

PAUL BONGIORNO: Do you think that Australia will need a second stimulus package?

HEATHER RIDOUT: Look, quite possibly. The impacts on the industry have been quite strong, they've been quite immediate. I'm quite surprised by it, and I think they've been quite widespread. Capital expenditure has been cut, business plans have been reviewed and employment is under pressure - Ford orders have fallen like a stone. You can say that it is about confidence, but that's what makes the world go around in the international economy, so I think it is a very tough environment.

PAUL BONGIORNO: Do you have any problems with the need for the Government, if it keeps stimulating, to risk falling into budget deficit?

HEATHER RIDOUT: I don't think anyone in the Australian economy who loses their job or any business that goes out of business because the Government wants to put politics before sensible economics and not go into deficit would thank them for it. I was in Ballarat last week - I asked an audience of 150 how do they feel about if the Government went into deficit to help the economy, "put your arms up", and a lot of people put their arms up. So it is a sort of a question that really defies reasons, and it is politics - like the NSW Government trying to reserve their AAA credit rating. Who counts for that any more? But these things aren't important to the man on the street. They want to know that the Government on the job is sensitive to the situation and trying to do the right thing in the long term but conscious of the short term.

BRAD NORINGTON: The Government is projecting 2% unemployment and 5% - 2% growth and 5% unemployment, thankfully. Do you think that the figures are too optimistic?

HEATHER RIDOUT: I don't want to comment on that, Brad. I think, though, it's going to be very tough economically. We're seeing unemployment rising, we're seeing the whole industry under pressure. We did a survey, not just of manufacturing, but services members, our construction members - it's going to be very hard and it is the orders issue that is the major issue here. Construction is really hard hit and the big developers are having trouble getting finance to finance big projects. Manufacturers can't get money. The car industry - they're finding it hard to get credit with the packing up of the big credit providers to the industry. So, these impacts are big and they're going to be around for some time to come.

BRAD NORINGTON: There's been a lot of criticism of the NSW Government's mini-budget over the past week. Is NSW letting down business?

HEATHER RIDOUT: I think NSW isn't a NSW issue - it's a national issue. It's 33% of the Australian economy, although that percentage seems to be falling as we speak. And that Budget which put up taxes, deferred infrastructure investment - it just defies reasons. And again, it's like the silly deficit argument - it's all about politics, it's about protecting AAA ratings or some sort of issue there.

**I think Kevin Rudd needs to take NSW aside from the COAG process and work out what we need to do to fix this State and what conditions need to be put on it, a bit like an administrator going into a local council and saying, "Let's have a look at the books, let's have a really good look at what's going on here and fix it," and I think the people in NSW - me one of them - would really welcome it.**

ALISON CARABINE: So, you're effectively advocating a Commonwealth takeover of the largest state in Australia to fix the mess?

HEATHER RIDOUT: No, Commonwealth investment in the largest state in Australia, but very careful investment. Because state governments, I think someone said, "Never get between the premier and a pot of money." So you really do need to do it very carefully. But NSW probably needs to be taken outside the normal COAG processes and given an extra burst of investment to make sure that this State is on a stayable path, let alone a growth path.

ALISON CARABINE: Do you have a person in mind to be the administrator? Jeff Kennett has been nominated by Victorians.

HEATHER RIDOUT: I wouldn't like to go there and nominate an administrator but I think we do need to get very focused on this issue because the people of NSW deserve better, businesses deserve better. It's a really awful situation.

ALISON CARABINE: And is the lack of political leadership in NSW, does that push us closer to a national recession?

HEATHER RIDOUT: Well, it definitely must. It's a third of the national economy, unemployment is highest here - well over 5% now - its budget position is very ordinary. You know, it is a really sad State, yet it is a diversified economy. I've asked the question of John Brumby and Michael Costa, frankly - when he was treasurer - what has Victoria, a manufacturing State, doesn't have mining and doesn't have all of the big strengths that NSW has - big financial base, the mining base which has been prosperous, and manufacturing - why can't NSW grow like Victoria? And the answer is not self-evident - it is all about management.

BRAD NORINGTON: On Friday, the Rudd Government gave in to union pressure by agreeing to a central wage umpire for low-paid industries and intractable strikes. Do you think this is a return to the bad old days?

HEATHER RIDOUT: Look, I do. In the UK, there is no arbitration. In America, you cannot get arbitration unless the President of the United States gives it to you. In New Zealand, it is never accessed. In Canada, the same. The unions have been on this track since April last year when it was announced - that infamous document at the Labor Party conference - and we've been trying to sort this rickety gate out in the 18 months since. Now, some progress has been made, but there's been this vexed issue of the low paid. But Jeff Lawrence and the ACTU need to realise that they will be implementing this policy in a time of rising unemployment, fewer jobs and the very people they

want to help through this could be the ones that lose their jobs. In this environment, that's a very risk.

PAUL BONGIORNO: But, can't Australians accept the need for an umpire? Arbitration is in our constitution.

HEATHER RIDOUT: An umpire is an umpire - is there to settle disputes and the umpire can settle disputes as it does in the UK, as it does in the US, as it does in New Zealand and Canada, but it's not for the umpire to tell companies what they should have to pay and what others should be seeking to gain. It's up to the parties and that's where productivity gains are achieved.

PAUL BONGIORNO: Just briefly, the unions seem to think that Julia Gillard is giving everything to the employers.

HEATHER RIDOUT: Well, they would say that, and I must say Julia Gillard - it's been a very constructive process, it's been quite a clever process, I think. We've had some gains. It's been about risk management - employers have to know and I'm very much aware that this is - we could have gone retrograde in a big way through this IR reform plan of the Labor Party's and we've been about risk minimisation.

PAUL BONGIORNO: Thank you very much for joining us today.

HEATHER RIDOUT: My pleasure.

PAUL BONGIORNO: And thank you to the panel, Alison Carabine and Brad Norington. Goodbye.