

## Interview – Ai Group Chief Executive, Innes Willox with Joe O'Brien, ABC News 24

**Joe O'Brien:** Innes Willox is the Chief Executive of the Australian Industry Group, and he joins us from Melbourne. Innes welcome. Now before we get to this review, just looking over the last decade or so how would you describe the discussion and development in Australia of climate change policy?

**Innes Willox:** How long have you got? It's been messy, it's been tortured, it's been exceptionally difficult, and it's given industry and business generally no certainty. We've had a whole range of policies put forward, a whole range of proposals put forward with very little agreement. We need to put an end to this. So hopefully this review, which has been expected, if nothing else, will bring some clarity and hopefully some bipartisanship to these issues. Or else industry is going to find it very tough to deal with another round of that rancour. We need some certainty out of this review. We've seen a whole range of issues in recent months. We've seen South Australia have two blackouts; we've seen energy prices absolutely go through the roof. I had one company tell me last week that they'd been offered a 300% increase in their power bill as a first offer for their next contract, that's just going to put companies out of business where over 100% is quite regular. We've got difficulties in energy supply, energy reliability, energy price and then the international factors as well at play. This review is welcome and we want some clarity out of it.

**Joe O'Brien:** The Government has said that carbon pricing in the energy sector will be looked at. Do you want carbon pricing to be resurrected?

**Innes Willox:** Well what we need to do is work out a system, whether it's carbon pricing or not, and it's too early to say exactly what the review will come up with in terms of a policy framework here. But we need to make sure that we remain competitive internationally and locally for all of industry not just the specific parts of it. That broader industry remains competitive, and allows us to attract investment and make transitions at least cost. When you put those factors together, then you might come up with a patchwork of proposals for across industry. The idea that some sort of baseline and credit system would be considered, some form of carbon price should be considered, at least the Government is not ruling anything in terms of policy direction out. That's a welcome thing.

**Joe O'Brien:** So in your submission to this review, what will you be pushing for in terms of carbon pricing?

**Innes Willox:** Well what we have to do is look at a couple of different things. We have to look at energy security to make sure that we have security of supply. We need to make sure that we have as close as we can to guarantees around pricing, to keep pricing under control. We need to meet our obligations. They're the three key factors. When it comes to how we do that, there's a range of issues at play. We have different parts of our economy under severe stress at the moment, energy-intensive trade-exposed parts of our economy like steel, aluminium, cement under enormous stress. We need to keep those industries for national security as much as anything. So we don't want to have policies which drive them away, we need to keep them here.

**Joe O'Brien:** So you would be open to some form of carbon pricing as long as there were some major concessions for energy-intensive companies?

**Innes Willox:** Absolutely, energy-intensive companies need to be looked after here because they're a key component of our economy. So we can't just suddenly wipe them out. I know there's a view among some that we just need to make a quick transition to a renewable energy economy but we've seen from South Australia that we need guarantees around base-load power because it allows industry to continue to operate. Yes we would look at that option.

**Joe O'Brien:** The Government is ruling out economy-wide carbon pricing, are you happy that they've done that, and why?

**Innes Willox:** Yes we are happy that they've done that, we don't need it, we've been through this before with the carbon tax. We don't need an economy-wide pricing system because it would make us non-competitive and it wouldn't help investors. We've been down that track before so we need to be much more judicious about the way that we go about a price on carbon. Whether its through a baseline and credit system, whether it's through some other mechanism we need to be much more careful and not take sledgehammers to nuts when it comes to energy pricing and energy costing within the Australian economy.

**Joe O'Brien:** The Government is adamant that direct action is working effectively, but it's come under sustained criticism from some groups. What do you make of the effectiveness and the depth of effectiveness of direct action so far?

**Innes Willox:** Direct action was a proposal the Government put forward earlier this decade. They said it would be reviewed, they've had a series of four auctions and they have achieved their targets within those auctions and the Government is saying we're on track to meet our 2020 emissions reduction targets. So to that extent it seems to have worked, and that's what this review is about, to ensure that if it's not direct action in its current form, then whatever comes next that replaces it does meet those key framework issues of supply reliability and meeting our international commitments. There's no perfect solution, no two economies are the same. The Australian economy is quite unique in its makeup, but we need to take that into account. We can't have a cookie cutter approach to carbon emissions and say if country X is doing it we should do it too, it just doesn't work like that.

**Joe O'Brien:** Last week the Government celebrated the Australian building and construction commission legislation as a big win at the end of the year. There are a number of commentators who described it as a toothless tiger with all the concessions the Government had to give the crossbenchers to get that legislation though. What do you make of the legislation as it ended up?

**Innes Willox:** We needed the ABCC to bring back the sense of rule of law on building and construction sites and that has been achieved. The Government had to make a range of concessions not just on construction issues but on other issues to achieve that. But it was a double dissolution issue, it was very important for the Government, it was very important for industry that that be achieved. We pushed for a nine-month transition in negotiations, the Government had to settle on a two-year transition but that can be worked through for industry when big contracts come up businesses know that they'll need to be compliant as will unions and there'll be a tough cop on the beat for both unions and employees as well as employers. It was important that this legislation got through because we've seen lawlessness on building sites, it's a very particular industry, it's a unique industry and we're very, very pleased that this legislation has got through. It's important and hopefully we'll see it in the reduction of industrial action and a reduction in costs in building sites, which in the end the community as a whole pays for.

**Joe O'Brien:** You say hopefully there, but surely your group should be celebrating saying this will lead to those things that you've said there. Was this watered down to the extent that it's almost pointless as commentators are saying?

**Innes Willox:** No I don't think so. It's important that the ABCC be established, that it be properly resourced and that it be able to work without fear or favour across the building industry. Now we've seen some estimates that the cost of construction in Australia is up to 30% higher than it should be. That can be tested but I think almost certainly you should see a reduction in cost which in the end ultimately the community paid for. The community pays extra for every road, every hospital, and every community centre that is built. That goes with the energy sector too. One of the big issues for the energy industry is cost of construction. A body like the ABCC will be very important in driving down those costs.