

LETTER FROM CANBERRA

Saving you time. Three years on. After Letter from Melbourne, established 1994.

A monthly newsletter distilling public policy and government decisions which affect business opportunities in Australia and beyond.



EDITORIAL INTERESTING POLITICAL CHALLENGES

The New South Wales election result shows that the Australian Labor Party needs to renovate itself after such a significant defeat, a very big challenge. Which challenge spreads well beyond NSW.

There are several areas of focus. First, Labor's very origins, values, objectives, and policies have been replaced at a federal level, and in some recent state campaigns, by, secondly, having an emphasis on focus groups and the media, usually linked in with battles for marginal seats. This has all left Labor voters with little reason to vote the way they traditionally have.

The ALP has had significant changes from its original manifesto, including the renovation of its socialisation platform. But it had been maintaining its core values until more recent years.

Next. In NSW, in particular, there have been the party apparatchiks who have controlled things, including the national ALP secretary and immediate past NSW state secretary who resigned on the eve of the NSW election.

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Autumn Edition

1 March to 4 April 2011

Issue 32

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- \$AUD 1.04

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Letter from Canberra is focused on the interface of business and government, with enough politics and bureaucracy to understand the, or any, relevant business opportunities.

We have been publishing *Letter from Canberra's* sister publication *Letter From Melbourne*, a public policy digest, for 16 years. Commencing with the Kennett era corporatisation and privatisation of energy and other utilities and the other fresh broom approach of a new government, where we focused on business opportunities. Increasingly, we included matters in the other states and adopted a more federal focus.

The recent change in federal government opens up new business opportunities, particularly the government's new emphasis on climate change, carbon trading, water, industrial relations, education, information technology and the traditional sectors.

For many years, our other publications have included the well-known federal government Departmental Wall Chart. (NOW AVAILABLE at 03 96541300 or affairs.com.au) We conduct seminars and informal luncheons and meetings in Melbourne, Canberra and Sydney.

Most people have their clipping services and a range of email products/newsletters/etc. At the end of the month, *Letter From Canberra* gives a broad overview of what has been going on, not just in one industry but across all industries and the world of business and government generally. Objective. Independent. Read it on the plane. Or at a coffee shop in New York. And then give it to a friend who is interested in Australia.

Cover: *Shearing the Rams* by Tom Roberts. Modifications made to work in the public domain. Copies available upon request.

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ABOUT THE EDITOR ALISTAIR URQUHART

Alistair Urquhart graduated from the Australian National University in Canberra, in Law, History and Politics, was admitted as a barrister and solicitor of the Supreme Court of Victoria, and remains a (non-practicing) member of the Law Institute of Victoria. Before that, he graduated from high school in Bethesda, Maryland, and had many opportunities to become aware of the workings of Washington DC. For 30 years, he listened every Sunday evening to the late Alistair Cooke and his *Letter From America*.

His early career was mostly in the coal industry, where he became involved with energy, environmental and water issues, and later in the SME finance sector. His public affairs firm works with many engineering and information technology firms, other professional association and industry groups, on a wide range of issues, in Victoria, Canberra and overseas. Urquhart visits Canberra regularly. He may hold the record for miles rowed on Lake Burley Griffin.

Editorial continued...

Elsewhere as well as in NSW, there exists a narrow stratum of people who are more interested in power than in anything else, with their own little factions, with an amazing (literally) propensity for intermarrying among federal and state MPs, and with lay party folk who seek more immediate benefits rather than an appreciation of the traditional focus of the ALP.

Beyond an appreciation of history, this editor reckons that this NSW election has highlighted the fact that the political scene is moving on. As school students in politics classes, we learned that each of the major parties, Labor and Liberal, had approximately 45 percent of the vote, with about 10 percent swinging at each election. Now, of course, Labor is down well below that. A new group, the Greens, with an inner-city focus by residency but with demands on issues well beyond the electorates and jobs where its leaders are based, has morphed out of, or alongside, the ALP. This month, the Prime Minister is saying that Green values are not Labor values. A big breakthrough.

The second main issue this month is climate change, with one climate change leader, Ross Garnaut, at last breaking the code and actually telling voters what each household might pay under climate change arrangements, rather than the Government and the Opposition which have both been talking in dollars per tonne per generator!

Our cover recognises an iconic Australian painting: *Shearing the Rams*, painted by Tom Roberts in 1890. The union movement grew out of the shearing sheds and the ports, and then out of the manufacturing industry. This movement was the very basis for the Australian Labor Party, which won, briefly, its first national election just three years after federation, in 1904. The painting is in the Ian Potter Gallery at Federation Square in Melbourne.

Our free offer to subscribers this month is to meet you, by arrangement, at the Gallery for coffee and *Rams*, followed by a Spring Street tour of vital historical buildings and monuments of Victorian and Australian history. We can do this at the weekend so you can bring the family. Please consider my history tour offer, Melburnians or 'out of towners'.

Quotes from history...

I don't make jokes. I just watch government and report the facts.
- Will Rogers

Just because you do not take an interest in politics doesn't mean politics won't take an interest in you.
- Pericles (430BC)

Democracy must be something more than two wolves and a sheep voting on what to have for dinner.
- James Bovard, *civil libertarian* (1994)

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GOVERNANCE. NATIONAL. ELSEWHERE

Bean counters get to work

The federal cabinet's powerful expenditure review committee has put government departments on notice. According to *The Australian Financial Review*, ministers were told to find a new round of budget savings from their portfolios in order to fund a natural disaster bill that threatens to reach \$8 billion.

Barry O'Farrell wins

Federal Labor member for Fraser, ACT, **Andrew Leigh** made humorous observation on the New South Wales election landslide in *The Australian Financial Review*. He remarked that there were similarities between **Barry O'Farrell's** victory, and that of Australian Gold medallist speed skater **Steven Bradbury's** 2002 Winter Olympic triumph. Bradbury won his event when his four opponents crashed into one another and fell to the ice, allowing him to cruise past their tangled bodies, and into the history books.

Barry breaks election promise

The Australian reported that freshly elected New South Wales premier **Barry O'Farrell** quickly broke an election pledge by dumping several frontbenchers. The move reduced the numbers of his Nationals coalition partners and left only five women in his 22 strong cabinet.

Bipartisan appointments

According to *The Australian Financial Review*, New South Wales premier **Barry O'Farrell** appointed former Labor advisers to 'top public sector jobs'. **Chris Eccles** was appointed head of the department of the Premier, after previously holding the position for South Australia's Labor government.

Seat goes green

After a close race, the Greens have won the New South Wales seat of Balmain. *The Age* reported that candidate **Jamie Parker** beat Liberal **James Falk** by more than 1,000 votes. The lower house seat in the state's inner-west is the first in the history of the Greens.

New man in opposition

John Robertson was elected to lead the New South Wales Labor party. *The Australian* reported that he was unopposed at the caucus, taking his new position just days after moving from the upper house to the lower house at the state election. Robertson, now 48-years-old is a former union leader who went on to become Transport Minister in the last Labor government. He was quoted as saying he would be 'the most energetic opposition leader this state has ever seen'.

Keating on Robertson

As soon as **John Robertson** was tipped to become leader of the New South Wales Labor Party in opposition, he came under attack. In a television appearance, former Prime Minister **Paul Keating** branded Robertson a politician without moral authority, who would be 'lead weight in the saddle-bags' of **Julia Gillard's** federal government. *The Age* said that Keating stood by a prediction he made in 2008, in a scathing letter to Robertson, that the Labor Party would have no future in New South Wales if it got 'so low' as to require his services. In *The Age*, **Peter Costello** contributed that 'NSW Labor was one giant Ponzi scheme which has now collapsed'.

Unparliamentary conduct

Social researcher and author **Hugh Mackay** commented in *The Age* on the state of parliamentary proceedings in Australia. He described the existing style of political discourse as 'schoolyard scrapping', claiming that 'by world standards, Australian parliamentary behaviour is appalling.'

NSW has a hole in bucket

The New South Wales State Treasury told incoming Premier **Barry O'Farrell** that there was a \$4.5 billion hole in the government's budget. *The Financial Review* reported the warning also alleged that the state's AAA credit rating could be under threat, which may force the new Coalition administration to reassess its policy agenda.

National's NSW success

The Australian predicted that the New South Wales National Party would push for a bigger role in the state's new Coalition government. Emboldened by a strong electoral performance, in which they picked up seven additional seats, the Nationals are expected to champion a range of policies targeted at the regions and the bush. The Greens, on the other hand, failed

to achieve their expected coup in two of Labor's prized inner-western Sydney seats, Marrickville and Balmain. The party remains unrepresented in the New South Wales lower house.

No signs of Combet over leadership

According to *The Australian*, Climate Change Minister **Greg Combet** backed away from **Bob Hawke's** endorsement that he should succeed **Julia Gillard** as Labor leader. Responding on the ABC's *Insiders* program, Combet said Hawke's comments had probably come after 'a few glasses of red wine, if anything.'

The LNP's new-man

Brisbane Lord Mayor **Campbell Newman** threw his hat into the ring as leader of the Queensland Opposition Liberal-National Party. *The Financial Review* said the audacious bid for the state's top job would require most political conventions to be thrown out the window. LNP president **Bruce McIver** gave a strong endorsement of Newman, saying that he would be 'most welcome' to make the move into Queensland politics. *The Australian* said Newman was uncontested when he won preselection for the Labor-held seat of Ashgrove, in Brisbane's inner-northwest. Even though he is yet to win the seat, ABC online reported that Newman was elected leader of the opposition by his LNP colleges on April 4.

Government plays the hokie pokie and wins

The Australian's **Nikki Savva** wrote a commentary piece on gaming laws and the Gillard Government's seemingly half-hearted efforts to discourage problem gambling. She noted that, while Labor is looking for ways to tackle problem gambling, mainly stemming from poker machines, it is also receiving vast amounts of revenue from the pokies which often goes unnoticed. She cited the example of the Canberra Labor Club, which has donated over \$2 million to Labor since 2006, almost exclusively consisting of money made from poker machines.

Wilkie on pokie reform

Federal Independent MP **Andrew Wilkie** laid down the gauntlet to Labor on poker machine laws, saying he will withdraw his support for Gillard's minority government if they are not backed. However, *The Australian* reports that the proposed laws, including mandatory gambling limits, have 'divided the

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Windsor pokie deal under fire

The poker machine deal that helped Labor form a minority federal government with the New South Wales Independent **Tony Windsor** came under increased pressure from clubs, who claimed that the deal will threaten their future, *The Australian Financial Review* reported. **Julia Gillard** promised the independent MP that Labor would implement his reforms as part of the deal to form minority government, but now she has just two months to convince state governments to agree to the reforms.

Forgetting the ABC of balanced journalism

After an episode of the political show *Q&A* in which **Julia Gillard** was accused by whistle-blower **Julian Assange** of treason, *The Australian's* **Dennis Shanahan** launched a scathing criticism of the ABC, describing its treatment of the PM as 'worse television terrorism than Seven's "shit happens" ambush on **Tony Abbott**.'

Sticking together

One week before the NSW state election, *The Australian's* NSW political correspondent **Imre Salusinszky** noted that, for the first time in history, the Liberal party would likely win enough seats to set up its own government without the help of the National Party. However, Salusinszky said that there was no reason to believe the Liberals would break up the Coalition, and that the National Party would be represented in the government.

PM not so progressive

The Australian's **Sid Maher** wrote an article arguing that **Julia Gillard's** stance against gay marriage and euthanasia show her to be a cultural conservative, and not the progressive thinker that many had once regarded her as, despite the fact that she is an unmarried atheist.

Swan left with voids to fill

Australia's spate of natural disasters, and the increasingly important debate over a carbon tax, distracted the federal government from finding replacements for a number of key economic and regulatory roles that will soon become vacant, *The Financial Review* reported. Treasurer **Wayne Swan** came under increased pressure to fill the positions, including two key places on the board of the Reserve Bank of Australia. The other positions that needed filling were for the chairman of ASIC and the chairman of the ACCC.

Gillard points barrel at O'Farrell

In her speech at the NSW Labor Party's election campaign launch, Prime Minister **Julia Gillard** took a swipe at Liberal leader **Barry O'Farrell**, saying that he wasn't revealing his policies 'because he knows that what he's got planned will not be supported by the families of NSW.'

Tasmanian Liberal now on mainland

Jonathan Hawks of the Tasmanian Liberals will take up a senior posting with his party in Canberra, reported *The Financial Review*. Hawks was state director of the party for three years. He oversaw the election campaign last year, in which the Liberals won

the same number of seats as Labor, but were unable to form a minority government.

Denying the climate skeptic label

In federal parliament **Christopher Pyne** defended his colleague after **Julia Gillard** labelled **Tony Abbott** a 'climate change denier'. *The Australian* said Pyne's complaint claimed the prime minister was trying to paint the Liberals as 'climate change extremists' and that the term was deliberately reminiscent of the term 'Holocaust denier'.

CLIMATE CHANGE. ENVIRONMENT. ENERGY

Electric prices to shock

An update from **Ross Garnaut** to **Julia Gillard** was shown to *The Australian*. Professor Garnaut put the cost of a carbon tax at \$4 to \$5 a week for the average household. He called for an urgent inquiry into a 'prima facie' case of price 'gouging' caused by poor electricity regulation in Australia. The update to the prime minister was the eighth and final revision before a comprehensive second report is due at the end of May. Federal Energy Minister **Martin Ferguson** quickly rejected Garnaut's call for more regulation on electricity markets, and denied that price rises were the result of 'gouging' by electricity generators.

Start small on carbon tax

The Australian Financial Review reports that Treasury has advised the Gillard government to start with a low carbon tax to ensure a smooth transition to an emissions trading scheme. The report estimates a \$30 carbon tax could cost Australian households an extra \$863 per-year. Households should be compensated through tax cuts, Treasury said, but reportedly warned against making the cuts so generous as to redistribute wealth. 'Since the scheme's primary purpose is to change behaviour it should not be used to change the distribution of the tax burden across different incomes,' Treasury officials said.

Garnaut the great

'The brilliant, successful and these days seemingly omnipresent **Ross Garnaut**' has his economics career put under the microscope by **Chris Kenny** of *The Australian*, who found that the climate change adviser may not be as infallible as some have made out. Kenny wrote that 'Garnaut's influential forecasts on climate change are those of an economist, not a scientist, and may be as rubbery as some of his past economics forecasts'. A number of Garnaut's predictions that were way off the mark were given as evidence of his imperfections.

Carbon price comparisons

The Australian Financial Review says the Productivity Commission has warned against relying too heavily on international comparisons of carbon schemes to determine how to price carbon in Australia.

BOOK: Great Crises of Capitalism

P.D. Jonson is a keen reader of *Letter from Canberra* and we are pleased to feature his new book, *Great Crises of Capitalism*.



Formerly Chief Economist at the Reserve Bank, P. D. Jonson – who has also written in *Quadrant*, *The Australian* and elsewhere for more than a decade under the nom de plume **Henry Thornton** – summarises four

centuries of capitalism, a period which has included terrible wars, as well as much financial instability that seems to be occurring ever more often. Dr Jonson argues in this work against imposing ever more constricting regulations, and thereby killing the goose that lays the golden eggs. Devising sensible policies, he maintains, can and will reduce the damage down by economic downturns.



This book deserves the attention of governments, professional investors, and managers of (individual or family) finances.

'Thought provoking, visionary and challenging, *Great Crises of Capitalism* is a rare insight into the history and future of the world economic order.'

Stewart McArthur MA CANTAB, Former MP in the Howard Government

'There are few more exciting or consequential stories in the history of our civilisation than the boom and bust of markets and capitalist economies. Jonson paints a long history with confident strokes, clarity and good humour, capturing the recurring excitement. A book that you won't put down until the last boom has busted ... and then you will wonder about the boom and bust that come next.'

Professor Ross Garnaut, Vice-Chancellor's Fellow, University of Melbourne

'*Great Crises of Capitalism* is heavy-duty economics disguised as a good read. Peter Jonson presents a thoughtful analysis of one of the most important (and worrying) problems facing capitalist economies, the world over; extreme volatility in financial markets leading to widespread crisis and the consequent damage done to citizens, commerce and industry.'

Malcolm Richmond; (former) Executive Director, Hamersley Iron; (current) Visiting Professor, Business School, University of Western Australia

Abbott vs Abbott

Niki Savva, columnist in *The Australian*, commented that **Tony Abbott** failed to take his own advice on how to discuss the carbon tax. Only two weeks after telling his cabinet to stick to economic arguments against the tax, and avoid being drawn on an environmental debate, 'there he was doing the exact opposite'. Savva remarked that 'there is no threat to Abbott's leadership now, except the threat he poses to himself'.

Renewable energy costs

Graham Lloyd, environmental editor for *The Australian*, wrote an interesting piece about efficiency in the renewable energy sector. He writes that 'solar energy is non-polluting but the burning question is how to produce it cost-effectively'. The discussion is particularly pertinent in the context of the unfolding Japanese nuclear crisis and the Gillard government's carbon tax plan.

Queensland floods, Victoria and NSW pay

The Financial Review reported on the Commonwealth Grants Commission's flood relief calculations, which showed that NSW and Victoria, much to the anger of their state premiers, will actually pay more than Queensland for that state's flood and cyclone reconstruction. Embattled Queensland will pay only 5 per cent of the total \$5.8 billion damage bill, with the rest to be paid by the other states, sparking calls for a review of the funding rules.

Cost of staying green? Just pay as you pollute

Environmentalists have called for motorists to pay for the full cost of their greenhouse pollution, suggesting that cost-of-living increases should be compensated for through the tax and welfare system, not by giving discounts at the petrol bowser. In a similar vein, *The Australian* reported that **Ross Garnaut**, the government's climate change adviser, argued against the exclusion of transport from a future carbon pricing scheme. 'It is hard to see the case for exempting petrol,' Professor Garnaut said, with his reason being that the government would end up paying the cost of any special exemptions. **Beth Webster** and **Russell Thomson**, both from the Melbourne Institute of Applied Economic and Social Research, wrote an opinion piece in *The Australian* supporting Garnaut's argument. Their main contention was that, if petrol were not taxed, the huge difference would have to be unfairly made up by the coal and gas-based electricity industries.

Good luck!

The Australian says the Greens will attempt to use their position as possible kingmakers in Queensland's up-coming Queensland election to demand a moratorium on the state's mining industry. Greens spokeswoman **Larissa Walters** told the paper the major issue facing the state was the rapid development of the mining industry. 'Both parties seem to be equally committed to a big expansion of the coal industry and the creation of a new coal seam gas industry,' she said. Walters will enter the Senate on July 1.

Fossil fuel subsidies face the axe

Up to 17 fossil fuel subsidies – costing a total of more than \$8 billion a year – may have to be cut for Australia to fulfil a commitment it made to the G20, *The Financial Review* reported. The subsidies, whose existence the government originally denied to the international forum, need to be scrapped in order for the government to honour its commitment to 'eliminate or phase out inefficient fossil fuels.'

Solar boom takes the wind out of energy

The Australian reported that a huge increase in solar panel sales poses a threat to wind-farm developments in Australia over the next three years, and that the low price of energy makes it impossible to justify investment in the industry. Experts have warned that the price of renewable energy certificates (RECs) needed to be \$45-\$50 to spark investment in wind energy, \$10-\$15 above the price as of early March. A related article in *The Financial Review* reported much more drastic figures, with a spokesperson from wind power producer Infigen Energy saying that the price needed to be closer to \$100. One REC represents one megawatt hour of renewable electricity generation. Another recommendation for the wind energy industry to become more viable would be the imposition of higher than expected price on carbon.

Which ranks higher, the Bishop or the Abbott?

Julie Bishop contradicted her boss **Tony Abbott** by saying that Australia must still consider nuclear power, despite the recent nuclear disaster in Japan. *The Australian* reported that Bishop went against Abbott's party line, which was that the Coalition had no policy to promote nuclear power.

Murray's no darling in government's eyes

David Murray, chairman of the \$71 billion Future Fund, was no certainty to be re-appointed to his position, *The Financial Review* reported. Murray, whose term expired in early April, has been publically critical of several government initiatives, including the mineral resource rent tax and the national broadband network. This attitude has done him no favours in the eyes of certain Labor politicians.

Carbon offset ideas wanted

The Department of Climate Change and Energy Efficiency ran an advertising campaign requesting submissions with ideas on methods to reduce carbon pollution from Australian farms. Submissions can be made year-round on their website.

Cold shoulder on coal compensation

The federal government's chief climate change advisor, **Ross Garnaut**, criticised compensation for coal-fired electricity generators provided for under a carbon tax. *The Age* wrote that the final update to his 2008 climate change review declared the billions of dollars in compensation to be unnecessary. He recommended a loan guarantee system as a better alternative. The update also found evidence that electricity distributors had been allowed by government regulators to make too much money on investments in infrastructure.

CARBON TAX

Ridout refuses to support carbon tax

According to *The Australian*, Labor's closest business adviser, **Heather Ridout**, refused to throw her weight behind a carbon tax, sparking further calls from **Tony Abbott** for the plan to be scrapped. Ridout, the Australian Industry Group chief executive, would not support **Julia Gillard's** proposal to introduce a fixed carbon price from July 1, 2012, and an emissions trading scheme three to five years later. 'The jury is very much still out on the introduction of a carbon price in Australia, with industry very concerned about the competitive impacts,' Ridout told *The Australian*. **Geoff Carmody**, a co-founder of Access Economics and former senior officer in the Treasury, wrote an opinion piece in *The Australian* that was highly critical of the proposed trading scheme, saying that it would 'be bad both for Australia and the world.' A subsequent article in *The Australian* reported that independent MP **Tony Windsor** was also among those not prepared to support Gillard's carbon tax. *The Financial Review* quoted Windsor as saying that Labor had 'jumped the gun' with its proposal. *The Financial Review's* **Laura Tingle** later wrote that Windsor 'holds the key to the emissions plan', because of his strong position in Parliament.

Gillard and Turnbull carbon copies on policy

It might have cost him his position as leader of the Liberal Party, but **Malcolm Turnbull** has remained faithful to the creation of a carbon tax, and now he is throwing his support behind political foe **Julia Gillard**. **Geoff Kitney** wrote an article in *The Financial Review* comparing the two opposing politicians' surprisingly similar stances, and highlighting the irony that, at present, they are each other's greatest supporters. A Newspoll published in *The Australian* showed that Gillard had suffered setbacks in the pivotal state of Queensland since she announced the carbon tax. The ALP's primary vote slipped below its disastrous level at last August's election, to 46 per cent two-party preferred.

Abbott would scrap carbon tax

The Financial Review reported that Opposition leader **Tony Abbott** would abolish Labor's planned carbon tax after the release of new figures showing that, even if the price were as low as \$15 per tonne of emissions, the scheme would still cost Australian big business about \$5 billion a year. Abbott subsequently admitted his belief that climate change was real, but stuck by his stance that a tax was not the solution to the problem. 'I am all in favour of doing the right thing by the environment because we've only got one planet, and we've got to look after it, and we've got to hand it on to our kids and grandkids in better shape than we found it. But we have to do it in ways that don't make the life of ordinary people worse,' Abbott said.

Your jobs will still be safe, cough cough

Climate Change Minister **Greg Combet** declared that even jobs in high-polluting industries will remain safe under Labor's carbon pricing scheme, *The Australian* reported. Combet was confident that Labor would strike a deal with the Greens that would keep jobs



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in the coal industry safe, after Greens leader **Bob Brown's** declaration that his party was 'open to looking at the impact on trade-exposed industries.' Union leaders subsequently called for tariffs on imports from countries without a carbon tax, in a bid to secure Australian jobs further.

Rio demands carbon compensation

The Australian reported mining giant Rio Tinto's demands for more generous compensation and industry protection as part of **Julia Gillard's** proposed carbon tax than was offered by then-Prime Minister **Kevin Rudd** in 2009. Rio's Australian managing director, **David Peever**, said that the international community's failure to reach a global deal on carbon prices meant that Rudd's original compensation scheme was 'not an appropriate starting point for discussions in 2011.'

Abbott winning carbon popularity contest

Geoff Kitney wrote an analysis piece in *The Financial Review* applauding **Tony Abbott's** 'highly effective' anti-carbon tax campaign and warning that **Julia Gillard** faces a tough battle to win back grass-roots support for her cause. Kitney wrote that 'senior Labor caucus members say they are dismayed about how ill-prepared the government seems to have been for the Abbott anti-ETS campaign.'

Emitters don't want tax – what a surprise!

The Financial Review reported that the nation's biggest CO2 emitters have called for the government to postpone the proposed carbon tax, claiming

that current policy fails in the most important area: ensuring business certainty.

Tax: yes, tariffs: no

A front-page article in *The Australian* reported Trade Minister **Craig Emerson's** outright rejection of the suggestion that Australia should subject other countries to trading tariffs if they refuse to toughen their environmental laws. Dr Emerson said that protectionism and trade barriers risked pushing Australia into a 'depression,' a clear blow to the green lobby.

Carbon audits

Random carbon audits will be undertaken on businesses throughout the year as the government tries to verify emission levels before the introduction of its carbon tax next year, *The Financial Review* revealed.

Garnaut proposes heavier cuts

The Financial Review reported on climate change expert **Ross Garnaut's** warning that carbon emission cuts would have to be more severe than first thought, if they were to make a genuinely positive impact on the environment. In an update to his 2008 climate change report, Garnaut revealed that the rise in sea level has been greater than had been projected in 2007, and that changes in the physical and biological environment has also occurred at a greater rate than mainstream science had predicted.

QANTAS lends its wings to tax

In what might be seen as an unlikely show of support, QANTAS chief executive **Alan Joyce** threw his weight behind the Labor government's proposed carbon tax. Joyce told *The Financial Review* that a carbon price was an essential step in weaning Australia's energy and transport industries off coal-fired energy and non-sustainable fuels. Joyce, whose airline spends \$3.7 billion on fuel annually, said it was also essential of Australia to meet its emissions reduction commitments under the Kyoto Protocol.

From little tax, big tax grows

Results of a report by the Australian National University which were published in *The Financial Review* suggested that any carbon tax implemented by the Gillard government should start small, but would need to increase rapidly in coming years. The report said that it was politically impractical to introduce the carbon tax at the required level, but that once the public had become used to the tax, the rate would need to rise rapidly in order to have any appreciable effect on carbon emission levels. A subsequent article in *The Australian* said that charges on greenhouse emissions could rise by up to 315 per cent when the carbon tax is changed to an emissions trading scheme in 2016.

Gillard's China comments slammed

Julia Gillard's use of China as an example of positive climate change action to justify her carbon tax drew widespread criticism from opposition politicians and analysts alike, *The Australian* reported. In her appearance on the ABC's Q&A program, Gillard said that China was 'closing down a dirty coal-fired power generator at the rate of one every one or two weeks,' and used this as justification of her policy of action on climate change. What Gillard failed to mention, however, is that China continues to build coal power plants as quickly as it destroys them, and is still the country most reliant on fossil fuels.

Figures will be scrutinized: Greens

Greens MP **Christine Milne** warned businesses that any claims made regarding the impact of a carbon price on profitability and jobs would be intensely scrutinised, *The Financial Review* reported. In a subsequent article, also published in *The Financial Review*, opposition finance spokesman **Andrew**



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Robb was quoted as saying that Milne's threat was 'deeply offensive and ill-informed.'

Gillard gives Abbott 'free kick'

Former Liberal party leader **John Hewson** wrote an opinion piece in *The Financial Review* that was critical of **Julia Gillard's** handling of the carbon tax, and warned that she risked losing backbench support. Hewson noted that carbon tax legislation won't be introduced until September, and that this has given **Tony Abbott** the opportunity to run a non-stop scare campaign for six months which will undoubtedly have a negative effect on the public's view of the tax.

BROADBAND & ICT

NBN politics continue

The Australian Financial Review says that federal Communications Minister **Steven Conroy** stunned industry executives by releasing amendments to

proposed legislation on the National Broadband Network. The surprise changes apparently sparked fears that NBN Co. would have too much power to strike favourable deals with Telstra, at the expense of smaller competitors. According to *The Age*, the government later 'tweaked' the changes to enshrine the network as 'open-access, wholesale only'.

The Australian revealed that Country independents **Rob Oakeshott** and **Tony Windsor** have agreed to a deal with Labor, securing the passage of the NBN laws through parliament. The deal does not guarantee uniform pricing under the network, and has been criticised by the Nationals, who are concerned that people living in the bush will have to pay much more than those in urban areas. *The Financial Review* said the result was good news for Telstra shareholders because it removed one of the final areas of uncertainty around the government reforms.

IBM snares contract

The Australian Financial Review announced that IBM had been appointed by NBN Co. as the prime systems integrator of its operational and business support systems. The three-year deal is reported to be worth \$200 million. IBM will implement and manage the national broadband network's core technology systems.

Telstra's suspect separation

An opinion piece in *The Australian Financial Review* discussed the upcoming structural separation of Telstra in a post-National-Broadband-Network environment. It was written by **Matt Healy**, who is chairman of the Competitive Carriers' Coalition, an industry association representing the interests of non-dominant telecommunications carriers. He highlighted suspicions held by competing telco companies that Telstra may be fudging the process of structural separation in order to maintain its monopoly.

A TIMELY VIEWPOINT: Death of the Australian brand

Andrew Zur, PhD candidate at MBS



Aggressive pricing policies by Australia's unique grocery duopoly are holding entire local industries to ransom.

Underpinning this, is a Faustian bargain with the devil which is being waved in consumers' faces by Coles and Woolworths for a short term benefit. The question is, do we sign it?

As an Australian consumer, do we care? Is ignorance bliss? If I can get it for a dollar, do I put my head in the sand and think don't ask, don't tell, don't want to know?

Hypothetically we should all care about ethical issues. Fairtrade chocolate and coffee are perfect examples of this. A lot of us do, but only up to a point and that point happens to be when we pull out our wallet at the checkout.

Price is always going to be a number one issue for consumers when it comes to grocery items. With price wars there's always going to be an immediate winner—the consumer—and an even bigger winner, which is the supermarket chain.

The downside is there has to be a loser in all of this as well. That loser, depending on the outcome of the Senate Economics References Committee's hearing into the impacts of supermarket chains' pricing decisions on the Australian dairy industry, could well be entire local industries, not just one or two manufacturers.

Right now the dairy farmers, beer manufacturers and chicken and egg producers are caught up in the 'price wars'. My question is, who is going to be next in the line of fire?

Australia is one of the only places in the world where such a powerful duopoly exists. Coles and Woolworths dominate 80% of the marketshare of what we spend on groceries. The other 20% is provided by the IGAs, the Friendly's, FoodWorks, Aldi and Franklins.

This pair of retail giants owns everything. They own grocery retailers, liquor outlets, hotels, service stations and even entire shopping centres where they use brute force to restrict potentially competitive trading practices.

They own the farms, the manufacturing plants and the distribution chain, more so in the case of Woolworths, but Coles is catching up quickly. This is called vertical integration.

One of the only things they don't own presently are pharmacies because government legislation prevents this. If they did, pharmacies would immediately spring up inside every supermarket, with consumers mixing ice cream with their heart medication in their shopping basket.

Incidentally, Australia also has the highest density of supermarkets per capital in the world. No matter which suburb you live in, you are in close proximity to about four supermarkets.

All of this has to do with something that's known in the retail industry as market orientation. Market orientation involves looking at what your customers want, what your competitors are doing and how you can work and build relationships with your collaborators.

Coles and Woolworths do this fantastically well. They know what their customers want. They are always looking at how they can outdo their competitors. And they are always working with their collaborators to lower the price and get a better deal.

But it boils down to who do these people answer to and at what point do we let it slide to, before it's too late and we pass the point of no return.

The current losers are our dairy farmers, beer manufacturers and chicken producers. There are more to come. These price wars are all based on the retailer's home brand. If they continue, iconic farmer brands will disappear, rebranded simply as a home brand.

Despite an inquiry being launched this week, government agencies are inherently slow to make change.

If we want to make an immediate impact, it's up to us as consumers to be smart and vote with our heart, not our pocket.

Andrew Zur is a PhD candidate at Melbourne Business School, the University of Melbourne.

NBN laws will strangle competition: Telstra

Telstra has expressed concern that the Gillard government's proposed National Broadband Network laws will allow NBN Co to monopolise certain new areas, undermining the public benefits of the \$36 billion NBN project, *The Australian* reported. Despite continuing with its \$11bn plan to join the project, Telstra wanted changes to the next set of NBN legislation, which sets guidelines for the NBN Co building the national network.

Optus joins NBN uproar

Optus, Australia's second-largest telco, complained that legislation currently before federal parliament could favour Telstra by giving NBN Co discretion to offer it pricing discounts, *The Australian* reported. Pay-TV company Austar, the regional branch of Foxtel, was also 'deeply concerned' at the possibilities opened up by the proposed legislation.

Telstra handballs service obligation to NBN Co

Telstra's current universal service obligation (USO) will be handed over to NBN Co if a shareholder vote on July 1 accepts the proposal, *The Australian* reported. The USO is under an obligation to ensure that basic telephone services are available to all Australians on an equitable basis, no matter where they live. The new policy that led to the handover was made to address the 'wide discretion' given to Telstra under the previous framework. A subsequent report in *The Australian* revealed that agreements were being made to allow NBN Co access to Telstra's existing pits and pipes.

Telstra: NBN's back-up

The Australian revealed that Telstra has a contingency plan to provide back-up broadband to Australians should the Gillard government's huge National Broadband Network plan fail. The contingency, which would involve rolling out a low-cost mixture of broadband technologies, comes despite Telstra having already agreed to an \$11 billion compensation agreement.

Telstra tries to pop 'cherry-picking' laws

NBN Co warned that a bid from Telstra to have 'cherry-picking' rules dumped would, if successful, seriously undermine the government's \$36 billion investment in the National Broadband Network, *The Financial Review* reported. The provisions were put in place to stop NBN's rivals, such as Telstra, from constructing their own high-speed networks in certain areas before the NBN is rolled out. Such construction would effectively make the NBN useless, an NBN Co spokesperson said.

ACCC backs Telstra, Optus

The Australian Competition and Consumer Commission (ACCC) acknowledged that, without proper regulation, NBN Co could become a threat to existing phone companies if it starts offering retail services, *The Financial Review* reported.

Review of new media laws

Communications Minister **Stephen Conroy** announced a review to update media laws for the

digital age, *The Financial Review* reported. The review is to be chaired by former managing director of IBM **Glen Boreham**, who will be joined by **Malcolm Long**, a member of the Australian Communications and Media Authority, and a third member who is yet to be announced. Conroy said 'we have to move from the twentieth-century regulation in the old world, to the converged world, the new digital world.' Conroy also said that planning for the NBN has 'rapidly accelerated the arrival of the convergent media age in Australia.'

NBN threatens small IT companies

An IT analyst told *The Financial Review* that the government's national broadband network has the potential to kill small technology service companies, especially those in rural and regional areas. **Claudio Castelli**, a senior analyst with Ovum, said that smaller companies had traditionally picked up the slack left by Optus and Telstra, by providing services to certain rural areas forgotten by the big telcos. However, improved technology provided by the NBN would make it much easier for big companies to service remote areas, and therefore take a significant slice of smaller groups' already limited market share.

Mobile speed at risk

A report in *The Financial Review* warned that mobile phone speed and coverage are likely to be affected by a government plan to cut capacity available to the big telcos. The possibility of the slowdown caused a rift in the Labor Party over how the sale of \$1 billion worth of broadcasting spectrum should be managed, with the spectrum being crucial to the operation of high-speed devices like iPhones, iPads and BlackBerries. Attorney-General **Robert McClelland** led the charge for some of the spectrum to be put aside for emergency services, a move which was unsurprisingly supported by fire, police and ambulance services. However, Communications Minister **Stephen Conroy** wanted to sell the entire spectrum, as that would help the federal budget return to surplus more strongly than had been initially forecast.

Further obstacles in NBN deal

Telstra pulled out of its agreement to put an \$11 billion deal with NBN Co to shareholders on July 1, because of concerns that the terms were 'no longer practicable,' *The Australian* reported. The move threatened to delay the massive project, as access to Telstra's network of ducts and conduits would be needed before much of the work could begin. NBN Co's response was very civil, with chief executive **Mike Quigley** saying that it was 'worthwhile taking the time to get the right outcome.'

NBN digging itself into a hole

Changes to installation procedures as a result of the NBN have been a source of frustration and confusion for the land development industry, *The Financial Review* reported. Under the previous system, project developers would dig trenches for communication cables into which Telstra would install wires without charge. That changed over the new year, with developers now funding the installation while NBN Co oversees the process. The industry bemoaned the confusion surrounding the transition, with spokesperson **Gordon Templeton** saying that 'there

is considerable confusion on the ground in relation to the transition period between NBN Co and Telstra, which is resulting in construction delays and delays in release of titles.'

Australia in space

The Space Industry Innovation Council has put pressure on the government to use the rollout of the National Broadband Network to boost Australia's fledgling space industry. *The Australian* reports that the council wants Australian industry participation in the satellite project for the NBN and hopes the project will generate new jobs and export opportunities. The satellites will be used to cover the three per cent of the population not reached by fibre optics or high-speed wireless.

INDUSTRIAL RELATIONS. EMPLOYMENT

Systemic skills shortage

Up to eight million Australian workers don't have the reading, writing or numeracy skills to undertake training for professional jobs. That's the assessment of a damning report, which was published in *The Australian* from the nation's 11 Industry Skills Councils. The council claims Australia's international competitiveness is under threat. The report, titled 'No More Excuses', called for a new campaign to address endemic shortfalls in basic skills among the workforce. It says 'an overarching blueprint for action on language, literacy and numeracy' must be implemented.

Beware

Paul Kelly, editor-at-large of *The Australian*, wrote an interesting observation on the workplace relations trap in which **Julia Gillard** seems to be caught. He said that a defining conflict of this Labor era is unfolding inexorably as Australia struggles to manage a 'once in a century' resources boom with its Fair Work Act, which has weakened productivity, flexibility and workplace change. 'The rumble of alarm is sounding from Labor's friends and enemies', He said. Kelly states that Gillard cannot escape the problem because 'it goes to the viability of her main achievement and the policy on which Labor defeated **John Howard**'. He blames 'the squeeze' on a Chinese resources boom that has driven up the Australian dollar, in turn, damaging competitiveness 'while labour's new industrial system is a dead weight on any solution via revived productivity'. Australian Industrial Group chief **Heather Ridout**, widely recognised for her constructive dealings with the Labor government, recently called for a new review of the IR laws.

Tough love on welfare

The Australian reported the **Tony Abbott** had committed the Coalition to sweeping welfare reform promises. Under the proposed policies, unemployment benefits would be suspended in areas where there is unskilled work available, such as fruit picking. Also, work for the dole would be mandatory for people younger than 50 who had been on unemployment

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Article No. 1319
Available on Website: www.roymorgan.com
On April 6, 2011
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[Australian State of the Nation](#)

Life be 'Inside' it

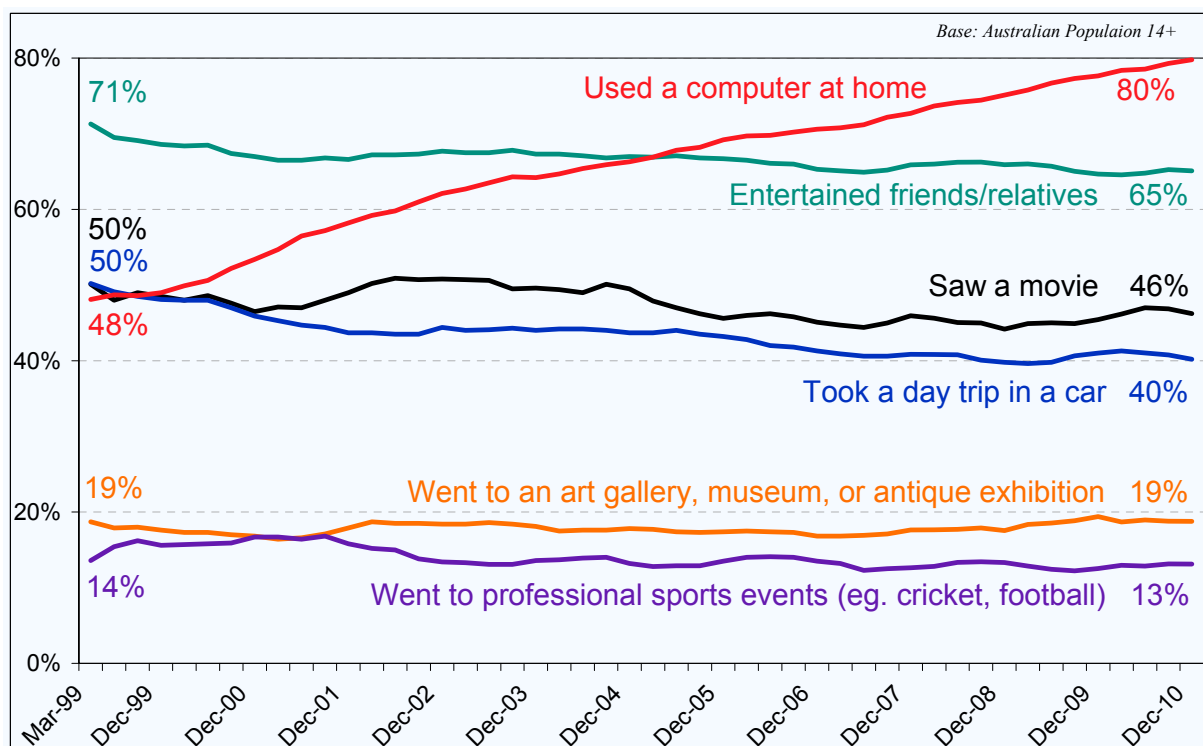
Traditional Australian pastimes of entertaining friends and enjoying the outdoors have now been surpassed by the household computer, according to the Roy Morgan State of the Nation report, a major study of Australians spanning over a decade with almost a million interviews.

In the twelve months to December 2010, 80% of the population used a computer at home, up dramatically from 48% in March 1999. In the same period there have been real changes in Australian leisure activities.

The largest leisure activity decline was the day trip in the car, which slipped from 50% to 40% between March 1999 and December 2010. Other notable drop-offs include entertaining friends and relatives, down from 71% to 65%, in steady decline since March 1999, and seeing movies is down from 50% to 46%.

However, Australians have continued to visit professional sporting events, and galleries and museums at similar rates to March 1999.

Australian Leisure Activities



Source: Roy Morgan Single Source, Australian population 14+, average 12 month moving average Mar 99 – Dec 10, n = 54,991.

Howard Seccombe, Head of Client Services, Roy Morgan Research, says:

“As computer usage has become almost ubiquitous, we are seeing a shift away from traditional social activities towards more computer based activities, and Australians living individual lives.

“The implications are enormous for online shopping, banking and social networking, as well as for businesses wanting to communicate with their customers and prospects. These trends and more are monitored by Roy Morgan Research and reported in the State of the Nation report.”

For more information, or to purchase the complete Australian State of the Nation report.

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Finding No. 4650
March 2011 Figures
Available on Website: www.roymorgan.com
On April 6, 2011

Employment up 30,000 to 10.8 million; Full-time employment (7,482,000, up 14,000) & Part-time employment (3,318,000, up 16,000). Fewer looking for work (863,000, down 64,000) – Unemployment down 0.5% to 7.4%.

Now 1.7 million (14.8%) Australians are Unemployed or Underemployed

- In March 2011 Australia's total unemployment as measured by Roy Morgan was 863,000 (7.4%), down 64,000 (down 0.5%) from February 2011, but up 27,000 (% unchanged) since March 2010.
- The Roy Morgan March 2011 'underemployed'* estimate has risen substantially to 866,000 (7.4%), up 197,000 (1.7%) but is down 19,000 (0.5%) since March 2010.
- In total in March 2011 an estimated 1,729,000 (14.8%) of Australians were unemployed or 'underemployed,' up 133,000 (1.2%) on February 2011.
- Overall full-time employment in Australia for March is 7,482,000 (up 14,000 since February 2011 and up a large 531,000 since March 2010) and part-time employment 3,318,000 (up 16,000 since February 2011 but down 154,000 since March 2010).
- There are now 468,000 (down 56,000 on February 2011 but up 12,000 since March 2010) Australians looking for full-time work. An additional 395,000 Australians are looking for part-time work, (down 8,000 on February 2011, but up 15,000 since March 2010).
- The latest Roy Morgan unemployment estimate is 2.4% above the 5.0% [currently quoted by the ABS](#) for February 2011.

Roy Morgan Unemployed and 'Underemployed'* Estimate

2010	Unemployed or 'Underemployed'*		'Underemployed'*		Unemployed		Looking for	
	'000	%	'000	%	'000	%	Full-time	Part-time
Jan-Mar 2010	1,688	14.7	815	7.1	873	7.6	491	382
Apr-June 2010	1,592	13.8	844	7.3	748	6.5	437	311
July-Sep 2010	1,603	13.7	866	7.4	737	6.3	400	337
Oct-Dec 2010	1,741	14.7	915	7.7	826	7.0	442	384
2011								
Jan-Mar 2011	1,715	14.5	802	6.8	913	7.7	484	429
Months								
March 2010	1,721	15.3	885	7.9	836	7.4	456	380
April 2010	1,653	14.4	893	7.8	760	6.6	448	312
May 2010	1,687	14.6	884	7.6	803	6.9	466	337
June 2010	1,435	12.4	753	6.5	682	5.9	397	285
July 2010	1,677	14.4	940	8.1	737	6.3	367	370
August 2010	1,612	13.7	894	7.6	718	6.1	448	270
September 2010	1,520	13.1	764	6.6	756	6.5	384	372
October 2010	1,664	14.0	904	7.6	760	6.4	360	400
November 2010	1,627	13.7	812	6.8	815	6.9	465	350
December 2010	1,931	16.5	1,028	8.8	903	7.7	502	401
January 2011	1,818	15.1	870	7.2	948	7.9	459	489
February 2011	1,596	13.6	669	5.7	927	7.9	524	403
March 2011	1,729	14.8	866	7.4	863	7.4	468	395

The Gillard Government's 'Fair Work Australia' Act was implemented on January 1, 2010, replacing the Howard Government's 'Work Choices' Legislation.

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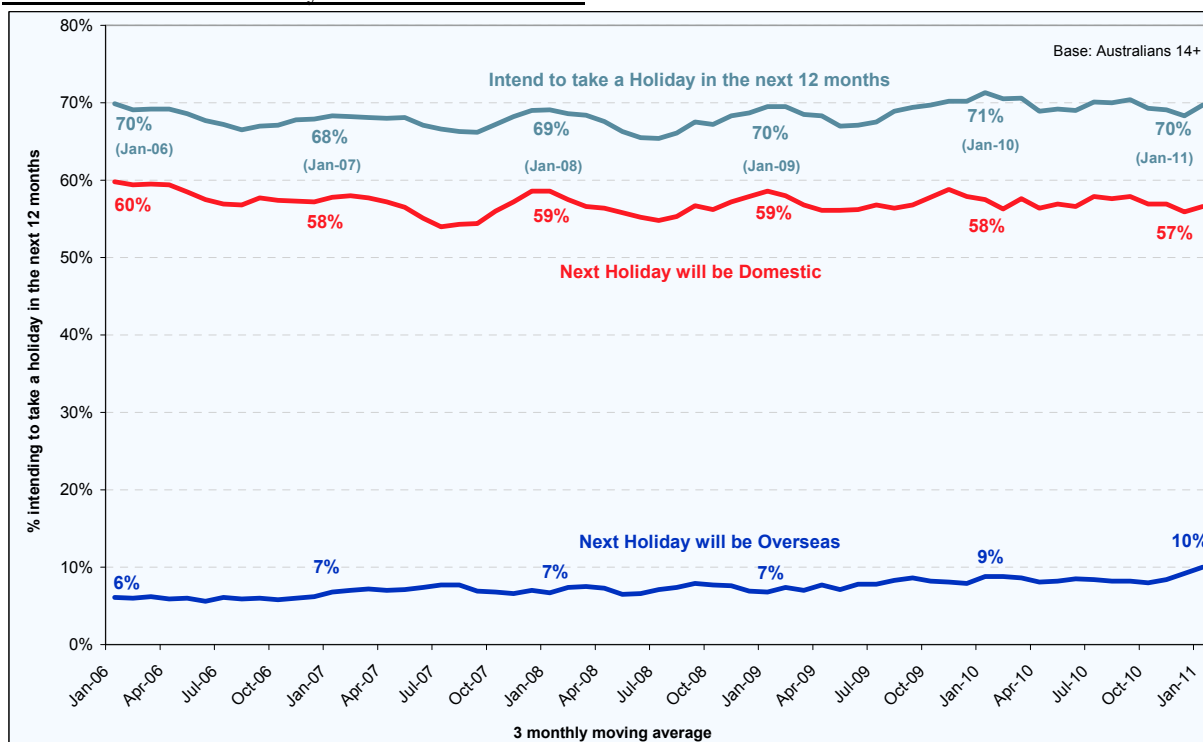
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Overseas Holiday Intention Reaches Record High in January 2011 Quarter

12.9 million (70%) of Australians 14 years or older intend to take at least one holiday in the next 12 months, according to the latest Roy Morgan Research Holiday Tracking Survey conducted in November 2010 to January 2011.

Whilst the research shows 57% intend to holiday in Australia on their next trip in the next 12 months, the lowest January quarter recorded since 2006, overseas travel intention has markedly increased. For the current quarter, 10% of Australians intend to travel overseas on their next trip in the next 12 months. This is up from 9% in the January 2010 quarter and is the highest in the last five years.

Intention to take a holiday in the next 12 months



Source: Roy Morgan Single Source (November 2005 – January 2011, average sample per quarter n=5,240).

N.B. A small percentage of 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 is down slightly in January compared to the previous year and may continue to decline in February with the heavy fall in consumer confidence following discussions around the introduction of a Carbon Tax and implications for the cost of living.

“For those Australians that are intending to take a holiday, an overseas destination is increasingly being chosen, with the strong Australian dollar making an overseas holiday relatively cheap.

“By contrast, less Australians are intending to take a domestic holiday. This trend could be exacerbated in the short-term, as the recent floods and Cyclone Yasi could deter some Australians from holidaying in Queensland.”

For more information, or to purchase the complete Holiday Travel Intention Leading Indicators Report.

Visit the Roy Morgan Online Store: www.roymorganonlinestore.com

benefits for more than six months. An analysis by *Australian* social affairs writer **Stephen Lunn** claimed the move achieved three things: It appealed to Abbott's 'John Howard base', it offered Abbott's own policy agenda rather than 'carping' at **Julia Gillard's**, and it highlighted the Coalition's record of fiscal discipline. However, it was acknowledged that Abbott's proposals did not differ greatly from Labor's position, in broad philosophical terms.

Qantas flies into union dispute

The *Herald Sun* reported that Qantas urged union leaders to remain committed to its latest round of workplace negotiations. The airline is facing industrial action from multiple sectors of its labour force, including pilots, engineers, baggage handlers and refuellers. The Transport Workers Union is in talks with Qantas, representing 9000 Qantas employees over hotly contested job security provisions.

Plant operators steel themselves for closures

Steel-makers could be forced to close plants and 15,000 jobs could be lost if a carbon price were to be introduced, according to a report in *The Financial Review*. The additional \$300 – 400 million a year in tax could force plant closures, said BlueScope Steel chief Paul O'Malley, whose Port Kembla steelworks would not be viable under the changes.

Shifting sands of student workers

The National Retailers Association launched a campaign for the abolition of the three-hour minimum shift provision for school students, *The Financial Review* reported. The NRA argued that three-hour shifts after school hours were unrealistic, given that stores often close early on weeknights, and has proposed that the minimum shift should be halved to 1.5 hours, so long as parents agree.

Unions' pay rise push anything but casual

Unions applied renewed pressure on the Gillard government in an attempt to ensure that the pay and conditions of casuals, contractors and hired labourers are on par with permanent employees doing the same job, *The Australian* reported. A subsequent article in *The Financial Review* reported a further union push, aimed to secure a pay rise of about \$30 a week for those on minimum wage, as well as a percentage increase for more highly-skilled workers.

740 fewer telemarketers out there...

After losing a major contract with Telstra, direct marketing specialist Salmat was forced to dump 740 jobs, and took a huge hit on the share market, *The Australian* reported. Employees in the regional centres of Wagga Wagga, Geelong and Bundaberg were at the worst risk of redundancy, while workers in the company's Sydney CBD office were more likely to hold on to their jobs.

The contracts between Telstra and Salmat were running for between five and eight years, so most of the affected staff were long-term employees. An inside source at Salmat told *The Australian* that staff were dedicated to Telstra, and that the centres would undoubtedly have to close unless Telstra renewed the contract.

BUSINESS. ECONOMY. TAX

Mortgage insurance may increase

In *The Australian Financial Review* mortgage brokers criticised the federal government's ban on home loan exit fees. They argue that the decision could increase interest rates and initial charges, deterring first-home buyers from entering the market. In a bid to make the government reconsider the ban, the mortgage broking industry has also claimed that the policy would provide a major free kick to the big four banks by forcing smaller competitors out of business.

Parting shot

RBA board member **Donald McGauchie** declared that he would not seek a third term, reported *The Australian*. The outgoing McGauchie warned that the RBA's challenge of keeping inflation under control would become more challenging, given the size of the Labor government's deficit and the impact of its workplace policy. 'The changes that have taken place in both industrial relations policy and fiscal policy under the current government make it considerably harder to manage monetary policy,' he stated in *The Australian*.

Disaster budget

After a spate of natural disasters at home and overseas, federal Treasurer **Wayne Swan** has been preparing the public for a tough budget. *The Age* made particular note of Treasury advice predicting that Japan's earthquake and tsunami were likely to wound key exports such as iron ore and coal. Japan is Australia's second-largest trading partner. Swan said in the paper that the government would have to 'do a lot of things in the budget that would not be popular' to achieve the surplus it wanted.

Victoria wants its slice of GST pie

Victorian Premier **Ted Baillieu** was furious over a Commonwealth Grants Commission decision which meant a \$2.5 billion cut in Victoria's GST revenue over the next four years, *The Australian* reported. The commission decided that the money should go to Queensland, Western Australia and the Northern Territory, citing Victoria's good fiscal health, strong property market and low wages growth as reasons why the state didn't need extra help.

Tax distribution review

The Australian Financial Review reported that the distribution of \$50 billion in Goods and Services Tax receipts to the states would go under review. The paper hypothesised that the **Gillard** government's decision could diffuse the increasingly sour federal-state negotiations on policies from health to the mining tax.

GST review players

Former Labor premier **John Brumby** will join forces with his former Liberal New South Wales counterpart **Nick Greiner** to undertake a sweeping review of the GST distribution system. The review, due in February 2012, will provide an interim report to federal treasurer

Wayne Swan before a final report in September. *The Australian* reported that South Australia's 'Mr Fix It', **Bruce Carter**, would also take part in the review. Carter is currently a managing partner at Ferrier Hodgson, and chairs the Olympic Dam taskforce, having previously chaired South Australia's Economic Development Board. He specialises in corporate solvency and has worked in economic management at government levels. 'I understand horizontal fiscal equalisation and I've been involved at a high level with state finances,' Carter told *The Australian*.

High dollar squeezes states

The Australian Financial Review claimed that the soaring Australian dollar would strip \$1.4 billion from state revenue over the next 18 months. The paper said the shortfall would occur because a higher value currency eats into US-dollar-dominated mining royalties for states.

Call for NFP regulator

A range of submissions provided to Treasury suggested that Australia's not-for-profit sector should be regulated by a national body, but that such regulation should not burden directors with additional costs or responsibilities. Treasury figures show that the sector consists of around 600,000 entities, and is worth about \$43 billion to GDP annually, but currently has no national regulator.

Chartered Secretaries Australia chief **Tim Sheehy** told *The Australian* that it would be better for Australian Securities and Investment Commission, not the Australian Tax Office, to regulate the sector in the short term. 'If the NFP sector is to benefit from the same approach provided to the private sector, you don't ask the body that administers taxation legislation to regulate it.' Contrary to the proposals made to Treasury, the Australian Institute of Company Directors said that subjecting NFP directors to a 'fit and proper purpose test' was 'unduly onerous,' and was more appropriate for the regulation of banks and insurance companies.

Thanks but no thanks, say charities

The Financial Review reported that not-for-profit organisations politely rejected a proposal from the federal government to have the Australian Taxation Office or the Australian Securities and Investments Commission regulate their sector. However, the sector welcomed plans to cut red tape in exchange for uniform reporting by the 600,000 NFPs in Australia. The functions of a possible regulatory body would include assessing organisations for tax concession status, registering and regulation NFP companies, and collecting corporate and financial information.

Accounting giant makes Deloitte-ful deal

The Financial Review reported that Deloitte Touche Tohmatsu closed its deal to buy high-profile economic consultancy firm Access Economics, which will expand the accounting giant's economics and infrastructure division by 60 staff. In recent years, Access Economics has earned up to \$15 million annually in fees. The takeover is an example of how the big four accounting firms are looking to diversify beyond their traditional realms of tax and auditing.

VIEWPOINT: Rethink Large IT Projects

Cameron Clark

Governments and large commercial organisations seem to operate in a consistent pattern when it comes to IT projects – they never seem to work. They are either cancelled after millions of dollars have been spent, fail to meet expectations or are very late and way over budget.

For those few that crash through the final gate, another challenge awaits in trying to get users to accept the new system. Users seem to sense these troubled programs and quickly generate a passionate hate for the new system, complaining that the system is difficult to use, doesn't operate correctly or doesn't match the required workflow.

Why is it that projects like Health Smart or Ultranet or some of the major banks' key software upgrades, to name but a few miscreants, are either complete failures or a waste of funds?

In the majority of cases, large IT projects fail at the same two places. The first fatality occurs right at the beginning when the project is being scoped and designed. It is very difficult to get the requirements correct when the design is overseen by ten or more departments each with their own vested interests and possessing a willingness to fight over each and every point. In some cases these groups would rather kill the pig than have the piglets!



Typically the project starts being bent out of shape at this very point, making it impossible for it ever to be implemented in any reasonable timeframe or within budget. The requirement specifications start to blow out and dramatically increase in complexity and scope – the Myki project would make a very good case study.

Instead of trying to limit the scope, the exact opposite occurs. The project is more than likely doomed at this point but cannot be stopped for all the right yet wrong reasons.

The second failure point is at the delivery end. Let's assume that somehow the IT development team has been able to deliver the software system based upon the ever-moving requirements. In most cases, the vital human factor relating to the Change Management process has been overlooked or compromised and users awake one Monday morning to a new system. It will have been accompanied by a raft of wall posters or notices all outlining teamwork and the benefits of the new software. You could look at these posters as a type of corporate graffiti. When users hate a system you can almost guarantee failure and that the recovery costs will exceed the original software systems budget.

What follows is the embarrassment phase which lasts longer than the project itself and has been known to linger for decades.

So is there a solution for this?

Usually the simple solutions are the best so try this one.

Instead of undertaking a massive project with ten or more recalcitrant departments whining and moaning at every turn, change the rules. Make it 'bottom up, not top down.'

First locate an area of users that look like they understand what is required. Test their knowledge, desire, vision, enthusiasm and if it feels right, engage them as the Business Analysts along with a small team from the IT department that can be trusted to keep to the script.

Try a combination of carrot and stick ("The future of our organisation is in your hands" or "If you stuff this up...") until you feel the message has got through.

Then set the rules:

- A small team is an effective team
- The management footprint should be modest but firm
- Encourage experimentation and innovation
- Bend the rules. All that documentation overhead (Risk Management, Asset control, etc.) can be completed at a later stage.
- Build a live prototype that can be quickly and easily amended to act as a proof of concept. It doesn't matter if it is finally discarded or re-done three times over.

This process will have a system up ready to be road tested with another level of users. Once proven it is a much easier task to expand a successful system upwards and outwards.

The best part is that these users become a key part of the Change Management team and will act as champions and trainers down the track when the going gets tough.

Most of what is produced will not be wasted as it will either be right, be close to right, show that the initial project concept was flawed or identify another path.

A key reason to adopt this methodology is that there will be no public embarrassment. The cost will have been so low it won't be noticed amongst the general waste and politically, should it turn out to be a failure, it can be nipped in the bud to quietly and discreetly slip under the waters with barely a ripple or sound.

Cameron has spent 30+ years in the Information Technology arena with a concentration on the software industry. He is passionate about the impact and opportunities that have now arisen with the rise of the social networking phenomena, witnessing a change starting to flow through all levels and areas of society. Cameron has spoken at the Australia Club, Australian Computer Society, Australian Institute of Management and INTAC 2008 (Aged Care) on the subjects of "Networking" and the "Impact of Social & Business Networks" on corporations.

ATO to analyse tax shortfalls

A new analysis system that highlights to the government several areas where less tax is collected than budgeted is to be introduced by the Australian Taxation Office, *The Financial Review* reported. So far, analysis has shown that the before-tax profit of companies increased substantially in 2010, but tax

revenue budgeted for by the government decreased to an even larger degree.

Norway-style wealth fund? No way!

Federal Treasury refused to support a Norwegian-style sovereign wealth fund to handle Australia's revenue windfall from rising commodity prices.

ASX seeks approval for Singapore marriage

The Financial Review reported that ASX Ltd and Singapore Ltd shifted their strategy and recognised the need for the support of both major Australian political parties to proceed with their proposed \$8.4 billion merger, rather than simply relying on cross-bench votes. However, a follow-up article predicted

that political roadblocks would be too great and that the deal would not pass through Parliament.

ATO investigates tax dodges

The Australian Taxation Office announced a crackdown on the cash economy, launching an investigation into 46,000 businesses suspected of under-reporting their cash sales, and targeting a further 110,000 individual taxpayers believed to be willing participants, *The Financial Review* reported. New IT systems, which can match reported income against existing records, are enabling the crackdown.

Autopsy on 'death fund' investment

The Financial Review reported that the Victorian Funds Management Corporation (VFMC) was under investigation by KPMG at the behest of the Victorian Government, after a suspicious billion-dollar investment in a so-called 'death fund.' VFMC, which manages about \$35 billion in public funds, made the investment in The Life Settlements Wholesale Funds in 2007, and has since seen a 30 per cent loss, in contrast to a positive return across the rest of VFMC's investments.

Labour-hire firms should recruit a tax lawyer

The Australian Taxation Office could fine recruitment agencies and labour-hire firms up to \$2.75 million each for participating in a tax-dodge which splits income between workers and their spouses, *The Financial Review* reported. Taxpayers and employers who are using the scheme have been given until April 30 to contact the ATO and explain themselves before it starts investigating.

When it comes to business, what's in a name?

The Federal Government ran an advertising campaign in *The Financial Review* to inform businesses about the new national business registry system, which should be implemented in 2012. The idea behind the system is that businesses will no longer have to register their name in each different state, which should save time and money. The cost of registry is negligible – \$30 for one year and \$70 for three years. Information can be downloaded at www.innovation.gov.au/businessnames

Politicians make dodgy claims

It's official: politicians are the members of society most likely to rip off the tax office. Documents obtained by *The Australian* under Freedom of Information laws revealed data from an Australian Taxation Office analysis of tax returns from 2008-09, which showed that members of parliament were the most 'at risk' of making dodgy claims in their tax returns.

Tax win for law firms

The Financial Review reported that large law firms were closer to converting from traditional partnerships to a corporate model after a decision from the Australian Taxation Office that reduced the risk that incorporation would trigger major capital gains tax bills.

Pratt to return to Australia

Anthony Pratt, son of the late businessman **Richard Pratt** and heir to the Visy empire, plans to return to Australia to run his father's packaging business, *The Australian* reported. Pratt has been based in the US, running Pratt Industries for two decades.

New Macquarie chief

The first independent chairman of Macquarie Group was appointed, *The Financial Review* reported. At his inauguration, **Kevin McCann** paid tribute to his predecessor **David Clarke**, who was forced to step down after a long battle with cancer.

Secretive Samuel scathed

Marketing and distribution company Metcash was outraged to discover that Australian Competition and Consumer Commission (ACCC) chief **Graham Samuel** had held a secret meeting with rival Woolworths in December of 2010 regarding the purchase of Franklins, and demanded that Samuel explain himself. The revelations severely undermined Samuel's credibility, as the ACCC continued with its Federal Court bid to block Metcash's \$215 million takeover of Franklins, *The Australian* reported.

Undercover financial probe

The Australian Financial Review revealed that the Australian Securities and Investment Commission will mount an undercover surveillance operation targeting financial planners' advertising to retirees. The paper said that during the financial crisis, such planners utilised flawed strategies, resulting in often-irrecoverable losses. Roughly 80 'shadow shoppers' will visit financial advisers and report back to ASIC

Executive pay laws before Parliament

New laws to clamp down on big executive bonuses were scheduled to be debated in Federal Parliament, *The Financial Review* reported. Shadow assistant treasurer **Mathias Cormann** was confident that a deal could be struck which would avoid the need for the laws to be referred to another committee. The laws would involve a controversial 'two strikes' rule, which would result in the spill of a board following shareholder protest votes.

Double trouble for taxpayers

The **Ken Henry** tax reforms were revived were temporarily revived by climate change advisor **Ross Garnaut**, who proposed that the government use

the \$11.5 billion revenue from the carbon tax to revive Henry's controversial tax reform blueprint. *The Australian* said federal Treasurer **Wayne Swan** called tax cuts a 'live option' for carbon tax compensation. However, he rejected revisiting the Henry tax reforms, pointing out that the Henry's proposed reforms would force some low- and middle-income earners to pay more. *The Australian Financial Review* said there is no appetite among senior ministers for the idea, as it would amount to a twofold tax hike on their core electorate.

Business slams summit

Labor's planned October tax summit came under heavy criticism from company directors and tax experts, who said that its exclusion of the carbon price, the mining tax and the GST rendered it essentially useless. *The Financial Review* reported that businesses were also concerned that the summit would only be held over two days, saying that it would be too short to canvas a full overhaul of the tax system. Some comments about the proposed meeting were published by the paper, including those of Qantas chairman **Leigh Clifford**, who remarked, 'We're having tax reform on the run and that's what concerns me... You can't tackle tax reform in an ad hoc way because it is inter-related'. Former Board of Taxation chairman **Dick Warburton** said that the 'GST should be included... because it's such a big part of the collection process'. **David Mortimer**, chairman of Leighton Holdings and Australia Post, argued that 'if you're going to have a summit then it should be a comprehensive review... You should put everything on the table and see what changes need to be made for the good of the country'.

JUSTICE

Airport parking

The Australian Competition and Consumer Commission proposed that the government scrutinise whether carparking facilities are adequate when it assesses the master plans which airports are required to produce. *The Australian* said the ACCC hoped the measure would discourage airports from delaying the construction of new carparks in order to charge higher prices. The proposal was in a new submission to **Julia Gillard's** from her chief economic advisory organisation, the Productivity Commission.

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Imogen Phillips, traveling the world and pictured here in her scholarly finest, recently worked as an intern with Affairs of State while she was in Melbourne. She continues her travels to New Zealand and Africa this year while wending her way back to the UK to read English at Cambridge.

Huge implications in Hogan case

The Financial Review's **Hannah Low** wrote a feature article outlining the potential ramifications of actor **Paul Hogan's** plan to sue the Australian Crime Commission for compensation of its failed five-year criminal tax investigation of him. Low says that, if the case is successful, the number of ACC prosecutions could decrease significantly, and investigations could take longer and be even more secretive.

Club's pokie campaign

Clubs are reportedly considering fighting the federal government's poker machine reforms in the High Court. *The Australian Financial Review* also says clubs may campaign against Labor MP's in marginal electorates at the next federal election in an attempt to derail the gambling limits on all poker machines by 2014.

Did ASIC really need to chop down the Forrest?

Two of the three judges on the panel that found mining magnate Andrew Forrest guilty of misleading investors have questioned whether the case was even worth ASIC's attention in the first place, Hannah Low wrote in *The Financial Review*. Judges Patrick Keane and Arthur Emmett said it was a 'curiosity' that no evidence was produced to show that any of the misled investors had sustained losses. Chief Justice Keane said that this was 'presumably because those who invested... have profited handsomely from that investment.' Keane also said that the circumstances around the case 'may be said to raise a question as to whether the prosecution of this case by ASIC was a game worth the candle.' Justice Emmett agreed, saying that 'the vigour with which the commission has prosecuted the proceeding against Fortescue is curious.' Angela Pearsall, a partner at Blake Dawson, said that ASIC is a 'model litigant and needs to do things by the book, and it's got to expect that its conduct will be viewed in the context that civil penalty proceedings are brought in the public interest.'

\$500m cardboard cartel settlement

Cardboard consumers who were over-charged for years had a landmark victory, with cartel-runners Visy

and Amcor agreeing to a \$500 million settlement over price-fixing charges, *The Financial Review* reported. The case, headed by the Australian Competition and Consumer Commission (ACCC), marked only the second instance where victims of a cartel in Australia have been compensated.

Legal move full of pro bono-fits

In a move that could benefit hundreds of under-privileged clients, Victorian lawyers are pushing for reforms that would allow them to do more pro bono work, *The Financial Review* reported. Currently, Victorian corporate lawyers are only allowed to serve their employer, a rule which does not exist in other eastern states. A national reform of these rules is currently being floated, but many believe the Victorian system should be changed immediately so lawyers can aid people affected by recent natural disasters, such as the Victorian floods.

Judge to step down

The Financial Review reported that NSW Chief Justice **James Spiegelman** announced that he would resign on May 31, days after his 13th anniversary in the position.

IMMIGRATION

Morrison misinterpreted

A report in *The Sydney Morning Herald* said that federal Liberal immigration spokesman **Scott Morrison** suggested to shadow cabinet that the Coalition politically capitalise on growing concerns about 'Muslim immigration', Muslims in Australia' and the 'inability' of Muslims to integrate. In the face of the row that erupted, Senior Liberal MP **Andrew Robb** broke shadow cabinet confidentiality to defend his colleague, claiming Morrison had been deliberately misinterpreted. **Michelle Grattan** at *The Age* summed up the situation well, saying that 'a high level leaker has taken a shot at the immigration spokesman, and the opposition has been spectacularly splattered with mud'. Morrison had earlier come under fire for his suggestion that taxpayers should not be flying survivors of the Christmas Island boat tragedy to Sydney for the funerals of their deceased family members.

Migration agents sex racket

An *Age* exclusive revealed that migration agents registered by the federal government are helping to run illegal prostitution rackets across Melbourne. The paper says that up to six migration agents had worked with the mostly Asian syndicates that run illegal prostitution in Melbourne and Sydney.

BCA wants more skilled migrants

The Business Council of Australia suggested that a larger intake of skilled migrants is the best solution to a skills crisis caused by a lack of workers in the resources sector, *The Financial Review* reported. BCA chairman Graham Bradley supported an annual immigration intake of around 180,000 a year, but suggested a one-off increase in intake this year to alleviate pressure on employers. The paper later reported that a recent record fall in migration caused

Australia's population growth to slow to its weakest pace in four years. The slump was largely attributed to foreign students leaving the country, and exacerbated labour shortage concerns.

Timor detention centre fails

East Timor has knocked back Australia's proposed refugee processing facility on its soil. Prime Minister **Julia Gillard's** idea was dismissed by East Timor's top diplomat's deputy as 'not a priority', in an interview with *The Age*. *The Australian* reported that after it became clear that the plan to build a centre in East Timor was a write-off, the Gillard government announced plans for a new detention centre to be built 35km southeast of Darwin. The 1500-bed facility, which is estimated to cost \$9.2 million, would be situated at Wickham Point, and is another example of the Labor government's detention woes after more than two years of boat arrivals. Timorese politicians declared that the original plan to build a centre in their country had received 'no momentum' whatsoever. *The Australian* says the 'Timor solution' would not be part of final discussions at the Bali ministerial summit.

Speed-up for skilled visas

In a victory for the mining industry, the federal government agreed to speed up the approval of temporary skilled migration visas as part of a campaign to address fears of a skills shortage. According to *The Financial Review*, the program would mean fast-tracked visas for 1000 adult apprentices.

We predicted a riot

The Immigration Department announced that the Christmas Island detention centre would be scaled down in response to week-long, violent riots, *The Australian* reported. The move was a big win for local residents, who had long claimed that the centre was overcrowded and warned that riots of this scale were inevitable. It took nearly 200 federal police, armed with teargas and ammunition, to finally get the centre under control in a show of brute force. The Immigration Department is now shipping asylum seekers to mainland detention centres as it was announced the Christmas Island facility would not accept new detainees.

FOREIGN AFFAIRS

Rudd's views don't fly

In what looked to be the biggest rift so far between former and current Labor leaders, **Julia Gillard** was not prepared to back Foreign Minister **Kevin Rudd's** activism in support of a no-fly zone over Libya, *The Financial Review* reported.

Why Rudd just won't go away

The Australian Financial Review reported on a special foreign affairs dinner held on March 20 at Canberra's Hyatt Hotel. **Julia Gillard** addressed the room, which included Australia's ambassadors to the G20 countries, who had been re-called at great cost for the special dinner. **Kim Beazley** flew in from Washington D.C., **John Dauth** from London. *The Financial Review* says other guests included Australian business leaders, top bureaucrats, journalists and academics

rounding out the total attendance to roughly 10 or more. However, the paper pointed out **Kevin Rudd's** conspicuous absence on the night. Apparently, the rumour on the night was that Rudd, who has been so instrumental in steering the G20's position, could not be in the room with Gillard speaking because of perceived antipathy.

BANKS

Which bank is giving away free cash??

A rogue computer system created chaos for Australia's largest bank, causing 40 of its ATMs to spit out cash to pleasantly surprised customers. The Commonwealth Bank also experienced problems with its internet and phone banking services, payment systems and EFTPOS network, on top of the malfunctioning ATMs. An article in *The Australian* reported that the ATMs, which were cut off from the bank's database, were spitting out whatever cash the customer requested, regardless of whether or not they had that much money in their account. Although it seemed like a perfect situation for the lucky customers who stumbled upon these ATMs, police warned that people who kept the money could be charged with fraud and face up to 10 years in jail. 'People should realise that even though an ATM has dispensed cash, they are not entitled to that money and are committing a criminal offence by keeping it,' NSW Detective Superintendent **Col Dyson** said.

Banks hit by strict ruling

A stricter than expected interpretation of new global banking rules by the Australian Prudential Regulation Authority means that the cost of holding liquid assets will increase for Australian banks, *The Financial Review* reported.

Price-signal bans given go-ahead

The Financial Review reported the federal government's intention to continue with its controversial plan to ban 'price signalling' by the big banks, despite negative feedback from the sector. However, the government conceded that laws against the private sharing of pricing information between banks were too harsh, and softened the regulations to allow the discussion of prices in certain cases, such as banks joining together to lend money to large businesses.

Banks want a bit of the credit

Labor's plan to scrap credit card over-the-limit fees and outlaw credit limit upgrades got an angry reaction from the big banks, with CBA, Westpac and NAB filing a submission to Treasury criticising the move, *The Australian* reported.

Banking on an Australian license

The Financial Review revealed that at least eight foreign banks had applied for Australian banking licences, in an effort to break into the largely secluded market. Big banks from Spain, India and China are among those trying to capitalise on Australia's trade links to Asia, strong resource-based economy, high immigrant population and solid regulations.

Westpac and the Bank of Melbourne

After being dumped in 2004, the Bank of Melbourne was revived, much to the delight of Westpac CEO **Gail Kelly**. According to a feature in *The Australian*, BoM's aim will be to provide better service, not lower interest rates. BoM branches will replace 34 existing St George locations in Victoria, with a further 90 branches due to be opened over the next five years. Kelly said that the original decision to kill off the BoM had not been a mistake, rather, a decision made in a different environment.

RESOURCES

Resource ramifications

Heather Ridout, chief executive of the Australian Industry Group, warned that Australia's resources boom could force substantial restructuring of the manufacturing, tourism and agriculture industries, *The Australian* reported. Ridout said that those outside the resources industry could face a tough environment over the next 10-20 years because of a strong Australian dollar.

Need to manage wealth more resourcefully

The Financial Review wrote about Reserve Bank governor **Glenn Stevens'** warning that Australia needs to be scrupulous in its management of the effects of rising commodity prices and investment, if the nation is to take full advantage of the resources boom.

Residential development critique

The Productivity Commission released a 400-page draft research report into planning, titled *Performance Benchmarking of Australian Business Regulation: Planning Zoning and Development Assessments*. *The Australian Financial Review*, which examined the report, said that it sets out a comprehensive argument for change.

All three levels of government are held responsible for the failures of the process, as all three contribute to 'objective overload' in the system. Commonwealth government criticism of the states' planning is apparently exposed as sanctimonious, with Canberra's Environment Protection and Biodiversity Conservation Act adding massively to the cost and time of decisions on urban development. The key finding of the draft was that Australian planning does not differentiate between those who make the rules, and those who implement them.

DEFENCE

Black Hawk down

The Age reported that a military Black Hawk helicopter was stranded in Moran Reserve, St Kilda, when a part failure meant that it couldn't take off after landing in the park. The paper said the helicopter had been taking part in counter-terrorist exercises that occurred throughout March, during which it dramatically buzzed between skyscrapers in Melbourne's CBD.

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Government to cross-check heroes of the past

The recent awarding of the Victoria Cross to **Ben Roberts-Smith** has prompted the government to set up an inquiry to find out whether the medal can, or should, be awarded retrospectively to Australians who served heroically in past wars, *The Australian* reported.

Gillard supports Obama's barracks

Julia Gillard is open to the possibility of allowing more US military forces to be based on Australian land, if it considered it necessary in light of the growing might of India and China, *The Australian* reported.

INFRASTRUCTURE

Smart future

An article in *The Australian Financial Review* predicted that soon we will enter an era in which technology can tell tales on traffic, energy, waste, water, housing and trees – as well as people. **Jenny Wiggins** wrote that in the UK, the national Highways Agency has some

VIEWPOINT: Swags for Homeless

Tony Clark, Founder & Chairman, Swags for Homeless Ltd.

Federal families, housing and communities minister Jenny Macklin and minister for social housing and homelessness Senator Mark Arbib are currently reviewing the Swags for Homeless \$2.1 million National Emergency Relief Homeless Program.



The Nerhp aims to give all homeless turned away from overflowing shelters across Australia an outdoor Emergency Relief Backpack Bed. This Bed is a 2.48kg all weather and mosquito protected fire retardant backpack that converts into an outdoor bed with a built-in fire-retardant insulated mattress. The guiding principle of the program is 'humanity not politics.'

The Bed has won the world's largest and most prestigious product design award for 2011, Germany's Red Dot 'Best of the Best'. It is the first time since 1955 that an Australian has won a 'Best of the Best' - and the first time a charity has won globally.

Despite the Nerhp having strong federal multi-party support, along with peak homeless bodies and 100+ charities across Australia who all believe the Nerhp is an immediate must, in February Senator Arbib stated he has no discretionary funding and instead has requested that Swags for Homeless take the long approach and contact each state and territory directly to implement the Nerhp.

The Nerhp is an initiative of national charity Swags for Homeless (www.swags.org.au).



Tony Clark founded the national charity Swags for Homeless to assist Australia's street sleeping homeless with the internationally acclaimed, life saving Backpack Bed™ which provides dignified emergency relief to homeless turned away from shelters. 3,000 have been distributed in the last 12 months via 100+ charities without any government funding.

1,800 CCTV cameras watching the motorways. Its regional control centres monitor traffic and send traffic control officers to clear roads after accidents. Perth's main roads department is apparently adopting a similar system, installing CCTV cameras throughout the metropolitan area, as part of an 'intelligent transportation systems' project that will be monitored by a traffic operations centre 24 hours a day. Wiggins also said, however, that the planned introduction of smart meters in Victoria is under reconsideration, after criticism that their benefits have been exaggerated.

NSW post-election politics begins

The Australian hailed the first 'political defeat' to the recently elected **Barry O'Farrell** government in New South Wales. O'Farrell was refused the re-allocation of federal funding from one rail project to another. The *Financial Review* says he requested that \$2.1 billion earmarked for the Parramatta to Epping rail link be diverted to the North-West rail project. Federal Transport Minister **Anthony Albanese** said the funds would go back into general revenue. However, *The Age* reported that **Julia Gillard** insisted she could work with O'Farrell, calling his approach 'reasonable' in contrast to the 'extremism' of opposition leader **Tony Abbott**.

Eddington re-appointed

The experienced **Rob Eddington** was re-appointed as chairman of Infrastructure Australia as the government battled to increase productivity on congestion-easing projects.

EDUCATION

NSW Education head expelled

The Australian announced the first head to roll under the incoming Coalition government in New South Wales. Controversial head of the state's Department

of Education, **Michael Coutts-Trotter**, was the first of many public servants who the paper said, would be summarily axed by the new **Barry O'Farrell** government.

MySchools fails to expose bad teachers

Melbourne-based writer, education commentator and teacher Christopher Bantick wrote an opinion article in *The Australian* slamming the MySchool program for not having the guts to expose under-performing teachers. He argued that, no matter how much funding a school might receive, if incompetent teachers are allowed to work with students, the education system is still failing. He expressed concern that teachers without any true understanding of language or numeracy could groom their students to pass standardized tests without actually teaching them anything.



Professor Ian Young BE (Hons), MEngSc, PhD, FIEAust, FTSE was appointed Vice-Chancellor of The Australian National University in March 2011, having previously been Vice-Chancellor of Swinburne University of Technology for 7 years.

School spending on par

Information published on the MySchool website showed that private schools spend approximately the same amount of money on educating their students which public schools do, *The Australian* reported. The report revealed that the extra money from private fees goes primarily towards buildings, sporting equipment and other facilities, not on purely educational costs.

Unlimited possibilities for new education brand

Australia's \$19 billion international education industry got a facelift under a new initiative from Austrade, *The Financial Review* reported. The industry, which was damaged by the high Australian dollar and bad publicity surrounding attacks on Indian students, revamped its image with the slogan 'Future Unlimited,' designed to link in with the broader 'Australia unlimited' branding campaign. The move was sparked by figures showing that foreign students are the biggest spending group of all international visitors, having spent nearly \$6.5 billion in 2010.

Skills imbalance called out

The Business Council of Australia launched a higher education report in conjunction with *The Australian* newspaper. The report recommended increased co-operation between business and universities, to try to address severe imbalances developing in Australia's skills pool. The chair of BCA's Education, Skills and Innovation Task Force is KPMG chairman **Michael Andrew**.

International students make sizeable contribution

An interesting graph published in *The Australian* compared the percentage of revenue from international student fees across all of Australia's leading universities. Central Queensland University had the highest figures, with 35.8% of its revenue coming from international students, while the Northern Territory's Charles Darwin University recorded the lowest at only 3.2%. Victorian giants Monash University and the University of Melbourne had similar statistics, recording 18.8% and 17.9% respectively, while the Australian National University was towards the bottom of the table at 8.2%.

Review of student finances

The federal government's student income support reforms were to be reviewed by a committee chaired by former University of Melbourne vice-chancellor **Kwong Lee Dow**, *The Financial Review* reported. The review would attempt to determine if recent changes to eligibility rules for youth allowance have helped disadvantaged students.

The business of academia

The Business Council of Australia's education taskforce launched its higher education policy exclusively with *The Australian*. The taskforce alleges that graduates still lacked essential attributes, especially in leadership, teamwork and communication. Representatives of the taskforce told *The Australian*, 'suede patch tenured academics' are more interested in preserving the status quo than working to produce graduates with the skills necessary to succeed in business.

HEALTH

Boost for disability support

In a rare show of unity, both sides of parliament supported the Productivity Commission's proposal for a high-cost national insurance scheme which will revamp disabled care services in Australia. A feature article by **Stephen Lunn** in *The Australian* quoted the commission's report, which said that 'the current disability support system is inequitable, underfunded, fragmented and inefficient, and gives people with disability little choice.' **Paul Kelly** wrote an opinion piece on the issue in *The Australian* which also supported the scheme, but suggested that a formulated revenue plan, not a tax-hike, was the best way to fund the initiative. A subsequent article in *The Financial Review* reported that the scheme would cost around \$12 billion annually, \$6.3 billion more than the current system. *The Australian's* **Henry Ergas** also wrote an impassioned opinion article supporting the reform.

Pathology cuts

An article in *The Financial Review* reported that the Gillard government plans to cut funding to the pathology sector in the May budget by nearly \$3 billion. The government is hoping to reach a mutually agreeable compromise with the industry as soon as possible, but budget restrictions mean that funding cuts will be made with or without the sector's co-operation. One favoured alternative to the current system is tendering out pathology services in regions to specific players.

Medicare bid fails

Medicare Australia's bid for the \$23.6 million contract to build the National Authentication Service for Health was ironically beaten by IBM, Medicare's own IT services provider, *The Australian* reported. The contract was awarded by the National E-Health Transition Authority from its \$218 million pool of COAG-provided funds aimed to develop e-health infrastructure. During her announcement of IBM's win, Federal Health Minister **Nicola Roxon** said the NASH would improve the security of digital communication

across the health sector and provide a framework for the proposed e-health record program. IBM has been working in an advisory role on NASH for around five years, and already holds hundreds of millions of dollars' worth of contracts with Health and Medicare.

Medicine policy leaves bitter aftertaste

Labor's decision to slash the number of new medicines which it will subsidise, until the budget returns to surplus, has shocked clinicians and pharmaceutical companies, *The Financial Review* reported. In a controversial move, new listings to the \$8.3 billion Pharmaceutical Benefits Scheme will be deferred, unless the medicines will save lives or else there is no existing treatment.

Obesity campaign

Eric, described by the *Herald Sun* as 'likeable but overweight', will reportedly go to air as part of a \$41 million four-year anti-obesity campaign. Obesity Policy Coalition senior policy advisor **Jane Martin** told the *Herald Sun* that social marketing providing people with practical advice was an important part of the fight against obesity. She pointed out that Eric would have to compete with expensive campaigns from companies that make and market unhealthy foods. Health Minister **Nicola Roxon** said the TV, print and radio campaign was aimed at men and women aged 25 to 50 with children.



Winners of e-health grant

The Australian reported that Health Minister **Nicola Roxon** announced the successful bidders for the \$55 million e-health funding pot and unveiled nine new sites for her \$467m personally controlled record program. A second wave of sites were revealed, building on the three initial lead implementation sites involving GP Partners in Brisbane, GP Access in the NSW Hunter Valley and Melbourne East. The target for the first 12 sites is to enrol more than half a million Australians before the national launch of the PCEHR (personally controlled electronic health record) next year. The projects include some targeted on specific regions or population groups, while others have a national focus.

More than 90 applications for grant funding were received, indicating a high level of support for e-health. In another development, the federal Health Department has asked Deloitte, original author of the National e-Health Strategy adopted by the Council of Australian Governments in late 2008, to prepare an 'addendum' for the PCEHR business case. Deloitte will receive just over \$155,000 to provide the material in the six months to June 30. However, details about the design and governance of the PCEHR remain scant, with Ms Roxon yet to release a draft concept of operations for public consultation promised this year.

AGRICULTURE & WATER

Farmers' milk will be spilt in Coles' war

The Australian reported that Norco co-operative, a representative of 165 dairy farms in northern NSW and southern Queensland, warned that the milk price wars started by Coles could have a devastating impact on the industry and Australian rural communities.

Vets have beef with Coles' strategy

Coles is under fire from all angles: this time from a group of leading veterinary and agricultural scientists who condemned the supermarket's 'no added hormone beef' promotion, claiming that it undermines sustainable and ethical food production practices currently used by Australian farmers.

The group is also critical of Coles' move to stop selling pork produced in 'sow stalls' – metal crates that prevent sows from turning round in their stalls and accidentally crushing piglets. Veterinary professor **Ian Lean** told *The Australian* that 'these decisions of Coles are bad for the environment, bad for people and bad for animals.'

Fewer emissions = rural profits: Garnaut

Climate change advisor **Ross Garnaut** said that the international community's push to reduce carbon emissions could be a hugely profitable opportunity for rural Australia. *The Financial Review* reported Garnaut's claims that the development of technologies for carbon sequestration – the capture and long-term storage of carbon dioxide – had increased substantially since 2008, and that, if embraced by Australian rural communities, these technologies could increase farm income.

Eggs thrown in Coles' food fight

The Financial Review reported that the egg industry had joined dairy farmers in a fight against Coles' move to lower prices in key areas of its range. **James Kellaway**, director of the Australian Egg Industry Association, said that dropping the price of free-range eggs was not economically realistic, and that the decision to phase out Coles-brand caged eggs was ill-conceived and not fair on farmers.

Woolworths milks anti-Coles sentiment

Woolworths weighed in on Coles' decision to slash milk prices, saying that the price war could cause an 'unnecessary round of massive changes' in a dairy industry still recovering from Cyclone Yasi and the floods, *The Australian* reported. In a submission released by a Senate inquiry, the supermarket giant warned that Coles had forced down milk prices to 1990s levels 'overnight,' yet the dairy industry was still paying 2011 input costs.

Supermarket break-up proposal

Senators **Nick Xenophon** and **Bill Heffernan** suggested breaking up supermarket retail giants Coles and Woolworths, *The Age* reported. They claim that other industries, such as dairy farming are incurring collateral damage in an anti-competitive

price war. However, a 2008 inquiry into supermarket competition by the consumer watchdog said grocery retailing was 'workably competitive'.

Collateral damage in milk war

Corner shops and milk bars could be the latest casualty in Coles' controversial 'milk war,' *The Financial Review* reported. The decision by Coles, and its closest competitor Woolworths, to sell milk cheaper than water will draw consumers away from independent operators and increase market share for the large chains, a submission to the Senate from National Foods said. *The Age* said Franklins supermarket chain is losing \$20,000 a week because it could not compete, according to the company's acting managing director.

Academics strike back at Coles

A full-page advertisement in *The Australian* was scathing about several of Coles' recent campaigns, including their 'Australian Supermarket First: No Added Hormone Beef' promotion, and their drastic lowering of home-brand milk prices. The advertisement, which was paid for by a group of Australian scientists, claims that the 'decisions of Coles are bad for the environment, bad for people and bad for animals.' They argue that Coles' campaigns, which appear to be environmentally and socially responsible, lack scientific backing and undermine modern farming methods.

Supermarket price wars

The *Herald Sun* reported Fosters was temporarily withholding supplies from Coles and Woolworths to prevent its beers being sold below cost. **Bart Becht**, global CEO of Reckitt Benckiser which owns brands that include Vanish, Harpic, Mortein and Dettol, told *The Australian Financial Review* that the price war was undermining brand image, and forcing companies to reduce marketing investment if the battle were to continue.

It's your dam fault!

The Australian published the findings of a report by the Queensland government which blamed river flooding in January on inaccurate weather reports, not mistakes from the government's own Wivenhoe Dam. These findings, however, were undermined by a subsequent article published in *The Australian* which revealed that a 'flood event log' might show that operating procedures were not followed properly in the disaster. If it is found that these procedures were ignored, the Queensland government could be exposed to massive legal claims by residents and insurers.

Council found lacking

Sources from within Queensland's dam management authorities revealed to *The Australian* that the Brisbane City Council influenced the Wivenhoe Dam to make lower-than-justified releases of water at critical times during the floods. This caused a dangerous build-up of water in the dam, which subsequently led to huge volumes of water being released at once, drastically worsening the effects of the flood across the state.

Cattlemen forced out of national park

Australian cattlemen called for a High Court trial, in response to federal Environment Minister **Tony Burke's** ruling that cattlemen must remove their herds from Victoria's Alpine National Park by April 8, *The Australian* reported.

Australia's fine wine

An interesting item in *The Weekend Australian* discussed the testing protocols required to gain export approval. The Australian Wine Board introduced the tasting approval process in 1929 to stop the export of shoddy wine that could harm the country's reputation. Wine Australia's compliance manager, **Steve Guy**, told *The Australian* 'the inspectors are told simply that they are to protect the reputation of Australian wine... There is really only one question they should be asking when they taste: could this wine bring Australia into disrepute?'

SOCIETY

Forrest puts pedal to metal

Fortescue Metals Group chief executive **Andrew Forrest** has replaced News Corp chairman **Rupert Murdoch** as the nation's wealthiest executive, according to the 2011 *BRW* Executive Rich List.

Vanstone's republic

Former Howard government minister **Amanda Vanstone** has argued in *The Age* in favour of an Australian republic. She said she wants all 'constitutional arrangements to be our own' and feels it will strengthen the Australian identity.

Aboriginal welfare

Northern Territory political power-broker **Gerry Wood** called on the Gillard government to cease welfare payments as a way to end violence and social crisis among Aborigines. He was quoted in *The Age*, saying 'we are bringing up generation after generation of Aboriginal people who have never worked properly'. Wood said Centrelink payments, which are known in the Territory as 'sit-down money', should be given to community organisations that could provide jobs, even if these were simply raking or mowing the grass. *The Age* wrote that Wood had worked with Aborigines for more than a decade, and in his opinion cutting welfare would be hard but the government had to look at long-term solutions. In a letter obtained by *The Australian*, traditional owners and elders in Alice Springs wrote to prime minister **Julia Gillard**, urging her to 'sit down with us together in the dirt' with **Tony Abbott** to develop an apolitical solution to the town's social crisis.

Open door for gay marriage law

Despite being personally opposed to gay marriage, **Julia Gillard** removed obstacles to the social agenda of the Australian Greens, a step towards the possible legalisation of same-sex unions. An article in *The Australian* said that the Greens, on whom Gillard relies to maintain her minority government, were also pushing the Prime Minister to facilitate a conscience vote attempting to reverse a 1997 federal bill that outlawed Northern Territory euthanasia laws.

At present, the Commonwealth has the power to override Territory laws, something which former prime ministers Kevin Rudd and John Howard both relied upon to block previous attempts to legalise same-sex marriage. However, a bill proposed by Greens leader **Bob Brown**, which would be supported by Labor would remove the Commonwealth's right to veto territory laws, unless such a veto is approved by both houses of parliament. In response to this news, *The Australian's* political editor Dennis Shanahan wrote an analysis piece that criticised Gillard's willingness to let the Greens muscle her out on policy decisions. **Paul Kelly**, also from *The Australian*, wrote an article of a similar nature the next day.

Hail of criticism forces Gillard to rethink

Just 24 hours after throwing her support behind a Greens-led proposal to restrict Commonwealth's veto over Territory laws which would subsequently open the door for same-sex marriage legislation, **Julia Gillard** backed down, saying that 'the government may reconsider the matter.' In response to an angry backlash from Labor MPs, and a barrage of media criticism suggesting that she had caved to the demands of the Greens, *The Australian* quoted Gillard as saying that she had 'sought further advice on the issue,' and was not prepared to make a final decision until later. Greens leader **Bob Brown** said that same-sex marriage was only one of the issues affected by the Territories' rights legislation, and that the bill needed to be examined more broadly.

Gillard plays it straight

Julia Gillard stuck by her personal opposition to gay marriage, despite previous policy decisions that could have opened the door for its legalisation, *The Australian* reported. Gillard also hit back at opposition suggestions that the Greens had hijacked Labor's political agenda in the wake of a controversial policy backflip, with opposition leader **Tony Abbott** saying that the Greens' gay marriage push was a sign that they were running Gillard's government. Her original decision to back a bill put forward by the Greens, one that would remove ministers' rights to overturn Territories' laws, was a step towards the legalisation of gay marriage, and evoked angry responses from members of the Labor Right.

Escaping the rat race

A surprising story published in *The Australian* revealed that, contrary to widely-held beliefs, Australia's population is actually moving away from big cities, not towards them. A \$110,000 study commissioned by the Gillard government, and conducted by academics from the University of Adelaide, found that the move to regional areas was far greater than a temporary 'sea-change' effect, and would influence future settlement policies, as well as the work of Population Minister **Tony Burke**.

No more hidden a-genders

Leading economist and Westfield board member **Judith Sloan** wrote an opinion article in *The Australian* arguing against gender quotas for high-powered positions, saying that if women are to achieve high-powered positions they need to earn them on merit. In response, opposition Treasury spokesman **Joe**

Hockey argued that a quota might be necessary, but only as a last resort if all else fails. His argument was based on the fact that female board representation remains at only 8.5 per cent, the same level as it was 10 years ago.

Gender audit for business

A new reporting regime for businesses to be put before Parliament, and due to start in 2013, will focus on promoting gender equality in the workplace, *The Financial Review* reported. The system, which would affect all companies with over 100 staff, would force business to periodically report 'tangible outcomes' on gender equality to Canberra. Government suppliers that fail to comply would lose their contracts under the new rules, which would shake up the \$24 billion government procurement industry. The move was later slammed by businesses, who argued that extra reporting would be ineffective and would only increase red tape.

Worth \$1m? Welcome to the club!

Australia's property boom has reached ridiculous proportions, with data published in *The Australian* showing that 212 suburbs across the country have median house prices of \$1 million or over. Information from property research firm RP Data showed that the number of suburbs in the 'million dollar club' has increased by 55 since last year, and by an astounding 134 since 2005.

Super smart money

A 'smart money' special in *The Australian Financial Review* warned readers of penalties that can be applied for over-contributing to ones superannuation. 'The Australian Taxation Office continues to issue wildly disproportionate tax penalties for relatively small sums that exceed the annual amounts that can be contributed to super'. The special estimated that more than 48,720 of those who breached their caps last year are likely to be issued with penalty tax bills, in some cases 93 per cent, or even 138 per cent on 'amounts simple common sense would determine were the result of inadvertent mistakes'.

NATURAL DISASTERS

Government to review disaster insurance

In the wake of the recent spate of natural disasters, the Gillard government launched a review into natural disaster insurance policies, *The Financial Review* reported. The review, which was designed to be comprehensive, covered such issues as non-insurance, underinsurance and the possibility of subsidising premiums for those in the highest risk areas.

Rebuilding chief learns from past mistakes

John Fahey, the former NSW premier now in charge of overseeing the government's \$5.6 billion disaster relief package, plans to learn from the mistakes of the bungled Building the Education Revolution program, *The Australian* reported. Fahey has been reading **Brad Orgill's** assessment of the failings of the government's \$16bn education stimulus package as an indication of what not to do in his current position.

Global relief effort for Japan

100,000 Japanese soldiers were joined by aid workers and search teams from around the world in a huge collaborative relief effort in tsunami-ravaged Japan, *The Australian* reported.

Japan crisis hits economy

Japan's nuclear crisis caused havoc on global financial markets, with a report in *The Australian* estimating that \$680 billion had been lost. Upon news of radiation leakages, Japan's stockmarket fell a whopping 14 per cent in one day. It was predicted that these dire economic consequences would force the Reserve Bank to slash rates.

Nuclear crisis shrouded in misinformation

Gavin Atkins, a former employee of the Australian Nuclear Science and Technology Organisation, wrote an opinion article in *The Australian* that was heavily critical of the International Atomic Energy Agency's (IAEA) communication with the public regarding Japan's nuclear crisis. While Atkins acknowledged that the IAEA is a highly respected and important organisation, he described their failure to explain basic facts, such as what radiation levels actually mean, as 'woeful.' Atkins argued that some of the worst consequences of nuclear disasters in the past have been social and psychological, and that the IAEA was responsible for minimising this by making sure that the public is informed as completely and accurately as possible.

Foreign governments urge evacuation

As the Japanese nuclear disaster worsened, *The Australian* reported that foreign governments and companies were urging their people to get out of Tokyo as soon as possible, with fears that radiation from the stricken Fukushima reactor could move south. The disaster was rated the worst since the Chernobyl meltdown in 1986.

Japan faces double energy blow

George Friedman, chief executive of STRATFOR, wrote an article in *The Australian* warning that Japan's reliance on nuclear power and oil as its two primary sources of energy had left it doubly vulnerable in the wake of its nuclear disaster.

APPOINTMENTS, JOBS AND TENDERS

Appointments

Former Public Service secretary **Patricia Scott** was appointed to run the Productivity Commission's inquiry into long-term disability care. Scott is a former economist with the Reserve Bank and deputy secretary at Industry. Mandarin speaker and Bachelor of Economics **Frances Adamson** was appointed by Foreign Affairs Minister **Kevin Rudd** as the new ambassador to China.

Jobs

Environmental research position
The Co-Operative Research Centre for Greenhouse Gas Technologies was advertising

for the position of Chief Executive Officer based in Canberra. The centre is one of the world's leading collaborative research organisations on carbon dioxide capture and geological storage. Applications can be made quoting reference number 5879 via email (search@watermarksearch.com.au) or mail (GPO Box 2708 Sydney NSW 2001). Tel: (02) 9233 1200

Exciting medical position

The Federal Government advertised for the Canberra-based position of Chief Medical Officer of Australia, to replace outgoing chief Prof **Jim Bishop**. Applications can be made by contacting **Ian Hansen** at ian.hansen@emailme.com.au or 0408 306 769.

Indigenous Land Corporation position

Director positions are available on the Board of the Indigenous Land Corporation. Application kits can be downloaded at www.fahcsia.gov.au. For further information call 1300 883 460.

Agricultural CEO wanted

The Livestock Health and Pest Authorities (LHPA) was advertising for the position of CEO, based in Orange, NSW. Applications can be made quoting reference number 5881 by email (search@watermarksearch.com.au) or mail (GPO Box 2708 Sydney NSW 2001). Tel: (02) 9223 1220

Murray-Darling position

The Murray-Darling Basin Authority was advertising for a four year, part-time board position. Applications can be made to mbavacancy@environment.gov.au or by contacting **Sue Grant** on (02) 6274 2668

Ambulance chief position

The Council of Ambulance Authorities (CAA), which is the peak body for the ambulance industry, was advertising for the position of CEO. Applications can be made before April 18 to **John Mollett** on (02) 9964 9099.

National Health Call Centre

The National Health Call Centre Network is a government owned group that operates an integrated national electronic health information service. It aims to improve efficiency and effectiveness of the Australian healthcare system.

WANTED

A young dreamer to join a luncheon discussion on High Speed Rail in Melbourne in April.

Email alistair@affairs.com.au or phone 03 9654 1300.





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