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THE AUSTRALIAN FINANCIAL REVIEW

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■ Stimulus diluted to \$US780bn ■ Jobless rate at 17-year high ■ New 'toxic bank' strategy

Obama strikes deal on rescue plan

Tony Walker WASHINGTON
and **Robert Guy**

The Obama administration is poised to secure Senate approval for a \$US780 billion (\$1.1 trillion) spending package and unveil a raft of new measures to bolster the financial system, after a surge in unemployment to a 17-year high highlighted the depth of the worsening US recession.

GLOBAL SLOWDOWN

'Mr Obama is correct when he warns of a catastrophic scenario unless the US stabilises its economy.'

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The mounting job losses raised pressure on the Senate to approve the fiscal stimulus package in a vote early tomorrow morning, following week-

end negotiations that cut more than \$US100 billion from the rescue plan. About 3.6 million jobs have been lost in the year-long recession.

The Senate vote is expected to be taken after US Treasury Secretary Timothy Geithner details new initiatives to bolster the country's ailing banking system and restart the flow of credit. The creation of an "aggregator" bank to acquire toxic assets from troubled institutions is considered to be one possible option. President Barack Obama warned politicians against delaying efforts to

help the economy, after unemployment rose to 7.6 per cent in January, its highest level since 1992. Some 598,000 jobs were lost during the month. "If we don't move swiftly to put this plan in motion, our economic crisis could become a national catastrophe," Mr Obama said. "Millions of Americans will lose their jobs, their homes and their health

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Coke kills \$7bn Lion Nathan deal

Sue Mitchell and Simon Evans

Lion Nathan has been forced to abandon a \$7.3 billion merger proposal for Coca-Cola Amatil after its Japanese parent, Kirin, balked at a series of controversial asset sale requests from CC Amatil's major shareholder, The Coca-Cola Co.

After three months of negotiations between Kirin and the Atlanta-based TCCC, talks finally broke down on Saturday.

TCCC, which owns 30.4 per cent of CC Amatil, wanted to take over CC Amatil's bottling licence in Indonesia, buy Kirin's Berri juice business in Australia, several brands in Japan and acquire CC Amatil's market-leading water brand Mount Franklin in return for agreeing to support the merger.

But the asset sales would have reduced the value of CC Amatil and the growth potential of the merged business, and Kirin and Lion could no longer justify their purchase price.

It is the latest in a series of big merger deals to be scrapped. Two months ago, Qantas Airways and British Airways ended talks on a potential \$8 billion tie-up, while late last year BHP Billiton pulled out of a takeover of Rio Tinto because of falling metal prices and concerns about Rio's mountain of debt.

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Grim death toll climbs

Victorian Premier John Brumby and Prime Minister Kevin Rudd can't hide their emotions as state police commissioner Christine Nixon reveals the bushfires' devastating impact on lives and property. **Full reports, page 6.**

Photo: JOHN WOODSTRA

Cabinet training push as debt row flares

Laura Tingle
Political editor

Federal cabinet is finalising a series of labour market training reforms pitched at school leavers, as the government seeks to allay cross-bench senators' concerns that its \$42 billion stimulus package does not do enough for the jobless.

The initiatives are designed to ensure that about 200,000 school and tertiary education leavers, who are forecast to make up the bulk of the new unemployed, can have ready access to training as they leave education and are confronted with bleak employment prospects.

Cabinet is looking at another expansion of training places on top of

the doubling of the program it announced in its October employment security strategy, as well as ways of ensuring that apprentices and trainees can continue in their positions, possibly by way of heavily subsidised full-time training.

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ASIC knew about Storm for months

Duncan Hughes

The Australian Securities and Investments Commission was aware that Storm Financial Services was in serious trouble and that its investors faced heavy losses about two months before it launched an investigation, the regulator has admitted.

ASIC monitored the Queensland-based financial planner in October and started making inquiries in November, after being alerted to a letter from Storm chief executive Emmanuel Cassimatis instructing all investors to dump his index funds and switch to cash.

Copies of the letter, which some experts say breaches the Corporations Act, found their way into the hands of competing advisers, who alerted ASIC and the Financial Planning Association.

Within weeks the FPA began an inquiry that led to Storm's expulsion. But after questioning Mr Cassimatis about compliance and procedures, ASIC took no other action.

It waited until Storm's main lender, Commonwealth Bank of Australia, started calling in margin loans from hundreds of investors before it began an investigation on December 12.

Shocked investors are calling on ASIC to explain why it did not take action earlier to prevent, or soften,

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