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5.00pm Tuesday 15 JUNE 2010

Stirling Small Business Centre, 45 Delawney Street, BALCATTA

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Jobs 'at risk' with \$26 boost for low-paid

EMPLOYERS have warned that Fair Work Australia's decision to award a \$26-a-week pay rise, the second-highest increase in 25 years, to the nation's 1.45 million low-paid workers will threaten the pace of jobs growth and penalise small businesses struggling to recover from the global financial downturn.

Business groups said the decision represented a "double whammy" for employers, as the rise in the minimum wage to \$569.90 a week from July 1 coincided with increased wage rates, penalties and loadings associated with the introduction of Labor's modern awards.

The Australian Chamber of Commerce and Industry said the pay rises - \$1 less than what unions wanted but double what employers had sought - would add \$2.5 billion to the annual wages bill of small businesses. The increase would translate into at least \$31.20 extra per week once it flowed through to leave loadings, superannuation, payroll tax and workers' compensation payments. (SOURCE/EXTRACT: *The Australian*, 4.6.10)

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Pay rise a threat to rates and inflation

JULIA Gillard's rebadged industrial relations commission has given the green light to catch-up wage claims that will only result in higher interest rates.

Beyond that, its \$26 a week, or 4.8 per cent, minimum wage increase is returning Australia to the bone-headed culture of the old industrial relations club that entrenched high unemployment and high inflation. Compared with Australia's progression from the days of centralised wage fixing, powerful unions and protected bosses, the first big decision of Gillard's Fair Work Australia is medieval. It is a big step backwards from John Howard's Fair Pay Commission.

In its last gasp before being abolished by Gillard, the FPC wisely froze the federal minimum wage in the wake of last year's global financial crisis. That helped save the jobs of tens of thousands of low-skilled workers. But Gillard's new FWA - essentially the old Industrial Relations Commission - has set off back to the future by lifting the minimum wage floor to \$15 an hour, or just under \$30,000 a year.

While providing no explicit rationale for picking its \$26 figure, the FWA is endorsing the idea of a wage catch-up to restore, or increase according to Gillard's figures, the real value of the minimum wage. But the \$26 weekly pay rise doesn't just apply to the 100,000, or so, workers on the minimum wage. -- it extends to an estimated 1.5 million workers all the way up the award structure, including to those earning close to six-figure salaries.

This risks building a new floor for trade union wage claims just as the Reserve Bank struggles to subdue inflation back into its 2-3 per cent target zone. That threatens to push up interest rates further.

The FWA dismisses this threat because its real agenda is to restore itself and its "modernised" awards to their former central role in regulating the job market, the wage system and the social safety net. Don't blame the FWA, because that's all it knows. Blame Gillard for putting it back in charge. (SOURCE/EXTRACT: *The Australian*, 4.6.10)

Low-paid wage rise to hit jobs: retailers

THE nation's major retailers have warned the \$26-a-week pay rise awarded to 1.45 million low-paid workers will force smaller employers to shed jobs, cut employee hours and raise prices. The Australian National Retailers Association, whose members collectively employ 450,000 workers, said job losses were a likely outcome of Fair Work Australia's decision this week.

ANRA - whose members include Woolworths, Coles, McDonald's, Bunnings, Harvey Norman, David Jones and Spotlight - wanted the increase limited to \$10 a week and delayed by three months due to costs from Labor's award revamp. ANRA chief executive Margy Osmond said the tribunal's decision was "potentially economic weedkiller on any struggling 'green shoots' within the retail sector".

But Workplace Relations Minister Julia Gillard said that following last year's minimum wage freeze low-paid workers had been given "a small, real increase". ACTU secretary Jeff Lawrence said employers should stop "whingeing", as the benefits of economic growth must be shared fairly. (SOURCE/EXTRACT: *The Weekend Australian*, 5.6.10)

Business groups condemn wage rise

BUSINESS groups have condemned yesterday's decision to increase the minimum wage by \$26 a week, saying it will add \$2.5 billion to the annual wages bill for small business and could damage the economy.

The Australian Chamber of Commerce and Industry was scathing about Fair Work Australia's first annual wage review conducted under the Fair Work Act. "The new system may have delayed the wages blow, but when it came today it was so swift and harsh that many small businesses were left reeling," ACCI chief executive Peter Anderson said. The decision had no funding basis, given the absence of productivity trade-offs, and would be a "dangerous setback" to recovery in small business, he said.

In its ruling, Fair Work Australia said the economy had performed better than expected since March 2008, with growth in productivity, prices and real earnings, but not minimum wages. It said there was a strong case for an increase to provide a fair safety net and protect living standards for workers relying on awards. Contrary to ACCI's position, Fair Work Australia said forecasts for 2010-11 showed there were strong grounds to conclude the increase could be awarded without threatening business or employment, or stoking inflation.

The Australian Industry Group was as concerned as ACCI. Chief executive Heather Ridout said it appeared the tribunal had awarded a risky "catch-up" increase. "Timing is everything and there is a risk this increase will slow the pace of job creation, and that, for many households, the benefits of higher wage rates will be offset by a reduction in employment opportunities," she said.

Thousands of employers would have to pay increased wage rates, penalties and loadings under modern awards, Ms Ridout said. A single person on the minimum wage of \$543.78 a week would get a net increase of \$25, after changes to income tax on July 1, she said. That represented a 4.9 per cent increase in disposable income.

The ACCI found fault with the centralised wage-fixing approach, which it said failed to take account of those employers that could afford large increases, and those that could not. (SOURCE/EXTRACT: *The Australian*, 4.6.10)

Small business still feeling GFC

The global financial crisis is far from over for small businesses, the Commonwealth Bank of Australia (CBA) says. Research conducted by the bank shows 40 per cent of small businesses in Australia say they are still finding trading conditions tough. Four out of five businesses surveyed by CBA said business levels were yet to return to pre-GFC levels.

CBA's executive general manager of local business banking Symon Brewis-Weston said the responses from small business owners disproves any notion Australia escaped the financial crisis. "Many economic commentators have suggested that the worst of the global financial crisis is behind us here in Australia, but that doesn't appear to be the case for our small businesses who are still feeling the impact of the GFC," he said.

The major banks previously reported the growth in numbers of new impaired loans had been slowing in recent months, but the majority of new impaired loans were coming from small and medium sized businesses. Just over two thirds of small business owners said they were focussed on growing their business next financial year. (SOURCE/EXTRACT: *WA Business News*, *Daily Business Alert*, 4.6.10)

210,000 labour shortfall predicted - CCI

The WA Chamber of Commerce and Industry is predicting the state will face a labour shortfall of 210,000 workers by 2020. The CCI estimates that an extra 488,500 workers will be needed in WA over the next 10 years, if economic growth is to be maintained at the average experienced at the beginning of the last decade.

The figures are in its position paper on human capital, *Building Western Australia's Workforce for Tomorrow*, released today. According to the CCI's March 2010 forecast the state's economy will return to growth in excess of 5 per cent per annum within the next two years.

In 2007 the CCI's *Building Human Capital* discussion paper predicted WA would need an extra 400,000 workers over the next 10 years and that if current population trends were maintained there would be a shortfall of 150,000 workers by 2017. It now forecasts that figure will blow out by another 60,000 to 210,000 by 2020. (SOURCE/EXTRACT: *WA Business News*, *Today's Business Headlines*, 8.6.10)

Business confidence slides

Two new surveys are pointing to slower growth and weak business expectations in the second half of 2010. Executives are expecting slower growth in inventories and capital investment in the third quarter of 2010 according to the latest Dun and Bradstreet Business Expectations Survey.

The survey shows that employment, profit, sales and selling price expectations have fallen since the June quarter, but all remain positive and well above GFC levels. The survey of 1,200 business owners and senior executives found that capital investment expectations are down two points to an index of 14.

According to the National Australia Bank (NAB) month business survey trading conditions and business confidence weakened in May as concerns about global markets weighed on local firms, a survey says. The NAB survey found the confidence of firms fell eight index points to five points in May.

The Dun and Bradstreet survey also revealed expectations for growth in inventories are down three points but remain at the highest level in more than five years, employment expectations remain in positive territory at an index of five. (SOURCE/EXTRACT: *WA Business News*, *Daily Business Alert*, 9.6.10)

WA businesses' confidence dented by tax

Confidence among Western Australian businesses has plunged to its lowest level since the worst of the global financial crisis, a new survey shows. Sensis Business Index report author Christena Singh said business confidence had plummeted during the quarter on the back of the resource super tax profit.

"The substantial fall in business confidence this quarter has negated the healthy results we had been seeing during the last half of 2009 and the first quarter of 2010. "WA businesses are expecting the nation's weakest sales, profitability and capital expenditure results for the coming quarter," Ms Singh said.

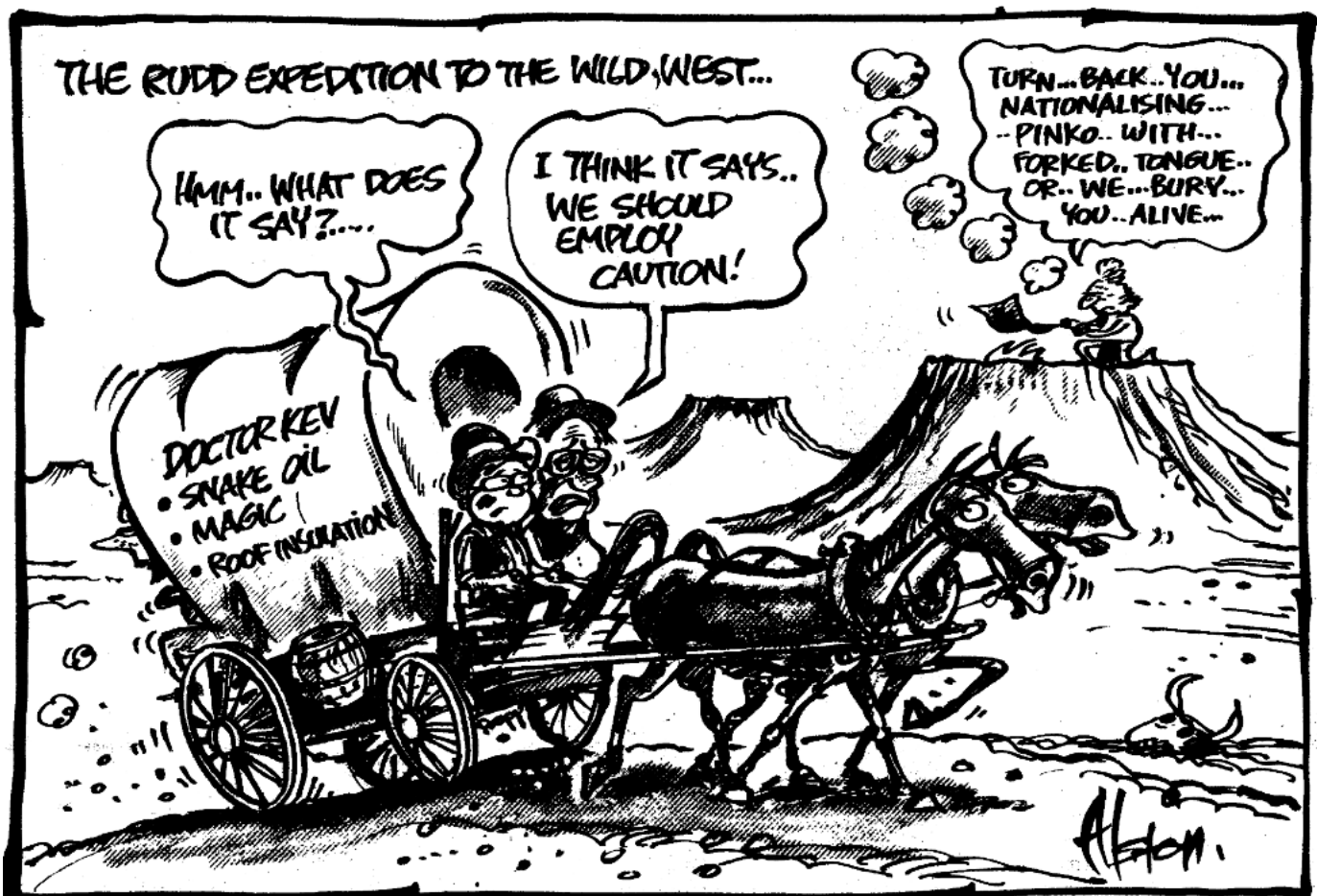
The report shows WA businesses experienced improved sales and profitability during the quarter, but weaker employment and capital expenditure spending. To add to WA business' woes, Ms Singh said there had been a strong tightening in the availability of credit during the quarter.

Business support for the WA Government has strengthened strongly during the quarter, and remains Australia's most popular government amongst business. Perceptions the WA Government is trying to help small business, has made good decisions to date, is trying to improve processes and doing a good job are the key reasons for support. (SOURCE/EXTRACT: *WA Business News*, Today's Business Headlines, 10.6.10)

Budget, super tax worry consumers

CONSUMERS have rejected Kevin Rudd's budget and the resource super-profits tax, delivering a new blow to the government's economic credentials. As the Prime Minister was confronted by angry miners in Perth yesterday, the Westpac-Melbourne Institute consumer sentiment survey recorded its biggest two-month fall since before the global financial crisis, and the mining tax was rated the most controversial government measure since the introduction of the GST.

The survey highlighted a negative reaction to the budget and the RSPT and fears about economic instability in Europe sparked by the Greek debt crisis. It was released as Reserve Bank governor Glenn Stevens warned that a further substantial build-up in householders' debt in Australia could increase their vulnerability to economic shocks. Mr Stevens's comments came as new housing finance figures showed construction commitments slowed 4.8 per cent in April, while overall loans for new houses were 25 per cent lower than six months ago. (SOURCE: *The Australian*, 10.6.10)



(SOURCE: *The West Australian*, 10.6.10)

Analysis: Be nice to Kevin

What Kevin took away, Kevin now gives back, but only if you're nice to Kevin - oh, and also have a mining project in a marginal electorate. That is the disgracefully tacky position reached in the great Australian mining-tax farce, a time of special deals for special mates in the name of clawing back lost political support, and saving the Prime Minister, Kevin Rudd, from being dumped by his own party before the next election.

First deals, as flagged here last week, will be for Queensland's beleaguered coal-seam LNG projects which cannot be developed under the proposed resource super-tax -- and Queensland is full of marginal electorates. Next will come a special deal for BHP Billiton's Olympic Dam copper/uranium project in South Australia, and perhaps a morsel for Fortescue Metals, if only to get its chief executive, Andrew Forrest out of Rudd's face.

Politically, deals to take the immediate heat out of the tax debate might be a smart move, though it is not a policy

without risk, primarily the accusation that Rudd will be permanently tagged Mr Backflip. For Australia, what's happening now is so utterly appalling that it's almost beyond belief that the national government fails to understand the long-term damage it is doing to the country's major export industry, and our 200 year-old reputation as a stable place in which to invest.

Special government deals for political mates is what happens in Africa, it's not supposed to happen here. But, the deals being hatched today are on such a scale, and will have such a distorting effect on business, that they would even make some corrupt African leaders blush.

Saving Rudd, which is what the Australian Government is getting ready to do, if only until it's safe to sack him, will destroy our reputation as a reputable country for decades. We will be tarred as a country prepared to sell its principles for a fist full of votes. In the short term, some projects will be saved by winning a delay in being hit by the super-tax, or by winning some other waiver. In the long term, capital formation will slow as foreign investors reconsider Australian as a suitable destination for their funds, and Australian investors send their money to more attractive countries. (SOURCE/EXTRACT: *WA Business News*, Daily Business Alert, 9.6.10)

Fair Work Information Statement

Members are reminded that one of the changes introduced by the Fair Work Act, which commenced on 1 January 2010, is a requirement to give ALL new employees a Fair Work Information Statement when they commence employment.

Declare offshore income now – offer closes in one month

The ATO's offshore voluntary disclosure initiative will end on 30 June 2010, leaving taxpayers only one month to receive favourable terms if they declare unreported taxable income held offshore. The offshore voluntary disclosure has already encouraged over 4,000 people to come forward.

As at the end of May 2010 the initiative had resulted in over \$403.6 million in omitted income being declared and raised around \$73 million in liabilities. Tax Commissioner Michael D'Ascenzo has warned taxpayers not to wait for another offer. (SOURCE/EXTRACT: Warning: Offshore income-Declare now.pdf, attached)

Queensland company directors receive 6 1/2 years for tax fraud

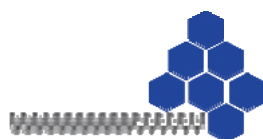
Two company directors were today each sentenced to six and a half years imprisonment for tax fraud equating to \$2.22m in the Queensland Supreme Court, Brisbane, as a result of Project Wickenby investigations. Adam John Hargraves and Daniel Aran Stoten, directors of the Gold Coast based Phone Directories Company Pty Ltd, were found guilty of conspiring to intentionally cause a loss to a Commonwealth entity, namely the Australian Taxation Office, contrary to section 135.4(3) of the Commonwealth Criminal Code 1995, between 24 May 2001 and 9 June 2005.

Australian Crime Commission (ACC) Chief Executive Officer, John Lawler, said the men used a sham invoicing scheme involving international tax havens to understate their company's income by more than \$4.46 million. In addition, they understated their own income by \$4.81 million.

"By moving income overseas they planned and executed a deliberate theft from Australia of \$2.22 million dollars in tax revenue," Mr Lawler said. "The scheme involved multiple layers of entities and the passage of funds through three international tax havens in an attempt to frustrate investigations." Project Wickenby develops intelligence on and investigates and prosecutes promoters and participants who facilitate and profit from abusive tax haven arrangements. (SOURCE/EXTRACT: Joint ACC media release.pdf, attached)



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