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THE AUSTRALIAN FINANCIAL REVIEW

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■ Rules out taxing withdrawals ■ Contributions, earnings on agenda ■ Industry backlash

No super tax for over-60s: PM

Germa Daley and Sally Patten
Prime Minister Julia Gillard has ruled out taxing withdrawals on superannuation for people aged over 60, narrowing changes the government can make to the super system to pay for big spending promises. Facing intense pressure over the past week about possible changes to the super regime that were leaked to *The Australian Financial Review*, Ms Gillard told Parliament Labor would keep its May 2010 assurance

POLITICAL MOVES
The impact is still reverberating through an industry that had been gearing itself up for a massive fight on the issue. *Journalist Hewett, page 2*

when it released a review of the taxation system by former Treasury secretary Ken Henry in 2010. Areas the government might now consider changing include the 15 per cent tax rate on super contributions, which is forecast to cost the govern-

ment \$19.7 billion in foregone revenue in three years' time, and the 15 per cent tax on earnings that some Labor members of Parliament believe favours the wealthy.

Ms Gillard came under pressure from the super industry, savers and former Labor ministers — including former superannuation minister Nick Sherry, who said the tax rules shouldn't be changed — to clarify the government's position.

Former treasurer Peter Costello, who simplified the superannuation

rules, claimed Labor risked "killing" the system.

Government Whip Joel Fitzgibbon had cautioned Ms Gillard on the mooted changes, which he said might create uncertainty, although he noted there were some inequities and inconsistencies in the system that needed to be resolved.

"We do need to be very careful," he told Fairfax Television on Wednesday. "Aspirational Australia is sick and tired of changes, constant changes to

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China to ease grip on interest rates

Angus Grigg and Lisa Murray
AFR correspondents
SHANGHAI

China's new leaders have taken their first step towards transforming the world's second-largest economy by sketching out a plan to raise incomes, drive consumption and reduce social unrest by loosening interest rate restrictions.

"Reform guidelines" released by China's cabinet outline how the central government plans to double incomes by 2020 and reduce what it says is dangerous inequality.

The plan, which has been a decade in the making, may force the Communist Party to reduce its grip on the banking system and promote a greater role for the private sector.

The centrepiece of the blueprint is a plan to allow banks greater flexibility to set interest rates.

At present Chinese deposit rates are kept artificially low, which provides cheap capital to fund government projects and loans to

Continued page 17



Unless the forces of mass consumption is part of the aim in China's new plan.

Photo: BLOOMBERG

Health chief urges better GP funding



Carrie LaFrenz

Australia's biggest medical centre owner, Ed Bateman, has urged the government to pour more money into general practitioners as the expense of services such as physiotherapy and podiatry, claiming a 15 per cent drop in funding over the past five years has hurt health sector productivity.

The Primary Health Care chief, who owns 77 medical centres across Australia, said real government expenditure on GPs had fallen from \$353.10 to \$299.40 per person between 2007 and 2012 as the federal government cut back on mental health rebates and incentive payments for nurses.

"The outcomes of this include a 5.6 per cent increase in waiting times for patients [in GP clinics, according to a Productivity Commission report released last week]," Dr Bateman told *The Australian Financial Review*.

"If there is no change [in government] come September, queues are going to get worse and the outcomes are going to get worse. What you need is better funding for GP services, not the ancillary services.

"I'm not saying they should spend

Continued page 8

Car aid secrets slammed Costello puts on new hat

A decision by the federal Industry Department to keep payments to foreign car makers secret was so bad it raised questions about whether the department should remain in existence, according to former chairman of the Automotive Industry Authority Bill Scales. "This takes us back to the bad old days of the 1960s and '70s,

where the Industry Department saw the industry as their client rather than the Australian public," he said.

GM Holden and Ford said they didn't ask for the information, which was sought under the Freedom of Information Act, to be kept secret.

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Tim Wilson: Opinion, page 55 ■

Former treasurer Peter Costello has left BKK Partners, the boutique corporate advisory firm he helped found, to concentrate on his lobbying firm ECG Advisory.

Run by two of Mr Costello's former advisers, Jonathan Epstein and David Gazard, ECG provides government relations services and has risen in prominence as businesses position themselves for a possible change of government.

Mr Costello said he would be focusing on financial advice rather than lobbying. "I enjoy corporate life and I find the remuneration is a lot better than the prime minister's," he added.

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Exploited interns in legal sights

Workplace

Rachel Nickless

Employers, job advertisers and employment consultants could face fines of up to \$51,000 as part of a blitz on exploitative unpaid internships, despite the law being unclear.

Fair Work Ombudsman Nicholas Wilson said on Wednesday that he would be investigating employers in the media, hair and beauty, hospitality, retail and legal industries in particular because of widespread exploit-

ation of unpaid workers. He would seek to carry out audits and bring test cases in each of these industries.

Maximum fines would be \$51,000 for companies and \$10,200 for individuals. Those targeted would be "businesses which are clearly exploiting people" and intermediaries, such as those who advertised exploitative internships or employment consultants who took fees to match interns with these roles.

Mr Wilson released a report by professors Andrew Stewart and

Rosemary Owens that found employers were increasingly using unpaid interns to do work that was normally done by paid employees.

But Professor Stewart, a leading employment law expert, said he was unable to succinctly define what was legal and what was not.

There is an exception in the Fair Work Act allowing employers to offer unpaid workers "vocational placements" to fulfil a requirement of an educational institution, but the report found the exception was ambiguous.

Many internships — even those

promoted by universities — fall outside the exception. In these cases, it is a question of whether the worker and employer have an employment contract and if so the worker must be paid — but this is a complex issue.

Mr Wilson said he planned to launch community and employer education campaigns and new guidance notes over the year.

Australian Chamber of Commerce and Industry's Peter Anderson said: "There should be no rush to judgment or knee-jerk responses by the inspectorate or government."

Labor's icebreaker vote saver

Exclusive

Defence

John Kerin

The Gillard government could give the green light to building a 6600-tonne Antarctic icebreaker in Adelaide before the election as it tries to secure thousands of naval shipbuilding jobs in three states.

The Australian Financial Review understands the Defence Department is working up a proposal for Defence Minister Stephen Smith on the feasibility of the Adelaide-based Air Warfare Destroyer Alliance being the prime contractor to build a replacement icebreaker for Australia's Antarctic Division. The move would aim to support 2500 naval ship construction jobs in Adelaide, Melbourne and Newcastle.

Preserving defence jobs, particularly in South Australia, is seen as vital to the Gillard government retaining seats, after the state's economy was hit by BHP Billiton cancelling its \$30 billion Olympic Dam expansion last year.

The icebreaker proposal is an alternative to building a fourth 6500-tonne air warfare destroyer to help shipbuilders avoid massive job cuts between the wind-up of the Adelaide-based \$8 billion AWD project from 2016-17 and the start of the ambitious new submarine project in the 2020s.

The alliance, which is a partnership between the federal government weapons purchaser the Defence Materiel Organisation, systems giant Raytheon and Adelaide submarine and ship builder ASC, is building three warships for the Navy, with the first to be launched in 2016.

As with the AWDs, icebreaker construction would be spread across at least three states, including ASC in Adelaide, destroyer subcontractors Forges in Newcastle and the BAE Systems Australia Williamstown shipyards in Melbourne.

Mr Smith has reset the schedule to try to stretch out the work on the AWDs to 2019.

A Request for Proposal to replace the existing icebreaker, the 24-year-old Aurora Australis which is under lease to the Australian Antarctic Division until 2016, has been issued.

"Building an Antarctic icebreaker is a challenging project, obviously minus the combat system," a Defence source told the AFR on Wednesday. "And at least the money would not have to come out of the Defence budget."

A separate submission, to build a fourth air warfare destroyer, is with Mr Smith. It argues that another warship would enhance the Navy's firepower and preserve valuable industry jobs.

But the price tag for a fourth warship — up to \$1.8 billion — may be too steep at a time when the Minister is keeping a tight rein on defence spending and has refused to rule out further budget cuts.

A Coalition government will not boost defence spending in the short term, though Opposition Leader Tony Abbott has pledged it would make no further cuts.

The federal government has come under fire for cutting or deferring up to \$25 billion of defence projects since former prime minister Kevin Rudd released his ambitious \$275 billion weapons wish list in 2009.

The defence industry has shed at least 5000 jobs.

States reject threat on alcohol curbs

Indigenous affairs

Joanna Heath

Liberal-controlled state governments have hit back at Prime Minister Julia Gillard's warning of federal action to overcome the reversal of measures in some states designed to limit alcoholism in indigenous communities.

Delivering the fifth annual Closing the Gap report in Parliament yesterday, Ms Gillard said the Northern Territory government's decision to abolish a banned drinkers register threatened to bring back the "rivers of grog" to indigenous communities.

"The government will take action in response to any irresponsible policy changes that threaten to forfeit our hard-won gains," she said.

Under legislation passed in 2012, the Indigenous Affairs Minister has the power to impose alcohol restrictions on areas and to appoint assessors to examine licensed venues which are judged to be of concern.

NT acting Chief Minister Robyn Lambie said she was "unimpressed" with Ms Gillard's statement.

"For Julia Gillard to start dictating from Canberra how we should implement alcohol policies and what they should be is an absolute nonsense," Ms Lambie told ABC radio.

Ms Gillard also singled out the Queensland state government, which is considering winding back remote community alcohol restrictions.

"I am concerned about plans touted by the Liberal National Party



Friends and fighters ... traditional owner Jeffrey Lee and Bob Hawke at Parliament House yesterday. Photo: ANDREW MERRIS

Defenders celebrate win for the land

Bob Hawke reflected that a bitter cabinet dispute over the banning of uranium mining in Kakadu had contributed to his demise as prime minister, as Labor moved on Wednesday to plug the "hole in the heart" of the national park.

In Parliament to witness Labor revoke a 1981 law that costs have allowed uranium mining in the Kooragang region, Mr Hawke said his determination to protect the Coronation Hill site had cost him the support of cabinet colleagues.

He said it demonstrated the need for a leader to assert authority and govern for the long term. "I didn't have the

numbers but I had the authority so we got the right decision," he said.

Asked whether Julia Gillard enjoyed the same authority, Mr Hawke said the Prime Minister had demonstrated she could make tough decisions, including setting the election date and her "captain's pick" of Nova Peris for Labor's Northern Territory senate ticket.

The former PM said some of his colleagues had been sceptical about the spiritual significance of the site to indigenous people, who believed a serpent resided there.

"I just blew up, I said 'bugger me', I

said, 'you have no difficulty embracing the concept of the Holy Trinity, the virgin birth ... the important thing is that ... all of us respect the deeply held beliefs of others,' he said.

Environment Minister Tony Burke paid tribute to Mr Hawke and to traditional owner Jeffrey Lee, who turned down millions of dollars offered by the French company that owned the uranium rights to the area in favour of its protection.

"Money comes and goes but the land is always here," Mr Lee said.

"If we look after it, it will look after us."

Sophie Morris

in Queensland to wind back restrictions in that state, too. "Tragedy" was the word [Aboriginal activist] Noel Pearson used to describe the Newman government's plans," Ms Gillard said.

"I call on the Liberal National Party to exercise extreme caution" in his review.

Queensland Premier Campbell Newman said he would press on with the review. "I simply say the policy

of discrimination against Aboriginal people is not appropriate," he said. "We need to tackle alcohol abuse issues across the board."

with AAP
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Health chief calls for smarter funding

From page 1

what doesn't exist. It's more about proper allocation. Ontop of that there should be a CPI increase."

Dr Bateman's comments came as other health sector executives, including private hospital operator Healthscope's chief Robert Cooke, also raised concerns about increased pressure on the public system.

GPs are subsidised by the government on an itemised basis for services ranging from a general check-up to diabetes care plans, under which a patient is entitled to a certain number of ancillary services. Dr Bateman argues that the use of chronic disease care plans, which require GPs to prescribe for services such as podiatry, are too complex and create an unnecessary burden for GPs. He said Medicare should directly fund the allied health services and cut out GPs.

The Labor government has focused on the public health system and



Primary Health Care chief Ed Bateman, left, yesterday. Photo: MICHELE MOSSOP

strengthening the role of nurses and other allied health professionals. The government's decision to build GP "super clinics" also angered doctors even though the rollout of super clinics has fallen massively short of forecasts.

Dr Bateman said the funding crisis for GPs was creating a strain on the

public hospital system. "The result of all this is waiting times in GP practices and waiting times increasing in hospitals and the outcomes are not getting any better," he said. "There clearly needs to be an increase in funding by government." He added the funding decline had contributed to GPs being

"less productive than they used to be".

Dr Bateman said the government should cut the \$500 million-plus Medicare Locals administrative service to save money for GPs. Medicare Locals administrators grants for after-hours medical services and community nursing. "They are spending the money in the box but they are allocating the wrong way," he said. "Ironically, we are benefiting from misallocation of funds too, as our ancillary services are growing quicker."

Healthscope's Mr Cooke said increasing pressure on GPs combined with low or minimal fee increases and lifestyle pressure on doctors were creating longer waiting times.

A spokesman for Health Minister Tanya Plibersek said the government was committed to GPs. "Because of our reforms, bulk-billing rates are at a record 81.7 per cent," he said. "Under the Coalition they hit rock bottom at 67 per cent."

He also defended Medicare Locals.

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