

MEET THE PRESS

INTERVIEWS WITH AUSTRALIAN INDUSTRY GROUP CHIEF EXECUTIVE HEATHER RIDOUT AND HSBC CHIEF ECONOMIST JOHN EDWARDS - 12th August 2007

DISCUSSIONS ABOUT WORKCHOICES, AWAs, IMPACT OF POSSIBLE CHANGE OF GOVERNMENT, INTEREST RATES, FUTURE OF AUSTRALIAN SHAREMARKET.

PAUL BONGIORNO: Good morning and welcome to Meet the Press. Interest rates rise a fifth time and the Government finds a new scare to run against Labor. This time it claims scrapping WorkChoices would see rates skyrocket even higher.

TREASURER PETER COSTELLO (Wednesday): Labor's risk is to go back to an industrial relations system that let us down in the past and will not allow to us cope with the future.

SHADOW TREASURER WAYNE SWAN (Wednesday): Four interest rate rises since WorkChoices was introduced, so what's that make of the Treasurer's claims?

PAUL BONGIORNO: Business joins the fray, though not all the bosses agree on the tactics. Australian Industry Group Chief Executive Heather Ridout is our guest. And later - HSBC chief economist John Edwards unscrambles the numbers. But first - what the nation's papers are reporting this Sunday August 12. The 'Sunday Telegraph' has "It's on. PM set to lose own seat." A Galaxy poll of 800 voters in Bennelong has Labor's glamour candidate Maxine McKew consolidating her lead over John Howard, 53% to 47% after preferences. The Sunday 'Herald Sun' claims, "Rudd supported PM's Iraq stand." A leaked letter from Kevin Rudd to Mr Howard seven months after the invasion shows the Labor leader backed Australia's continuing involvement. The Brisbane 'Sunday Mail' leads with, "Beattie pledges to stay on." A defiant Queensland Premier says he's determined to push through his controversial council amalgamations and would seriously consider running again the next State election - and he could stay for another five years. The 'Sunday Times' has, "MPs in catfight over dressing up." Education Minister Julie Bishop has accused Labor's Julia Gillard of behaving like a fashion model rather than an elected representative. Ms Gillard hit back describing the Minister as a "silly sausage". The Australian Industry Group, representing 10,000 employers, mainly in manufacturing, has stayed out of the multimillion-dollar business fund designed to protect the Government's WorkChoices laws from the Labor Party. But it doesn't mean the IAG is happy with the prospect of change. And good morning and welcome back to the program, Heather Ridout.

AUSTRALIAN INDUSTRY GROUP CHIEF EXECUTIVE HEATHER RIDOUT: Good to be with you, Paul.

PAUL BONGIORNO: Just going to that surprising poll, I'm sure for many, in Bennelong, that shows that the PM would lose the seat. Of the people who say what's influencing their vote, around 40% say the economy, but 25% have named WorkChoices, industrial relations. It seems that WorkChoices is electoral poison for the Government?

HEATHER RIDOUT: Well, look, I think industrial relations reform has been part of Australia's history now since 1993, in fact before that, we were involved in quite a lot of changes, but it's not easy, reform's not easy, people are more vulnerable and often that comes from other issues like in the manufacturing sector. It comes from Chinese imports stealing your clothes virtually and stealing your export markets. There's a lot of issues that have made Australians vulnerable. Industrial relations reform of which WorkChoices is only one chapter, an important one, has all been about moving industrial relations back to the enterprise, removing some of the third party supports around it and really, I suppose, to some extent it may have made people feel more vulnerable but it's part of a much bigger opening up of the Australian economy to global competition.

PAUL BONGIORNO: Before the last election, in fact on the very day that he launched the Liberal Party's industrial relations policies, John Howard said he had no plans for big change, most of his policies went to small business, and he went to the election saying that he would try to repeal the unfair dismissal laws for businesses of 20 employees or less. All that went out the window, which has some people suggesting that basically this election is becoming a referendum on that.

HEATHER RIDOUT: I think John Howard's changes were absolutely necessary. We do need a national system. Seven systems of industrial regulation, companies operating across borders - the whole thing was just really ridiculous. It had to move to that. I think the issues around the agreement making, you know, it's only four years ago when we had massive lawlessness in the construction industry in Victoria and in Western Australia, we had an industrial campaign where we had the car industry stop nearly eight times, one dispute costing \$500 million to the national economy. Now we've gone through a period over the last 12 months where we have renewed hundreds of agreements in our construction members and our manufacturing members with hardly a day lost due to disputation and the wage increases just as good and strong as high as they were last time.

PAUL BONGIORNO: The Australian Industry Group has stayed out of paying for the election campaign ads that started to go to air this week. Did you regret that now that that campaign is under way?

HEATHER RIDOUT: I think it's up to organisations to run their tactics how they want. AIG group obsessively protects its apolitical status. We've been around 136 year and I frankly think one of the reasons we have been is that we have as a core value making the right judgment calls about these issues. It would have been a tough choice for the other organisations. We've erred on the side of caution but it does not stop us from being vociferous advocates of WorkChoices and we will continue to be, and frankly I fronted more live interviews with the ACTU about WorkChoices than virtually any business leader.

PAUL BONGIORNO: The first of those business ads have gone to air and I must say, to me it makes some very bold claims. TV AD VOICEOVER: Since the latest workplace reforms, Australia's economy has grown by nearly 4%. 306,000 full-time jobs have been created. Exports are up 10% and higher dividends are being paid to ordinary shareholders. Over 1.3 million workplace agreements have been made.

PAUL BONGIORNO: Heather Ridout, those claims are a stretch in that if you believe that ad everything that's good in the economy is due to WorkChoices.

HEATHER RIDOUT: Well, I don't think they're saying that, but it's been part of the framework. Going back to the old days of industrial relations that I'm familiar with, there'd be a settlement in the metal industry award, it would flow across the whole economy, wages would go up, we'd have a 38 hour week, lose 110,000 jobs out of manufacturing, etc. The whole deregulation of the industrial relations system of which WorkChoices was an important chapter has stopped all those flows. So we don't have the inflationary pressure, we don't have the interest rate crunch and that's why we're concerned that we don't want some elements of the ALP's policy, particularly around collective bargaining rights, which would be risky economics.

PAUL BONGIORNO: In your own group, most of your employers in fact have collective agreements by way of EBAs?

HEATHER RIDOUT: 40% of the Australian workforce have a collective agreement, most of them registered, but that's fine. We deal with unions, these agreements we've renewed over the past 12 months have been done with union officials. That's fine. But there should be a matter of choice.

PAUL BONGIORNO: But you've been talking today in very broad economic terms. Coming to the individual, isn't the problem with WorkChoices that it's individual and it's secret, so in other words it makes virtually every employee very vulnerable to an employer who is in a more powerful position?

HEATHER RIDOUT: It's not secret any more. All these agreements have to be tested with Workplace Australia and the fairness test has been put in with the support of the Australian Industry Group and, can I say, our agreements are going quite well. We're having no trouble meeting the fairness test. So I think that issue is the furphy which has now gone to God.

PAUL BONGIORNO: When we return with the panel, leaked Liberal Party research finds the PM is seen as old and sneaky and no help in selling WorkChoices. And it's a tie for the gag of the week between Senator Barnaby Joyce and the PM. A frustrated John Howard is accusing Kevin Rudd of echo-nomics. He says it's like standing at Echo Point in the Blue Mountains.

PM JOHN HOWARD (Thursday): I'm reminded a bit of that in the parliament these days, you stand up here and you say "budget surplus" and "budget surplus" comes back. You say "rigorous monetary policy"...

SPEAKER: Order! Will the rime Minister resume his seat...

SENATOR BARNABY JOYCE: I think if Kevin Rudd as I said gets any closer to John Howard he'll have to get permission off Jeanette.

PAUL BONGIORNO: You're on Meet the Press with Heather Ridout. And welcome to our panel, Jennifer Hewett the 'Australian' and Malcolm Farr the 'Daily Telegraph'. Leaked Liberal Party research at the beginning of the week found that the arrival of

Kevin Rudd allowed voters to express their concerns over WorkChoices. It coincided with revelations that the actor in this ad was himself ripping off kids.

MAN IN AD: My kid's about to start work, there's nothing to stop his employer from ripping him off.

WORKPLACES RELATIONS MINISTER JOE HOCKEY (Tuesday): These things will happen from time to time. I'd like to check all those actors in the ACTU ads.

MALCOLM FARR, 'DAILY TELEGRAPH': Heather, the problem for the Government, or one of the problems for the Government, is that the industrial relations debate has been confined, locked, into the workplace, when the Government says it's got an economic argument. Do you think the Government between now and the election time will ever make industrial relations an economic debate?

HEATHER RIDOUT: It's very difficult, because it is a local debate, it is very much in everyone's workplace and it's about their security and the security of their kids and their cousins and their aunts and it is hard, but it has to be an economic debate because it has been absolutely front and centre in making the Australian economy much more resilient and more robust and able to grow faster and have lower interest rates, for now going on 15 years.

MALCOLM FARR: But isn't the basis of that argument that somebody's going to have to make sacrifices to achieve that strengthened economic front?

HEATHER RIDOUT: I don't think any of us are making sacrifices at the moment. All the income dispersion data, all Australians are better off, there's not one Australian State at the moment that has a 5 in front of it in terms of unemployment. Even Tasmania, 4.8%. You know, it's a fairly robust, fairly driven economy, the tax cuts in the last Budget were for the low-paid as they were in the Budget before. There's been a lot of redistribution going on here, Malcolm, so I think really that everyone is better off under our economy.

JENNIFER HEWETT, THE 'AUSTRALIAN': Heather, if Labor is elected, are we going to go back to the bad old days of industrial relations?

HEATHER RIDOUT: Look, there are issues about the Labor Party's policy which still deeply disturb us and we're really looking forward to Forward With Fairness Mark II. The collective bargaining area I think is deeply worrying because there's still a lot of ambiguities about how you get into this compulsory bargaining system, what you can bargain about, access to arbitration. There's some really big issues there that the Labor Party need to clarify, and which we've been calling on them to clarify for some time. This is not even to mention the whole issues around AWAs and individual contracts.

JENNIFER HEWETT: Do you agree then with the Government that it will put Australia's economy at risk?

HEATHER RIDOUT: I think there are risks attached to the ALP's policy and that's been part and parcel of our message to the ALP and to the wider community for some time. So they really do need to start to put more disciplines behind this policy. We're encouraged that they're making noises about pattern bargaining and secondary

boycotts etc, but we need much more clarity around it, and the other area that's absolutely profoundly important are the building industry reforms which have seen a transformation. You've no idea the change that's occurred in the building industry in four years. Now that was achieved with sacrifice from both sides - our members in the construction industry weren't rapt in a lot of the things they had to do to conform with that very vigorous and rigorous legislation, but it's worked.

MALCOLM FARR: Kevin Rudd has consistently said that he's going to scrap AWAs, but do you detect in any way a modification or qualification to that pledge, particularly for upper white-collar workers and for the more elite blue-collar workers?

HEATHER RIDOUT: We'd be very worried if it was a mining industry sort of settlement, that it really just coped with the West Australian miners that are on AWAs. We're wanting an individual contract of choice to cover all sorts of employees. We have thousands of employees in the IT industry for example on AWAs. It has to be more of a universal choice and that's the message we put to Kevin Rudd. Kevin Rudd, I think, understands the message, but he's caught between a rock and a hard place because they've promised not to do it, so maybe he'll try and paint the elephant pink.

MALCOLM FARR: His heart's not it, you're saying?

HEATHER RIDOUT: I don't know whether his heart's in it or not, but I think he understands the potency of the employer arguments about it. Common law contracts don't offer as much protection to employees as AWAs do. AWAs are all checked. You have to trade off, you can have the global test, much less flexibility under a common law contract. There's a whole lot of issues there that we've explained to Kevin Rudd and really do ring true.

JENNIFER HEWETT: Given the fairness test has now been introduced, do you think rip-offs are possible, are they likely?

HEATHER RIDOUT: We were strongly supportive of the fairness test being reintroduced. In fact, our first submissions on WorkChoices had the fairness test still there. I think in terms of our members we're now complying with it. It's business as usual, frankly, because we've been using the awards system as a base for most of our agreements. As I said before, we've negotiated hundreds over the last 12 months and it hasn't really been a major issue. As for whether it does offer scope, it's pretty small because the test is quite tough.

JENNIFER HEWETT: You said that economy might be at risk. Do you think if Labor reintroduces its policy that we'll see the prospect of interest rates going up, increasing?

HEATHER RIDOUT: I think if we put in place systems that put pressure on inflation, ipso facto, interest rates will go up. Since 1993, since the Keating reforms to deregulate the system, we've made the labour market much more flexible and a shock absorber. And we haven't had these flows across the economy and across industries of specific booms in construction or booms in mining. They don't flow any more, and that is a very important reform. I'm not saying that the Labor Party wants to stop that in its tracks, but a lot of the things they're doing are risky.

MALCOLM FARR: As a representative of manufacturers, I presume you'd like an industry policy to appear somewhere from either side before the election. We haven't seen anything like that. Are industry policies on the nose because it's about picking winners?

HEATHER RIDOUT: We represent manufacturers, constructors, IT, airlines, all sorts of people, but we do have a very strong interest in manufacturing industry. The Government did introduce an industry policy statement this year. We're about to put on 14 people to run productivity centres around Australia to help SMEs - good policy. We're wanting to see more on R & D and the whole innovation debate, because that's really the next front. There has to be a front here that our members take and of course underpinning that is a very rigorous debate over skills and it's great that we're having a contest of ideas over skills and education in the lead-up to this election.

JENNIFER HEWETT: We've seen problems with the Ford plant in Geelong. Is large-scale manufacturing really a dead end for Australia now? Is it feasible for the future?

HEATHER RIDOUT: It's not a dead end. We employ and make more contribution to GDP than mining and agriculture put together. It's a very, very big sector and it is renewing itself, but it's painful, and the Ford decision is part of the pain we're going through.

PAUL BONGIORNO: We saw interest rates rise for the fifth time since the election. How much damage are these rises doing to manufacturing industry?

HEATHER RIDOUT: They're going to put up business cost, they're going put upward pressure on the exchange rate which will penalise their competitiveness and they'll damage their customers in the housing and consumer sector. Not welcome news for an already tight, stretched sector.

PAUL BONGIORNO: Thank you very much for being with us today, Heather Ridout.