

## **MEET THE PRESS**

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INTERVIEW WITH HEATHER RIDOUT

DISCUSSIONS ABOUT CARBON TAX.

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**PAUL BONGIORNO:** You're on Meet The Press. Never stand between Paul Keating and some free advice on the economy. On Thursday, the former Prime Minister and once world's greatest Treasurer put out this challenge for critics of the carbon tax.

**PAUL KEATING, FORMER PRIME MINISTER, LATELINE (THURSDAY):** Do we want a first-rate industrial economy or do we want an economy with a brown, fat under belly? Do we want to get into the new age with the new industries or do we stay in the old ones talking as Tony Abbott is talking about industries that were important 100 years ago?

**PAUL BONGIORNO:** Good morning and welcome Heather Ridout, CEO of the Australian Industry Group. What do you think of Paul Keating's challenge there? Do we talk about industries of the past or look to the future?

**HEATHER RIDOUT, CEO, AUSTRALIAN INDUSTRY GROUP:** I'm not sure what he is talking about really. Is he talking about manufacturing industry? That employs 1 million Australians and pays more wages and salaries than any other industry in Australia, that adds more to value-added than any industry in Australia. So I'm not sure what he is talking about. Brown coal.. we are making a transition to black coal, we are making a transition to gas, we are making more transitions to renewables. Australia has 100 years of these resources. Other countries who are putting a lot of money into renewables and clean energy have energy security problems. Australia does not have those and this is a very different ball game we're dealing with here.

**PAUL BONGIORNO:** On that point, we have a question from Twitter from JR who says "does the AIG foresee growth for renewables in Australia", I guess he means manufacturing renewable in Australia, "to be developed then exported the world?"

**HEATHER RIDOUT:** Look, I think we have been doing some of that, but I think we have missed the ball a lot. We used to be great world leaders in solar. We really missed the ball on wind turbine technology, so I think in a way we have kind of

missed that run and it is hard to recapture that but it doesn't mean we are not world leaders in certain things. With alumina, we make the cheapest and best alumina in the world using the best technology. So there are a lot of things we do well in Australia and we shouldn't discount that.

SIMON BENSON: You said that the \$23 price has come as a shock to industry. Has it really? Some of your member groups such as the steel industry have even welcomed it and there are some pretty generous subsidies in there?

HEATHER RIDOUT: I think that the \$23 price is a risk to the economy. We have not seen the blood flow through the veins on this system yet. There are a lot of risks to electricity prices, there is a lot of risk to jobs, there is a lot of risk to competitiveness and these things really need to be known, so we said you should start very slow and build-up and still enter it at a reasonably market price. We also believe that this price does not take account of the huge regulatory burden that's already in place that was identified in the Productivity Commission report which already put us middle of the road in the world in terms of an implicit carbon price. So this is going to be layered on to an already existing carbon price that neither side of politics has really embraced getting rid of.

SIMON BENSON: Your group was a critic of the renewable energy targets and the subsidies to renewable energies because of the input costs for electricity prices. Would you be happier with a carbon price of \$23 if some of those programs were removed as the Productivity Commission suggested?

HEATHER RIDOUT: I think they have to be rationalised. They definitely have to be. There's a whole lot of state schemes, there are feed-in tariffs, the small solar stuff shown to be very expensive. All good feel-good stuff but I think we do have to be ruthless. If we want a \$23 price and that to work for the Australian economy, work for competitors, competitiveness, work for jobs, we need to be ruthless around these issues and we are not being. We're wanting our cake and eat it too and this will give us a world-leading carbon price.

ALISON CARABINE: Heather Ridout, business craves certainty. Once the tax is introduced on July 1 next year, if it is bedded down and the sky hasn't fallen in, if the Coalition is elected at the next election, would you support Tony Abbott to rescind the tax or would that be too disruptive?

HEATHER RIDOUT: From the 1<sup>st</sup> of July next year, a lot of our members are going to start incurring higher costs with no cash in the hand to pay for them. They are going to have to take this out of their profits and margins. That is a fact. While a lot of companies or some are getting support through this scheme, an awful lot of them are not. In terms of certainty, yes, our members who supply the generating industry have seen a drying-up of investment into that area which will be risky for the economy down the track because we will have electricity supply problems. So there are issues of certainty. The other issue for business is we are not really confident how this thing can be rescinded or repealed. It is a very complex package. It looks like it will go through in its current form. What I want to do is sit down with the Government to work out how we can ameliorate further some of these impacts, particularly when we are intent on having such a high carbon price from the get-go.

ALISON CARABINE: Another possible disruption for your members are the gathering storm clouds overseas. What's your assessment of the international outlook? Do you think we could be in for a repeat of 2007?

HEATHER RIDOUT: Look, my concern is we are already having a very disconnected debate in Australia about the economy. We have the official view. We have the view on the ground from my members: interest rate sensitive, dollar-sensitive members, big employing sectors under big stress. If you look at Europe, it's in a very dangerous state. The US is facing a long period of adjustment. Our region is doing well but really the world is a very interconnected place these days and what we are trying to do in Australia is put another layer of structural adjustment over an economy that is struggling. I think the men and women in the street, they don't see this turbo-charged economy with high terms of trade, etc. What they see is Struggle Street. I think this is a disconnect between managing of the aggregate and looking at the micro impacts.

ALISON CARABINE: Do you think the government has become too focused on the carbon tax and is paying scant attention to what is going on overseas?

HEATHER RIDOUT: Look, I think the Government needs to pay attention to what's going on in the manufacturing industry in Australia, and I think they are getting that message. I think they need to see what is happening to retail. There is a lot of pain. These are big employing sectors who are under stress. In terms of the international stuff I think we do need to be mindful. I think Obama in his first term was hell bent on doing health reform but he would have been better focusing on jobs and do health after he got that fixed. I think timing is everything on these reforms. We have had two shots at carbon and this is the third one, and the timing could not be worse.

PAUL BONGIORNO: Just on the interest rate discussion, people obviously would welcome lower interest rates but, of course, the flip side of that is interest rates if they have to be lowered it's because the economy is stalling.

HEATHER RIDOUT: I think that is right. Everyone suspected and expected rates to rise over the next 12 months. We've got these big terms of trade booms, this big income booms that's going to flow into over-activity, huge demand. It is not happening. What is happening is the big employing sectors - manufacturing, retail, education etc -- are struggling under higher interest rates and under the dollar at a level we have not seen on a sustained basis for many years. The big concern is that is the dollar's going to stay there and interest rates will be too high.

PAUL BONGIORNO: Just very briefly because we are out of time, tax reform - do you welcome what they have done there as tax reform, a la the Henry review?

HEATHER RIDOUT: Indeed I do. I think it is very important. And I hope the Opposition embrace it. I know they have been interested in that concept. It's good for participation, it's good for simplification and I think it's putting money in the hands of taxpayers. There is no deceit in this. The LITO (Low Income Tax Offset) has been well and truly recognised by tax experts. I think that argument is spurious. This is a reform and it is a good one. Whatever happens on carbon, I sincerely hope it

continues. As is the small business write-off provision, they are also issues raised by Henry.

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

HEATHER RIDOUT: My pleasure.

PAUL BONGIORNO: And thank you also to our panel, Alison Carabine and Simon Benson. A transcript and replay of the program will be on our website and our Facebook page. Until next week, goodbye.