



# TRANSCRIPT

## ACCI CHIEF EXECUTIVE PETER ANDERSON ON ABC TV'S "LATELINE BUSINESS" PROGRAM - 15 OCTOBER 2009 - INTEREST RATES

### Business Lobby Alarmed by Stevens' Rhetoric

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**ALI MOORE, PRESENTER:** Australia's business lobby is alarmed at today's rhetoric from the Reserve Bank governor, who signalled he's not afraid to put the brakes on inflation by raising interest rates. Analysts were surprised by the frank speech given by Glenn Stevens to a business breakfast in Perth and they're now tipping two more rate rises before Christmas. Louise Negline reports.

**LOUISE NEGLINE, REPORTER:** Australia is only just emerging from the global financial crisis, but the Reserve Bank governor says the economy is ready for what he calls the next phase.

**GLENN STEVENS, RESERVE BANK GOVERNOR:** The period of greatest weakness in the Australian economy is probably passed. Barring another serious international setback, economies are likely to continue on a path of gradual expansion in 2010.

**LOUISE NEGLINE:** As the global financial crisis took hold, the Reserve Bank slashed its official cash rate by 4.75 per cent in a matter of months. Now Mr Stevens has signalled he's prepared to lift them just as quickly.

**GLENN STEVENS:** If we were prepared to cut rates very rapidly to a very low level in the face of a threat, but then we were too timid to start removing that stimulus when the threat had passed, well we would end up with a bias, a serious bias in our policy framework. And bitter experience here and elsewhere counsels against that approach.

**LOUISE NEGLINE:** The strong words had financial analysts changing their views on the timing and magnitude of future rate increases.

**RORY ROBERTSON, MACQUARIE GROUP:** It's made be a little bit more inclined to think that Reserve Bank will hike again in November and December in quarter point lots, probably February as well.

**LOUISE NEGLINE:** Currency markets also reacted to the governor's upbeat assessment, drafting the dollar to new 14-month peaks, well above 92 US cents. That's prompted calls for caution from business groups. The Australian Chamber of Commerce and Industry says the Reserve runs the risk of being too far ahead of the economy.

**PETER ANDERSON, AUSTRALIAN CHAMBER OF COMMERCE:** Whilst confidence and expectation levels in our economy are lifting, actual business conditions are not rising at that same rate and there still is a need for caution.

**LOUISE NEGLINE:** Business is also bracing for a big change in tax laws. In Sydney, the Treasury Secretary Ken Henry was delivering his final speech before presenting the Federal Government with the findings of his sweeping taxation review.

The transport industry is to be among the targets. Dr Henry raised the prospect of a congestion tax as a more sensible pricing mechanism than the traditional fuel tax and vehicle registration.

**KEN HENRY, TREASURY SECRETARY:** The case for change needs to be made. It's fast becoming one of the biggest public policy issues of the age in Australia. We need innovative ways of dealing with the community's distributional concerns.

**LOUISE NEGLINE:** As part of his review, Dr Henry also investigated the tax implications of the ageing population.

**DUNCAN BAXTER, BLAKE DAWSON:** I think he was very much trying to send the message that social justice counts and that he sees his brief very clearly to be to create a tax system which, going into the future, will deliver social justice.

**LOUISE NEGLINE:** Dr Henry also warned that budget pressures caused by the global financial crisis could delay some of his reforms. Accountants say the business community may be prepared to accept the reforms, now the economy is improving.

**DUNCAN BAXTER:** If times are more positive, people may be prepared to take perhaps a bit of pain, you know, some changes that are adverse to their own personal positions for the sake of improving the efficiency across the board.

**LOUISE NEGLINE:** Ken Henry will hand over his tax review in December, but it's unlikely there'll be any government response until early next year.