

ICAC looks at Labor land sale

Angus Grigg

The NSW corruption watchdog will broaden its inquiries into the former Labor government after it was revealed coal-technology company White Energy bought 70 hectares of government land for \$1.

Acting NSW Premier Andrew Stoner said yesterday the matter would be referred to the Independent Commission Against Corruption.

"There is no doubt the issues raised in *The Australian Financial Review* are worthy of further investigation," he said.

ICAC has been asked to investigate the probity of White Energy being granted the parcel of land on the outskirts of Cessnock in the Hunter Valley. The deal was overseen by former Planning Minister Tony Kelly and was concluded in the final days of the Labor government.

Mr Kelly is already under investigation by ICAC over several decisions

KEY POINTS

- ICAC will investigate the probity of White Energy being granted a parcel of land near Cessnock, NSW.
- The deal was overseen by former Planning Minister Tony Kelly.
- The transfer was not registered until just days before the state election.

taken in the government's dying days.

But the ICAC investigation may also focus on Ian Macdonald, the controversial former Minister for Mineral Resources.

Mr Macdonald was a strong proponent of granting the land to White Energy and defended the decision yesterday saying it was publicly announced in 2007.

"It is one of several assistance measures provided to many companies in NSW for research and development into lower carbon strategies," he said.

While Mr Kelly and Mr Macdonald were in favour of the deal, concerns were raised about its probity within the Land and Property Management Authority.

The timing of the transfer has also raised questions.

It was first mooted in 2007 but according to land title searches, the 70 hectare lot was not transferred to White Energy until August 13 last year.

The transfer was then not registered by Crown Lands until Friday March 18, more than seven months later.

It took four days to process the registration, which meant information on the deal was not publicly available until March 22, just four days before the state election.

The terms on which White Energy was granted the land were never made public.

The company operates a small drying plant and larger briquetting

plant on the site, but never built a commercial-scale plant.

White Managing director Brian Flannery said the company never promised to build a larger plant on the site.

"We have fulfilled our obligations to the government," he said. "If we cease to use the land then it reverts back to the government."

Conditions attached to the title mean White Energy can't resell the land, but the company has indefinite use of the property, which sits on an old coalmine.

Mr Kelly appeared before an ICAC public inquiry last week in relation to the \$12.2 million purchase of a former union holiday camp on Sydney's northern beaches.

At issue was Mr Kelly's backdating of a letter to give the impression his department had authority to go ahead and purchase the Currawong property. Mr Kelly has made no comment on the Cessnock deal.

Director jailed for tax fraud

Katie Walsh

A West Australian businesswoman received a three-year jail sentence for tax fraud, as the Australian Taxation Office escalates efforts to catch people making false GST refund claims.

Joanne De Hollander understated cash sales of her businesses, of which she was sole director, by more than \$5.6 million and underpaid GST by \$514,000, a court found.

"We take very seriously inappropriate and wrong claims," the deputy commissioner for indirect tax, James O'Halloran, said yesterday. "It is by and large illegal and we will prosecute it to the full extent."

He said the regulator's message was directed more to businesses than directors. The ATO plans to increase efforts to catch GST refund fraud over the next three years.

"Particularly small businesses — not exclusively — might be tempted to make a false claim and there are real consequences," he said.

This year the ATO will audit more than 12,000 GST refund claims by small businesses, review 480 GST systems and investigate 300 cases of serious evasion.

The ATO heralded Ms De Hollander's prosecution as the fruits of extra funding of \$337 million over four years, which was allocated in the 2010-11 budget to crack down on GST refund fraud.

The ATO is chasing an ambitious target: the funds came with government expectations of \$2.7 billion in revenue over the period. In the past tax year, 28 people have been jailed relating to \$17 million of GST refund fraud, including a father of two sentenced to 7½ years for defrauding the ATO of more than \$9 million.

At any given time, about 50 to 70 cases of business activity statement fraud were being considered by the Director of Public Prosecutions, Mr O'Halloran said. Not all would make it to court, he said.

Pitcher Partners partner Craig Whatman said he had seen an increase in GST audits.

The ATO was using its sophisticated data-matching techniques to catch people who deliberately or inadvertently breach cash benchmarks or make wrong GST claims, he said.

Mr O'Halloran said it checked claimed refunds against industry averages.

Showing its serious intent on chasing fraud across all areas, the ATO offered further examples of those caught: one, a flight attendant who claimed \$600 of wine as a work-related expense; another, a bee-keeper who wrongly claimed \$1 million in fuel tax credits.

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The old world order is toast

Jason Murphy

In an example of how much the structure of the Australian economy has changed, some toasters now cost less than a loaf of bread.

A two-slice Woolworths Essential brand toaster was selling yesterday for \$7.99 in Melbourne, while Dench Bakers in the city's inner north had a spelt loaf for \$8.20. A pear, fig and walnut loaf was \$9.50.

Economists say there is a public perception that everyday costs are going up when the reality is that many common manufactured products have become very cheap.

Some food products made in Australia, where wages and input prices are high, are becoming more expensive.

"Wages have gone up a lot," Dench Bakers operation manager Andrew Cornish said. "Bread is predominately flour and water and that isn't really the cost, it's the cost of getting that flour to us and the cost of paying humans to mould it."

Of course, loaves of plain bread are selling at Coles for \$1, which is mainly due to a commercial fight with Woolworths. Sonoma Bakery in Sydney is selling sourdough for \$14 a loaf.

(Slices from those loaves may end up in the top-end Magimix Vision toaster, which retails for up to \$499.)

Overall, the price of bread is rising faster than incomes. Data from the Australian Bureau of Statistics (ABS) shows average



The price of small household electrical appliances has grown just 39 per cent since 1980.

Photo: GLENN HUNT

weekly earnings are 4.6 times higher than in 1980. The price of bread is 5.3 times higher.

The price of small household electrical appliances grew just 39 per cent in the same period, according to the ABS, a sign of how cheap manufacturing in Asia has held prices down. The strong Australian dollar has also made foreign products cheaper.

Electrical goods, from irons and kettles to fridges and washing machines, have all dropped in price.

"Everything you can think of, they're all cheaper than they ever were, because they are all coming out of China and they are all made in batches of a million at a time," the executive chairman of the

Harvey Norman retail chain, Gerry Harvey, said.

Mr Harvey said his sales staff tried to convince customers not to buy its cheapest toaster, which is \$19. "We'd try to sell you up to a \$29, \$39 [or] \$49 toaster," he said.

The shrinking price gap between food and electronics is due to rising prices for commodities such as grain and because bread cannot be traded internationally, according to Melbourne University economist John Freebairn. Converting wheat into bread "has a lot of wages in it," he said.

Professor Freebairn said wages in parts of China were rising, forcing manufacturers of toasters and toys further inland where labour was

cheaper. The coastal provinces of China now make higher-value televisions and computers. Wages there may be higher than inland China, but are still low enough to make those goods cheaper than when they were made in Japan.

The ABS audio-visual and computing price series has fallen almost 90 per cent in the past 30 years, taking a lot of pressure off consumer prices. "If we listen to the political whingeing, they go to the latest increase in electricity or water prices and say the world is falling in, and the assumption is these people never buy toasters or new TVs or whatever," Professor Freebairn said.

"Living costs are not rising all that fast."

Ai Group lashes union threat on carbon job losses

Mark Skulley

A prominent business leader has blasted the pledge by unionist Paul Howes to "name and shame" employers who blame job losses on Labor's planned carbon tax.

Australian Industry Group chief executive Heather Ridout argued that the carbon tax would add to other pressures on manufacturing such as the strong Australian dollar, the rise of China and debt worries in Europe and the US.

"Frankly, I don't think these sorts of heroics and hyperbole and threats

really help at all in an already very noisy debate," Mrs Ridout said in a radio interview.

"That's why Ai Group's been concerned all along about the timing of this reform, that it's just coming on top of an already very difficult time for an industry that's going to be at the sharp end of a lot of it."

Mrs Ridout argued that Treasury forecasts predicted about 16 per cent of manufacturing jobs, or 170,000 positions, would be lost over the next decade, before the "rather scary scenario" of carbon pricing.

"But Paul Howes is not helping the

situation, going around saying, 'We'll name and shame companies'," she said. "We really need to work together on this thing, otherwise there will be job losses, and some of them will be hung around his neck."

As national secretary of the Australian Workers Union, Mr Howes threatened to campaign against the carbon tax if it led to the loss of a "single job" in industries such as steel making, aluminium, cement and plastics.

But the AWU leadership argued this week that the compensation and business support included in the government's carbon package meant there

would be no reason for job losses. The federal opposition's spokeswoman on industry, Sophie Mirabella, said Mr Howes endorsed the carbon tax despite Prime Minister Julia Gillard refusing to guarantee jobs would be safe. "To make matters worse, Mr Howes made the stunning revelation that he will name and shame any business that tries to lay off an AWU member under the carbon tax," she said.

"It's time for Mr Howes to stop playing politics, add some steel to his spine, and stand up for the workers he is supposed to be representing."

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