

## **TRANSCRIPT: Sky News with Kieran Gilbert and Ai Group Chief Executive, Innes Willox**

**27 April 2016**

**Kieran:** Thanks very much for your time. Obviously a big boost to south Australian industry, should we have gone for the less expensive option? At least had one submarine in France as the company was suggesting.

**Innes:** Well Kieran, this is a very sensible decision. The reality is that 70% of the expenditure of the cost on a submarine comes through the sustainment of that. So the sooner that we're involved in the process, if we're building the first one, we'll have a much better handle, be able to be much more across what's going on. With the submarines we'll be able to sustain them much more easily. It's a decision that might have some short-term costs but will definitely have long-term benefit. This is a really good decision that's been made by the government, it's a sensible decision. It's been a very clear and transparent process. At Ai Group we helped all three bidders work their way through the industry part of the equation. We are pretty confident that this will have massive spill over benefits for Australian industry. Big transfer of technology, big transfer of skills, and a very long supply chain in Australia. When you think it takes over 3000 suppliers to manufacture a submarine, this is unambiguously good news for Australian industry.

**Kieran:** What do you say to the critics who say that it's a very expensive way to subsidise a few thousand jobs?

**Innes:** Well if you want to build a submarine somewhere else, in this case in France, then tow it back to Marseilles to get it repaired, over the long term that will be much more expensive. This has got huge benefits for Australian industry. You've got to think long term, you've got to think about the technology benefits for Australian industry and how that could then be generated into other sectors. Look at a company like Marand Precision Engineering in Melbourne, part of the joint strike fighter, now is a global business. You can multiply that many times if we get this submarine built right, and that's going to be the key part of it for the French going forward through DCNS. They have a very good team led by Sean Costello and we're very confident that this will work out well for Australian business, Australian jobs, and jobs of the future.

**Kieran:** As you know the South Australian economy has been struggling, is there enough of a structure or a spine in terms of the industry to make the most of this announcement, this \$50b project?

**Innes:** It's going to be a lot of work for South Australia. When you think of this project is from 2026 onwards, but then you've got a lot of naval shipbuilding happening in Adelaide in the meantime. It's pretty obvious that this would have to be built in Adelaide. But there's going to be Australian industry involvement right across the country, not just in Adelaide. There's going to be a lot of jobs created, not just on the final assembly, but right through the process. Shipbuilding generally has been going through a very tough period for the past five years, it's called the valley of death for very good reason. Hopefully this will get us out of this situation, where we can actually grow jobs not shed jobs in that sector.

**Kieran:** Now I've just been reading your budget priorities paper released this morning. You've assessed the views of many of your members, a big chunk of them want a cut of company tax, as you would expect. Do you think that's looking less likely given the politics right now?

**Innes:** The Government has to be bold when it comes to this budget. Business has got a fairly simple wish list: Get us on the trajectory to cut company tax, get the budget back into balance of the medium term over five years, and start to make cuts in personal income tax. So we get the budget in order, and on top of that let's do some serious work around infrastructure and skills. It's not rocket science, that's what business is after. We don't want this to be a timid budget, we want this to be a budget that gives us some very clear directions for the years ahead. We understand that we're going into an election environment, we understand this constraint on a budget, but let's please set some clear paths. That's what business wants. They want, if I can use the word, a vision.

**Kieran:** It's a fair point. Just finally, given you say you don't want a timid Budget but also recognising the pragmatism of what the government needs to do in terms of securing re-election in just a couple of months. What's your best guess of what they're going to do? Have you got any sense of what they're going to do in terms of company tax?

**Innes:** There's still hope that there might be some modest reductions, or some commitments to make some modest reductions, through this year or the budget after next. I think that the Government recognises that cutting the company tax is the best way to stimulate investment and to drive growth and to create jobs. So that's what they have to do. They have that task on one hand; on the other hand, we have increasing bracket creep. They have to address personal income tax. We have major infrastructure needs. There's a big task here. We recognise this. But this budget can't be a standstill budget, it needs to be a budget that does layout a very clear economic agenda. And it will give us some debating room for the election campaign that will begin probably the weekend after next.

**Kieran:** Yeah that's right Innes Willox. The last issue I want to ask about is, another issue which could well take more prominence than we thought in the election campaign is a bold climate change policy from Labor to be announced today: a 44% target for reduction of emissions by 2030 based on 2005 levels. That's compared to 26-28% target agreed to by the government at the Paris talks. Labor is also committing to a reestablishment of an Emissions Trading Scheme. What's your early take ahead of all the details from Bill Shorten? Your early take on this ambitious policy from Labor on climate change?

**Innes:** It's bold and cautious at the same time. That would be how I would characterise it. The 45% target will be very tough, let's be clear about that. We said that the government's 26-28% target would be tough. Going to 45% is the equivalent of taking out about another year's worth of carbon emissions between now and 2030. When you look at the cost, if the carbon price is at \$20 a tonne, that will cost the Australian economy about \$7.8b. If the carbon price was \$50 a tonne, it would cost somewhere just under \$19.8b depending on the policy mix. But there are some bits here to like. The access to international credits that Labor is proposing is something that we've been pushing for. Labor in some ways is trying to build on coalition policy, but it's quite courageous, if I can use that word, in other ways. I've spoken with Mark Butler last night and this morning about aspects of the policy. They're trying to be sensitive to the needs of the emissions intensive trade exposed industries, steel and aluminium and the like, which are going through very tough times. So this is a policy which has some bits that we think we can obviously work with, but there are some bits that are going to need much closer analysis. The work that they're proposing to do around the national electricity market is interesting, and is worth further consideration. It's going to be tough on the one hand, understandable on the other. The commitment to 50% renewable energy is another bold target that they've put forward. What they've done is build in some buffer room for further negotiation and consultation to work through the detail. And obviously industry wants to be a part of that. But 45% is going to be a very tough ask for parts of industry.