



Transcript

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**Event:** Andrew McKellar interview with Kieran Gilbert, Sky News Afternoon Agenda.

**Speakers:** Andrew McKellar, chief executive Australian Chamber of Commerce and Industry; Kieran Gilbert, host Sky News Afternoon Agenda.

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**Topics:** ABS retail trade figures, Treasurer Jim Chalmers MP essay in *The Monthly*, RBA review, Safeguard Mechanism amendment.

**E&OE**

**Kieran Gilbert, host Sky News Afternoon Agenda:** We've got the chief executive of the Chamber of Commerce and Industry, Andrew McKellar, live in the studio. It's not obviously what many had anticipated, but I don't think you'd be too surprised given our recent discussion where you said that a lot of your members were reporting a softness in the economy already at the end of last year.

**Andrew McKellar, chief executive Australian Chamber of Commerce and Industry:** Well, that's exactly right, Kieran. I think it does gel with some of the business surveys that we've seen coming out of the December quarter. There was an appreciable softening of business conditions, and I think it goes to what we were saying previously. I think here we've got to urge the Reserve Bank to take account that some of these indicators in the real economy are turning down a bit. They're showing signs of softness. So, as it considers what it's going to do in terms of its next step on interest rates, I would urge them just to pause for a moment and let's not do too much damage to the economy.

**Kieran:** Do you think that this will help in that regard?

**Andrew:** Look, I think it's another piece of evidence. Let's hope that inflation has peaked. Obviously that's higher than anyone would like, but let's hope that we can start to see that pulling back in the months ahead. In the meantime, let's not take a risk damaging the economy.

**Kieran:** When you look at the situation with retail trade, that's even before all of those mortgages that have been on the fixed rates. I know it's been described as a cliff, but essentially it is a cliff, isn't it? When you look at the impost on those homes and those households, I should say, to deal with the variable mortgage rates that they'll face soon enough.

**Andrew:** Well, that's right. There are many people out there that had locked in those fixed rates. A lot of them will be up for review at various points through the course of this year, and for some people it will be a very substantial change. It could be in some cases, a doubling. I think we're going to see all of that flow through in the coming months. A lot of what the Reserve Bank has already primed in terms of its interest rate increases over the previous eight months, that impact will still be feeding through.

**Kieran:** The treasurer, in his essay this week has argued a number of things. He's generated a lot of reaction to it. One of the things that he did propose is a renovation of the RBA. There is a review underway. What do you think about this idea that he discussed, essentially is changing the rate, inflation target rate of 2-3 per cent, to maybe increase that to give the RBA more scope? Has that got any merit?

**Andrew:** I think that there's a lot of merit in the fact that the treasurer is out there articulating some ideas around the direction of economic policy. On that point, I think we've got to be careful now. I think the Reserve Bank should have independence. Whether or not simply pursuing an interest rate target at this point in time or an inflation target at this point in time is the only way to go, there are other options on the table. There's a review in place. Certainly, I think it is time to revisit some of those aspects and the parameters that the Reserve Bank is pursuing in its mandate. Look, I think that's something that realistically is going to happen.

**Kieran:** Now, my colleague, Andrew Clennell, mentioned earlier in the hour as well, that the Reserve Bank review had flagged the possibility of potentially having two boards. One RBA board that looks after managing the bank, the other which sets interest rates, which opens up the option of having more economists determine where rates go. Again, is that a reform that appeals to you?

**Andrew:** Well, I think these are all ideas and you've got to look at some of the precedents around the world as to how this has been approached. Look, clearly one of the issues that's been raised in that review is how we ensure that there is strong and independent economic advice influencing the setting of monetary policy. That needs to be brought to the RBA board in some form or other. Look,, let's see where the review lands on those sorts of issues, but I think this is a constructive debate to have.

**Kieran:** Your reaction to the treasurer's discussion more broadly about values-based capitalism? Do you welcome it?

**Andrew:** Look, I welcome the fact the treasurer is out there articulating something of a narrative about the underpinnings that the government's approach to economic policy will have. From a business standpoint, I don't think we can lose sight of those economic fundamentals. If we're going to be able to make some of the choices that the treasurer is saying the government wants to make, then we must have a very strong reform agenda, which is based around boosting productivity. It's been stalled for nearly a decade. If we're going to have higher living standards, if we're going to be able to afford to pay for some of these things, then we can't lose sight of those economic fundamentals.

**Kieran:** One of the areas where he talks about reform in that piece is on energy policy, particularly the energy transition. The safeguard mechanism that the government has released, you are very strongly supportive of that and the related laws passing the parliament, aren't you? Why is that?

**Andrew:** Well, I think from a business standpoint, we need to have certainty in this space. The energy transition is an important part of that. Having a clear pathway to meet the targets in terms of getting to a net zero emissions outcome by mid-century and having the interim steps along the way, this is very important, and I think the government has put a lot of work into the safeguard mechanism. They've consulted closely. I think they've come up with some good options, which business is supportive of, including those largest emitters who will be most affected by that mechanism. I think we've got a pathway forward here that will help secure investment, underpin the transition that we need to make on energy to get to that lower emissions future. We're strongly urging that there is a bipartisan approach on this and that we get a reasonable outcome that will encourage investment. We don't want to end up with a situation where the government's forced into a corner negotiating with the Greens on something that will probably end up being more destructive.

**Kieran:** It doesn't look like there will be bipartisanship on it. The Liberal Party described the increased carbon mechanism or the safeguard mechanism as a carbon tax. Are you concerned by that?

**Andrew:** The safeguard mechanism is something that originated during the Abbott government. It is originally a construct of the Coalition's. It's been strengthened in the consultations that government's now been undertaking. I think we've got to have a realistic outcome here and I would really encourage them to try and be bipartisan on this issue.

**Kieran:** Andrew McKellar from ACCI, appreciate your time as always. Talk to you soon.

**Andrew:** Thanks, Kieran.

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