

Ai Group leader talks about emissions trading

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Heather Ridout, the head of the Australian Industry Group, joins Lateline to discuss the changing views on climate action and give her thoughts on the Government's bungled insulation scheme.

Transcript

TONY JONES, PRESENTER: Now to tonight's guest, Heather Ridout, the head of the Australian Industry Group.

Late last year she was a key business negotiator as the Government and the then-
Opposition cut a deal on an emissions trading scheme.

At the time, she compared those protracted negotiations to an enormous and exasperating game of Monopoly and she urged the parties "to roll the dice together, to pass Go, collect \$20 billion" and pass the ETS.

So where does the industry group stand, now that the political realities have changed so dramatically?

She joined us earlier this evening from our Parliament House studio.

TONY JONES: Heather Ridout, thanks for joining us.

HEATHER RIDOUT, AUSTRALIAN INDUSTRY GROUP: A pleasure to be with you, Tony.

TONY JONES: Late last year you warned that giving up on an emissions trading scheme wasn't an option. Is that still the case?

HEATHER RIDOUT: We were very concerned that we had to really get a way forward on this issue. We had a lot of companies that needed certainty around the investment environment. We had a feeling of inevitability about the fact that an emissions trading scheme would be negotiated between the Opposition and the Government before the end of the year, and we had some hope there would be some international consensus emerge after Copenhagen - not a high hope, I must say. So it ... there was really a feeling that we

needed to move forward on this.

We negotiated in good faith with both sides of politics and it went on for some time. I mean, it wasn't until November - that fateful day when Malcolm Turnbull lost the leadership - that we actually agreed to support that amended bill. So, you know, we were left at the end of that day somewhat perplexed, and it was quite shattering, in many ways, for many of us who had worked very hard to get some position from industry, which is not easy.

TONY JONES: I can imagine it would have been shattering. I mean, did Tony Abbott just ignore all these negotiations that went on with industry? I mean, because he's now taken over and pretty much ditched the whole idea.

HEATHER RIDOUT: Well, I mean, it was extraordinary because we ... we'd talked to Ian McFarlane and Andrew Robb some months before it, and I don't think it wasn't easy for the Liberals to come to the position either. And obviously it was difficult - in the end that they abandoned it, it was so difficult. But after it, now we've been confronted with a new policy from the Liberal Party, and the National Party. We've got another Greens policy and the circumstances have changed, which has meant that we've had to have a whole new look at our position as well. The lid on the Pandora's box has been lifted, one might say.

TONY JONES: But it's still a matter of principle for you, is it, an emissions trading scheme? A market-based mechanism of that nature is necessary? Because here is what you said late last year: "It's time for the Government and the Opposition to roll the dice together, to pass go, collect \$20 billion and bring this exhausting game to a conclusion so Australia can get on with the real business of reducing emissions".

It sounds like a matter of great principle for you.

HEATHER RIDOUT: Well, it was extremely well put, I must say, at the time, but I think what we saw was that industry in Australia and worldwide had to move to a more carbon-constrained environment. We had to transform the economy and we're still of the view that, in the end, we need the least cost-abatement method and a market-based method provides for that. Now...

TONY JONES: An emissions trading scheme, put bluntly.

HEATHER RIDOUT: Well... Well, no there's various forms of market-based mechanisms. There's a carbon tax, emissions trading scheme, there's other- there's other ways other than an emissions trading scheme. But we thought that was the best way to go.

We negotiated the best deal we could with the Government. It was a bit of a messy deal in the end - I think many thought that - but like many outcomes after a strong negotiation, they are messy, and it was the best that we could achieve.

TONY JONES: It clearly was messy, but what is your preferred option now, among the market-based mechanisms? I mean, you just mentioned the two main ones: emissions trading scheme or a carbon tax.

Should the Government be pursuing as hard it can one of those options?

HEATHER RIDOUT: I think what we have now is a range of options being put forward. We have the Liberal Party's position, which is a carbon-soil option plus an incentive arrangement for business. We have the Garnaut sort of option put forward by the Greens, a version of it, and we have the Government with the amended bill sort of sitting in abeyance between the houses of Parliament between here and May - and some uncertainty and lack of clarity around that.

And in fact huge uncertainty whether it will ever be passed into law - this year anyway. So I think business, really, what we ... what we can't see is a way forward on this and that is the problem. We can't see where this debate is going in Australia at the present time.

As a result, we've decided to put in place an internal process - with, also, outside expertise to try and have a look at alternative options, including others around the market-based mechanism.

TONY JONES: All right, but if it was a big matter of principle, to have an emissions trading scheme last year, shouldn't you be lobbying the Government and saying you have your chance for a double dissolution election, where you can put this back on the table and push it through both houses of Parliament and ensure that the thing you wanted as industry happens?

HEATHER RIDOUT: The matter of principle for us was to make sure we had a scheme that would work for Australian industry in an international context and which would fit the need of the economy to move to a more carbon-constrained environment.

We weren't turkeys calling for an early Christmas, that Australian industry and Australian jobs should be sacrificed on the altar of the issue of climate change. We wouldn't have made much difference to it anyway and the Carbon Pollution Reduction Scheme would have become the Carbon Pollution Production Scheme somewhere else in Asia or in the world.

So that was the matter of principle. We were willing to be good corporate citizens in this. We acknowledge that if we pollute, we need to reduce those emissions. But, you know, circumstances have changed and that's why we're trying to find a new direction.

TONY JONES: Do you agree with the former Liberal leader Malcolm Turnbull, who says the new Opposition direct action policy is not a market-based approach, but rather it's about "a bunch of bureaucrats and politicians in Canberra picking winners"?

HEATHER RIDOUT: Well, look, I think...

TONY JONES: And if that's true, does it disturb you?

HEATHER RIDOUT: Well, what we need to understand is more of the detail of the Opposition's proposal. It was developed during January.

A lot of our members are quite interested in the soil-carbon idea. It's been touted around for some time. It was part of the previous Kyoto discussions.

On the incentive baseline proposals, there's a range of issues there that lack clarity. How will the baselines be developed? Will different companies in the same industry have different baselines? How will these baselines combine to produce a target of negative 5? How can a baseline - as business as usual baseline - add up to a negative 5 per cent target?

You know, there's a whole lot of issues. And one of the things this...

TONY JONES: So you're saying it doesn't really make sense to you, currently. It clearly doesn't make sense to the former Leader of the Opposition.

HEATHER RIDOUT: Well, the former Leader of the Opposition was highly convinced about the need for a market-based mechanism and we shared that view. But we're willing to explore with the Coalition their position. But we need to get the answers to a range of issues. We already had discussions with Greg Hunt. They're very constructive discussions. He's willing to work...

TONY JONES: But he hasn't ... until now, he hasn't been able to explain it to you so that you understand it, evidently.

HEATHER RIDOUT: No, he hasn't. And I think ... but that's ... I think he'll do that over time. They're probably still working out some of the details themselves. I mean, when you think of it, this issue was put together in a pretty short period of time.

I must say, I'm ... I remain to be convinced that it's a sustainable policy at the moment, but we will have, once we see more of the details, I'm sure we're open. We are very much open to be convinced about it.

TONY JONES: Malcolm Turnbull also described the direct action scheme as a slippery slope that can only result in higher taxes. Does that worry you?

HEATHER RIDOUT: Well, look, you know, I mean, I think in the end the public, the community will have to pay; the taxpayer will have to pay. And, you know, there's an awful lot of competing demands on taxpayers, and the intergenerational report and the tax report that I've been involved in certainly indicates that we ... we're going to have more demands on our tax system, not less.

So the idea is to try and put a price signal in there, which will, you know ... cause the ... allow this issue to be addressed in a way that is not so costly to taxpayers. And that ... and to industry. And that's ... that is the ambition.

TONY JONES: But there is no ... one thing we know for sure is there's no price signal in the Opposition's policy. And we know that the...

HEATHER RIDOUT: Well, there's an incentive in the Opposition's policy.

TONY JONES: And we know that the former Opposition leader is arguing that if you, for example, had to increase the target, you'd have to raise taxes in order to do it.

HEATHER RIDOUT: Well, potentially you may, but we don't know the answer to how they're going to fund this issue and that's certainly one of the questions we'll want to explore with the Opposition.

Look, I ... I would rather... The big question, Tony, from my position: do we need a transforming reform around this issue? Or do we just need tinkering, you know, an R and D policy or a skills policy to encourage incentives, through incentives, to encourage different behaviour by business?

Now, they're very different approaches. We always understood that we had to move to a new ... You know, like a new demand curve in economics. You have to shift the curve.

And that required a more transforming reform, which we felt was best achieved through a market-based mechanism. The Opposition are now saying. "Well, we don't really need that. We can have a different type of approach".

And I guess that also reflects their uncertainty around the science. And, you know, from a business point of view, all these uncertainties are now, you know, up in the air.

TONY JONES: OK, but you were pretty certain last year. And in fact the only thing that really changed was the leadership of the Opposition, because all the principles remain exactly the same.

So I go back to my earlier question: why not then urge the Government to have a double dissolution election and pass the emissions trading scheme and the trade-based system through the Parliament? Through both Houses?

HEATHER RIDOUT: Well, I think a lot else has changed. We had Copenhagen and we had the breakdown in the international consensus around this issue. And, you know, and the US ... I was in the US late last year. I have very little confidence we'll see an emissions trading scheme in the US for two or three years.

And, you know, Australian industry, we're a very small part of the emissions equation.

China will emit the whole Australian economy's emissions in three months.

It is a very big issue to expect our members, up and down the emissions curve, the very big and the small, trade-exposed industries, to be part of this. So I think a lot has changed and as Keynes said, "When the facts change, what do you do? You change your mind". I do, so, you know, I think that's where we're at, at the moment.

TONY JONES: Okay, let's go to another big issue. What does industry think of the Government's handling of the insulation program, the household insulation program which has now been obviously cancelled, with job losses and ramifications throughout the industry?

HEATHER RIDOUT: Well, look, I think one of the things that we are very concerned about, we have a very high commitment to safety as employers.

I mean, I find it really very distressing that employers have played fast and loose with the lives of employees, apparently through this scheme. We take a very dim view of it. And that worries me.

I mean, it's all very well to shift the blame to politicians, but as an employer you have a duty of care to your employees and I feel that very, very strongly. And it's a major ethic and value in our organisation, among our membership.

And I can say to you when there is a death in a company that's a member of ours, it's a shattering thing. It is a shattering thing, culturally. It hurts the whole organisation. And in many cases, it costs millions of dollars in lost time in industry as well. So OH&S is the number one top issue in our agenda.

So, that's one issue. It's a very big thing...

TONY JONES: Can I just ... on that issue, though, can I just interrupt for a moment?

Clearly you don't blame the Government. The Opposition basically says this is the Government's fault, but you're pointing at the employers.

HEATHER RIDOUT: Look, I think it's ... well, I was going to finish. I think it's a very big scheme that was rushed out in a very quick period and I think ... I don't know the ins and outs of it. I haven't read all the reports and the investigations and I'm not privy to it, but I think there's been mistakes on both sides. But you cannot get away, as an employer, from your duty of care to an employee.

And if, I mean... In the midst of my family issues in recent times, a person knocked on the door of my father's unit and asked if he could put insulation in the roof. This was a strange program and it was being played out in a very hurried and strange way.

TONY JONES: Does the program failure raise greater concerns about the fast-track

stimulus measuring generally for your members?

HEATHER RIDOUT: Look, I think we were very, very supportive of the stimulus package and still remain so. And our members are still depending on it in many sectors.

The cash splash was a much better way to get money in the hands of consumers and much less problematic than trying to run a big program like this one, and it's been proven to be so. And it was very effective in supporting jobs and supporting business.

I think, you know, it just shows you when you do try to do these more ambitious tasks, it has other dimensions to it which are hard to control.

TONY JONES: The Opposition has called for big downscaling or winding back of the stimulus spending. Clearly, you don't agree with that?

HEATHER RIDOUT: Look, we're quite comfortable with the process of winding down the stimulus package. We're already seeing interest rates go up, which is putting a further withdrawing the stimulus.

We've also seen the dollar rise, which for our members is putting even more pressure on their businesses.

So there's contractionary pressures on a lot of sections of Australian business, which are coinciding with an orderly, if you might say, withdrawal of the stimulus.

At the same time we're very concerned that there is money left and commitment left to put in place the big nation-building investments in infrastructure and skills that are essential to building a more competitive economy.

We're about to see, as the Reserve Bank have pointed out, the re-emergence of the big mining boom. That's going to put huge pressure on our infrastructure again. It's going to put huge pressure on our skills base and we can't run out of commitment to those longer term objectives because we're worried about a fairly modest, in relative terms, form of debt. But we do need a strategy to manage that in the future.

TONY JONES: A final and very quick question - we are nearly out of time. But, essentially, the call is "keep the stimulus going". That's the call from business.

HEATHER RIDOUT: The stimulus - the call from business is, we support the current program for the withdrawal of stimulus and we certainly do so, given we've got rising interest rates and a high exchange rate, which is really hitting industries like manufacturing and tourism very hard.

TONY JONES: Heather Ridout, we thank you very much for taking the time to join us tonight and hopefully we will see you again soon.

HEATHER RIDOUT: Thank you very much, Tony.