

Economic success little more than 'good luck'

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Melbourne Institute/The Australian Economic and Social Outlook Conference, Ms Westcott said there were many risks facing the economy, from the elevated level of household debt to the trade conflict between China — Australia's biggest market — and the US. She also sounded the alarm on the sluggish rate of productivity growth, which has dropped to levels not seen since the 1970s.

Australian Chamber of Commerce and Industry chief executive James Pearson backed the critique, warning that the political system had failed to deliver in the areas of skills and workplace relations, as well as tax and energy reform. He said members were telling him that if they were succeeding, it was "almost in spite of the government — not because of it".

There was concern that Labor, if elected, could be "influenced by what is the most radical agenda of big unions that we have seen in decades" and he warned that unions were "encouraging conflict and a culture of complaint".

"What we are seeing at the national level is that on the one hand there is this partisanship, which means that compromise has become something of a dirty word and you are either seen as being for someone or against them, with little ground in the middle," he said.

"It's a combination of ideology, a preparedness to be loose with the truth and also, quite frankly, a focus on the short term by some politicians on what is popular rather than on what are the tougher policy decisions that should be made for the long-term good of the country."

Deloitte Access Economics partner Chris Richardson warned living standards had not advanced significantly since late 2011 and that the easy gains from slipstreaming the Chinese boom had dried up.

He said the political system had struggled to deliver reforms that would make a difference, saying

that cutting the company tax rate would have delivered tangible gains. "We've spent the last couple of years slamming our heads against a brick wall on that, so any politician who wants to fight a good reform fight in Australia over the next few years is going to think twice. Corporate tax is a dead duck for at least a couple of parliaments."

Ms Westcott said Australia's competitiveness was declining, partly as a result of an excessively high company tax rate, which, together with excessive regulation, was discouraging investment.

"If we are so reliant on external factors for our growth, what is the policy and fiscal ammunition we could bring to bear when we need it?" she said. "We do not have the same easy circumstances we had when the global financial crisis hit."

Ms Westcott said she could understand why some would consider it naive to call for an ambitious reform agenda ahead of a difficult federal election, but believed political parties were making a mistake in ruling out reforms.

"We have a tendency to take more things off the agenda than we're willing to leave on," she said pointing to issues such as corporate tax and industrial relations reform. She said she was disheartened by the failure of the national energy guarantee and said that unlike other policy failures, it had been developed with good processes. She attributed its failure, like that of company tax reform, to pure ideology. "It suddenly became a totem for the people who didn't want Malcolm Turnbull to be the prime minister," she said.

Similarly with company tax, most of the Business Council's arguments in favour of lowering company tax had previously been articulated by Labor leaders. "It was abandoned when ideology came into play," she said while it was hard in the current political environment to pursue a comprehensive reform program, there was scope for incremental gains.

Labor faces union revolt on trade

EXCLUSIVE

BRAD NORINGTON
ASSOCIATE EDITOR

Federal Labor's decision to support the Morrison government on legislation to approve the Trans-Pacific Partnership trade deal is causing such internal upheaval that it could seriously damage the party's vote at the next election.

An opinion poll commissioned by one of Labor's biggest affiliates and election donors, the left-wing Construction Forestry Mining Maritime and Energy Union, has found half its members who voted Labor at the last election would be

less likely to vote for the party if it backed the regional trade pact. The Ucomms poll result, presented to the CFMEU's national executive, comes as unions and sections of Labor's Left faction threaten to boycott and possibly picket a NSW ALP "Fortress NSW Gala Dinner" in inner-city Sydney on Wednesday because of their opposition to the party's backing of the TPP deal, which includes allowing the importation of foreign labour.

Bill Shorten is set down as special guest speaker at the Doltone House, Pyrmont, dinner which is promoted as NSW Labor's "centre-piece fundraising event" in the election lead-up. Invitations

boast "a three-course dinner, free-flowing drinks and plenty more fun & festivities". Senior Labor sources said the party's hierarchy was keen to ensure the dinner remained a show of unity, potentially hastening efforts by the Opposition Leader and trade spokesman Jason Clare to find a resolution to the trade conflict.

"The dinner's become a focal point to exert leverage and concentrate minds," one source said. Labor's federal caucus, while divided on the issue, has twice backed the TPP and Mr Shorten's shadow cabinet is not due to revisit the issue before the party's policymaking conference

in December. Provisions potentially allowing employers to bring workers into Australia from overseas "without first advertising the jobs locally" have enraged the ALP's Left, especially unions in construction and other blue-collar areas where employment is already under stress. The Ucomms poll of 2921 CFMEU members conducted on September 26 found almost 60 per cent voted for Labor at the July 2016 election, and would do so again if one were held now.

But the survey also showed 88 per cent of the CFMEU's Labor voters disapproved or strongly disapproved of the TPP. Critically, it found 50 per cent

of the CFMEU's Labor voters would be less likely to vote for the party if the Shorten-led opposition supported the regional free-trade deal. With 130,000 members, the CFMEU is one of the largest in the country and vital to Mr Shorten's powerbase inside the ALP, particularly in the Opposition Leader's home state of Victoria where he relies on its numbers in a cross-factional deal.

Mr Shorten is politically close to the CFMEU's national secretary, Michael O'Connor, and has given written commitments to the CFMEU's leadership that a Labor government he led would dismantle the construction indus-

try's watchdog, much disliked by the union, and review bargaining laws the union believes are unfair. Other unions opposed to the trade deal include the Australian Manufacturing Workers Union, the Electrical Trades Union and the Australian Meat Industry Employees Union.

The AMWU's secretary in NSW, Steve Murphy, complained in a letter to NSW ALP general secretary Kaila Murnain last week that his union, a big ALP donor like the CFMEU, was tired of being taken for granted and could not justify "spending members' money or fundraising for Labor at this time" by contributing to Wednesday's dinner.

'Crossbench targeted in work rights battle'

EWIN HANNAN
WORKPLACE EDITOR

Unions have accused the Coalition of directing lobbyists to pressure the Senate crossbench to back new laws to stop employees paid as casuals claiming leave entitlements.

WorkPac, the company subject to a precedent-setting court judgment, has engaged the SAS Group to lobby politicians, including the Senate crossbench, to back changes to the Fair Work Act it says are needed to mitigate the impact of the ruling.

In an email to the crossbench, seen by *The Australian*, SAS principal consultant John Short writes: "The government has asked us to meet with crossbench senators during the current parliamentary break given the significance and urgency of this matter. It trust it will be possible for the WorkPac chairman and (me) to meet with you over coming days."

Mr Short says: "We are currently in discussions with the government on a simple amendment that would address the double-dipping issue. It would not involve any changes to the definition of what is a casual i.e. we believe this matter should not be regarded as an IR matter and, instead, should be seen as an issue as to fairness and protecting small and medium businesses."

The ACTU said the government "appeared to be directing lobbyists to convince the crossbench to vote for legislation that strips working people of rights".

"This clandestine activity is the business lobby's response to a court ruling that a company cannot simply choose to classify someone as casual to avoid paying them leave entitlements," an ACTU spokesman said. "The government should be defending working people's rights, not secretly working with lobbyists to undermine the findings of a court."

Jobs and Industrial Relations Minister Kelly O'Dwyer is considering introducing legislation or regulation in response to the ruling, but sources deny the government has asked WorkPac to meet crossbenchers.

"The minister regularly meets with stakeholders, including unions and employers, about issues in her portfolio," a spokesman for Ms O'Dwyer said.

"The government is concerned about the potential impact of double-dipping on small business and the cost to jobs. The government has sought legal advice in relation to the recent Federal Court judgment and is examining its options."

A WorkPac spokesman said "given the scale of the double-dipping issue, estimated to be up to \$8 billion by the Ai Group, you would expect businesses to be speaking with MPs". The issue was caused by uncertainty in the Fair Work Act. Fixing it required a legislative solution, he said.

Employers estimate at least 1.6 million casuals work on a regular, ongoing basis, and the potential cost of having to pay them annual leave was between \$5.7bn and \$8bn.

Protesting workers warned they face fines

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"Any person 'knowingly involved' in a contravention of the Fair Work Act is also taken to have contravened that provision.

"Where an employee has engaged in unprotected industrial action, the employer is required under the Fair Work Act to deduct a minimum of four hours' wages from the employee, even if the industrial action was less than four hours."

The Coalition last year increased the maximum civil penalty in relation to unprotected industrial action to \$12,600 for an individual and \$63,000 for a corporation.

Ms McManus said Australia had a long history of democratic protest that had brought about beneficial change in the community.

"If you have a situation where working people or anyone can no longer protest because they're threatened with their jobs and they're threatened with fines, it means that we are not a fair democracy," she said.

Jobs and Industrial Relations Minister Kelly O'Dwyer slammed the protest rallies yesterday, saying "Australians do not want a return to the workplace conflict of last century".

"The road-clogging, productivity sapping, economy-damaging rallies in October will be a small insight to what will happen across Australia on a rolling basis under a Shorten government," Ms O'Dwyer said. "If Sally McManus, the ACTU, and Labor led by Bill Shorten were serious about increasing prosperity for all Australians, they would promote co-operation and collaboration between business and employees, not chaos and conflict."

The ACTU has funded new television and radio advertisements featuring a woman claiming that companies were making "huge profits" while refusing to grant pay rises to workers that kept pace with the cost of living.

"Things are really out of balance," she says in the ad. "We're all

getting ripped off. Let's stand together and get things changed."

The radio advertisements urge workers to attend the rallies that will also be held in Hobart, Launceston and Burnie on October 24; Adelaide on October 25; Newcastle on October 30 and Brisbane and Canberra on November 20.

Ms McManus said the national paid advertising campaign and rallies were necessary because Scott Morrison was "deaf to the concerns" of workers.

"Our campaign is designed to make him listen," he said. "There has been times in the history of our country where Australian unions have had to be the ones that stand up and say change needs to happen."

"This is one of those moments. So when women didn't have equal pay, when we didn't have superannuation, when we didn't have Medicare, we did the same thing and we're doing the same now."

The Prime Minister said Ms McManus was "the person who said that she didn't think necessarily the laws applied to the union movement".

"So Bill Shorten's problem is he is going to be the complete puppet of a union movement that thinks it's OK to not have to follow the law," he said. "We shouldn't let the law-breakers become the law-makers under Bill Shorten."

Business Council of Australia president Jennifer Westcott said changing the workplace laws to allow for sector-wide bargaining as proposed by the ACTU "would only empower the big unions at the expense of workers".

"We shouldn't unravel a tried and tested system, established by Labor, and take ourselves back to the 1970s. We don't need to go back to a militant, strike-ridden, conflict-driven industrial relations system in this country," she said.

"We want people to have better working conditions and we want the conditions for higher incomes. But wages growth is driven by productivity, productivity is driven by investment. This is just basic economics."



HOLLIE ADAMS

First-home buyers Nick and Victoria Barnes with their three-year-old daughter Jessica at their rented home at Ryde

Home waiting game finally pays off

ELIAS VISONTAY
TURI CONDON

News that house prices have been steadily falling for the past year came as no surprise to Nick and Victoria Barnes.

The couple were "relieved" after buying their first home on Saturday in Sydney's West Ryde, after searching in the area for 12 months. "We'd been looking for such a long time," Mr Barnes, a commercial finance manager, told *The Australian*.

The couple had been renting a house in adjacent Ryde, where they lived with their three-year-old daughter Jessica, since moving to Australia from England 2½ years ago.

"We'd been tracking the market and looking at house prices. As a buyer you see in the auctions fewer crazy high bids just to get into the market," Mr Barnes said.

Their new house, which they bought for \$1.44 million, was originally out of their price range. But after it struggled to attract offers at its original set value, the asking price came down by more than \$100,000 to an offer which the Barnes couple made.

"We've noticed vendors holding out for prices they were getting 12 to 18 months ago," Mr Barnes told *The Australian*. "There's a dis-

Auctions kick some post-footy goals, but far from glory days

Auction volumes and clearances improved last week following the previous week's football grand final slowdowns, but the national auction market remains significantly weaker than this time last year and is expected to soften indefinitely.

Across the capital cities last week, 1809 properties went to auction, with a preliminary clearance rate of 53.7 per cent. While this was almost double the volume of the previous week, it amounted to 500 fewer auctions than in the same week last year — and a 10 per cent decline on the average clearance rate.

Melbourne hosted 904 auctions last week, of which 54.4 per cent sold. It was a significant rise on the 70 auctions over the AFL grand final weekend, but the clearance rate was 16 per cent down on the

same week last year. Corelogic national auction commentator Kevin Brogan said: "Initially Melbourne was a bit more resilient, with stronger jobs growth, migration and population growth which softened the blow as conditions started to slow down."

"Sydney was hit harder and faster by restrictions on investor lending, with its higher proportion of investor purchases, and now we're seeing more of that in Melbourne."

Sydney returned a preliminary clearance rate of 53.5 per cent from 606 auctions last week, improving on the previous week's final clearance rate of 43.8 per cent — the worst result since December 2008.

Sydney's eastern suburbs recorded the best clearance rate — 68.1 per cent of 47 auctions. Adelaide had a 66.1 per cent success rate from 62 auctions while Canberra cleared 63.9 per cent of 61 auction.

EMILY RITCHIE

as well as fewer overseas buyers, as they are finding it difficult to get money into Australia."

Billionaire developer Harry Triguboff agrees that the impact of the banking royal commission and the flow-on of tighter credit is rippling through the market.

"The consequences of the royal commission will be greater than anyone expects — that is my big worry," Mr Triguboff told *The Australian*.

Prices were still down about 15 per cent on a year ago but had stabilised, Mr Triguboff said. He rejected recent talk that Sydney's housing prices could fall 40 per cent.

"Prices won't crash," Mr Triguboff said, but he noted that the market would be weak for at least another year.

A further risk next year was a change of federal government, he said, with Labor policy to limit negative gearing tax breaks weighing on the market.

"It will affect average people, because it's the average people that have bought properties," Mr Triguboff said.

Australian Bureau of Statics figures released last week showed apartment approvals for August had plummeted nearly 24 per cent compared with a year ago, while approvals for detached houses had fallen 4.2 per cent on last year.

ALP's policy 'would threaten property rebound'

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accounts, real economic growth and financial stability".

The market shift follows measures introduced under then treasurer Scott Morrison and his assistant minister on housing, Michael Sukkar, which included tightening of negative gearing claims for travel costs, which were being abused by investors.

Stricter rules were also imposed on investors, including a 50 per cent cap on foreign investors buying into a single development, as well as a vacancy charge for empty investment properties, administered under the Foreign Investment Review Board.

There was also the First Home Super Saver Scheme, allowing access to voluntary super contri-

butions to help buy a first home, and tax cuts for first-home buyers.

The macro-prudential crackdown by regulators — including a 30 per cent cap on investor loans and a higher cash rate for investor loans — have helped to even the playing field for owner-occupiers competing with investors.

Mr Frydenberg, writing in *The Australian* today, says it has been government policy that has led to a marked shift away from investors driving growth in the property market to one where owner-occupiers are back playing the predominant role.

He warned that Labor's proposed negative gearing changes would come at an even worse time than when they were first proposed, with the heat in the market having already come off.

"Labor's policy couldn't come at a worse time and be more ill-judged," he said. "It ignores the real risk the policy poses to the stability of the housing market, to the value of the No I family asset and the adverse impact it could have on Australia's credit rating. All the benefits now flowing from this managed-transition housing market are at risk from the Labor Party's reckless attack on negative gearing and the capital gains tax discount. In its determination to drive property prices further down, Labor is taking to the next election a policy to limit negative gearing to only newly constructed housing and to cut the capital gains tax discount on assets that are held for longer than 12 months from 50 to 25 per cent."

"This will not just punish the

1.3 million people with negatively geared properties, but everyone with equity in their home, as when they eventually sell their property they will do so in a market with fewer potential buyers."

Last week, RBA governor Phil Lowe said it was welcome news that the property "adjustment" had come at a time of strong global growth, low interest rates and a favourable labour market.

But Mr Chalmers said there needed to be a long-term policy. "We need to make policy over the medium and longer term, in the interests of levelling the playing field so that when people who want to get into their first home go to an auction, they are not competing unfairly with investors who might have six, seven, eight properties already," he said.



Burrell, Taylor, Laurie, Garvey, Murty

Bureau of excellence recognised

The Australian's newsbreaking, storytelling and photography have been recognised with nine nominations in the West Australian Media Awards administered by the Walkley Foundation.

The Perth bureau's four reporters and its photographer, Colin Murty, are finalists more times than any news outlet in the state this year.

Reporters Andrew Burrell and Paige Taylor are finalists together in the print news prize for a revelatory series of reports on the Margaret River massacre.

Senior Perth-based writer Victoria Laurie is a finalist in the prestigious Arthur Lovekin Prize — and a finalist in the category for best feature writing — for her illuminating stories about an unprecedented child sex abuse

crisis in the Pilbara town of Roebourne.

Laurie's exclusive interview with John Cameron, the Perth lawyer who touched off a domino effect when he confirmed Greens senator Scott Ludlum was a New Zealand citizen, is also a finalist in the category for best political reporting. Paul Garvey's story about a turf war among miners in the Pilbara is a finalist for best business reporting.

Taylor is a finalist in sports reporting for the story behind former Fremantle Docker Shane Yarran's sad decline. And Murty's series of images of Martu artists on their country at Parnngurr is a finalist for best feature photo essay.

The winners of the West Australian Media Awards will be announced on October 27.

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