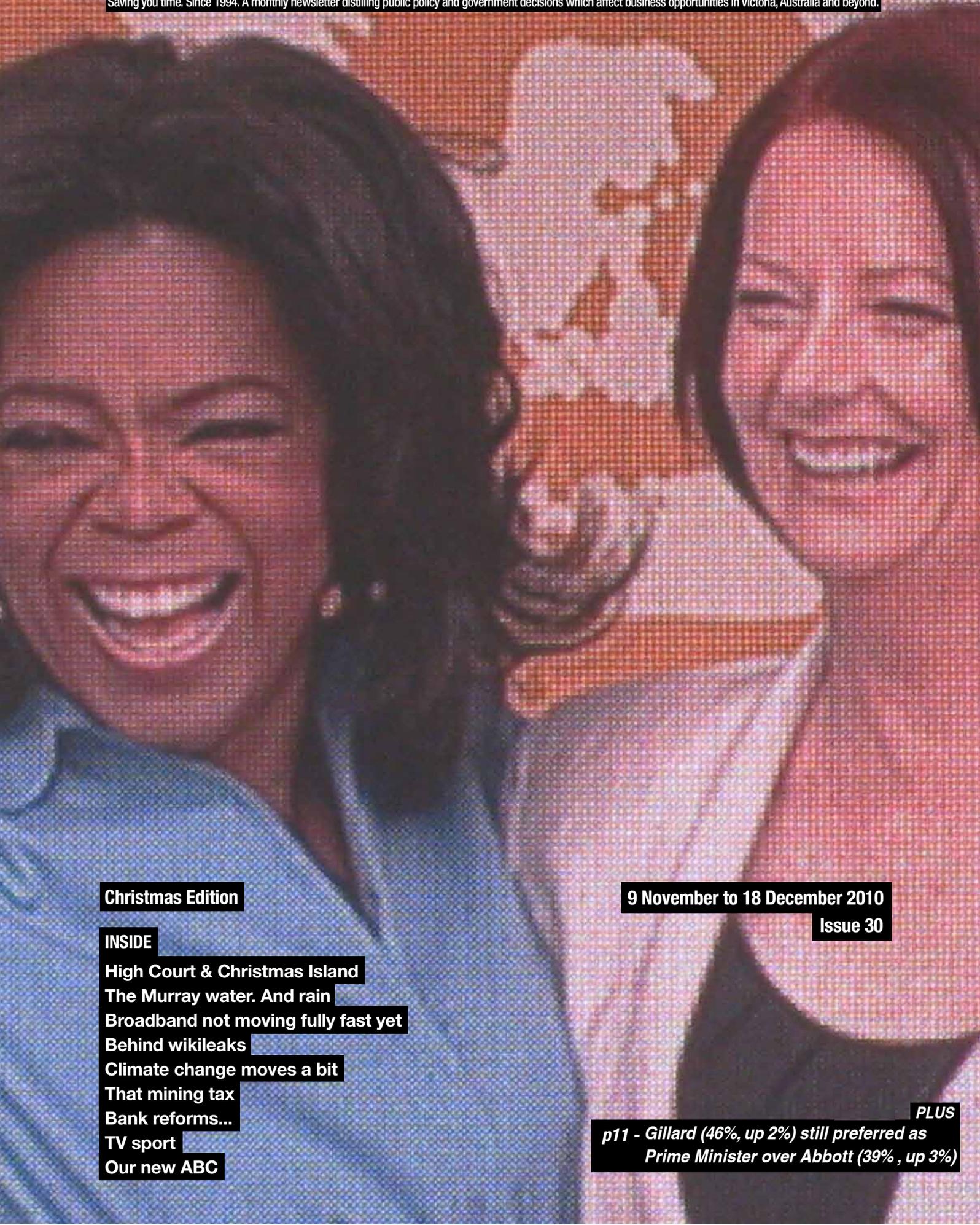


LETTER FROM CANBERRA

Saving you time. Since 1994. A monthly newsletter distilling public policy and government decisions which affect business opportunities in Victoria, Australia and beyond.



Christmas Edition

9 November to 18 December 2010

Issue 30

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The Murray water. And rain

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Behind wikileaks

Climate change moves a bit

That mining tax

Bank reforms...

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Our new ABC

PLUS

***p11 - Gillard (46%, up 2%) still preferred as
Prime Minister over Abbott (39% , up 3%)***

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Letter From Melbourne is a monthly public affairs bulletin, a simple précis, distilling and interpreting public policy and government decisions, which affect business opportunities in Victoria and Australia.

Written for the regular traveller, or people with meeting-filled days, you only have to miss reading the The Age or The Herald Sun twice a week to need Letter From Melbourne. It's more about business opportunities (or lack of them) than politics. It's not Crikey.com. We keep the words to a minimum.

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For context. It includes events and people and society, and the weather if that is important.

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EDITORIAL: Our very busy political year. Challenges for the PM

A very busy year in Australian politics remains very busy until the very end. The broadband legislation passed through the parliament, but watch this space as the implementation proceeds with community and business challenges. We have had wikileaks which has brought foreign affairs to the top of our Index for this issue. The Christmas Island drownings calls for clarification on refugee issues, which had been sort of put on the back-burner. The miners are now back with clarification of their tax demands. And industrial relations will be more heavily in the news in 2011, which will include the Opposition's view(s).

A quietish climate change summit in Cancun, in Mexico, probably achieved more than at the equivalent meeting in Copenhagen a year ago. But gives plenty of challenge for the government and the other Opposition and the independents and Green(s).

The prime minister has declared and set a high bar for achievements, for bring many matters to a resolution, in 2011. Almost as soon as she said that, the chairman of the Murray Darling Basin Authority resigned, adding another serious task for the federal government to tackle. Taylor is a serious long term state and federal public servant, in particular having headed both agriculture and Infrastructure at a federal level, and he says that the recent political demands of water, to include community and business, does not fit in with the clear environmental focus of the Water Act which governed/governs the inquiry that he chaired.

The Victorian election has raised the spectre of federal state relations, specifically in regard to the hospital reform and the new national education curriculum. COAG (Council of Australian Governments) has a been in the news for lack of activity over the past year. Which raises the consideration of the New South Wales election in March, with even more states to challenge Canberra on quite a few issues.

And the banks have been a hot topic of conversation all month, with federal treasurer Wayne Swan looking at how to increase competition. Also, Oprah's been in town and a lot of politicians have made the effort to give her a hug. And it's been raining.

The word curdling could come to mind if one mused on the range of topics which are before the federal government to finesse or resolve with the independents and Greens, the Liberal/National states and some internal disagreements within the Labor Party, both federally and at the state level. Other distractions will include gay marriage and nuclear power.

Merry Christmas and a Happy New Year to our hard copy subscribers, our more general email readership, our panel of experts and our other supporters.

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FOREIGN AFFAIRS

A Wiki man

WikiLeaks founder, Australian **Julian Assange**, 39, has been detained in a British prison following rape allegations made against him in Sweden. Of his alleged crimes, many diplomats and heads of state would consider this to be minor in comparison to the 250,000 US cables his organisation was feeding to the media throughout December. As *The Age* put it: Attorney-General **Robert McClelland** criticised Assange's leaking of the documents as potentially life endangering and incredibly irresponsible and reprehensible. Government authorities around the world have been working overtime to determine if Assange could be charged with a crime related to the leaks. The WikiLeaks website has battled to stay online as governments in several countries tried to block it. Let it be very clear. The main naughty person is the American government person who actually leaked the information to the wikileaks organisation.

The Australian reported that Assange was seeking consular assistance from Australian authorities in Britain and Sweden as his website was accused of helping terrorists by releasing a classified US document that lists critical assets around the world, including Australia. Assange's lawyers revealed they were considering defamation action against **Julia Gillard** after she accused the embattled Australian of illegal conduct. By mid-December the Gillard government had hardened its position on the WikiLeaks expose, saying it is illegal in Australia to obtain – or distribute – classified documents.

The Australian reported **Julia Gillard** is facing a revolt from MPs in her left-wing parliamentary faction, angered at the treatment of Assange. The MPs are demanding the government stop treating him as a criminal and protect his rights as an Australian citizen and whistleblower. *The Age* reported that newspaper editors and other media figures have said in an open letter to Gillard that WikiLeaks is doing what the media have always done, bringing to light material the government would prefer to keep secret.

Prominent human rights lawyer **Julian Burnside** said a comparison of Assange to **David Hicks** was an apt comment in regard to the government's apparent enthusiasm to assist the US rather than an Australian citizen. A task force of Australian soldiers, intelligence officers and officials is investigating whether Assange has breached any Australian laws. Meanwhile, Assange's 20-year-old Melbourne-based son **Daniel** has defended his father's decision to publish the

diplomatic cables, declaring that attempts to silence him and WikiLeaks are pointless.

Who would have thunk it?

Foreign Minister **Kevin Rudd** is an abrasive, impulsive control freak who presided over a series of foreign policy blunders during his time as prime minister, according to leaked United States diplomatic cables. The scathing assessment – detailed in messages sent by the US embassy in Canberra to Secretaries of State, **Condoleezza Rice** and **Hillary Clinton** over several years – are among hundreds of US State Department cables relating to Australia obtained by WikiLeaks and made available to *The Age*, from which this item is taken.

Faceless man

The Age reported, citing another WikiLeaks cable, that Sports Minister **Mark Arbib** has been revealed as a confidential contact of the United States embassy in Canberra, providing inside information and commentary for Washington on the workings of the Australian government and the Labor Party.

We're incredulous

According to other US cables, Australian union leaders hold powerful sway over ministers and have disproportionate influence over the Government via backroom deals. *The Age* reported that the cables reveal that senior union leaders privately briefed US officials about how they use their influence over the Labor Party to shape government policies.

Devine opinion

On the opinion pages of the *Herald Sun*, **Miranda Devine** wrote that no one believes that **Julian Assange** is in a British jail cell because he is a sex offender. The Swedish charges appear to be a convenient way to shut up the Australian born founder of WikiLeaks, who keeps embarrassing the powerful by publishing 250,000 secret US documents on the internet.

Public private partnership

The Age reported that another cable revealed that Rio Tinto privately gave China's security authorities incriminating evidence relating to jailed former staff, including senior executive **Stern Hu**, while the company was publicly fighting their prosecution on corruption charges last year.

Show them the money

The Age reported that a confidential cable from the United States Embassy in Canberra revealed that America has

doubts about Australia's ability to pay for its biggest military buildup since World War II, after one of Canberra's most senior defence officials was unable to explain how costings in the defence white paper were made. Defence Minister **Stephen Smith** conceded his department and the government must get better value for the big spending on military hardware.

China calling

As many as four Cabinet ministers visited China in November. Treasurer **Wayne Swan** was one of them. His visit came after the Treasury Department set up a high-level 'China unit' to boost its capacity to analyse and engage with Australia's largest trading partner. The ministerial visits and the new push within Treasury will go some way to alleviating what Australian analysts and business people say has been a major vacuum in government policy-making on China, *The Age* reported. *The Australian* reported that Swan signed up to a US attack on China's currency management, declaring it risked suffocating the recovery in the major advanced economies. The criticism, contained in a jointly signed opinion article, was designed to rally support of G.20 leaders at the Seoul summit for a US devised plan to limit the growth of payments imbalances. The *Financial Review* reported that a WikiLeaks cable revealed that **Kevin Rudd** told US Secretary of State **Hillary Clinton** that Australia and the United States should work to integrate China into the international community but to be prepared to deploy force if everything goes wrong.

Warming to international relations

Despite saying that foreign affairs is not her passion, **Julia Gillard** was overseas at an international conference in mid-November, the third weekend out of four that she was overseas. She spent about 55 hours on her VIP jet on a round trip to Portugal for the NATO summit about Afghanistan. Nevertheless, *The Age* reported that Gillard did not travel to Switzerland to lobby for Australia's 2022 World Cup bid, instead leaving it to Governor-General **Quentin Bryce**.

Too honest to win

In early November a sea of blue and yellow scarves turned parliament into an all-party cheer squad for Australia's \$46m bid to host the 2022 soccer World Cup. It didn't do much good, Australia only polled one vote in the selection process, despite initial indications from FIFA representatives that we were in with a much better chance. The 2022 tournament was awarded to oil-rich Qatar. Billionaire **Frank Lowy** led Australia's bid team in Zurich, where he was flanked by bid chief executive **Ben Buckley**, Governor General **Quentin Bryce**, Sports Minister **Mark Arbib** and Socceroos skipper

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Lucas Neill when the announcement was made. *The Age* reported that FIFA, the game's organising body, has been roundly condemned by world leaders and Australian soccer supporters for running a deeply flawed selection system. 'These people are very corruptable,' said Football Federation of Australia board member **Ron Walker**. He said Australia had been too honest to win.

Hmmm!

The Reserve Bank of Australia failed to stop its subsidiary Securancy using money-laundering techniques to funnel millions of dollars through an offshore front company up to six months after police began probing it for bribery, *The Age* reported.

Hmmm 2

Federal trade agency Austrade may have breached anti-bribery laws by helping to organise benefits of foreign officials being courted by the Reserve Bank firm at the centre of an international corruption probe. It is understood that the Australian Federal Police has discovered material suggesting the government agency facilitated improper benefits for overseas officials as part of efforts to win contracts for Securancy, the RBA's polymer banknote maker, *The Age* reported.

Vale

Twenty-nine miners died in a second explosion at a coalmine in Greymouth on New Zealand's South Island. They had been trapped underground for five days following the initial blast.

Hyperventilation?

Prime Minister **Julia Gillard** met US President **Barrack Obama** for the first time for talks in Yokohama on the sidelines of an Asia Pacific Economic Cooperation meeting on November 13. Foreign Minister **Kevin Rudd** missed the meeting because of a respiratory illness.

Real politic

Foreign Minister **Kevin Rudd** met U2 front man Bono to talk about poverty and aid. A spokesman for Rudd said the pair had met at the Sydney Opera house for about 45 minutes, along with Make Poverty History co-chairmen **Andrew Hewett** and **Tim Costello**, *The Age* reported.

Austrians all let us rejoice

Ahead of the two-day G20 summit in Seoul that started in mid-November, the host nation crafted a set of dolls in the likeness of world leaders. The one of Prime Minister **Julia Gillard** was holding the Australian flag, but the red-and-white puff sleeved dress and pink apron are distinctly reminiscent of traditional Austrian garb. Gillard has promised to maintain Australia's high-profile in the G20 group of nations in the 'Australian Labor tradition of creating middle power diplomacy', *The Age* reported.

Stiff upper lip

The Age reported that half a million of Britain's public sector workers are to lose their jobs as a result of a comprehensive review of government spending. **Danny Alexander**, the Chief Secretary to the Treasury unwittingly disclosed the full scale of the expected redundancies when he was photographed reading confidential briefing papers. Nearby, British Prime Minister **David Cameron** said that the austerity cuts his government is undertaking would include drastically reducing the number of Joint Strike Fighters to

be purchased from the US, from 138, to as few as 40 or even 12. This will/might affect Australia's plans to buy 100 fighters, because development and testing costs will be the same, but averaged out over a smaller fleet.

Soft power

Australia will spend \$500m building 2,000 schools in Indonesia in an effort to improve the prospects of Indonesia's youth and moderate the influence of the country's religious schools. The five-year initiative was announced at a joint press conference by Prime Minister **Julia Gillard** and her Indonesian counterpart **Susilo Bambang Yudhoyono**, *The Age* reported.

Where's it all going?

The effectiveness of Australia's multibillion-dollar aid programme will be independently investigated for the first time in 15 years, Foreign Minister **Kevin Rudd** announced. A panel of high-profile public figures will assess whether Australia's \$4.3b in annual aid is being spent efficiently and make recommendations to improve its structure and delivery, *The Age* reported.

Cookie monster

The Age reported that **Dr Stephen Duckett**, who has previously headed the Australian government's Department of Health and was a leading member of the Rudd government's National Health and Hospitals Reform Commission, was removed as chief executive of Canada's Alberta Health Services, following criticism of his management of the organisation, which reportedly has rising hospital care waiting times. The last straw was evidently repeatedly refusing to answer journalists questions, because he said 'I'm eating my cookie'.

Stepping on and over

The Age reported that Australia's campaign to isolate Fiji's military regime for its failure to hold early elections has backfired, with the US and other important powers side-stepping Canberra to influence the Fijians.

Welcome

Career diplomat **Paul Madden** will be Britain's new High Commissioner to Australia, formerly High Commissioner to Singapore since 2007, and replacing **Baroness Valerie Amos** who has gone to a UN post. He takes up his post in January. He has published a book: '*Raffles: Lessons in Business Leadership*'.

The Manmohan of the moment

Indian Prime Minister **Manmohan Singh** accepted an invitation to make an official visit to Australia next year, *The Age* reported.

Pardon?

The British government has rejected a bid to finally pardon **Harry 'Breaker' Morant** and two other Australians for the murder of prisoners during the Boer War more than 100 years ago. No new new evidence.

Thinking of England

Prince William, 28, second in line to the British throne, will marry his long-term girlfriend **Kate Middleton**, 28, next year, *The Age* reported. The date has been set for April 29.

Queen on-line

The Queen is to embrace the world of social networking by joining Facebook. The page will feature news, photographs, videos and speeches, *The Age* reported.



HAMISH BROOKS

Hamish has been the sub-editor for three years, thirty editions of *Letter from Melbourne* and thirty editions of *Letter From Canberra*, 15,000 words each edition, in total 900,000 words. Hamish has used voice recognition equipment, inspired by dictation specialist Howard Hutchins of Melbourne. So do not doubt how well this technology can work!

Hamish has also contributed to a number of other publications including an Australian Institute of Company Directors quarterly bulletin, acted as agenda secretary for a monthly infrastructure think tank, which includes some very senior industry leaders, and finished writing his first novel. Few people would have this particular expertise and experience. An excellent reference is available. Hamish studied Arts at the University of Melbourne, and Professional Writing and Editing at RMIT.

IMMIGRATION

Christmas Island

Apart from the question as to how could the boat with refugees have got so close to Christmas Island before it was wrecked and some 30 people were drowned, this tragedy will put pressure on the government to come up with some clear statements and policies about this method of refugees coming towards Australia.

A detailed challenge

The Age reported that Australia's decade old regime of processing asylum seekers offshore has been thrown into doubt by the High Court, opening the way for thousands of people who arrive by boat to have their claims for refugee status tested by the courts.

The Court unanimously ruled that two Tamil asylum seekers from Sri Lanka were denied procedural fairness after

VIEWPOINT

Clear thinking in British politics: Birmingham

Alistair Urquhart public affairs director and editor of *Letter From Canberra* and *Letter from Melbourne*

The Conservative Party annual conference in Birmingham, in early October, including the pre-conference Sunday, was a smorgasbord of public policy applicable to the British nation and peoples beyond its shores. 14,000 delegates including 1,000 Party members from constituencies across Britain including two from the Falklands and two from Gibraltar, 150 Conservative MP's, that's about half of them (and there was coffee shop criticism that more or all were not in attendance), 2,000 local and international media, perhaps 2,000 specialist public policy specialists and opinion formers and leaders across the spectrum of current public policy and it's administration, and many thousands of others seeking to influence policy or be aware of it as it is and the direction in which it might change.

A very large number of the latter groups including myself had no political affiliation to the Party but need to know how government in Britain is going to be working over the next few years.

The main components of the Conference were the perimeter fence with the security of London airport, the large conference hall, stalls, fringe events, some Party particular events and many planned, and unplanned meetings, usually over coffee or meals, with Government ministers and a plethora of other interesting people with whom a coffee allows some focus on mutually interesting matters, apart from the many opportunities to chat in the corridors and in the Conference environment.

Party delegates in the front rows, and other visitors up behind, attended the main conference hall for several sessions each day to listen to many speakers: the prime minister and his fellow cabinet ministers, specialist guest speakers such as Boris (Johnson, the maverick Conservative Mayor of London), senior party officials and committee chairmen and lesser known speakers such as a young man, Wow, what a young man, who came from an 'underprivileged' and dangerous Birmingham housing estate to 'another life' to respect and help develop Conservative welfare and employment policies for his and similar communities.

With Tony Abbot in the conference audience, foreign secretary William Hague noted that neither Labour's foreign secretary nor prime minister had visited Australia in 15 years. A couple of other senior non-parliamentary (Australian) liberals were at the conference.

Outside the main hall, 150 'stalls' had teams promoting a wide range of policy interests: the nuclear industry, the benefits of transport in Manchester, British Small Business, the British Humanist Society, The Parliamentary Christian Fellowship, Bombardier Rail and Guide Dogs. Gibraltar. Falkland Islands (Don't forget us!). The senior ministers and other MPs faithfully and more than once worked the stalls to listen, and to develop ideas.

Above all, some 450 'Fringe Events' provided wonderful opportunities to catch up on issues and meet ministers and opinion leaders and the other people that wanted to meet them. Starting at 7.30 am and throughout the day until late, over serious hour long discussions, all backed up by help yourself meals and drinks depending on the time of day for pre and after chat, and paid for by sponsors with a mission.

A Digital Britain, Britain's future is hitech, a new sewage system for London, ex-offender programs, disabled people on transport systems, education linkages. Who should pay for skills. Early intervention with dysfunctional families.

The civil servants were back at Whitehall, so chatting with a cabinet minister or junior minister either by appointment perhaps in private or more likely at one of the coffee rooms or hotel foyers could led to clarity of comment.

Two events at the conference were exclusive to party members. The annual party dinner attracted 400 members, who roared with applause to guest speaker Boris, and the more narrowly focused conservative end of the Party dinner the next evening with greater clarity and strength of thought, both events which the writer attended due to a misunderstanding of the English language at a distance.

Above: The editor of *Letter from Canberra* with the Mayor of London.



Diversity of political thinking is one thing, diversity of accent another. A Kilt sometimes provided clues as to what people might be saying, even if one could not understand the detail of their argument.

I asked a couple of smartly-suited fellows (who at the conference was not) what they thought of Boris, as they sat beside a TV screen at a coffee breakout area. The London mayor that day was calling for laws to stop striking rail workers. Turned out to be two trade union officials, keeping their eye on the conference deliberations, not that any votes per se are taken at the conference. Serious policy stuff, as in Australia, does not so much these days have lots of votes from the floor to guide a, or the, party. That's the job of the media!

The politics of the conference. 'It was all their fault and despite and because of massive cuts over the next couple of years, the Conservatives will fix things up. Major themes were Welfare to work, Greening Britain, Spending less, The Big Society, which means that people and volunteers will drive Britain of the future from the bottom up rather than government working and spending it's way down through society as Labour has been doing. The underlying idea is that this will result in less bureaucracy and more local autonomy, and it needs less Government money! [Hospitals won't be privatised, instead, after 60 years, they are given more autonomy within the NHS] Some quangos will go. The education minister pledges to put history back into the classroom, with less union involvement in the education process.

The Labour Party holds a very similar conference, this year in Manchester, the week before the Conservatives and the Liberals at Liverpool Two years ago, I attended the Labor and Conservative conferences at the same two cities. Both cities are major conference cities as they redevelop their similar economies.

Of course, we cannot quite do this nationally in Australia, because we have these things called States, each attracting the political parties to a state-focused event. Yes, the parties have federal or national, conferences but they do not (yet) command the gravitas to bring such large numbers of the nation's main policy players to one city. There is a prominent involvement for municipal/district/metropolitan councils, not just London, but also Leeds, Manchester, Birmingham and other large Cities.

These conferences are a grand opportunity for non Brits including Australians, to see what is going on in the UK and to see how we compare. Sometimes Australia is in front with policy development and its implementation and sometimes behind. Whitehall and Canberra clearly exchange policy wonks. Knowledge and ideas continue to flow very exactly between offices in Whitehall and Canberra, and not just with defense and foreign affairs. For best benefits, lots of planning well in advance, is required to meet the politicians and your other stakeholders at these Conferences.

their claims were rejected under the Rudd government's independent merits review process.

The administrative system – under which failed asylum seekers can appeal against decisions by the Department of Immigration and Citizenship – was introduced by the Rudd government in July 2008. The High Court rejected the government's use of the Migration Act to detain asylum seekers on Christmas Island, while claiming the review process was 'non-statutory' – occurring outside Australia Law.

The Australian reported that failed asylum seekers will be given access to the Australian judicial system 'after a pivotal High Court ruling that landed a significant blow to Australia's offshore processing regime which the government says will elongate detention times'.

Immigration Minister **Chris Bowen** said plans for a regional processing centre in East Timor would not be affected by the court's decision.

A later report in *The Age* had at least 150 asylum seekers having their claims for refugee status reassessed following the High Court decision to uphold the constitutional challenge to the Government's offshore processing regime. *The Australian* reported that the Australian Lawyers Alliance has urged the Government to provide more resources for the Federal Court and Federal Magistrates Court to prepare them for an expected surge in appeals by rejected asylum seekers.

And so on and so forth

The Australian reported that the Coalition is almost certain to oppose any legislation proposed by the Gillard government to counter the above High Court decision. In a political strategy identical to the one adopted by the Greens on the emissions trading scheme, the Coalition is gearing up to block any legislative fixes introduced into the lower house on the grounds they won't go far enough. Opposition spokesman for immigration **Scott Morrison** said the government must produce a broader response to the ruling if it expected coalition support.

What do people live in?

Big cuts to immigration risk stalling the housing industry and sparking a new round of skills shortages which could lead to higher interest rates, *The Australian* reported. Leading demographer **Bernhard Salt** warned that putting the brakes on migration for too long could undermine economic growth. Meanwhile, business leaders are demanding a dramatic increase in skilled immigration to avoid a wages breakout as skills shortages spread from the resources sector into the wider economy.

A suggestion

A coalition government could lift the intake of Afghan refugees under a proposal to send boat people back to be processed in camps along Afghanistan's borders. Opposition immigration spokesman **Scott Morrison** outlined a Central Asian variation of **Julia Gillard's** regional processing proposal.

Got skills?

Engineers are to join the next wave of temporary migrants to Australia as the nation prepares to construct a national broadband network, *The Australian* reported.

Get skills

The *Financial Review* reported that Regional Development Minister **Simon Crean** has rejected calls for greater reliance on migrants to plug skills gaps on resource projects in northern Australia, and urged instead a focus on training indigenous workers.

Sad

Ahmad al-Akabi, an Iraqi asylum seeker who hanged himself at Sydney's Villawood Detention Centre, had begged the Immigration Department to send him home, *The Age* reported. The 41-year-old father of three had been held for more than a year, having been processed on Christmas Island after arriving in Australia. *The Age* reported that asylum seekers will be offered sweeteners to return to the countries they fled under a \$5m reintegration program announced by the Government.

Cement bricks

John Howard has rejoined his long battle with multiculturalism, denying it is the 'cement' holding Australia together and urging policies that recognise common values rather than ethnic differences, *The Australian* reported. In his autobiography, *Lazarus Rising*, the former prime minister makes no apology for his response to the rise of **Pauline Hanson** in 1998.

Mysterious creaking noise diminishes

The Australian reported that Australia's decade-long baby boom has stalled, with 295,700 infants born last year, 900 fewer than the year before.

BROADBAND. ITC

Alternative models

The Business Council of Australia has urged the government to consider alternative models for delivering the National Broadband Network, *The Australian* reported. A later report found Australian businesses have high hopes for the network, following a survey of more than 500 enterprises. More than half of all respondents said a high-speed fibre network would make them more competitive and increase their markets and geographic reach. The study, commissioned by Macquarie Telecom and conducted by Access Economics covered 17 industries and businesses with a combined 300,000 employees.

Independent MPs back **Malcolm Turnbull's** call for greater transparency in the National Broadband Network, raising the prospect that Labor could be forced to refer the project to the Productivity Commission. Communications Minister **Stephen Conroy** ridiculed the Organisation for Economic Cooperation and Development over its warning that the NBN could stymie the development of better internet-based technologies.

Careful consideration

The Australian reported that Treasury has warned cabinet it needs to give very careful consideration to the National Broadband Network implementation study over coming months, arguing that the project carries significant risks to the national balance sheet. The advice to cabinet, originally suppressed when Treasury's incoming brief to the government was released under freedom of information laws in September, was revealed in early November.

It shall not want

As the Government tried to shepherd national broadband network legislation through the Senate, independent and Greens MPs reacted angrily to its refusal to release the business plan for the government-owned NBN Co. The government had agreed to brief independents privately on the material, but said it cannot publish until the following month because it is commercially sensitive. Shadow broadband minister **Malcolm Turnbull** pushed for a cost benefit analysis – which was defeated by one vote. Independent senator Xenophon had wanted an assessment of the networks social impacts, *The Age* reported.

In the bag

The Financial Review reported that the Gillard government sealed a deal to restructure Telstra and build its national broadband network after being forced to release a plan showing the project would take three extra years to complete. The Government overcame Senate objections but only after revealing some of the challenges facing the network, including risks to Labor's core promise to charge a uniform national wholesale price for broadband. The costings row broke out when the Coalition said total outlays could reach \$49b, while the government insisted the capital costs would be \$35.7b, \$7.3b lower than planned. The Senate breakthrough was tarnished by strong criticism of **Julia Gillard** at a special caucus meeting, where some MPs expressed concern about the government's agenda.

Convenient

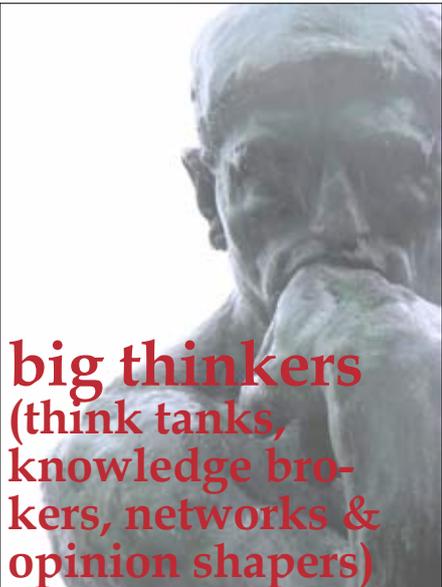
The Australian reported that the committee being created to scrutinise the National Broadband Network will have a majority of Labor MPs and not operate until July, sparking fresh criticism about inadequate scrutiny of the country's biggest infrastructure project. The committee – promised by **Julia Gillard** to secure the support of independent Senator **Nick Xenophon** – will have 16 members, of whom nine will be Labor-nominated. It will be chaired by independent **Rob Oakeshott**.

Fibre-optic hurdle

The National Broadband Network cleared an important hurdle, after key independents backed legislation that paves the way for the breakup of Telstra into retail and wholesale arms. The merger will also allow the government and NBN Co to use Telstra's infrastructure to roll-out the network. In *The Age*, **Malcolm Maiden** wrote that the legislation that cleared the parliament creates two paths for Telstra. One of them leads to Telstra cooperating with the rollout of the NBN, and being paid at least \$11b – \$9b will come from NBN Co in a series of payments for the progressive closure of the copper wire network as it is overrun by the NBN, and in lease payments for the copper wire ducts and pipes NBN Co will take over, and another \$2b will come from the Government as essentially a bribe to subscribe. The other path results in Telstra not cooperating with the NBN, not being paid, being broken up anyway, and being punished in other ways.

Points of interconnect

The **Australian Competition and Consumer Commission** has urged the government to reject the proposal to extend the national broadband network's monopoly. *The Australian* reported that the ACCC has told the Government to discard the NBN Co's plan to build only 14 points of interconnection – where retail service providers will hook into the fibre



big thinkers (think tanks, knowledge brokers, networks & opinion shapers)

The 2009 edition of Affairs of State's latest publication Big Thinkers (thing tanks, knowledge brokers, networks & opinion shapers) has just been launched by historian Geoffrey Blainey.

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network to deliver broadband services to consumers – in five capital cities and require 200 points to be implemented.

Gloves back on

Telstra's wholesale division is preparing to go head-to-head with NBN Co and other wholesalers in the lucrative market to resell voice and internet services, as Canberra debates how many exchanges the national network should have, *The Age* reported. 'Many of our customers will want to deal directly with NBN Co,' the group managing director of Telstra Wholesale, **Paul Geason**, said.

On the bandwagon

The National Broadband Network came under fresh criticism from a group of telecommunications executives and analysts, who cast doubt on the government's plan to keep prices flat for basic broadband products, *The Age* reported. As key legislation stalled in the Senate, the government defended NBN Co's plans to gradually cut prices for all except the most basic packages.

Bed time reading

The business plan of NBN Co, the company building the national broadband network, is more than 400-pages long, according to Communications Minister **Stephen Conroy**, the *Financial Review* reported. *The Age* reported that Conroy hinted that the government may delay the release of the Government's national broadband network business plan until next year, in contrast to repeated promises it would be published by Christmas. Conroy said that the government may need to change the plan after considering a report from the ACCC.

Builders spared

The National Broadband Network Company will cover the costs of rewiring old apartment blocks to ensure they can connect to the \$43b project, *The Australian* reported. *The Age* reported, confusingly, that facing complaints from property developers, who are set to build 1.9 million homes during the network's rollout, the government said that from January NBN Co will install fibre cables in new housing developmeDES.

When it's ten times faster...

Wireless broadband can be delivered to regional households more reliably and at faster speeds if an emerging technology being developed in Australia is used in the national broadband network. The CSIRO claims it has found a way to transmit wireless broadband faster and up to four times more efficiently than existing technology, *The Age* reported.

What's happening in Tassie?

The federal Auditor-General has been asked to conduct an inquiry into the role of the national broadband network in Tasmania, which has received more than \$100m from taxpayers to fund the fledgeling project, *The Australian* reported.

They do good work

The Department of Broadband, Communications and the Digital Economy has hired McKinsey, again, for \$4.98m to consult the company charged with ensuring basic telephone services are available to all Australians under the \$43b network, *The Australian* reported.

Clouded future. But some certain dollars

The relationship between Telstra and its largest shareholder continues to decay, with the Future Fund voting against all resolutions at the company's meeting in mid-November. Since February 2007, the fund has sold 879 million shares of an original 2.1 billion and said it will keep selling Telstra shares over the medium term. This was one of five factors that Telstra Chairperson **Catherine Livingstone** blamed for Telstra's weak share price, along with regulatory uncertainty. Livingstone confirmed that Telstra would pay a full-year dividend of 28c a share, fully franked, this year and next, and said the board would look into a share buyback once negotiations with NBN Co were finalised.

No dial tone

Telstra will axe 950 executive and middle management jobs in corporate offices around Australia in a bid to cut costs and reduce bureaucracy. The cuts will be made in departments responsible for marketing and customer relations, with affected employees offered redundancy and retraining. Employees of more than 25 years could get up to 80 weeks pay, *The Age* reported.

Private work

The Government is working behind the scenes to allay privacy and health fears over its \$28.5m program to introduce virtual strip search scanners at all international airports from early next year, *The Australian* reported. Nearby, the US Electronic Privacy Information Centre has filed a lawsuit demanding the Transportation Security Administration halt its full body scanner rollout pending an independent review of public concerns.

Here is another IT item

The Australian reported that the contract IT market in the ACT has had its toughest half year on record with the continued decline in the government's reliance on contractors to meet the Gershon Efficiency Review's June 30 benchmark. The Peoplebank Intermedium Federal ICT Labour Hire Index for the three months to June 30 found weakening demand was cushioned by seasonal contract renewals as well as a surge before the calling of the federal election.

Gray area

The *Financial Review* reported that former National E-Health Transition Authority chief executive **Ian Reinecke** was appointed by the Department of Finance in April to assess its performance in carrying out the recommendations of the Gershon review, which led to billion-dollar information and communications technology spending cuts over four years. Reinecke's report was released by Special Minister of State **Gary Gray**. One of Reinecke's recommendations was for the Finance Department to conduct a thorough assessment of the Australian Government Information Management Office (AGIMO), which had led the Gershon implementation on its behalf, to consider whether its two major roles of policy development and facilitating delivery should be functionally separated. A follow-up report in the same paper said Reinecke appears deeply unconvinced that the AGIMO has a future.

BANKS

Reform

The Age reported Treasurer **Wayne Swan** announcing plans to ban mortgage exit fees – blamed for dampening

competition by making it prohibitively expensive for customers to switch to cheaper loans – from July 1 next year. The ban on exit fees will apply only to new mortgages (from July 1, 2011) and is included in the package of reforms with an inquiry into account number portability; mutuals being fast tracked to become banks; the deposit guarantee extended indefinitely; ‘Government Protected Deposits’ logo; standard fact sheets for mortgage offers; prosecutions for price signalling; and the government is to fund \$4 billion more mortgages, ‘covered bonds’, and ‘bullet’ mortgage securities. What’s not in the package is an outright ban on mortgage exit fees; tracker mortgages with fixed margins; limits on how much banks can charge; Australian Post competing as a bank; a new financial system inquiry; and a bank super profits tax. Nearby, *The Age* reported that an overwhelming majority – 81 per cent – of Australians believe there is a case for banks to be subject to a super profits tax of the kind to be applied to mining.

Super \$\$\$\$

The *Financial Review* reported Swan outlined measures to allow banks to tap into the \$1.2 trillion superannuation sector to raise funds, in a banking competition package driven by the need to reduce reliance on offshore funding. The banking package also singled out banks for tough new laws against price signalling. The industry executive said the package – announced on the eve of the start of the Senate inquiry into banking competition – contained little to live up to promised to create a fifth pillar in Australian banking from credit unions and building societies.

Swan’s bid to inject more competition into the banking system received a lukewarm response from Reserve Bank of Australia governor **Glenn Stevens** and National Australia Bank chief **Cameron Clyne** amid a growing political row about whether it would keep rates down.

Swan’s pillar

The Age reported that Treasurer **Wayne Swan** suggested a so-called fifth pillar in the banking industry, with credit unions and building societies to be given assistance to expand in a bid to put more competitive pressure on the big four banks. In a move that is likely to be resisted by the big banks, the recently closed government guarantee scheme is expected to be reopened on a limited basis for credit unions, building societies and regional banks. The guarantee would put small lenders in a stronger position to raise money in hostile markets and boost their share of the home lending

sector. The package is also expected to involve injecting money into the securitisation market – a key source of funds for small lenders – as well as expanding the use of Australia Post branches for credit union deposits and withdrawals. However, the proposals fall short of establishing Australia Post as a stand-alone bank. *The Australian* reported that Australia Post chairman **David Mortimer** has signalled plans to expand financial services, but rejects suggestions the organisation should become a bank.

A race to the top or bottom

The Reserve Bank has dismissed claims by the big banks that their costs are climbing faster than the cash rate, in a submission to the Senate banking inquiry.

What are non-bank lenders? Authorised Banking Institutions

The *Financial Review* reported that credit unions and building societies have an image problem. While they are regulated and held to the same standard as the big four, many consumers link their smaller size to greater risk. Many were unaware that mutuals – which are not non-banks – were covered by the same deposit guarantees as banks. The sector is pushing to rebrand. A change to the Banking Act would allow credit unions and building societies to label themselves ‘Authorised Banking Institutions’. The head of industry body Abacus, **Louise Petschler**, said focus groups showed a difference in customer perception.

Up and away

The Age reported that ANZ has defied the Treasurer and joined the Commonwealth Bank in lifting its interest rates on home and business loans by well in excess at November’s official .25 percentage point move. However, ANZ tried to soften the blow by scrapping home loan exit fees and temporarily waving other charges, which it said would make it easier for customers to switch banks. A couple of days later National Australia Bank and Westpac also ignored Canberra’s warnings by passing on super sized interest-rate rises to customers. All the big four lenders have now exceeded the reserve’s official move.

This is a gouge...

Big banks were put under further pressure when the Government released the formal definition of the term ‘gouging’ that it will use to guide prosecutions. Since July it has been illegal for a bank to charge a mortgage exit fee any higher than needed to cover its costs. Until now no banks

have been taken to court because the Australian Securities and Investments Commission has been preparing what it calls regulatory guidance detailing what it will regard as unfair. But for most of Australia’s 2.5 million mortgage holders the guidelines will do little. The law that came into force in July only applies to mortgages entered into after that date, *The Age* reforms.

The happy couple

A marriage between AMP and Axa Asia-Pacific will provide a powerful fifth pillar to Australia’s financial landscape. The combined group will become the biggest provider of retail superannuation products, retail managed funds, life insurance and retirement products in the country, even if its market capitalisation will be nothing like that of the major banks, the *Financial Review* reported. A distribution force of nearly 3,000 fully owned and aligned planners is sure to enhance AMP’s ability to cope with the changes being pressed on the industry by the Cooper review.

Glitch

A computer glitch at the National Australia Bank initially delayed payments to only the bank’s customers, but spread to delay payments to customers from all major banks and lingered for a couple of days, *The Age* reported.

Don’t punish profits

A defiant **Ralph Norris** – chief executive of the Commonwealth Bank – has warned short-term populism is damaging the country’s reputation among foreign investors. Future Fund chairman **David Murray**, backed the arguments of the major banks and said the government could help to reduce pressure by cutting its budget deficit. *The Age* reported that Norris played down profits in the banking sector and cautioned politicians against punishing or taking revenge on banks through regulation. He said that picking on the banks is an easy way for politicians to get on the front page, because banks were a slow-moving target, the new regulation could damage competition in the sector by making it harder for new entrants to get a foothold. National Australia Bank chief executive **Cameron Clyne** said banks need to drop their arrogance and acknowledge why they are so unpopular. Clyne is trying to head off potential government intervention in

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David wants a lend from Goliath

A Parliamentary committee chaired by Labor backbencher **Bernie Ripoll** is set to launch a new inquiry into the treatment of small businesses by banks.

The customer is always confused

Major credit card companies have raised concerns that excessive and confusing surcharging by retailers is deterring customers under reforms that had been designed to improve transparency, the *Financial Review* reported.

AGRICULTURE & WATER

Act two

The government is under pressure to rewrite the Water Act after the head of the Murray-Darling Basin Authority, **Mike Taylor**, resigned with a warning that the legislation requires the environment be given priority over rural communities, the *Financial Review* reported. *The Age* reported that Taylor's resignation has opened the way for a philosophical shift in the reform process, which is now likely to give greater consideration to the social and economic impacts of returning farmer's water to the river. Taylor had been at odds with the government over his organisation's belief that the reform plan is legally required to prioritise the environment over social and economic factors. After months of duelling legal interpretations of the Water Act, Taylor received fresh legal advice that vindicated the Basin Authority's stance, and the continuing stand-off with the government apparently prompted his resignation.

A perspective

In the *Financial Review*, **Sophie Morris** wrote that Taylor is seen by some as a champion of the environment for insisting in his resignation statement that the Water Act requires that the environment be given top billing in any plan for the river system. But sources close to him say his resignation was more a reflection of his discomfort with the constraint the Act put on him to focus on the environment and give only secondary consideration to social and economic factors. Regardless of which is correct, his statement has highlighted the legal issues.

Nearby

The Age reported that legal advice that led to the resignation of the Murray Darling Basin Authority chairman **Mike Taylor** will not be released because the Australian Government Solicitor was not warned it would become public, the government said. Taylor said he had received advice from the Government Solicitor that confirmed his view that the authority could not legally compromise the proposed minimum target of delivering 3,000 billion litres more water to the river under federal laws. This brought into conflict with Water Minister Tony Bourke.

Can't take a trick

The flooding and extreme wet weather that has hit key wheat growing regions in New South Wales will take the shine off expected earnings of eastern Australia's largest grain storage and handler GrainCorp. Small businesses in flood affected areas of New South Wales have also been hit hard by the extensive flooding and it will take several months for them to recover, the *Financial Review* reported. The *Herald Sun* reported that Australian Crop Forecasters chief executive Ron Storey estimated the loss to the wheat harvest because of the rain at \$1b and expected up to 30

per cent of new season wheat and barley would be rain-damaged and waterlogged. The *Age* reported stone fruit prices, especially the price of cherries, are tipped to rise because of the constant downpours. The Australian Bureau of Agricultural and Resource Economics downgraded its forecast for 2010-11 wheat exports to 16 million tonnes. This is 2.4 million tonnes fewer than it forecast in September. Be nimble. Be quick.

The Murray-Darling Basin Authority will not guarantee that any feedback received on its basin plan guide after November will be taken into account in the writing of the next draft document on water allocation reforms, *The Australian* reported. According to New South Wales natural resources commissioner John Williams, the Murray-Darling Basin process has failed to equip rural communities with the ability to cope with changing weather patterns and has lost their trust. Dr Williams, a former CSIRO land and water chief, said the nation was entering a period of drier but more variable weather that presented a double whammy for communities.

Adieu

The sale of AWB, the iconic grains marketer, to the Canadian agribusiness giant Agrium, was approved by shareholders. The vote was seen as a formality, after the deal gained approval from the Foreign Investment Review Board and its New Zealand equivalent, *The Age* reported. Shares in AWB Ltd traded for the last time on November 19, as the scheme of arrangement by which the company was sold to Canada's Agrium took effect. AWB stocks were down 1c at \$1.495 at the close of business.

Frustration

Managing director of Murray-Goulburn Cooperative, **Stephen O'Rourke**, resigned in early November after two weeks of farmer anger at undisclosed payments to his wife. O'Rourke, who ran the country's biggest dairy processor for 12 years, will leave in July next year, the *Financial Review* reported.

Wool comber

Located in Dubbo in central west New South Wales, Fletcher International Exports Wool Top Processing Facility, a wool-combing and scouring plant, will close its doors by the end of the year and 40 staff will be reassigned to new jobs, the *Financial Review* reported. The executive director of the Australian Council of Wool Exporters **Peter Morgan**, pointed out that Australia was once the largest wool comber in the world, with hundreds of such plants scattered around the nation. 'More than 60 per cent of wool exported from Australia was early-stage processed here at home,' Morgan said. 'Even 10 years ago that figure was 30 per cent. Now it's all done in China.'

MEDIA

The anti-siphoning debate

Some blockbuster AFL games could disappear from free-to-air television and be shown exclusively on pay TV under proposed changes to anti-siphoning laws. Communications Minister **Stephen Conroy** has flagged plans to remove at least four games a week from the anti-siphoning list – opening the way for Foxtel to bid directly for those games, *The Age* reported.

Conroy's revelation that he would not protect the best AFL or NRL games from pay television dismayed free-to-air networks Seven, Nine and Ten. **Bob Brown** says the Greens will oppose any push to reduce free-to-air television coverage of AFL blockbuster matches, Australian Open tennis or Olympic events because it is not in the public interest.

In the same paper, **Harold Mitchell**, the executive chairman of Mitchell Communication Group, wrote that overseas, the pay system has built its great subscriber base on the back of sporting rights. In Australia, it has been very successful, but limited. The anti-siphoning laws were established in the late 90s and gave handsome profits to the free-to-air networks for a decade.

Nearby

Bob Brown could try to give Parliament the power to decide which individual sports events can be carried by free-to-air or pay TV. The move would give Parliament the authority to determine the commercial power of the two television sectors, and could lead to MPs debating what is the match of the day. Cabinet is expected to consider a proposal from Communications Minister **Stephen Conroy** to overhaul current restrictions on what sports events free-to-air television and pay TV could show. The current anti-siphoning list will expire on December 31.

Technically, cabinet must decide what happens to the anti-siphoning list, which dictates 1,300 sporting events and 12 sports that must be covered on free-to-air television. Conroy has confirmed he is considering letting pay TV operator Foxtel bid directly for AFL games each week, instead of having to purchase them from the free-to-air TV rights holders.

To appease the free-to-air networks, current restrictions on what sports they can show on the new digital channels would be lifted.

The question of who controls the pick of what games are shown on free-to-air TV is currently one for the AFL and NRL and the free-to-air networks. But there is pressure for any deal done by Senator Conroy to have cast-iron guarantees about free-to-air access to major games. As a result, there is industry pressure for the 'pick' to be regulated, the *Financial Review* reported.

They're all good

In the AFL's submission to Communications Minister **Stephen Conroy** over the new anti-siphoning laws, AFL chief executive **Andrew Dimitriou** and his deputy **Gillon MacLachlan**, are believed to have said they would prefer that any changes to the list of protected AFL games be more broadly defined as high-quality, *The Age* reported.

In conclusion

The Age reported that, under the overhaul of sports broadcasting rules, more premium sport will be able to be shown on free-to-air television – including on the digital multi-channels – but would also allow pay TV to bid directly for four AFL games a week. Communications Minister **Stephen Conroy** unveiled a two-tiered system, in which major events such as the Melbourne Cup, the AFL grand final and the Australian Open tennis finals will be required to be broadcast live on the main free-to-air channels.

Other events such as the Olympics, AFL home and away games and preliminary tennis matches will be able to be shown on the digital multi-channel's operated by Nine, Seven and Ten. The anti-siphoning list has been expanded

to reflect the growth of Twenty20 cricket and to include World Cup soccer qualifiers.

Other events have been removed from the list, including the early rounds of Wimbledon, British Open golf and England Australia one-day cricket matches in Britain. Pay television also gets a win by gaining direct access to four AFL matches per round. This is the same number shown on pay now, although under the current agreement Foxtel has to source their games from free-to-air networks. Under the new rules they can bid directly for them.

Rupert

News Corporation boss **Rupert Murdoch** met with Prime Minister **Julia Gillard** and later with opposition leader **Tony Abbott** regarding a looming decision about the sports broadcasting rules that reserve premium events for free TV. The decision will have an impact on Murdoch's Australian pay television interests, *The Age* reported.

Following on

Iron ore magnate Gina Rinehart has won a push for a board seat at the Ten Network. The move came after Rinehart conducted a \$165m raid on the free-to-air broadcaster's shares, *The Age* reported.

Staying the course

Fairfax Media chairman **Roger Corbett** has pledged that the company's direction will remain on course, despite the departure of chief executive and architect of a new management structure, **Brian McCarthy**. Non-executive director **Greg Hywood** is acting CEO. Two months after quitting as chief executive of Tourism Victoria to join the board of Fairfax Media, Hywood has inherited the top job after another management shakeup, *The Age* reported.

Australia overseas

Foreign Affairs Minister **Kevin Rudd** has kept open the possibility of **Rupert Murdoch's** News Corporation winning Australia's overseas television broadcasting service from the ABC. The government will put out to tender a 10-year contract to run the Australian Network, currently accessible to 32 million households in 44 countries through satellite and cable.

The network is largely financed by an annual \$20m allocation from the Department of Foreign Affairs and Trade. The ABC has run the service since 2001, beating off a bid from Murdoch's part-owned Sky TV in 2005 in the last tender.

ABC chief executive **Mark Scott** has argued that the Australian Network is a key instrument of soft power for Australia, and sits naturally with a public broadcaster without conflicting commercial interests. Lobbyists for News Corp say it should showcase the best of Australian news media, not recycle ABC content, *The Age* reported.

Scott has had his contract extended by another five years. During his first term, he extended the ABC beyond its traditional role into new media. The former Fairfax media executive and journalist, 48, also won funding for a kids' channel, ABC3, and funded a 24-hour news channel by savings from moving to studio automation, *The Australian* reported.

Vale

The Australian reported that **Kerry Packer** made it one of the biggest corporate brands in Australian media, but the Publishing & Broadcasting Ltd name is no more after the

media company's chief executive, **David Gyngell**, replaced it with Nine Entertainment Co.

Early summer break

The *Herald Sun* reported that the ABC's flagship current affairs shows, including *Four Corners*, *Q&A*, *Australian Story* and *Media Watch*, finished for the year in early November. Viewers won't see them again until mid-February. The ABC conceded some of its most high-profile programs are being rested a long way ahead of the summer break. The national broadcaster cited budgetary constraints and programming reasons for the shows not being aired

No longer a report

The Age reported that the revamped *7.30 Report* will be hosted by **Leigh Sales**, and Canberra-based correspondent **Chris Uhlmann**, who is the husband of the federal MP for Canberra, Labor backbencher **Gai Brodtmann**. Sales will generally front the program, but when big stories break in the nation's capital, Uhlmann will host from there. Both Sales and Uhlmann hail from senior positions at the ABC. When the pair start in March the show will be renamed *7.30*, and have the brief of incorporating more state-based stories in its mix.

The weekly **John Clarke** and **Bryan Dawe** segment will continue, and **Heather Ewart** will continue in her role covering federal politics. **Annabel Crabb** will become a regular contributor to the show. The ABC has also finalised plans to shift its weekday morning children's television programming from ABC 1 to digital channel ABC 2 as of May 2011 and replace it with *ABC News Breakfast*, which runs from 6 am to 9 am weekdays.

EDUCATION

Baby steps

The Age reported an Australian national curriculum is a step closer to reality after the education ministers agreed to begin introducing national courses in English, history, maths and science. That the minister stopped short of giving final approval, ordering further adjustments to be completed by next October. Schools Minister **Peter Garrett** hailed the agreement as an historic and bold step which would lift educational standards.

The function of memorial sites

The *Herald Sun* reported that if the draft modern history curriculum is approved, year 11 and 12 students would learn of alleged controversies surrounding the purpose and function of memorial sites and commemorative events. A spokesman to the Australian Curriculum Assessment and Reporting Authority said there was a view that asked should we be glorifying Gallipoli?

Transferred and transformed

The Age reported that the chairman of the body charged with writing the national curriculum, Professor **Barry McGaw**, conceded the national curriculum could be delayed – despite education ministers committing to it being substantially implemented by the end of 2013 – if states felt teachers were insufficiently trained or resourced. He also said more work needed to be done on the science curriculum, with concerns that big ideas had been lost in the detail. This included key science concepts such as energy can be transferred and transformed. The national curriculum will also no longer mandate when calculators are introduced in

maths, after the states failed to agree on what year level is appropriate. Also, the Vietnam War will no longer be taught to students in prep to year 10 when the national curriculum is introduced, following concerns the history syllabus was too crowded.

A social constructivist approach

The proposed national geography curriculum lacks clarity and quality, with New South Wales geographers concerned it contains an inadequate focus on physical geography and the study of capes and bays, which underpins the study of the discipline, *The Australian* reported. The New South Wales Board of Studies argues the proposed curriculum will overemphasise social and economic geography at the expense of the study of the physical world. The sample structure from the course suggests students in years 7-10 take a cultural/social 'constructivist' approach.

It's not that Brad

Brad Orgill, the man overseeing the investigation into the \$16b schools building program has challenged Coalition criticisms, claiming there is no evidence value for money has not been achieved. Orgill, a former chairman and chief executive of investment bank UBS, was appointed in April by then Education Minister **Julia Gillard** to lead a taskforce to investigate complaints about the program. The program was the single largest element of the \$42b stimulus package launched in February last year.

Back to school

The Government's My School website could be delayed for months after Schools Minister **Peter Garrett** was forced to concede that financial data for some private schools contained serious errors. The revised version of the website was due go live at the beginning of December but will now not be launched until next year. Independent schools, which had sought legal advice to prevent the publication of inaccurate financial data on the website, and which they said could destroy their reputations, applauded the launch delay of the revised website. Garrett said accounting firm Deloitte had identified flaws in the methodology used to report schools repayment of loans on the website. This had led to the website incorrectly stating that some private schools incurred losses, when in fact, they may have sold assets to repay loans, *The Age* reported.

Meanwhile, the backdown came as Garrett prepared for a showdown over the national curriculum at a meeting with education ministers, with New South Wales already indicating it will reject the curriculum in its current form. While the former Victorian government was a staunch advocate of the national curriculum, new Education Minister **Martin Dixon** has flagged a more cautious approach.

Profiteering taught at uni

Companies that sell school league tables based on information on the My School website could be sued under the changes to the sight to be announced by School Education Minister **Peter Garrett**, *The Age* reported.

Box tickers crossed off

Denise Bradley, interim chairwoman of the new Tertiary Education Quality and Standards Agency, criticised the low standard of state regulatory bodies and assured the sector that she won't be taking on box tickers. She said she would be seeking auditors of the standard employed



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This release includes analysis by Gender, Age & State

Gillard (46%, up 2%) still Preferred as Prime Minister over Abbott (39%, up 3%)

Prime Minister Julia Gillard (46%, up 2% since August 25/26, 2010) is still preferred as Prime Minister over Opposition Leader Tony Abbott (39%, up 3%) according to a special telephone Morgan Poll conducted over the last five days (December 8-12, 2010).

Despite electors preferring Gillard as Prime Minister, more electors approve of the way Opposition Leader Tony Abbott is handling his job (50%, down 3% since August 25/26, 2010) than approve of the way Julia Gillard is handling her job (49%, unchanged) as Prime Minister.

Significantly more women approve of Gillard's handling of the job (52%, up 2%) than disapprove (32%, down 2%), while men are much more evenly split with 46% (down 2%) approving of Gillard's handling of the job and 43% (up 3%) disapproving.

Men and women have a similar view of Tony Abbott's handling of the job as Opposition Leader with 51% (down 1%) of men and 48% (down 6%) of women approving of Abbott's handling of the job while 40% (down 1%) of men and 38% (up 3%) of women disapproving of Abbott's handling of the job.

Analysis by State – Better Prime Minister

Analysis by State reveals Gillard is greatly preferred as 'Better Prime Minister' to Abbott in South Australia (Gillard – 53% cf. Abbott – 29%) and Western Australia (Gillard – 53% cf. Abbott 31%) while in the key State of Queensland, which swung heavily against the Gillard Government at the recent Federal election, Abbott (47%) is clearly preferred to Gillard (33%) – the only State in which Abbott is regarded as the 'Better Prime Minister.'

In New South Wales: Gillard (48%) cf. Abbott (40%), Victoria: Gillard (48%) cf. Abbott (39%) and Tasmania: Gillard (47%) cf. Abbott (38%) the results are very similar to the overall national figures.

Analysis by State – Job Performance – Approve/Disapprove

Queensland is the only State in which more electors disapprove (49%) than approve (38%) of Julia Gillard's handling of the job as Prime Minister, while NSW is the most evenly split, with slightly more approving (47%) than disapproving (41%) of Gillard's handling of the job.

Clearly more electors approve than disapprove of Gillard's handling of the job in Victoria: Approve (51%) cf. disapprove (33%); WA: Approve (60%) cf. disapprove (27%); SA: Approve (56%) cf. disapprove (30%) and Tasmania: Approve (49%) cf. disapprove (35%).

Meanwhile, SA is the only State in which more electors disapprove (46%) than approve (41%) of Tony Abbott's handling of the job as Prime Minister.

In all other States more electors approve than disapprove of Abbott's handling of the job. NSW: Approve (52%) cf. disapprove (40%); Victoria: Approve (48%) cf. disapprove (40%); Queensland: Approve (47%) cf. disapprove (38%); WA: Approve (55%) cf. disapprove (36%) and Tasmania: Approve (62%) cf. disapprove (31%).

This Morgan Poll finds Federal voting intention in favour of the L-NP (54.5%) cf. ALP (45.5%).

Gary Morgan says:

“This special telephone Morgan Poll conducted over the last five days, December 8-12, 2010, shows clear differences between States in how electors view Prime Minister Julia Gillard and Opposition Leader Tony Abbott. Queensland remains the State least in favour of Julia Gillard – the only State in which more electors believe Abbott (47%) would make a ‘Better Prime Minister’ than Gillard (33%).

“Even more worryingly, more electors in Queensland disapprove (49%) of Gillard's handling of the job as Prime Minister than approve (38%) – again, Queensland is the only State in which more electors disapprove of Gillard's handling of the job than approve.

This special telephone Morgan Poll was conducted over the last five days of December 8-12, 2010, with an Australia-wide cross section of 1,078 electors.

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On December 20, 2010

Final Morgan Poll first to show swing & win to Baillieu-led L-NP Opposition **'Reactor' showed why voters swung away from Brumby**

by Gary Morgan, Michele Levine and Julian McCrann

The Morgan Poll was the first to predict the late swing to the Victorian L-NP Opposition – and a Liberal-National Coalition win – just enough to dislodge the Brumby Government and allow Liberal Party Leader Ted Baillieu to become the new Premier of Victoria.

The final Morgan Poll on Victorian voting intention (released Friday November 26, 2010) showed the L-NP (51%, up 5.4% since the 2006 Victorian election) holding a narrow, but winning, lead over the ALP (49%, down 5.4%) – virtually the same result as the Victorian election – L-NP (51.3%) cf. ALP (48.7%).

The Morgan Poll predicted a narrow L-NP victory on a Two-Party preferred basis and was also the closest pollster to the primary vote results for the major parties – ALP, L-NP & Greens. Newspoll, which predicted a similar Two-Party preferred result of L-NP (51.1%) cf. ALP (48.9%), however wrongly called a 'Hung Parliament,' and wasn't as accurate for the parties primary results – including significantly underestimating the ALP vote (by 3.2%). On the Two-Party preferred results The Age/Nielsen poll was out by 0.7% and Herald-Sun Galaxy poll by 1.3%. The Sky News Exit Poll was not as accurate, out by 2.7%.

VICTORIAN VOTING INTENTION – Primary Vote Predictions

	Victorian Election Nov 27, 2010 <u>Actual Result*</u>	Nov 22-25 Telephone <u>Morgan Poll</u>		Nov 23-24 Telephone Galaxy <u>Herald-Sun</u>		Nov 24-25 Telephone The Age <u>Nielsen</u>		Nov 23-25 Telephone <u>Newspoll</u>		Nov 27 Exit Poll <u>Sky News</u>	
		%	error	%	error	%	error	%	error	%	error
<i>Sample Size</i>	(3,164,731)	(990)		(800)		(1,533)		(1,451)		(3,000+)	
L-NP	44.8	44.5	-0.3	44	-0.8	45	+0.2	45	+0.2	48	+3.2
ALP	36.2	35.5	-0.7	36	-0.2	34	-2.2	33	-3.2	35	-1.2
Greens	11.2	13	+1.8	14	+2.8	14	+2.8	15	+3.8	12	+0.8
Ind/Other	7.8	7	-0.8	6	-1.8	6	-1.8	7	-0.8	5	-2.8
Av. error on all parties PREDICTED OUTCOME			0.9		1.4		1.75		2.0		2.0
		Close		Close		Clear		Hung		Big	
		L-NP win		ALP win		L-NP win		Parliament		L-NP win	

VICTORIAN VOTING INTENTION – Two Party Preferred Predictions*

L-NP	51.3	51	-0.3	50	-1.3	52	+0.7	51.1	-0.2	54	+2.7
ALP	48.7	49	+0.3	50	+1.3	48	-0.7	48.9	+0.2	46	-2.7
L-NP Lead	2.6	2		-		4		2.2		8	
Ave error			0.3		1.3		0.7		0.2		2.7

Victorian Electoral Commission (<http://www.tallyroom.vic.gov.au/>). VEC Election results at 4pm, Monday December 13, 2010.

*The Two-Party preferred vote is yet to be released and the figure quoted here is based on past voting trends at the 2006 Victorian election.

The Morgan Poll is clearly the most accurate on primary voting intention and the Green vote. The average error was 0.9% for the L-NP, ALP, Greens & Independent/Others. Galaxy (1.4% average error) was the next best followed by The Age/Nielsen (1.75% average error – although it must be noted that the figures for this poll were rounded and together add to only 99%), Sky News Exit Poll (2.0% average error) and Newspoll (2.0% average error).

The final result for the pollsters for the 2010 Victorian State election once again showed the Morgan Poll providing the most accurate result of all major pollsters – the prediction of a narrow L-NP win (L-NP 51% cf. ALP 49%). This follows the successful Morgan Poll prediction of the Federal election – [A Hung Parliament](#) (<http://www.roymorgan.com/news/polls/2010/4572>) – once again the first pollster to call this result.

'Reactor' showed why voters swung away from Brumby

On Friday November 26, when all other polls were predicting a win for Brumby's ALP, [the Morgan Poll showed a swing to the L-NP](#), (<http://www.roymorgan.com/news/polls/2010/4607>) for the first time putting them in a winning position (+3.5% to 51% L-NP cf. 49% ALP).

Even at that time, the eve of the Victorian State election, it's worth pointing out that 61% of electors **expected** the Brumby ALP Government to be returned.

Many will rewrite the history of the dramatic change in elector sentiment that saw the ALP lose what was thought to be an unloseable election (or alternatively Ted Baillieu win an unwinnable election).

However, the **evidence** from the [Roy Morgan Poll](#) is clear.

In the last week of the campaign, the Roy Morgan Qualitative Research and quantitative issues data, along with the [Roy Morgan 'Reactor' on a series of campaign TV ads](#), (<http://www.roymorgan.com/news/press-releases/2010/1218>) **all** pointed in the same direction – the ALP was in trouble.

The early phase of the Victorian State election was dominated by the 'rise of the Greens.' Even after the Liberals decided to preference the Greens last (November 15), the [Morgan Poll \(conducted November 16/17, 2010\)](#) showed the Greens had enough elector support to win 3 or even 4 inner Melbourne seats.

However, it was short-lived and by November 24 the [Morgan Poll \(conducted November 22/23\)](#) reported the Green vote had dissipated and Labor looked set to retain the four inner Melbourne seats.

While the focus was on the battle between the ALP and the Greens, there was little 'air-time' for Ted Baillieu who ran a straight campaign on crime, transport and cutting State Government costs and charges.

Then, the [Baillieu Knight Frank ALP ads](#) – (<http://www.onlinereactor.com.au/Player.aspx?jid=23%C2%B6m=party>)

- Gave Ted Baillieu the 'air time' he desperately needed; and
- Increased his awareness, and electors' knowledge of him;
- In a strange twist, by trying to 'paint' Ted Baillieu as dishonest, the ALP's advertising was seen as just more spin and 'dirty tricks' and gave Ted Baillieu the moral high-ground.

As Gary Morgan said on November 26:

"In the Roy Morgan Qualitative Research designed to elicit concerns the electorate might have about a Ted Baillieu led Government – there was no mention of corruption. The negative advertising clearly did not 'stick'!"

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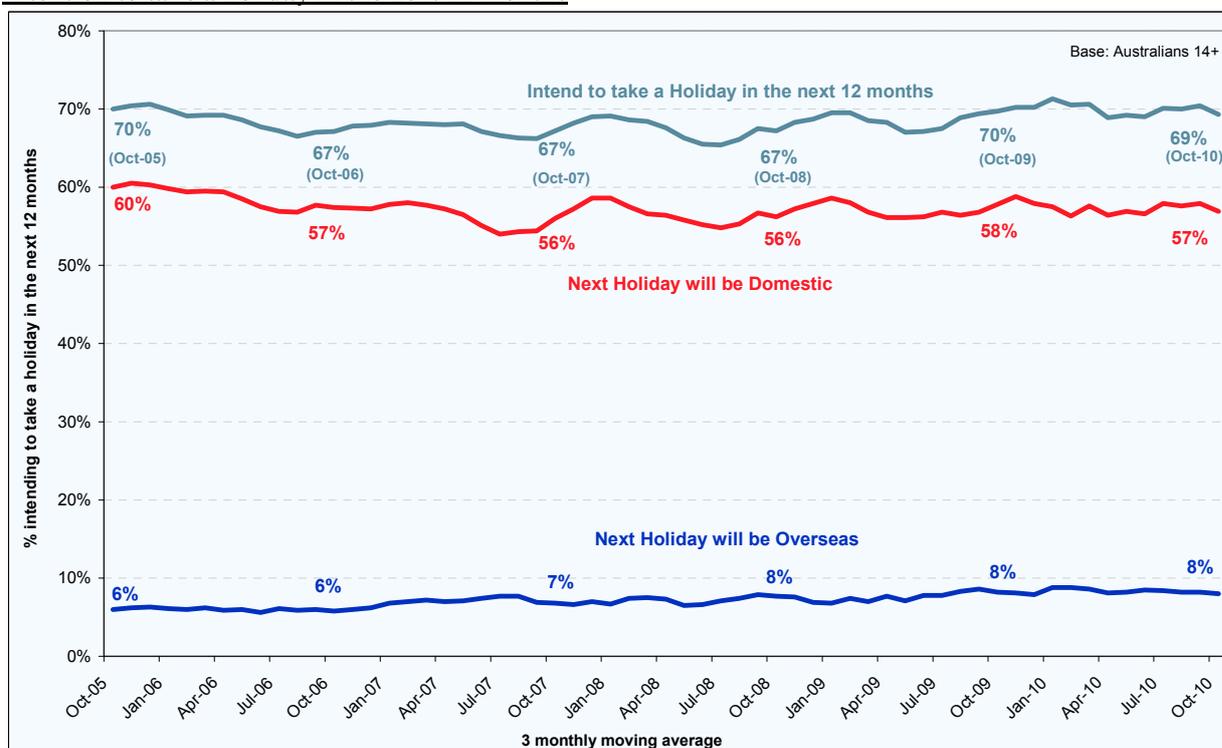
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Available on Website: www.roymorgan.com
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[Roy Morgan Holiday Leading Indicators Report](#)

Holiday Intention Down in October 2010 Quarter

In the three months to October 2010, 69% (12.8 million) of Australians 14 years or older intend to take at least one holiday in the next 12 months. This is down slightly on the October 2009 quarter result of 70% (12.4 million).

In the latest Roy Morgan Research Holiday Tracking Survey 57% intend to holiday in Australia in the next 12 months (down from 58% in the October 2009 quarter), 8% intend to go overseas in the next 12 months, unchanged from the October 2009 result, and 4% can't say whether their next trip will be domestic or international.

Intention to take a holiday in the next 12 months



Source: Roy Morgan Single Source (July 2005 – October 2010, average sample per quarter n=5,291).

A small percentage can't say whether their next trip will be overseas or domestic.

NB. Some holiday intenders cannot nominate where they will be going on their next holiday. As a result, the percentages shown as intending to go overseas or domestic on their next holiday do not add to the total intenders.

Jane Ianniello, International Director of Tourism, Travel & Leisure, Roy Morgan Research, says:

“Holiday intention softened slightly in October after rebounding since the end of the Global Financial Crisis. Increasing mortgage and rental stress and rising costs of living may be affecting Australians' holiday plans.

“It will be important to see if the recent interest rate rise and the resulting decline in consumer confidence will further soften holiday intention in November.”

For more information, or to purchase the complete *Holiday Travel Intention Leading Indicators Report*. Please visit the Roy Morgan Online Store:

<http://www.roymorganonlinestore.com/Browse/Australia/Tourism/Leading-Indicator-Report.aspx>

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at the Australian Universities Quality Agency, which will be absorbed by TEQSA.

Silent strategy

The new overseas student strategy that Education Minister **Chris Evans** will sell in China is silent on tough new Visa rules that are devastating the multibillion dollar industry, *The Australian* reported.

HEALTH

Think again

A feud over national health reforms has begun along party lines, with new Victorian Premier **Ted Baillieu** accusing Canberra of misleading the public, and New South Wales Premier **Kristine Keneally** portraying Baillieu as a deal wrecker.

In an ominous sign for **Julia Gillard's** reform agenda in federal-state relations, Baillieu used his first press conference as Premier to say he wanted to expose the content of the hospitals agreement so Victorians knew exactly what they had signed up for. Federal Health Minister **Nicola Roxon** said details of the hospital reform agreement had been publicly available for months and were on the internet. She said she was not going to make any judgements on what the Victorian Liberals choose to read on the federal website, *The Australian* reported.

The Age reported that Gillard will argue that simple maths make it in the new Victorian government's interests not to repudiate the hospital deal reached by **John Brumby**. In the *Herald Sun*, **Phillip Hudson** wrote that with New South Wales and Queensland Labor to face voters in the next year or so – and both expected to be thrashed – suddenly the eastern seaboard could be Liberal blue. It never hurt **John Howard's** Liberals to have state Labor governments across the country. But there are good reasons for Gillard to be worried about the Victorian result.

Nearby

The *Financial Review* reported that the New South Wales coalition wants the federal government to reveal exactly how much goods and services tax (GST) revenue the states will have to dedicate to health funding under proposed reforms

to national health, saying more details are required to get the new structure over the line. Gillard pledged she would continue to push the health reforms, now under threat from new state governments.

Pick and choose

The government is choosing locations for its 65 GP super clinics, at a cost of more than \$600m, free of oversight by the Health Department, says the secretary of the Health Department, **Jane Halton**.

The Government's \$645m GP super clinic rollout is failing to meet its key objectives of providing bulk billing and after-hours doctors, *The Australian* reported. The policy is running behind schedule and is under fire for diverting resources from areas of most need. It has been designed to take pressure off emergency departments. An audit by *The Australian* of all seven of the operational clinics found only one – Devonport in Tasmania – had after-hours services that were run in-house. Two of the seven clinics audited – Ballan in Victoria and Strathpine in Queensland – provided universal bulk billing, with most other clinics only providing it to under-16s and concession card holders.

Its health

The Australian reported that the long-awaited MyHospitals website, allowing easy comparisons of waiting times against national benchmarks, was embroiled in controversy within hours of going live, amid claims that the data is too old to be useful and the states have sought to hamstring the project.

The second draft

A three-month-old draft Health Care Identifies Service implementation plan is being reissued almost unchanged by NEHTA but a project plan is still some way off. National E-health Transition Authority public affairs chief **Heather Hunt** says the material and timelines provided in the HI implementation approach and communication strategy were only designed to show the public that the service will be adopted incrementally, rather than overnight in all locations, *The Australian* reported.

Role and reach

New priorities and the political demands of heading a minority government have boosted the role and reach of the Prime Minister's Department within the federal bureaucracy. **Julia Gillard** is now assisted as Prime Minister by five ministers and two parliamentary secretaries. Her department, the Department of the Prime Minister and Cabinet has also strengthened its leadership role across the federal bureaucracy, the *Financial Review* reported. On the opinion pages in *The Age*, **Michelle Grattan** wrote that **Julia Gillard** has a problem with authority – that is, her lack of it.

Tortuous paths

The Australian's economics correspondent **David Uren** wrote that Australia's new parliament has shown itself capable of endless diversion on matters such as same-sex marriage, boat people and wild rivers, with euthanasia to come, while the pivotal economic issue of the past month or so appears to be whether our banks are too healthy. The government's three major economic policy goals this term – the mining tax, the NBN and a carbon price – appear destined to face a tortuous path. There is little stomach for bold new policy directions.

True to form

The *Financial Review's* **Marcus Priest** wrote that Parliament ended the year in farce. More than 20 per cent of the House of Representatives were absent and most of the crossbench walked out in disgust. The House was forced to sit to vote on a Telstra separation bill and two other pieces of legislation by the Opposition, which delayed their passage in the Senate. Only 120 members turned up for the day's sitting (parliament sat on Friday and came back to Canberra for the following Monday), which is estimated to have cost at least \$500,000.

Green face. Strong Costa

Julia Gillard must confront the Greens to save the Labor Party and stop practising the politics of appeasement with the far left, according to analysis by former New South Wales (Labor) treasurer **Michael Costa**. Writing in *The Australian Literary Review* Costa criticises the voodoo politics that has allowed ALP policy to become a slave to focus groups and calls for the abolition of the diseased New South Wales Right faction.

Labor must also confront entrenched union power, he says. His writing was published on the same day *The Australian* reported that Labor and the Greens split over emissions reduction targets, with Climate Change Minister **Greg Combet** and Greens deputy leader **Christine Milne** trading blows over Australia's greenhouse gas emissions targets.

Costa wrote that Labor cannot win a political war with the Greens. Labor must reframe the debate and be focused on the destructive consequences both social and economic of Greens' policies. The Greens need to be confronted rather than appeased. In the *Financial Review*, **Tony Walker**, that paper's international editor and former political editor, wrote that Gillard would be mistaken to ignore the implications of Brumby's defeat in Victoria for her leadership in a week in which her party's entrails were further exposed. He quoted

Costa when saying the sense of despair at the performance of the federal party is overwhelming.

After Christmas

Prime Minister **Julia Gillard** must reinvigorate reforms promised by federal and state governments, including cuts to business red tape and improving competition in key infrastructure markets, Council of Australian Governments Reform Council chairman **Paul McClintock** said. In a frank assessment amid state wrangling after the Victorian election and business disquiet about the slow progress of COAG's seamless national economy plan, McClintock said dedicated leadership from Gillard, and from New South Wales and Victoria, was required, the *Financial Review* reported.

A case for change

Productivity Commission chairman **Gary Banks** has warned the Gillard government risks failure if it tries to undertake too many reforms without establishing a case for change first, saying it should heed the lessons of past successful reformist governments, the *Financial Review* reported.

Meanwhile

The *Australian* reported that business leaders are growing increasingly concerned about policy inaction, demanding the Gillard government deliver on its promise to step up the pace of reform. A survey by the paper of 45 leading chief executives found carbon pricing, skill shortages, tax and infrastructure as the key areas of reform that need to be urgently tackled. Respondents were increasingly fearful that a hung Parliament was hampering bold decision making.

Thanks governor

In the *Herald Sun*, **Terry McRann** wrote that Reserve Bank governor **Glenn Stevens** said that **Julia Gillard** should have a proper and full cost-benefit analysis of the NBN and he also pointed out that extraordinary China-driven boom would overheat the Australian economy and that would require a tough policy response. That is to say, deliberately higher interest rates.

The *Financial Review* reported that Stevens urged policymakers to consider creating a 'stability fund' that will allow the government to save part of the boost to national income emanating from the mining boom. Speaking in Melbourne, Stevens said that a strategy should be seeking to save the larger surpluses that were likely to occur in future economic upswings due to Australia's growing reliance on China and India. The government will be able to dip into such a fund to lessen the impact of downturns and could top it up with cash when the economy was growing faster.

The door's open

The *Age* reported that Treasurer **Wayne Swan** has left open the door to creating a sovereign wealth fund, once the government has paid off its debts, in a bid to boost national savings during the mining boom. Swan said how best to expand levels of saving in the long term is an entirely open question. He said he would welcome an open debate on how to boost forms of national savings. Boosting super was the immediate priority, but a stabilisation fund could eventually be considered. Economists say sovereign funds can help prepare economies during boom times for a sharp reduction in income from lower commodity prices.

The two gears

The *Australian* reported that the economic shift warned of by Treasury secretary **Ken Henry** and RBA governor **Glenn Stevens** has already begun, with workers flocking to the mining industry and the high Australian dollar pushing some of the nation's most iconic industries to the brink. Jobs figures provided by Access Economics for the year to the end of August show mining employment rose 16 per cent and construction 3 per cent as workers were drawn to the resources boom. At the same time, more than 22,000 jobs were lost in manufacturing, down 2.2 per cent in the past year.

What a bureaucratic state

In the *Financial Review*, **Verona Burgess** reported that the 2009-10 *State of the Service* report is a sustained, high calibre and evidence-based evaluation of the Australian public service that many failed to find in the *Ahead of the Game* public service reform blueprint. Based on the comprehensive statistical groundwork of the APS employment database and two annual surveys (an agency survey and an extensive employee survey), the 13th *State of the Service* also draws on outside sources, including Australian National Audit Office reports, international studies and good practice.

The guiding hands of the public service commissioner, **Steve Sedgwick**, appointed last December, and the new group manager APS workforce, **David Schmidtchen** are also evident in the depth and scope of this report. Using the blueprint as the starting point, it organises the material on three key themes: leadership and culture; capability, innovation and collaboration; and human capital management.

While the previous report indicated agency should improve staff awareness of the government standards of ministerial ethics and the code of conduct of ministerial staff, they have far to go. Of SES and EL staff who had contact with ministers or their offices in 2009-10, only 16 per cent were familiar with the standards of ministerial ethics, while 54 per cent had heard of it but were not familiar with it.

A week later Burgess wrote in her weekly Government Business column that almost three years into **Terry Moran's** tenure as secretary of the Department of Prime Minister and Cabinet, results are mixed. The *State of the Service* report shows that Moran's push to hire more senior staff from outside the public service has borne some fruit. External recruitment to the senior executive service, which fell after 1995, is growing again. The report's sister publication, the very useful APS Statistical Bulletin, shows that, while 172 senior executives left last year, 77 were appointed from outside and 157 were promoted to senior executive service from within.

Meanwhile, the Australian Public Service Commission's ethics advisory service has received 1159 enquiries in 2009-10, the *State of the Service* report says. At the top were inquiries about misconduct (185); harassment or bullying (135); recruitment and selection (126); the EAS itself (93), and conflict of interest (91).

Who cut the mustard?

In the Government Business section of the *Financial Review*, **Verona Burgess** wrote that apart from the spectre of draconian budget cuts to the Australian Public Service to pay for election promises, it is painfully obvious that the new

paradigm is not cutting the mustard of good government. This is not just about the perils of minority government. What Australia has now is government by poisoned chalice, which means the APS is having to do the best it can in the absence of clear leadership (not that the opposition is setting much of a standard either, of course). The *Australian's* editor-at-large, **Paul Kelly**, wrote that the Gillard government is losing its policy authority and facing a haemorrhage of political support with repeated exposures of its inability to shape events or outcomes.

Nearby

The *Australian* reported that the price tag of the new political paradigm has come in at almost \$55m, which is to cover the cost of 72 extra staff for MPs. Taxpayers will pay nearly \$15m to help politicians cope with the demands of a minority government, which, for contentious legislation, involves exhaustive negotiations with minor parties and independents in pursuit of the numbers to have bills passed.

Still punching

In the *Financial Review*, **Geoff Kitney** wrote that Gillard showed no sign, in the first of the last eight days of parliamentary sittings for the year, that the doubts swirling around her were weighing her down. Back in Canberra after nearly a week of meetings with world leaders at the G20 gathering in South Korea and the Asia Pacific Economic Cooperation summit in Japan, Gillard could have been excused for looking a bit jaded – especially as her domestic political problems compounded during her absence. However, she was in top form during question time, turning in a masterful performance.

The too hard basket

The *Australian's* political editor, **Dennis Shanahan**, wrote that the ALP National conference is rapidly becoming the too hard basket for the Gillard government. Issues which threaten the fragile balance within the ranks of the federal ALP are being shunted off to Labor's policy governing body to be held at the end of next year.

As Labor examines its electoral entrails and tries to answer questions about where it stands on issues while being squeezed between the Greens, its own disgruntled conservative wing and **Tony Abbott's** hardline Coalition, proffering topics from the conference has become an avoidance strategy. Labor has to decide what it does about key issues before the National conference on December 2011 or it will bleed over policy and politics.

One of those issues is nuclear energy and its impact on greenhouse gas emissions, energy security and power prices. The *Financial Review* reported that **Julia Gillard** and **Wayne Swan** said Australia's plentiful supplies of renewable energy meant there was not an economic case for nuclear power. The Labor Party officially opposes nuclear power but Gillard is under pressure to have the issue debated at the party's national conference.

Victorian arrow through the heart

The Victorian election result – a significant swing against Labor, enough for them to lose government – has serious implications for **Julia Gillard**. **Ted Baillieu's** victory was devastating for the ALP nationally, the *Herald Sun* reported. Victoria is Labor's strongest state. The Liberals lost a couple of seats despite a national anti-Labor swing in the August

federal election. Part of the reason was the so called to 'Gillard gloss' – the PM was popular in her home state. The poor result in the state election suggests the gloss is wearing off, which is bad news for a government desperately trying to rebuild support. However, in *The Age*, **Josh Gordon** wrote that the accepted wisdom among political commentators is that Australian voters tend to distinguish between state and federal politics, which would suggest there are a few federal ramifications of the Victorian election result. At the state level, voters tend to make judgements about which side is best equipped to manage hospitals, schools, infrastructure, local environment, law and order and the state economy.

Federally, the issues overlap, although the themes tend to be broader, focusing on economic management, foreign policy, global warming, defence, education and health. Yet, this election result in particular has significance for Gillard, because images of political parties at the two levels interact.

Federal opposition environment spokesman **Greg Hunt**, who holds the Victorian seat of Flinders, said he believed the Labor brand has been seriously damaged nationwide by a grossly incompetent New South Wales Labor government and questions about the federal government's handling of programs such as the household insulation scheme.

Bolt to the heart

In the *Herald Sun*, **Andrew Bolt** wrote that the loss of Victoria is a final warning to the ALP. What the party needs most is a thorough purge. It is in steep decline because it is out of touch and arrogant. It's a party whose leaders are still in serious denial. Take Prime Minister **Julia Gillard**, who claimed the Victorian election result had nothing to do with her government. *The Australian's* editor-at-large, **Paul Kelly**, wrote that from carbon pricing to social values, Gillard must stay true to her party.

Labour is facing a crucial test on Greens values. In the same paper, **Niki Savva**, a former adviser of **Peter Costello's**, author and regular contributor to *The Australian*, wrote that so far Julia Gillard is taking the right approach on the increasingly noisy debate in the Labor Party over its future. She is letting rip. Beyond the regular reminder, gently expressed, that the party's national conference is on next year and that is the place for policy debates, and reiterating her own and the government's position, she is allowing everyone to have their say. So long as the public discussion remains civil, there is no reason for her to stop it and it would be a big mistake, after years of suppression orders, even to try.

Independent MP for Lyne

Independent MPs want a new parliamentary budget office to produce its own economic outlook before each federal election, as part of a broader push to improve public disclosure on policy costs, *The Age* reported. Independent MP for Lyne **Rob Oakeshott** also wants the office to be given Treasury and Finance Department data. Meanwhile, *The Australian* reported that Oakeshott's is the subject of an Environment Department investigation into claims one of his major campaign donors dumped thousands of tonnes of contaminated waste. It will be referred to the New South Wales anticorruption agency.

Consult this report

In its latest annual report, the **Productivity Commission** warned that a lack of effective consultation is undermining key government economic reforms such as lifting regulatory

burdens on business. The commission's latest review of regulatory burdens on business found that many in the finance and property industries considered the most significant regulatory failings to be: a lack of transparency and continuity in consultation processes, short consultation time frames and a lack of credible evidence in current regulation making, the *Financial Review* reported.

Fresh voice

Climate Change Minister **Greg Combet** has warned Labor not to subordinate good policy to focus group research and declared Labor must rebuild its reputation as the party of progress. We have a responsibility to lead, not follow, he said. Combet, from the Left, was buying into a hot Labor debate. The Right of the New South Wales Labor Party in particular has been accused of being focus group driven, *The Age* reported.

At the most, at best etc

The Age's associate editor **Shaun Carney** wrote that Labor faces a calamity unless it finds a way to stem the defection of its supporters to the Greens. The party spent less than three years in office and already the electorate is, at the very least, just putting up with it.

Putting a face to the confession

Australian Workers' Union's national secretary, **Paul Howes**, accused **Kevin Rudd** of being responsible for the damaging leaks against Labor during the federal election campaign, claiming the 'vindictive' former prime minister waged a dirty war designed to wreck the ALP's bid for re-election. In *Confessions of a Faceless Man*, his inside account of the election campaign, Howes wrote that he became so angry about Rudd's alleged behaviour, he drafted a set of charges against the former Prime Minister to justify expelling him from the party. He never filed them. Howes played a role in removing Rudd from the prime ministership in June, *The Australian* reported.

Liberal party powerbroker **Michael Kroger** launched Howes' book. The choice of Kroger to launch his book and for the launch to occur at the swank Bourke Street restaurant Grossi Florentino was not popular with some comrades who could remember Kroger's history with the union-busting HR Nicholls Society. The *Financial Review* reported that at the book launch Kroger alleged Prime Minister **Julia Gillard** told a Melbourne businessmen about the impending change of Labor leadership a week before it happened. He said he could not prove the claim but he was convinced Gillard knew of the challenge before it became public on June 23.

Triad member

The Australian reported that **John Faulkner**, the keeper of the Labor flame and the 'third person' in the **Kevin Rudd** and **Julia Gillard** leadership triangle, has told colleagues he believes the former prime minister did not leak a thing during the election campaign. He also says Julia Gillard behaved honourably as well.

Evangelist

Labor Party national secretary **Karl Bitar** has blamed the party's poor election result on 'blind faith' that the ALP would win, former leader **Mark Latham** and campaign leaks, the *Financial Review* reported.

The ideas generation business

Julia Gillard will bury the culture of **Kevin Rudd** where MPs had trouble raising policy objections, by creating five Caucus committees charged with sharing their thoughts on her directly. The Prime Minister told a caucus meeting she would meet frequently with the five committee heads and wanted them to be in the ideas generation business, *The Australian* reported.

Love in on the left

The legalisation of gay marriage is an inevitability and should be supported by Labor, according to a meeting of the party's national Left. Co-convenor **Doug Cameron** said this is the feeling of the meeting, which also believed the party had not properly engaged with key groups, including gays, unions and those concerned about climate change, *The Age* reported. In early November, *The Australian* reported that Labor Minister **Mark Arbib** was the first frontbencher to break his silence and declare he believes his party's policy against gay marriage must change to let same-sex couples marry. *The Age* reported that Arbib wants the ALP national conference brought forward to next year to reverse the party's opposition to gay marriage. He said members of both the left and right factions felt strongly about the issue. To change the party's position would require a decision at the conference, which is not due until 2012.

Nearby, a later report in the same paper said that Labor's national conference is set to be held almost a year early and shifted from Sydney to Melbourne in a bid to weaken the influence of the New South Wales right. The *Financial Review* reported that Labor's alliance with the Australian Greens has created tensions within the party's conservative wing. Australia's biggest union, the Shop Distributive and Allied Employees Association, said it would oppose legalising gay marriage.

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The Age reported that according to an *Age*/Nielsen poll, 57 per cent of Australians support legalising gay marriage. Finance Minister **Penny Wong** broke her silence on gay marriage, promising to campaign to change Labor's national platform to allow marriage between same-sex couples, prompting a warning to **Julia Gillard** from a key factional backer that the government has been hijacked by the Greens.

With Parliament debating a Greens motion on same-sex marriage, an electorate-by-electorate analysis shows sharp differences of opinion around the country, which will fuel divisions inside the Labor Party on the issue, *The Age* reported. The Roy Morgan Research survey data shows that areas with the most positive attitudes towards gays and lesbians include affluent Liberal seats in Melbourne and Sydney such as Kooyong and Higgins (both Melbourne seats).

Two Liberals, including opposition Whip **Warren Entsch**, have advocated the Liberals be given a conscience vote on a Greens motion calling for MPs to consult their constituents on gay marriage, *The Age* reported.

A power-point presentation starting at the top

Labor MPs have used a special Caucus meeting to express concern that the government is not communicating clearly with voters or grassroots members. Prime Minister **Julia Gillard** gave a PowerPoint presentation outlining core themes and affirmations, covering the economy, education, jobs, the environment and security.

But in just over an hour, she heard more than 20 contributions from the backbench. Several, including a frank assessment from caucus chairman **Daryl Melham**, went to the government's failure to communicate clearly its first term achievements, *The Age* reported.

Shrinking as you get older

The unemployment benefit is shrinking so fast relative to other benefits that by the middle of the century a single unemployed Australian will receive just one third of the age pension, *The Age* reported. This prediction, by the New South Wales Social Policy Research Centre, follows a warning by the Organisation for Economic Co-Operation and Development that the so-called NewStart allowance is already so low as to raise issues about its effectiveness in supporting the unemployed and helping to find jobs.

Tucker's in-box

Junior public servant in Canberra Steve Tucker sent an e-mail to the entire ACT branch of the Immigration Department, listing his direct extension, e-mail and snail mail, in an attempt to find a woman he met fleetingly at a party, *The Age* reported. Tucker's punishment will be decided by the department's values and conduct section, but he will not be sacked.

Hear ye

The **Productivity Commission** provided opportunities to discuss its inquiry into rural research and development corporations.

Polly want a cracker?

With the Government believed to be close to resolving a long-awaited review of parliamentary entitlements, Special Minister of State **Gary Grey** said there were sizable disparities between pay levels for senior executives and politicians. 'We need to look carefully at how salaries are

structured with a view to ensuring that the integrity of our system is protected, through members being adequately and properly and transparently remunerated,' he said. Australian Industry Group chief executive **Heather Ridout** said politicians need to be paid competitive wages in order to attract quality MPs.

In NSW

New South Wales Premier **Christine Keneally** won her battle with outgoing state Labor president **Bernie Riordan** but strained relations with the unions at a crucial time for her government. Riordan, state president since 2006, bowed to pressure and announced he would resign his post. The dispute with unions comes at a difficult time for the Keneally government, which is facing almost certain defeat at the election in four months time.

Nearby

The Australian reported that Sartor became the 18th party member from the New South Wales government to signal their retirement ahead of state election. Sartor is one of the government's highest profile ministers, but his resignation came as no surprise. He entered Parliament in 2003 after an 11-year stint as lord mayor of Sydney and used his valedictory speech to trumpet his achievements and to settle a few old scores. Meanwhile, the *Financial Review* reported that New South Wales premier **Kristina Keneally** has sacked **Angela D'Amore** from her job as parliamentary secretary for police after she was found to have acted corruptly by the state's Independent Commission Against Corruption. Keneally has had to sack three ministers and two parliamentary secretaries over personal scandal or corruption allegations since becoming premier a year ago. After ICAC's announcement, D'Amore, member for Drummoyne, became the 19th Labor MP to say she won't be contesting the March election.

INDUSTRIAL RELATIONS. EMPLOYMENT

Fair bit of complexity

The Gillard government's Fair Work has added complexity to industrial relations and not lead to cuts in labour costs or increased productivity for most businesses, according to a survey of human resources professionals. The survey of 993 HR professionals and industrial relations practitioners was conducted by Deakin University's School of Management and Marketing during August and September 2010, the *Financial Review* reported.

Movement at the station

The Australian reported that **Tony Abbott's** pledge to leave Labor's industrial relations laws unchallenged until the next election has been contradicted by one of his most senior frontbenchers, with finance spokesman **Andrew Robb** declaring serious flaws in the government's workplace regime should be changed. And shadow treasurer **Joe Hockey** said unfair dismissal laws for small-business and prescriptive rules on minimum hours of work should be targeted by the Coalition as future workplace reform areas. This has put Abbott under renewed pressure over his position on industrial relations with some Coalition MPs refusing to abandon their push for the opposition to embrace more radical reform.

The *Financial Review* reported that Abbott, still wary of inviting a Work Choices scare campaign from Labor, said

businesses had not called for any substantive changes to workplace laws. *The Australian* reported that Abbott's reluctance to change the government's industrial relations laws is untenable, according to several business groups.

Personal offence. Women win

According to Australian Services Union New South Wales secretary **Sally McManus**, **Julia Gillard** knew a year ago that Government support for an historic equal pay case would cost \$4b in increased wages if the women won. Unions are furious Treasury appears to have rolled funding support for the test case before Fair Work Australia, and are threatening a national strike, *The Age* reported.

Gillard told a Labor caucus meeting she was personally offended by the union's suggestion that the Government had not honoured its commitment to the equal pay case. She emailed all Labor Party faithful to say her mother scrubbed pots in a Salvation Army aged care home, and her first job was peeling vegetables there, so she knew women's work in the sector was undervalued.

The Government mounted a defence of its controversial submission to the gender equity case, saying the budgetary impact was information that the Fair Work tribunal needs to have. The submission argued any pay rise for female community sector workers would lead to job and service cuts elsewhere, because the government had to bring the budget back into surplus. The Commonwealth provides half the funding for the sector. Gillard told caucus that by agreeing to a five-year phase in for any wage rises, the ASU was conscious that the funding impact would need to be considered.

In mid-December, *The Age* reported that the government signed back on to support equal pay for women. A letter by Workplace Minister **Chris Evans** has changed a government submission for the equal pay test case being heard by Fair Work Australia.

Or vice versa

The *Financial Review* reported that an ACTU-commissioned review of the federal election has urged unions to become more independent of the ALP, adding to the tensions within the labour movement after the loss of government in Victoria and new turmoil in New South Wales.

Pay rise for the intern

Business fears the federal workplace laws will expose them to wage claims from work experience students, undermining a nationwide push for employers and universities to produce more work-ready graduates. The Australian Chamber of Commerce and Industry, universities and lawyers joined calls for changes to the Fair Work laws that allow paid student placements in business but restrict unpaid, informal experience to prevent exploitation of labour, the *Financial Review* reported.

Strike!

The *Financial Review* reported that unions are increasingly using Labor's industrial laws to threaten strike action in preference to good faith bargaining as they step up their wages push in coming months.

Permanent opposition

The Australian reported that business groups have vowed to oppose a push by ACTU president **Ged Kearney** to transfer casual workers to permanent employment.

Express train passed inflation

The Transport Workers Union has secured above inflation wage rises of between 14 and 21 per cent for air freight workers, in a deal the union has declared will be the benchmark for its national pay strategy on behalf of 50,000 aviation and transport employees, *The Australian* reported.

CLIMATE CHANGE. ENVIRONMENT. ENERGY

Repeated messages

It is too late to avoid serious effects of climate change on Australia's economy, society and the environment, the Gillard government has been warned in a 114-page briefing on the impact of global warming. The special briefing to the incoming government says Australia must show global goodwill by putting a price on carbon and delaying action would greatly increase the cost. The document warned the government that it faced three challenges. The first is the difficulty of meeting reduction targets and putting a price on carbon to do so. The second was the fragile nature of community support for tackling climate change. The third was a growing need to adapt to the impact of climate change, particularly in coastal areas. The briefing paper warned that maintaining Australia's prosperity depended on getting climate adaptation responses right, *The Australian* reported.

Decisions outside election years

The Age reported that Julia Gillard promised that Australia will next year reach a decision on carbon pricing, pledging that a responsible decision maker will not be able to say they need more time or information on climate change. Nearby, documents released under freedom of information laws suggest Australia's target of a 5 per cent cut in emissions by 2020 pales in comparison with other commitments made in last years Copenhagen accord. The Financial Review reported that Climate Change Minister Greg Combet defended Australia's 5 per cent target and argued the conditions have not yet been met for it to be lifted. As international climate talks began in Cancun, Mexico, Combet said there has not been the sort of global action the government set as a condition for a more ambitious target than 5 per cent reduction on 2000 levels by 2020. The Financial Review reported that in a speech in Cancun, Combet said that Australia could be flexible on its goal of a global treaty to bind all major economies to emissions reductions but that the best option would be a treaty covering nations.

Last minute deal

The Age reported that a last-minute agreement at the United Nations talks in Cancun increased pressure on the Gillard government to lift its ambitions in tackling climate change, with the Greens claiming Labor has no choice but to set a more ambitious target than a 5 per cent cut in greenhouse gas emissions. The deal included arrangements for protecting tropical rainforests and a planned \$US1b green climate fund to help the most vulnerable nations cope with the effects of climate change.

Repeated messages 2

The Age reported that the case for a carbon price has been boosted by an analysis that has found it is a much cheaper

way of cleaning up the environment than government handing out taxpayers money to isolated green projects. A report by the Grattan Institute also shows that environmental targets are usually met at significantly lower costs than predicted after industries are charged for pollution. The Melbourne think tank examined six market schemes – carbon trading in Europe and the north-eastern US states, American sulphur trading and the Australian renewable energy target. The report adds weight to the plans by the multi-party, committee of Labor, Greens and Independent MPs to introduce carbon price legislation in 2011.

Uncertain times

The heads of Australia's largest superannuation funds formed a group to lobby politicians for a carbon price, in the latest push by business for certainty on climate policy.

Policy paralysis

Julia Gillard has ordered a Productivity Commission inquiry to expedite her push to put a price on Carbon as she fights off opposition claims that her government is gripped by policy paralysis. The inquiry will calculate effective carbon prices in nations such as China, the US, Japan, New Zealand and Britain to boost the government's claim that putting a price on carbon will not disadvantage Australia in relation to its trade competitors. The commission will be required to report by May, *The Australian* reported.

Stalled

The Government has delayed its 'cash for clunkers' scheme where it offers motorists a \$2,000 rebate for trading in their old cars for environmentally friendly new vehicles. The rebate will now start in July next year rather than January as promised at this year's election, *The Age* reported.

Solar charge

Australia and the US will collaborate on research with the aim of cutting the cost of solar energy to the level of conventional fossil fuel power within five years. Prime Minister **Julia Gillard** said the Government would commit \$50m of renewable energy funding announced in this year's budget to joint research into solar technology projects, *The Age* reported.

Nearby

The Australian reported that homeowners will have to pay at least \$1,000 towards the cost of their solar panels, under an overhaul of the Gillard government's green subsidy scheme that will end the era of installing rooftop solar systems for free or at little cost. The Climate Change Department has drafted regulations, to take effect from January, that would cut thousands of dollars worth of subsidies from photovoltaic units installed in homes by 20 per cent or more if there is systematic evidence that they were being provided at little or no out-of-pocket expense to consumers.

The units are generally installed as solar panels on the roof, which convert the sun's energy into electricity to power a home or be fed into the electricity grid. If 10 per cent of buyers spend less than \$1,000 for their solar power system per kilowatt of capacity, the Office of the Renewable Energy Regulator will reduce the number of renewable energy certificates issued for those units, according to the draft new rules.

Too effective, wind it up

The states face pressure to wind back schemes that pay households to generate electricity using rooftop solar panels

after New South Wales reduced its scheme in the wake of a surge in installations that threatened to add \$2.5 billion to power costs by 2016, *The Australian* reported.

The seamy side of life

Coal seam gas is emerging as a vibrant industry creating thousands of skilled jobs and a major new supply of energy, the *Financial Review* reported. But the National Water Commission, charged with protecting Australia's water supply, has warned the environmental effects of drilling into coal deposits to release gas deep underground were unclear and could be catastrophic. The commission said energy companies should be fully liable for any damage to the environment they cause. They could be required to lodge bonds to cover the cost of damage to water supplies over a century.

Skippy?

Two reports by the Thinkk, a research group based at the University of Technology Sydney, found some of the assumptions justifying an annual kangaroo cull, in which 3 million of the animals are killed (amounting to the largest land-based wildlife cull in the world) for their meat, or because they are considered pests that compete for food and other resources with livestock, were misguided and not grounded on scientific evidence, *The Age* reported.

RESOURCES

Studying one's constitution

The head of the Australian Government Solicitors confirmed the Rudd government was advised its super profits tax could be unconstitutional. Opposition legal affairs spokesman **George Brandis** questioned AGS chief executive **Ian Govey** during a Senate estimates hearing about advice provided to Treasury on the likelihood of a High Court challenge to the mining tax. The Gillard government has since replaced the proposed tax with the mineral resources rent tax, *The Australian* reported.

Revenue base attack!

The Financial Review had the head of Western Australia's Chamber of Minerals and Energy, **Reg Howard-Smith**, turning up the heat on the government over its mining tax, saying the levy will restrict the freedom of states to increase royalties and is a direct attack on their revenue bases. Previously, secret Treasury documents reveal that the government considered returning up to \$18b to the resource rich states from the original 40 per cent resource super profits tax. Nearby, Western Australia and Queensland are pushing for an overhaul of the way more than \$50b of goods and services tax revenue will be carved up this year, claiming mining royalties are subsidising less wealthy states.

Conceding the mountain

Labor is preparing another concession to mining companies to soften the blow of the resources tax, but the industry fears it will run out of time to negotiate further changes to the new impost, the *Financial Review* reported. The series of meetings between miners and the Policy Transition Group to work through the technical details of the mining tax is nearing completion. The government is expected to receive the group's report before Christmas. As we go to press, the mining industry has signalled that it is going to fight the government on the tax. The Greens might be a part of this fight.



DOCKLANDS THE SECOND DECADE

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Calming phase

The government is considering phasing in the \$7b mining tax for smaller companies in a bid to calm some of the most bitter opponents to the measure, the *Financial Review* reported.

Simple

The company responsible for one of Australia's worst oil spills could be stripped of its offshore drilling licences if measures to shore up safety standards are not up to scratch. Resources Minister **Martin Ferguson** has decided to review Thai-owned gas and oil giant PTTEP's licence to operate in Australia after a damning report into last year's Montara oil disaster found the company failed basic oilfield practice resulting in a 74-day spill spewing 29,600 barrels of oil into the Timor Sea, *The Age* reported.

BUSINESS, ECONOMY, TAX

Mini-budget

The *Financial Review* had the Government examining new budget cutbacks to be included in November's midyear

budget review to help fund \$2.4b in spending commitments, as it seeks to shore up its economic credentials and its fiscal position in the face of a deteriorating global economic outlook.

The savings are required to fund promises made to the Parliamentary cross benches, but also reflect a recognition by the government for the need to make a start on addressing growing pressures on its forecast return to surplus in 2012-13. *The Age* reported spending cuts of up to \$10b form the centrepiece of a mini-budget unveiled in an attempt to regain control of government finances hit by the rising dollar.

Usually a forecasting exercise, this year's Mid-Year Economic and Fiscal Outlook will be augmented with a series of spending cuts and program deferrals designed to ensure the budget returns to surplus in 2012-13, as forecast in May.

The Government revealed a surplus of around \$3b the 2010-11 financial year when it released the midyear budget review, despite a \$10b revenue slump that has put the funding of some election promises in doubt. Labor hoped its announcement of savings measures worth \$3.4b over the next four years – which will fund some but not all its election commitments – will help shore up its economic credentials.

But the Government's more immediate task is to deliver enough savings to ensure it meets its own goals of keeping real growth in spending under 2 per cent a year and returning the budget to surplus.

Transition

The Australian reported that Australia's economy slowed to a crawl in the September quarter, caught in the transition from the government's economic stimulus package to the revitalised commodity boom.

Wow!

The *Financial Review* had the value of Labor's promise to cover bank deposits, banks funding and other debts, introduced during the global financial crisis, reaching almost \$1 trillion, adding pressure to the Gillard government to find a solution to phase out the guarantee. The liabilities rose 11 per cent last financial year and are expected to continue to expand as banks look to increase their retail bank deposits, which are guaranteed by the government for up to \$1m for each customer. *The Australian* reported that **Wayne Swan** is expected to include backing for the mortgage bond market and a new safety net to replace bank deposit guarantees in his plan to force more competition into the banking sector.

Get your credit!

The *Financial Review* reported that the collapse in interest rates in the United States and Europe has opened up a once-in-a-generation opportunity for corporate Australia – extremely cheap credit. Led by the resources industry, Australian companies that normally would have borrowed domestically were capitalising on historically low US bond rates and global demand for higher returns to borrow from foreign lender.

Flash crash

The *Financial Review* reported that the Australian Securities and Investments Commission has unveiled reforms to control trading on the sharemarket amid concerns Australia is vulnerable to a United States-style 'flash crash' that wiped \$US1 trillion off Wall Street earlier this year. The

new proposals include halting the sharemarket in the event of extreme price movements, ensuring clients get the best price when trades are executed, and improving transparency in the market. The rules will apply to every stockbroker in the country.

Do nothing

Treasury boss **Ken Henry** said the Australian dollar will remain high for years and, for those companies suffering under it, the best thing to do is nothing. In what may have been his last appearance before a parliamentary committee, Henry told senators examining the mining tax that Australia should avoid the temptation to support businesses with bleak prospects in the face of the strong dollar. Instead, the decision-makers should support the transition of workers to other businesses which do have a long-term future with the sort of terms of trade we are confronting. Underlying this is a belief that the mining boom will last for years and transform the economy, *The Age* reported.

A river of worries

The *Financial Review* reported that the chairman of the Future Fund, **David Murray**, has backed demands for a new banking inquiry, raised concerns about the possible sale of the Australian Securities Exchange, and believes Australia's economy and financial system are at risk from the nation's high level of foreign debt.

Block stock and two smoking barrels

The Australian Competition and Consumer Commission is investigating whether the proposed takeover of the ASX by its Singapore counterpart will block other stock exchange operators from entering the market, the *Financial Review* reported.

Banana monopoly

Grocery giant Metcash has vowed to defy Australian Competition and Consumer Commission chief **Graeme Samuel's** rejection of its \$215m purchase of the Franklins supermarket chain and has successfully lobbied for a Senate inquiry into the matter. Nationals senator **Ron Boswell**, successfully pushed through a motion for Samuel to face the Senate's economic references committee, with it to report back by December 17, *The Age* reported.

Getting there wish

The Australian Competition and Consumer Commission has asked Treasury to draft a new law to prohibit price signalling, in a move that would significantly boost the regulator's ability to prove collusion. Price signalling has risen to prominence because of growing concerns about the market power of the major banks in recent comments by their chief executives on lending rates, the *Financial Review* reported.

Parity time

The Reserve Bank's interest-rate rise in early November pushed the Australian dollar through parity with its US counterpart for the second time in three weeks.

Not happy

Speculation is building that Australia's best-known public servant, Treasury boss **Ken Henry**, might quit his job before the May budget, the *Herald Sun* reported. Henry will chalk up 10 years as Treasury Secretary in April, and is believed to be considering a new career. *The Australian* reported that in a downbeat speech to a private gathering of senior ex-Treasury officials, Henry claimed Treasury

Department resources are under severe stress as a result of the demands from independents and the Greens. He described the past year as one of the worst – if not the worst – in the department's history and predicted next year would be awful because of the hung Parliament. He said Treasury was now at the beck and call of the independents and Greens, which was creating huge strain on the capacity of the department.

Young man

Treasurer **Wayne Swan** has appointed a 21-year-old policy adviser, **Aaron Hill**, from the office of South Australian Industrial Relations Minister **Paul Holloway**. Hill has a law degree from the University of Adelaide, *The Australian* Reported.

Self interest flourishing

If investors keep setting up self managed super funds at the current pace the sector may need to be more heavily regulated, says **Jeremy Cooper**, who headed the government's report on Australia's \$1.3 trillion superannuation industry. In the past six years the number of DIY super funds has risen from 273,000 to 428,000 as investors seek to take greater control over their retirement savings and save money on fees. The self managed sector accounts for more than a third of all superannuation assets, making it the largest division in the industry, the *Financial Review* reported. Cooper said the sector works well because of the high level of competency and financial expertise of the people who set up the schemes.

An indictment

An editorial in *The Australian* said that the revelation of the Rudd government's timidity on tax reform is an indictment of modern politics. We know now that as the government stayed high in the polls last summer, with the economy growing and the opposition bedding down its third leader in two years, Labor rejected a detailed blueprint for personal income tax reform and opted instead for class warfare. Treasury chief **Ken Henry** made it easy for the government in his tax review.

Next year's summit

The Australian reported that the Coalition has flagged that radical superannuation tax reforms proposed by the Henry review may form part of an alternative tax policy it is preparing for next year's tax summit. The *Financial Review* reported that the release of the 'Henry foals' has kicked off renewed debate about tax reform, and the Coalition is vowing to make personal tax changes the centrepiece of its pitch before the tax summit next year. As we go to press, clear super changes for the new year, for large and small.

A woman in a senior role

The Business Council of Australia's outgoing chief executive, **Katie Lahey**, who spent almost 10 years at the BCA, says her move to run executive search firm Korn/Ferry is timely, given the recent focus on getting more women into senior roles on boards and elsewhere, the *Financial Review* reported.

Red burden

The Australian reported that a large number of directors are resigning from the boards of listed companies or abandoning plans to take up directorships because of heightened concerns about personal liability and the burden of red tape.

The survey by the Australian Institute of Company Directors also reveals that more than 90 per cent of those surveyed said personal liability issues were detracting from quality business decision-making. Seventy-nine per cent said they were concerned that the time the board devoted to compliance was preventing them from focusing on performance and productivity.

The survey involves 623 directors from a range of sectors, including listed ASX 200 companies, small and medium enterprises and not-for-profit organisations. It found that more than half of the respondents said they knew of other directors who had declined an offer of a directorship or someone who had resigned from a board due to liability concerns.

GST free

Bernie Brookes, head of Myer, told a business lunch in Melbourne that other leading Australian businesses such as Woolworths and Bunnings could follow Myer's plan to operate a website in China that takes orders from Australian consumers as the sector grows increasingly angry over the leakage of sales to online stores. There is growing frustration with the Government's failure to act on an estimated \$20b in sales on overseas sites that are not taxed, *The Age* reported.

Consolation prize

Cath Bowtel, who failed to hold **Lindsay Tanner's** former seat of Melbourne for Labor at the election, has landed the role of chief executive of AGEST, a superannuation fund that looks after federal and territory employees. AGEST Super was created by the Labor government and the ACTU in 1990. They appoint 3 directors each and jointly select the chair. It has prompted accusations that she is being awarded a consolation prize for failing to win the key seat in the election. Bowtel is also a former ACTU official who missed out on the role of union president earlier this year, the *Herald Sun* reported.

Oprah helped

Tourism Australia's new chief executive, **Geoff Dixon**, is charged with turning the \$93b tourism industry around. Dixon is also chairman of Events Queensland and the Garvan Research Foundation, the *Financial Review* reported.

Centurian

The Australian Taxation Office and its 20,000 staff celebrated its 100th anniversary on November 12.

Independently speaking

The Taxpayer's Research Foundation presents a report titled *The Henry Review – setting Australia's long-term tax policy*. This is a major comprehensive set of papers independently analysing the major foundations and implications of the Henry Review, www.taxpayer.com.au.

INFRASTRUCTURE

Bad schemes

The Government is facing a raft of legal claims stemming from its disastrous green loans and home insulation programs, with most cases arising from the schemes' bungled administration and substandard installations. Since February there have been 159 claims for compensation over the green loans program, according to the incoming government brief from the Department of Climate Change

and Energy Efficiency. There are also 14 separate legal matters in relation to the scheme. The program, which involved granting interest-free loans up to \$10,000 to improve energy efficiency in as many as 200,000 homes, was shelved by the Gillard government in July after the release of a series of audit reports critical of the program.

Three's a crowd

Ports business DP World has criticised a report from the Australian Competition and Consumer Commission, accusing the regulator of a misunderstanding on the relationship between competition and investment. The managing director at the DP World Australia, **Ganesh Raj**, said early introduction of new container terminal facilities would result in reduced, not greater, capacity to invest in our terminals.

DP World is worried that if more competition is introduced into the market at this stage, its capacity to invest in the business will be hurt. Sydney and Brisbane ports have unveiled plans for a third operator, with Melbourne still to decide, the *Financial Review* reported. *The Australian* reported that ACCC chairman **Graeme Samuel** said more competition is needed to encourage stevedore companies to invest in new port infrastructure and productivity. He said this could lead to lower prices for consumers and business because competitive pressure could push down the costs of handling goods.

Watch this space

Transport Minister Anthony Albanese released a proposal to give Australian merchant mariners tax breaks to allow only Australian owned and crewed ships unrestricted access to the coastal trade, saying such change was needed to secure the country's economic prosperity. An editorial in *The Australian* said it is hard to see how this would be true. Business groups warned that the cost of shipping cargo could rise a lot, while others criticised the plan as protectionism.

Losing altitude

The pilots union warned that airline pilots' standards are slipping in Australia. It also says the excessive competition between low-cost airlines could lead to safety problems. The Australian and International Pilots Association outlined its alarm to a Senate inquiry into aviation standards and training, *The Age* reported.

JUSTICE

Will they justice

Attorneys-General will appoint a majority of the seven-member board to oversee the legal profession, but will be required to gain the profession's approval on the chairman. The composition of the board has been a sticking point in the national reforms to lawyer regulation, which will be endorsed by the Council of Australian Governments next year, the *Financial Review* reported.

Charitable activities

The Australian reported that lobby groups that campaign against government policy will be entitled to claim charity status and tax deductibility for donations after a High Court ruling. The court swept aside Australian Taxation Office restrictions on charities' advocacy work, pronouncing that such campaigning could itself be a charitable activity entitling tax deductibility – as long as it was intended for

public benefit. This opens the door for support organisations that lobby for refugees rights or other causes to apply for charitable status for the first time. An editorial in *The Australian* said that relieving suffering and aiding medical research are worthier causes than lobbying.

Following the US of A

The Age reported that **Tony Abbott** declared it is almost inevitable that Australia will adopt the American system of electing judges if courts do not listen to the community and deliver tougher sentencing. In a radio interview, Abbott toned down his remarks, describing reports after his comments as a quiet news day beat-up. The practice would be far too American for him to support, he said.

In the bull's wake

Godwin Grech, the man at the centre of the faked email affair that wounded the leadership of **Malcolm Turnbull**, will escape a criminal prosecution. The Commonwealth Director of Public Prosecutions has decided not to take action, *The Age* reported.

Crocodile Dundee 3 not in public interest

The Age reported that the Australian Crime Commission has been investigating *Crocodile Dundee* star **Paul Hogan** for five years for tax evasion but said it was not in the public interest to continue. It has also dropped an investigation into Hogan's manager, **John Cornell**.

DEFENCE

Hmmm

The Australian reported that for the first time since the Cold War, the Government has called on the media to agree to a national security protocol for reporting sensitive information on security and law enforcement.

Free advice

Defence Minister **Stephen Smith** has dismissed defence industry warnings of company closures and further job losses as gratuitous advice, as he fends off criticism of the Gillard government for failing to approve enough new projects. His comments came as the Australian Industry and Defence Network stepped up criticism of the government's management of its \$130b weapons purchasing plan, warning that few defence projects have been approved by Cabinet's powerful National Security Committee since Kevin Rudd was dumped as Prime Minister.

Hmm

Senior militia fighters loyal to a notorious Afghan warlord are being flown to Australia to train with elite ADF special forces as part of a covert strategy to strengthen military operations against the Taliban, *The Age* reported.

Regrets

Australian troops in Afghanistan need an exit strategy based on clear and measurable objectives, says former Australian Defence Force chief **Peter Gration**. Senior opposition Senator **Nick Minchin** condemned the Iraq war as a debacle, saying he regrets the Howard government was unable to talk the US out of its invasion plan, *The Australian* reported. Robb called for the establishment of standing inquiries along the lines of US congressional panels that would give the Government more control over defence. Nearby, Liberal frontbencher **Andrew Robb** said Australia's

military leaders must be made more accountable to the government and to Parliament and forced to better explain the success or failure of their strategy.

Waiting on the dog

Laws that cap the amount of time terror suspects can be detained without charge and give police greater search powers passed through Parliament, but a watchdog to monitor the changes is yet to be appointed. The National Security Legislation Amendment Bill passed the Senate with the support of the Coalition despite vocal opposition from the Greens. The amendments have been almost two years in the making and are built on a series of reviews into Australia's at-times controversial counter-terror regime, including the 2008 inquiry into the botched **Mohamed Haneef** investigation, *The Australian* reported.

Priority is to express priorities

Michelle Grattan wrote in *The Age* that **Julia Gillard's** decision to attend November's NATO discussion on Afghanistan was in part to show voters the priority she gives this commitment.

We've got a big back yard

Australia has agreed to a major escalation of military cooperation with the US, including more visits by American ships, aircraft and troops and to increase opportunities for their forces to exercise here regularly. Access to Australian Defence Force facilities will allow the US to step up its military presence in the Asia-Pacific region as it comes under pressure to wind down its key bases, such as Okinawa, as concern grows about China's military expansion, *The Australian* reported.

Coming clean

Defence has conceded to Defence Minister **Stephen Smith** that its inability to ensure accountability at all levels of the organisation could be affecting its performance and damaging the government, *The Australian* reported. Documents show defence chief **Angus Houston** and department secretary **Ian Watt** had already ordered an overhaul of the organisational structure and lines of responsibility within the department.

Wilkie's eye

Independent **Andrew Wilkie**, who quit his job as an intelligence analyst for Australia's peak intelligence body, the Office of National Assessments, in 2003 following concerns about faulty Iraq war intelligence, will be responsible for partly overseeing Australia's six intelligence agencies. Those agencies include: the domestic and international spy agencies, ASIS and ASIO; the three defence intelligence agencies, DSD, DIO and DIGO; and the ONA. It is also the first time an independent member of Parliament has sat on the Parliamentary Joint Committee on Intelligence and Security, which is traditionally made up of nine senators and lower house representatives from Labor and the Coalition, *The Age* reported.

Oops

The Australian reported that Australia's largest defence project, the billion-dollar plan to build the Navy's new air warfare destroyers, has had its first serious setback after a Melbourne shipyard botched the construction of the central keel block of the first warship. The mistake could delay the project for six-months and is believed to have triggered a rift

between the Williamstown shipyards, where the keel block was built, and the warship's Spanish designer.

Friends in space

The Age had Australia becoming a key partner in the international battle for space supremacy, with Western Australia to host a new multi-million dollar US defence base to spy on foreign satellites and track dangerous space junk. US Defence Secretary **Robert Gates** announced the base when he visited Australia with Secretary of State **Hillary Clinton**.

F off

The Royal Australian Air Force F-111 long-range strike bomber officially retired from service on December 3 after 37 years, the *Financial Review* reported.

Billionaire vessels

Defence sources said a proposed fleet of 20 offshore combatant vessels, potentially costing \$20b, could be one of the projects dropped as Defence struggles to balance its books, *The Age* reported.

Coming home

The RSPCA has plans to make **Sarbi** – the Australian Defence Force bomb dog who went missing from her unit and was feared dead in 2008 and found over a year later by US soldier who helped to reunite her with Aussie troops – Australia's first Army dog to be awarded the prestigious Purple Cross for exceptional service to humans, the *Herald Sun* reported.

COALITION DOINGS

Liberal values

On the opinion pages of *The Age*, **Josh Gordon** wrote that **Ted Baillieu's** victory in Victoria is a fillip for the liberal wing of the Liberal Party and gives some reasons why the Liberals and leader **Tony Abbott** are not getting more votes in Victoria. Gordon says to reverse this trend could require a very different style of leadership, one that is more policy driven, more socially progressive, less conservative, more aligned with the traditional Liberal values espoused by party founder **Robert Menzies**.

Too late or too early?

The *Herald Sun* reported that just two months after the last election, the Liberal Party has produced a new campaign slogan for the next election. Normally a fresh government enjoys a post-election bounce in the opinion polls, but the latest Newspoll shows the Coalition enjoying a 52 to 48 per cent lead over Labor in two-party terms. The Liberals are trying to capitalise with an attack featuring the Government's problems over the cost of living, the mining tax, debt, the roof insulation fiasco, climate change, asylum seekers and **Kevin Rudd's** removal as PM in a series of posters and bumper stickers with the slogan 'Labor. It's a mess.'

Merry Christmas

The Australian reported that Coalition sources say there will be no Christmas truce this year from their side. Instead, they will maintain their attack on the government and remain on an early election alert. A memo written by **Tony Abbott's** chief of staff, **Peta Credlin** says 'We're putting together a media strategy for the Christmas New Year break and want to ensure we have coverage across all portfolios.'

Left with honor

The Age reported that the Treasurer of the federal Liberal Party, **Michael Yabsley**, who raised most of the \$10.5m in private money the party collected for the 2010 election campaign has quit following a falling out with party president **Alan Stockdale**.

Yabsley, a former New South Wales minister, resigned on August 21, effective from December 31. He told the party it was impossible for the demanding job to be done on an honorary basis. The dispute with Stockdale is evidently over how the job as party treasurer should be done and the way donors should be wooed. Yabsley has also said it should be a professional executive position.

Stockdale accused Yabsley of misrepresenting his reasons for resigning. Stockdale said Yabsley was not quitting because of a disagreement over fundraising, but rather his resignation is the result of a commercial dispute rather than any defects in the party's management.

In New South Wales

John Howard's former chief of staff, **Arthur Sinodinos**, is set to challenge **Natasha Maclaren Jones** for the presidency of the New South Wales Liberal Party, the *Financial Review* reported. Opposition leader **Tony Abbott**, who has publicly expressed his disappointment at the Liberal Party's federal election result in New South Wales, was rallying behind Sinodinos.

SOCIETY

Bigger than the Oprah House

Oprah was 'in town' in December, with 302 fans and a hundred or so production staff. She recorded two programs at the Sydney Opera House on December 14, to be broadcast in January in the US. She appeared at Federation Square in Melbourne, with Prime Minister **Julia Gillard** and American rocker **Jon Bon Jovi**, as well as the new Victorian Premier **Ted Baillieu**. There were hugs all round. The content of her shows were devoted entirely to Australia, about 86 minutes of exposure to a US audience of more than 7 million mostly white, middle-class, middle-aged women. Oprah also visited Uluru and Hamilton Island and bought dinner at a charcoal chicken grill.

Christmas in a bureaucracy

The *Financial Review* reported that the organiser of the Sydney Christmas Parade was forced to pull the plug on the event due to the costs imposed by the New South Wales

government and the City of Sydney. The charges, totalling about \$700,000, were imposed by the State Police, the Roads and Traffic Authority, the State Transit Authority, the Sydney Harbour Foreshore Authority and the City of Sydney for the use of the roads. A City of Sydney spokeswoman said the parade's organiser, a trust, was a for-profit organisation that is not eligible for support under the city's grant programs!!

Praise the lord

The Age reported Pope Benedict XVI has given Catholics permission, with limitations, to use condoms (presumably during sexual intercourse) to fight AIDS.

APPOINTMENTS, JOBS AND TENDERS

Appointments

Former Coles chief operating officer **Mick McMahon**, who was responsible to the Coles Express joint venture with Royal Dutch Shell during his four years at the retailer, has been appointed chief executive of Skilled Engineering. He replaces 31 per cent shareholder **Greg Hargrave**, whose father Frank founded the company in 1964. **David Gyngell** has replaced PBL Media chief executive **Ian Law**. Gyngell has served as Nine Network chief executive since September 2007 but will now rule over the entire PBL group, whose media assets include ACP Magazines, digital business NineMSN and Ticketek. Incoming CEO of Leighton Holdings is **David Stewart**. The Committee for the Economic Development of Australia appointed **Stephen Martin** as its new chief executive. Professor Martin served as a federal Labor MP for 18 years.

Jobs

The **Australia and New Zealand School of Government** seeks a program manager, www.jofisher.com.au.

Fair Work Australia seeks commissioners, www.fwa.gov.au.

Ausfilm, a partnership organisation between private industry and government that has the task of attracting international film and television production and postproduction to Australia, seeks a chief executive officer, search@watermarksearch.com.au.

The newly established **National Occupational Licensing Authority** is a statutory authority that will oversee the policy direction and jurisdictional administration of the national licensing system and provide advice to the responsible

Ministerial Council. It seeks a Board Chair and Members, www.nola.gov.au.

The **Australian Children's Education and Care Quality Authority** seeks a chief executive officer, admin@hsexecsearch.com.au.

The **Royal Flying Doctor Service** seeks a national chief executive officer, admin@hsexecsearch.com.au.

The **Mental Health Council of Australia** seeks a chief executive officer, admin@hsexecsearch.com.au.

The **Department of Health and Ageing** seeks a Chair for the Pharmaceutical Benefits Advisory Committee, ian.hansen@emailme.com.au.

Tenders

The **Senate Rural Affairs and Transport References Committee** is inquiring into the management of the Murray Darling Basin and the development and implementation of the Basin Plan. It seeks submissions, www.aph.gov.au/Senate/committee/rat_ctte/inquiries.htm.

The **Senate Economics Committee** is inquiring into competition within the Australian banking sector. The committee will examine various aspects of competition within the sector including: the current level of competition between bank and non-bank providers; the products available and fees and charges payable on those products; the ease of moving between providers of banking services; the impact of the large banks being considered 'too big to fail' on profitability and competition. Submissions at www.aph.gov.au/Senate_economics.

The **Department of Health and Ageing** is seeking tenders from people and organisations to research and evaluate the eHealth readiness of Australia's allied health professional sector with a specific focus on the primary care setting, www.health.gov.au/tenders.

Safe Worker Australia is the national body developing model work health and safety laws with the aim of achieving the best possible approach to health and safety from all Australian workplaces. It seeks public comment on the draft laws, www.safeworkaustralia.gov.au.

The **Department of Foreign Affairs and Trade** calls for public submissions on Comprehensive Economic Partnership Agreement negotiations between Australia and Indonesia, www.dfat.gov.au/geo/indonesia/ia-cepa.

The **Department of Health and Ageing** is investigating sites in Brisbane, Melbourne and the Hunter Valley to establish key components of the personally controlled electronic health record and is calling for organisations, partnerships and consortia to apply for funding, www.health.gov.au/tenders.

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