

## **INTERVIEW WITH VIRGINIA TRIOLI**

### **ABC 2 NEWS BREAKFAST**

**24 JUNE 2009  
8.00AM**

**SUBJECTS: Australian economy, World Bank and OECD forecasts, effect on Australia, school buildings, Malcolm Turnbull, false email, (Ozgate)**

#### **VIRGINIA TRIOLI:**

So for more on the political jousting in Canberra and also (I would argue) for the more important issue of the outlook for the Australian economy after the World Bank warned this week that the global recession is far from over, we're joined now by the Assistant Treasurer Nick Sherry in Canberra.

Nick Sherry, good morning. And thank you for joining us.

#### **NICK SHERRY:**

Good morning Virginia. Good morning to your viewers.

#### **VIRGINIA TRIOLI:**

Now let's move on to the political matters in just a moment.

But this interesting observation and forecast by the World Bank expecting global gross domestic product to be 2.9 per cent, which is a significant revision down from the previous estimate of 1.7 per cent. Do you accept that as true? And what impact will that have on the Australian economy?

#### **NICK SHERRY:**

Well it's a further indication that the world economy, the financial and the economic system, is facing the worst circumstances in 75 years, since the Great Depression. And that does impact on Australia. And the Rudd Labor Government's been acting decisively to cushion Australia from the worst recession in 75 years.

#### **VIRGINIA TRIOLI:**

So, will all your spending cushion us from that?

#### **NICK SHERRY:**

Well we've already seen evidence of that, unlike...

**VIRGINIA TRIOLI:**

We've seen evidence of spending.

**NICK SHERRY:**

Well we have seen clear evidence - our retail sector, our construction sector, jobs in the retail sector over the last six months have increased. Jobs in the construction sector have increased over the last three months. In most other countries, jobs in those sectors have fallen off a cliff.

So, the decisive interventions by the Government to cushion the Australian economy have been working, but we're certainly not out of the woods yet.

**VIRGINIA TRIOLI:**

The OECD is also forecasting that unemployment in industrialised countries in the next year could reach and probably will reach in most of those countries 10 per cent. What's your view on this?

**NICK SHERRY:**

Well our forecast for Australia, or the Treasury forecast contained in the May Budget, is unemployment peaking at around about eight and a half per cent in 18 months, two years time.

But again, I just think this highlights the fact that the world economic situation is the worst since the Great Depression, and that's why the Government has been taking a range of decisive interventions. Stimulus packages, our bank guarantee, inter-bank lending guarantee, and a whole range of other actions to cushion the economy from these very bad international economic circumstances.

**VIRGINIA TRIOLI:**

So just to clarify the Government forecast, then, you do not believe that our unemployment rate will reach 10 per cent as the OECD has forecast.

**NICK SHERRY:**

Well the forecast we set out in the Budget in May, and that's last month. Any change to those forecast figures, any change, would occur in the mid-year economic forecast which will come later this year, but our forecast is there...

**VIRGINIA TRIOLI:**

So it's possible there could be a change.

**NICK SHERRY:**

Well the forecast of eight and a half per cent is in the Budget that was delivered in May, and that is the current figure. And if there was a change, that would of course occur in the mid-year economic forecast at the end of the year. But there is no doubt that world economy is in a very very serious situation.

**VIRGINIA TRIOLI:**

Sure, look, I don't mean to harp on this, but I just - so we can clarify it and then move on. Do you believe the 10 per cent forecast is simply impossible for Australia?

**NICK SHERRY:**

No, I support the current forecast which was delivered last month, in the May Budget, of eight and a half per cent.

**VIRGINIA TRIOLI:**

Okay. Well look, there's been much reporting in the last few weeks about the stimulus package, particularly as it relates to education spending, which in the majority is a great deal of construction work. And case after case comes up where the money seems to be spent exactly where it's not needed.

There's another example of that in The Australian today where a school is been required to have a gym hall built where it already has a gym hall.

What questions, what queries and regrets do you have about the rushed nature of some of this stimulus spending?

**NICK SHERRY:**

Well as I've indicated, there is a need to have a strong stimulus in order to underpin particularly the construction building sector and the retail sector, and we know that's working.

**VIRGINIA TRIOLI:**

Only if it's useful.

**NICK SHERRY:**

Well it is very useful. We've seen the evidence in the employment...

**VIRGINIA TRIOLI:**

Not in the use of it at schools.

**NICK SHERRY:**

We've seen the evidence in the employment figures. Compared to other countries, building and construction is holding up well in Australia. In other countries, it's falling off a cliff.

Now in terms of the delivery of those thousands of projects around the country, the states are overseeing those projects, they're determining the projects in accordance with the guidelines. And that will all be appropriately audited.

**VIRGINIA TRIOLI:**

Okay. And just finally, Nick Sherry, you must be relieved that the own goal, if I can put it that way, scored by the Leader of the Opposition, Malcolm Turnbull, has handed a get out of jail free card to your Treasurer, Wayne Swan.

**NICK SHERRY:**

Well Malcolm Turnbull should explain his relationship with Mr Grech, because we saw last week Mr Turnbull making allegations of corruption against the Prime Minister and the Treasurer, off the back of what turns out to be a fake email.

And now apparently there's been some long-term relationship with Mr Grech. Malcolm Turnbull should explain it - because in part his demand that the Prime Minister resign last week was based on the testimony of Mr Grech - and what turns out to be a fake email.

This is a very divided Liberal Party. And we're going to see more evidence of that today.

The only thing they can agree on in terms of the ETS is to defer it, because they can't agree. They've got a split on the treatment of illegal migrants in detention today.

And they've already split on alcopop tax.

This is a very divided opposition.

Malcolm Turnbull should explain himself, explain the relationship with Mr Grech, and furthermore, the Liberal Party's already speculating about who's going to take over as the new leader.

**VIRGINIA TRIOLI:**

Nick Sherry, thanks for joining us this morning.

**NICK SHERRY:**

Good morning.