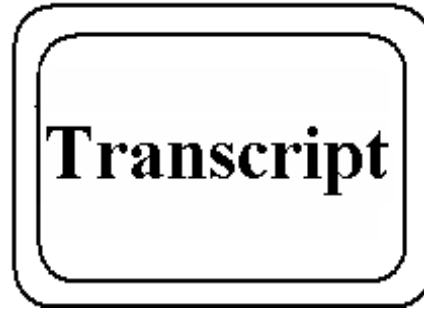




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Senator Nick Sherry
Assistant Treasurer

ABC 2 News Breakfast
Interviewer: Virginia Trioli
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SUBJECTS: Barnaby Joyce Productivity Commission, health negotiations with the States, foreign investment in real estate

Virginia Trioli: Assistant Treasurer Nick Sherry joins us now from Canberra. Good morning. Thanks for joining us.

Nick Sherry: Good morning Virginia, good morning to your viewers.

Virginia Trioli: Are we going to be locked in a tit-for-tat now about which financial crisis has been more significant and who has done the best job, the Asian crisis of 97 or the current global financial crisis. Is that what it's come down to now?

Nick Sherry: Well I was amazed by Mr Abbott's claims that the world financial crisis was not as bad as the Asian financial crisis of just over a decade ago. The world financial crisis speaks for itself. A worldwide recession, the worst worldwide recession, the worst in 75 years....

Virginia Trioli: Except in Australia.

Nick Sherry: Well except in Australia because of the decisive action the government took, part of that was the stimulus package.

Virginia Trioli: Or as Tony Abbott would put it, the position that Australia was left in by it previous government. You have got to accept that both positions are valid aren't they?

Nick Sherry: But part of the reason why Australia has been cushioned by the world recession, from the world recession, the worst in 75 years, part of the reason why Australia has lower debt and deficit, one of the lowest unemployment rates at 5.3%, the reason why our economy didn't go into recession, unlike most other advanced

economies, was we had a stimulus package, a significant stimulus package which cushioned Australia and kept us out of recession.

Virginia Trioli: Now in your view, is there extra room just a little bit of fat in the Budget as it stands at the moment to give John Brumby and the other premiers the billion dollars that they say they need to secure hospital reform, is there room in the Budget for that?

Nick Sherry: Well look, there will be discussions and I'm sure there will be a lot more detailed discussions with the States about the details, including important financial details. We'll have to wait and see what those outcomes of those discussions are. I'm on the expenditure review committee. In fact I'm looking a bit blurry eyed and I'm here in Canberra today for that reason. It's going to be a tough Budget. I mean we are going to be very, very strict with our spending. At the end of the day, I hope the States appreciate and understand that.

Virginia Trioli: So are the States barking up the wrong tree with this constant insistence that if you want to push through hospital reform, they simply have to be given a big bucket of money. Is that entirely the wrong way for them to be going?

Nick Sherry: To date they've been given additional money. The Commonwealth provided additional money, significant amounts of money in the last round of funding but look, I'm sure there will be a lot of detailed discussions about ongoing financing of public health in particular hospitals. Those details will be sorted out between the Prime Minister and Nicola Roxon and the States over coming months and we will see where that leads us.

Virginia Trioli: The first part of your answer there seemed to indicate that the Government, the Federal Government, believes it's already been quite generous, that perhaps there is an upper limit here?

Nick Sherry: Well we had improved funding for hospitals after it had been cut back under Mr Abbott by a billion dollars. We have improved funding, but there are still important details being worked through between the Prime Minister and the States on health funding and we will see what those final negotiations deliver. They haven't been finalised yet, obviously, so at the moment at least, from the Budget point of view and the Expenditure Review Committee, which I sit on, we haven't taken those outcomes into account yet.

Virginia Trioli: Now as Assistant Treasurer, you're responsible for the area that includes the Productivity Commission, its work and reports and I know we're expecting a report from it today in relation to water. So Barnaby Joyce has said today that of course he's going to be reading this report because it falls squarely in his portfolio, but generally speaking if his comments are to be believed yesterday he doesn't have much of a regard for the organisation. Do you?

Nick Sherry: I do have a good regard for the Productivity Commission. I notice Barnaby referred to it as using their reports as toilet paper. I don't necessarily agree with everything the Productivity Commission provides us in terms of economic analysis, whether in government or opposition, but it's important to have rigorous economic analysis and the Productivity Commission is an important part of that

debate in Australia, whether you agree with them or not. Making flippant comments about using them as toilet paper, or the reports as toilet paper, you need good economic analysis to develop good economic policy. We don't see a lot of good economic policy coming from Mr Joyce and if that's his approach to rigorous economic analysis, perhaps that's one of the reasons why.

Virginia Trioli: Nick Sherry in your view as Assistant Treasurer, do you think the changes that the Government made to the foreign investment rules in relation to foreigners being able to buy and own existing housing stock in Australia, whether that's put increased pressure on housing shortage and housing affordability?

Nick Sherry: The fundamental rules have not changed. The fundamental rules are if you're a foreigner you can only buy new residential property that has been constructed off the plan. If you're a temporary resident you can buy property, you buy one single property provided you live in it.

Virginia Trioli: Yes, but there is actually no-one following up, checking who's living in those properties, are there?

Nick Sherry: Well, both Treasury and the Foreign Investment Review Board gather data and carry out analysis and that's always been the case. The fundamental rules haven't changed. There have been changes around reporting requirements and red tape, administrative issues to solve red tape issues, but the fundamental rules haven't changed. I have noticed there has been a debate in Melbourne in particular about this issue. The other point I would make is the actual...

Virginia Trioli: Nick Sherry we just need to pause there for a moment. I don't want to get us locked down into a you're wrong, no, you're wrong situation but the fundamental rules have changed in that they allow those temporary residents here in Australia to purchase existing stock, not new off the plan. That is a fundamental change, all the property monitors are seeing it that way, all the real estate agents are seeing it that way too.

Nick Sherry: The issue is also this: what impact does the level of purchase by foreigners have in the property market in Australia ...

Virginia Trioli: What impact do you think it's having?

Nick Sherry: Well, it's minimal. I mean the level of purchase by foreigners, whether temporary or foreigners, the level of impact, less than 1% of Australia's housing stock is owned by foreigners and that level hasn't changed at all, that level has not changed significantly in the last decade. So it is not having an impact. There are other issues on housing prices, there's no doubt about that. But the issue relating to foreign ownership is minimal in its impact. It's just not impacting the market.

Virginia Trioli: They're certainly new figures no. If at all possible ... but no real estate agent I've spoken to has anything like a figure saying that it's less than 1 percent and that hasn't changed in a decade, so I would be delighted to see those figures if you would be able to share them with ABC Breakfast.

Nick Sherry: Sure, look it's perfectly understandable why real estate agents would look at demand in their local community, but nationally, the aggregate figures show that foreign purchase of property is not impacting on the property market.

Virginia Trioli: Nick Sherry it's good to have you on the program again. Thanks so much for joining us.

Nick Sherry: Thank you Virginia and good morning to your viewers.