: Well the key difference with these is that they will be designed to be easy for ordinary citizens to purchase. At the moment you can do it. If you, Joe Bloggs down the road, want to buy 100 government bonds or something, you can do it but it's quite messy because the whole system is designed for big institutions. It's designed for, you know...

NEIL MITCHELL: But we don't know what the returns will be or anything like that yet.

LINDSAY TANNER: Well no, these details are all yet to be determined. But the key thing is we believe there is a lot of people out there who, particularly in these uncertain times, who would like a pretty secure investment that's, you know, direct to the Australian Government. They'll be keen to participate.

NEIL MITCHELL: Thank you for your time. Just two quick questions if I may. I did notice the other day that it was reported that you said you're predicting a \$100 billion deficit is that accurate?

LINDSAY TANNER: No. I think the - if there was a report that said that it's probably inaccurate. What I was saying was the deficits over the next three years...

NEIL MITCHELL: Yeah.

LINDSAY TANNER: ...are projected to be close to \$100 billion and I was also saying that I expect that they will actually end up being revised further upwards. So in other words it's a total over three years I was referring to.

NEIL MITCHELL: Oh yes, sorry, I meant that. So total over three years is in excess of \$100 billion.

LINDSAY TANNER: Yes, well at the moment the total as projected in February was not far below, I think is only a few billion dollars below the hundred for those three years. My comment was that there is every chance now, as with unemployment, that we're indicating that it's likely to be a worse position than was projected in February. Well the same applies with those deficits.

NEIL MITCHELL: Okay and you know there is always one more question. We saw Kevin Rudd reported on his aircraft upsetting a flight attendant. Has he ever shouted at you?

LINDSAY TANNER: Oh look, not that I can recall Neil, but we have plenty of robust discussions in the Labor Party, as history tells you.

NEIL MITCHELL: Have you ever shouted at him?

LINDSAY TANNER: No, no, no, I don't shout at people generally. I have many flaws but shouting at people is not one of them. But, oh look, I don't recall Kevin ever shouting at me, to be honest. But you know.

NEIL MITCHELL: You've got to try harder [laughs].

LINDSAY TANNER: That's right [laughs]. You've got to have a thick skin in this game so I get shouted at occasionally, but usually it's by voters rather than politicians.

NEIL MITCHELL: Thank you for your time.

LINDSAY TANNER: Thanks very much, Neil.

NEIL MITCHELL: Finance Minister Lindsay Tanner. Wow, are you convinced? Convince me why this is great for me. We don't know what it's going to cost. We don't know how much it's going to download, there might be no limits. We don't know how many bonds it will be. We don't know how it's going to be paid for. We don't know how much taxpayers' money is going to be in there. We don't know how the bonds will work. It's a pig in a poke time. But his argument is it has to be done or we're in trouble.

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