

Inside Canberra

Rob Chalmers - bringing you the latest business intelligence from inside Federal Government

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From the Gallery

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- Many political writers appear capable of swallowing anything on the Labor leadership debate - witness the *Sydney Daily Telegraph's* fanciful front page yarn about Bill Shorten's early arrival in Parliament. "Bill for PM" said a headline on page one. Shorten already has pre-selection for the safe seat of Maribyrnong, having won a nasty fight with the sitting member, Bob Sercombe.

- The theory is that Sercombe would resign soon and Shorten would enter Parliament in the by-election. Of course, Sercombe is not going to oblige. The idea is absurd. Taxpayers would be rightly outraged at an unnecessary and expensive by-election just to suit the convenience of the ALP.

- Howard would have a field day bashing Beazley for gutlessness. Shorten, by good luck, has had positive and extensive public exposure as a result of the Beaconsfield mine disaster, and so has the union movement.

- Shorten will certainly be in the next Parliament, but if Beazley loses and stands down (as he would most certainly do), Shorten would not win the leadership. He has a dazzling image at the moment, but he has nowhere near the public stature and recognition Bob Hawke had when he left the ACTU and entered Parliament.

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Murdoch's retirement advice rocks Howard

John Howard would have been rocked to his back teeth by the advice - proffered by Rupert Murdoch as he entered this week's banquet for the PM - that Howard should resign while he is in front. The Yankee controls some 70% of Australia's daily newspaper circulation, and of most interest, he has the two with the largest circulation - the *Sydney Daily Telegraph* and the *Melbourne Herald Sun*. Murdoch has a long history of using his newspapers and electronic media as vehicles for his own political purposes. He has done this in Australia, England and the US. Murdoch claims that his minions - editors and news directors - don't take directions from him. Journos rightly reply that they don't have to, as they always know what the boss thinks.

Costello obviously pleased

Now Murdoch's editors in Australia know from the News Ltd chief's own public utterances what he wants - Howard out. The corollary to such signals is he wants Peter Costello as PM. Murdoch definitely doesn't want Kim Beazley. Costello greeted the excitement in Washington with some enthusiasm, saying he thought Murdoch was very intelligent and he always paid a lot of attention to his views. And indeed, why not? Howard has not been able, in his ten years in office (and almost a year with Senate control), to make any changes to cross-media ownership laws which would please Murdoch. No doubt many mum and dad shareholders in News Ltd (and even big institutions) would like Murdoch (75) to retire, not Howard (66).

No poll bounce from Budget for Government

Tuesday's Newspoll, taken last weekend, was strange. The headline was the Coalition - which had led Labor two-party preferred before the Budget - slipped back and Labor moved up last weekend for a 50-50 outcome. This could mean people were not enthusiastic about the Budget, or if they were, they believed this was what governments are supposed to do anyway, and deserve no extra praise. This latter conclusion could be drawn from the fact that 51% said the Budget was good for the economy (which is not quite the same thing as saying it is good for me), while 20% said it was no good.

Swing voters views not known

In political terms, this doesn't mean much. The poll showed 70% of Coalition voters thought the Budget was good, and only 39% of Labor voters considered it to be so. What is not known is the support given the Budget by swing voters and supporters of other parties, whose preferences are vital. Uncommitted was high at 21%. Newspoll asked a silly question - would Labor have delivered a better Budget? 61% said 'No', and 26% said 'Yes'. Yet predictably, 81% of Coalition voters said 'No', and 55% of Labor voters said 'Yes'. Once again we don't know the views of swing voters and supporters of other parties. Uncommitted was 23%.

ACTU clever on petrol compensation

Those who want Bill Shorten in Parliament early (see *From the Gallery*) argue the Labor IR spokesman, Stephen Smith, is not cutting it. Yet nor is Howard's IR Minister,

Andrews reply doesn't excite

Kevin Andrews. The ACTU doesn't need the help of pollies, including Beazley. Shorten and Greg Combet are doing an outstanding job for the union movement outside of Parliament, and are winning the support of workers in their fight against Work Choice. For example, the ACTU has cleverly opened up the issue of protecting workers from high petrol prices. It will go before state IR Commissions in all states except Victoria, and seek a minimum wage rise for those under state jurisdiction of almost \$20 - to \$503.80 a week. This has forced Andrews into the position of opposing such a rise. He says that in the past, state tribunals have passed on wage rises awarded by the Federal Commission.

By pursuing separate cases in the states, Andrews argues - instead of waiting for the Fair Pay Commission's determination - the ACTU is "jeopardising the long standing practice of national consistency in minimum wage adjustments." Maybe, but this is hardly an argument which will persuade workers they don't deserve an offset to high petrol prices. It is a bit rich Andrews talking about "long standing practices". It was the long-standing practice (over a century) for the Federal Commission to deal with wage rises, up until the practice was wrenched from it by John Howard. The ACTU wins both ways. If the state bodies accept Andrews' argument he will be seen as working against compensation for the petrol price rise (There shouldn't be any compensation for high petrol prices, we have to learn to live with them, but here we are talking about politics). If a wage rise is granted, then later in the year, the Fair Pay Commission would surely have to at least match it.

Skills - blame the states

Businesses big and small have probably paid little attention to question time in Parliament last week. Apart from trying to work out what the Budget meant, many of them would have been engaged in trying to recruit suitable staff, especially skilled trades people, as well as engineers. If they had listened to question time they would have been disappointed. Asked about training opportunities for young Australians, John Howard said things were not good and blamed the states (NSW and WA in particular). The Treasurer appears to think the government is doing wonderfully well in the field of technical training. Kim Beazley asked Costello if he agreed with ACCI chief, Peter Hendy, that skills shortages are "the number one complaint of investors in this country?"

Costello - everything's right

Beazley said - according to the Budget - funding for vocational education and training as a proportion of total expenditure would fall from 0.75% now, to 0.67% in 2009/10. Costello decided defence was the best form of attack, saying - "This government has put in place a system of training and apprenticeships which is better than anything Australia has had for a decade." He then recited a list of meaningless Budget initiatives in the training area. The Treasurer also had an entirely new take on the shortage of labour. He said that when he was in Opposition, he never heard anyone talk about a shortage of workers for jobs because unemployment was at 10.6%. "If I had the choice between an economy in which there were more jobs going than workers, and an economy in which there were more workers going than jobs, I know which one I would choose. I know what the Australian public would think the better problem was: a shortage of labour rather than excess labour." Well there you go. Bosses should stop whingeing about labour shortages, because the Treasurer of the nation believes things are quite okay where we are now.

Don't blame Nelson for Defence mess

The deep embarrassment suffered by new Defence Minister, Brendan Nelson, over the latest Kovco case mess up has produced wry grins among some in Government, especially those who see Nelson as far too pushy in pursuing his ambitions. Nevertheless, he can hardly be blamed for the latest blunder - the loss of the file relating to the circumstances surrounding the return of Private Kovco's body. Yet Nelson has made his own errors. He rushed to give three different explanations for the death of Kovco, and then told the media not to speculate. A thorough review of Russell Hill might yet result. Defence administration is in a mess: helicopter purchases have flopped, there have been

Kovco and helicopter purchases

equipment failures in the Army, billions in Defence assets are unaccounted for, project schedules are being manipulated to hide budget over-runs, and Defence can't meet the standards required by the Auditor-General. None of this is Nelson's fault - Defence Ministers back to Kim Beazley all have degrees of responsibility. But most of the blame should be carried by the former Minister, Robert Hill, who now sits in a cushy job as Ambassador to the UN in New York.

Hill got rid of Allan Hawke, who was Secretary of the Department when he came to the portfolio. He replaced Hawke - widely acknowledged as an excellent manager - with Ric Smith, a diplomat with no background in managing major departments. The mess-up over the return of the body of Jake Kovco may yet have far reaching consequences for other billion dollar military purchases. Russell Hill has decided to replace the ageing American Black Hawk helicopters with the Eurocopter MRH90, and already has 12 troop lift versions on order to operate from the Navy's amphibious ships. The sharp pencil brigade in Defence believes a further 28-34 should be ordered - sufficient to replace all the Black Hawks (and Sea Kings). The Americans are still smarting from their Apache helicopter losing out to the Eurocopter Tiger for the armed reconnaissance project (Air 87), which is now late and has performance deficiencies and cost blow-outs which the Auditor-General says might have made the Apache a better choice. Because of the Kovco body return mess-up, Nelson cancelled a visit to Washington where he could have told Defence Secretary Rumsfeld and Vice-President Cheney the MRH90 purchase was a done deal, whilst rebuffing any hard sell on the Black Hawks.

US pushes for new Black Hawks

Howard has now conducted the same meetings which Nelson missed out on, capped off by the all important head-to-head with Bush. The PM would have a different agenda, and a different perspective than Nelson, especially given the lavish reception Bush turned on for him. As such, Howard would be much more amenable to a re-think on the Black Hawks. Time will tell. Howard would also have been in a position to put a deal to the Americans relating to the 11 failed US-sourced Super Seasprite helicopters, which cannot be used for military purposes. One suggestion was for Australia to ask the US to take back the Super Seasprites as a trade-in to reduce the cost of a new Black Hawk fleet. America should regard Australia as a valued customer, quite apart from Howard's support for the Iraq war. Nelson only recently announced the purchase of up to four Boeing Globemaster C-17 cargo planes, costing \$2.2 billion.

PM's odd take on uranium

What was John Howard up to in Washington with his raising the issue of Australia leasing its uranium to nations which have not signed the Nuclear Non-Proliferation Treaty, and then re-processing the spent fuel back in Australia? It seems he might be preparing some sort of a wedge politics attack on Labor over uranium. Peter Costello this week said the leasing concept was decades away, and he is in agreement with Ian Hore-Lacy (GM of the Uranium Information Centre). Hore-Lacy points out that leasing involves processing the uranium here, not simply shipping off the raw uranium to the country involved in the lease deal. When it was used, it would be shipped back to Australia for disposal in a geological repository or reprocessed to recover the unused uranium. All this, says Hore-Lacy would take a lot of capital, and would be 20 years off - by which time everyone now in Parliament would have long since retired. Then of course there would be domestic resistance to such a deal. The Government has had to go to the Northern Territory, where it can do what it likes, to find a site for disposing low level radioactive material produced in Australia, and break an election promise in the process.

Petrol discounting damaging

It is increasingly obvious that the decision by the ACCC to approve the Caltex/Woolworths and Shell/Coles shopper docket discount schemes has led to serious problems for the nation. At the time, the scheme may have appeared to be well inside ACCC competition guidelines.

Govt aids big oil

Yet now the two retail giants and their big oil partners are rapidly moving towards domination of the urban market. The response of Industry Minister, Ian Macfarlane, has been a legislative and regulatory fix which will hand over retailing entirely to the four oil majors - adding to their already vertical dominance of the market. David Purchase, CEO of the Victorian Automobile Chamber of Commerce, put it this way (7 May) - "Surely the government can see that in combination with the removal of the cap on the number of retail outlets the oil majors can own and operate, allowing them to discount vertically to their own network - while at the same time denying equitable access to discounted product to the independent sector - hands the oil majors the petrol market on a plate."

Macfarlane has legislation in the Parliament to repeal the Petroleum Retail Sites Act - which restricts oil companies to owning and operating about five per cent of retail sites. Yet the industry believes BP and Mobil will not be able to compete with shopper docket sites in urban Australia, or indeed anywhere else where shopper docket discounting is available. The scheme has greatly added to the profitability of the supermarket giants, and this raises the inevitable question: if they become in effect a petrol duopoly, what will be the reality of a 4c a litre discount - 4c off what? Obviously the supermarkets are subsidising the discount price, and it is not known to what extent this would have raised grocery prices. If petrol competitors BP, Mobil and the independents are no longer present, or have far fewer sites, there is less need for a fair dinkum discount. There is no transparency as to how Woolies and Coles structure the shopper docket schemes, and cover the cost of the discounting.

Joyce jacks up over petrol

The Senate Finance Committee has recommended that the repeal legislation be passed, despite anger among committee members at the actions by Macfarlane. It was not until we contacted the secretariat of the committee that it came to learn Macfarlane had made regulations under the Sites Act which had the effect of rendering the Act null and void - even before the Senate voted on whether the Sites Act should be repealed. The regulations removed from the Act the names of the four oil companies and the number of sites they are allowed to own and operate. This removed restrictions on the number of sites the oil companies could own and operate even before the repeal legislation passed. Last week, Nationals Queensland Senator, Barnaby Joyce, gave notice of a motion to disallow the regulations. On Monday, Joyce said he was not backing down from opposition to the changes. Joyce also knows that the aim of the legislation is to 'reform' petrol retailing - which means less service stations and bigger profits for the major oil companies.

It all depends on Labor

The reduction in service stations will be particularly felt in rural Australia, where many will have to drive further to fill up. Nationals Leader, Mark Vaile, did not comment directly on Joyce's position. His office said, rather lamely, that Macfarlane was making information available to Joyce. This in itself is somewhat of a sleight to Joyce, since he was on the Senate committee which took voluminous evidence on the legislation. All sides agree that the Sites Act has become redundant because oil companies have managed to slide around its provisions, and the market is changing rapidly because of shopper dockets. Macfarlane is rewarding the oil companies for circumventing the intention of Parliament when it passed the legislation in 1980. Macfarlane's strongest argument is that the legislation was necessary to keep BP and Mobil in Australia. He also says Joyce appears to be wanting to end the shopper docket scheme. Joyce retorted this was "a load of rubbish", adding - "There's got to be room for people to operate in the retail (petrol) market in Australia other than Coles and Woolworths." Obviously Joyce intends to vote against the legislation, but will Labor support him?

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