



## Interview with Heather Ridout

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The chief executive of Australian Industry Group, Heather Ridout, talks to Lateline Business.

PHILLIP LASKER, PRESENTER: Well, you can't have it all.

Just as the weaker Australian dollar arrived to help struggling industry so did the threat of a global recession.

As we heard, some expect unemployment to hit 6 per cent, and many of the job losses will come from the labour intensive industry sector.

The Australian industry Group is at least a key player in the Government's search for solutions. Earlier, I spoke to its chief executive Heather Ridout.

Heather Ridout thanks for joining Lateline business.

HEATHER RIDOUT, AUSTRALIAN INDUSTRY GROUP CEO: Good to be with you, Phillip.

PHILLIP LASKER: What's emerged following the forum you had on Friday with the Prime Minister?

HEATHER RIDOUT: It was a very constructive discussion. There was strong support given for the package Kevin Rudd and his colleagues have put forward from the banking support to the stimulus package, which they brought out earlier in that week, as well as the Reserve Bank's actions.

So, companies were very comforted and they thought that it was very important those measures were taken.

I think there was a pretty strong message sent to Kevin Rudd and his team that industry, while some sectors were still holding up very well, there were certainly signs of decreased investment plans, and cancelled and suspended projects, and sales drying up.

And a lot of flat-lining in a lot of sectors and uncertainty around the future of demand; that came through very strongly.

The third message that I think was really important was the fact that they still wanted the longer term investments required to support a more productive economy.

And that was around skills and education and innovation and infrastructure and tax reform. So there were strong messages sent to Kevin Rudd and Wayne Swan that don't let the urgent get in the way of the also important.

PHILLIP LASKER: What were the major sticking points though?

HEATHER RIDOUT: Well, I don't think there were many sticking points. The major sticking points I suppose was just everyone understanding exactly where the whole thing's headed.

We're in a bit of a twilight zone. The stimulus package has fallen on an economy where growth is around... employment is around 4 per cent and growth is still positive.

So, in terms of where companies are headed, it's just the uncertainty I think that's worrying them. But they can see the writing on the wall.

PHILLIP LASKER: So, from where you sit how bad is it going to get? Because I think that's what everyone's trying to determine?

HEATHER RIDOUT: Look, I think for the real economy, really the vulnerable points are the consumer and unemployment.

And that's where consumer expenditure will start to dry up and unemployment will start to rise. The sort of package Kevin Rudd and his colleagues put forward is an attempt to try and put some floor under that.

But I think for business it's been an investment led boom in many cases, and the fact is that investment's now under pressure because of the cost of finance and because of the availability of finance and because of some opacity about where the future demand's going to come from.

And also, of course, if you're importing a lot of capital the cost of it is going up, and that was confirmed in today's producer price index.

PHILLIP LASKER: But do you see a recession ahead? Is that possible?

HEATHER RIDOUT: Look, I hate using things like the 'R word; I'm a glass half full girl.

It's certainly possible depending upon how tough things get. I think we've talked about Australia being in the China lifeboat and the big issue is how much water is that lifeboat taking.

And we've seen commodity prices fall off, some of our members report ships being turned back. But it's really not China now that's important as China in about three or

six months' time.

And I think that would be really grim news not only for Australia but for the rest of Asia if it started to not continue to support Australian growth.

But I think also the terms of trade will certainly not bring the injection of income into Australia in the next 12 months that, perhaps in about the next calendar year, then it's certainly predicted to bring in this calendar year and in the early part of next year.

PHILLIP LASKER: So, does Malcolm Turnbull have a point when he is suggesting the Government's hyped up the financial crisis for political gain?

HEATHER RIDOUT: I think the Government had to get ahead of the curve, and that's been their objective.

In terms of Malcolm Turnbull's view, I think Malcolm has given bipartisan support to the package; I think he's said the Government needed to do something. He wants to see the figures.

I think there's some desire from business to know the magnitude of the crisis and we're looking forward to seeing what the Government has in store for the economy, or is in store for the economy over the next 12 months, in figures.

But you can't blame the Government for taking a judgment because that's what they have to do. And that judgment is based on the best advice from the Treasury and from the Reserve Bank.

PHILLIP LASKER: We don't know what it's based on at this stage. The Government's been reluctant to provide any hard and fast figures.

It could be accused of making policy on the run, could it not? You're still waiting to see those figures.

HEATHER RIDOUT: Well Indeed, but I think the Government does have advice from the Treasury; it does have advice from the RBA; it does have advice from the IMF.

Wayne Swan said to the conference that he'd been to... to the meeting in Washington, and he was very concerned about what he heard there. And that was certainly an element.

And I think it will be good when we get some hard and fast data out there. But I think the Government was right to make a judgment on the best advice they had and you do need to get ahead of the curve because the recession, if it has to happen, will be a lot longer and deeper if we have to fight it when it's actually taken hold.

PHILLIP LASKER: Well, The National Australia Bank says we could lose an extra 200,000 jobs; that unemployment could be around six per cent by the end of next year.

Does that square with your thinking? And I presume that a lot of the jobs would come from your members.

HEATHER RIDOUT: Well, we've been seeing employment under pressure in manufacturing for the last six months.

And we've seen a lot of high profile job losses in the sector. And there were a lot in the automotive sector just last week with Ford, but a number of other companies also announced it.

Clearly, costs have to be taken out of businesses. A lot of businesses are exposed to the global crisis and will be seeking to cut back.

So, unemployment does look set to rise in Australia, not just across manufacturing, but across services. The construction industry still looks pretty robust. But I don't think the outlook for employment is all that encouraging.

PHILLIP LASKER: Can you be sure the Government's spending on infrastructure which you say will be extremely important in the long term, will be spent wisely? Can you be sure that money will be spent wisely?

HEATHER RIDOUT: Well I mean, I can't speak for the Government, but I can speak as a member of the Infrastructure Australia Board, and our view is that we're conducting a proper process.

We're into the bureaucrats but we are conducting a proper process. Last week the public submissions closed on projects, and we will be examining those.

We have a list from the States. So we intend to go through a rigorous process and I think everyone on that board is committed to that. I certainly am.

PHILLIP LASKER: Does it concern you to see reports like we saw recently that the New South Wales Government approached the Federal Government for help for the rail line in the north of Sydney and were told the Federal Government wouldn't help out because it doesn't go through any Labor electorates?

HEATHER RIDOUT: I think the issue with what States are going to do really important. That's politics, I'm not going to go there Phil.

But I would say, that the issue... if the Federal Government want to line up and put money behind infrastructure we can't have that compensating for State and Local governments not spending as well.

PHILLIP LASKER: Heather Ridout, many thanks if your time.

HEATHER RIDOUT: My pleasure.