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*** THE AUSTRALIAN**

TARP rules hit Aussie bankers

Richard Gluyas

A LITTLE-KNOWN hiring restriction on US financial institutions that have accepted government bailout funds could limit career options for ambitious Australian executives, particularly those with infrastructure skills.

Institutions hitched to the \$US700 billion (\$856bn) Troubled Asset Relief Program (TARP), where the government buys assets and equity of troubled firms to help stabilise the financial system, are prevented from hiring offshore executives to fill US positions.

The restriction has been overshadowed by the controversial remuneration limits imposed on TARP organisations, which has resulted in a drain of talent into non-TARP banks and foreign banks. However, Valerie Germain, a New York-based managing partner with global headhunting firm Heidrick & Struggles, said the hiring limitation was having an impact.

"All global financial services organisations have, and continue to look for, global talent," Ms Germain said.

The repercussions, she said, had been mitigated by the continuing ability of foreign-based subsidiaries of US firms to hire locally

Also, while it was less clear, the restriction seemed to allow firms to relocate their existing pool of executives, even if they were not

US citizens. Ms Germain said the lack of clarity meant some firms were being more flexible about the location of senior roles.

Greg Bundy, the former head of Merrill Lynch Australia who is now vice-chairman of AIMS Finance, said Merrill had relocated about 100 executives, mostly to the US, when he was running the local operation.

"Australians were viewed very highly," Mr Bundy said. "But in terms of any ban on hiring Australians to fill US roles, it's just another one of those restrictions that means US institutions generally feel they can't escape TARP quick enough.

Mr Bundy predicted the impact of the restriction could be most acute in infrastructure. where Australia had global expertise. It would be a shame if the US were unable to tap that pool of talent, when the country was looking to ramp up infrastructure spending.

The ex-Merrill boss also said that bonus time later this year could create problems for TARPconstrained institutions in the US, given the recent strength of the Australian capital market and the flood of equity issues.

"If an Australian executive is paid a lot of money and it's disclosed, I'll be curious to see what the impact is," Mr Bundy said. "I'm sure a bonus will be paid, but perhaps not to the extent it could be."

Ms Germain said it had always been difficult to hire a non-US citizen for a US-based role, because of the long waiting

period to secure a visa. Before TARP, it had been almost impossible to get the necessary H1-B visa immediately, with the number of visas limited to 60,000 and a lottery held in April each year. It also took a year of service to secure an internal transfer, or S-1, visa.

"Also, over the years, the desire to pay a fully loaded expatriate package has diminished, making the idea of being an expat less rosy for some

Deutsche raid signals growth push

Scott Murdoch Recruitment

DEUTSCHE Bank has staged a poaching raid on its rival investment banks, as the foreign institution tries to bolster its share of deal flow in the current market conditions.

Three new bankers will today begin with Deutsche, which was the only bank in the first half of the calendar year that managed to lift its fee revenue for merger and acquisition advisory services.

Former ABN Amro and then Royal Bank of Scotland banker Tim Longstaff headlines Deutsche's new additions as he takes up the position of head of the bank's consumer and healthcare advisory business.

Former veteran UBS banker Andrew Defina has been appointed as a director of Deutsche's equity capital markets (ECM) business, which has been one of the bank's fastest-growing areas so far this

Mr Defina was with UBS for 14 years before joining one of the bank's clients, Newstream Capital, a private investment

In the global markets division, Deutsche has also hired Jonas FitzGerald as small caps director. Mr FitzGerald was previously on the institutional sales and equity research desks of UBS in Sydney and London.

The changes mark a further deepening in the staff exodus from UBS, the Swiss investment bank that heads the banking league tables in Australia.

The most high-profile exit from the bank was Guy Foster, an equity capital markets banker, who left to spearhead Merrill Lynch's pitch to gain more business in that area.

Deutsche's local head of global markets, Michael Ormaechea, said the bank's divisions, especially ECM, were performing well in the current market conditions.

In M&A advisory, Deutsche increased its market share for the first half and its fees rose from \$US22.6 million to US22.9m — the only investment to lift its revenue in that time. Rivals Citi and Macquarie lost the most in the first six months of this year.

For ECM in the half, **Deutsche was the fourth largest** player, with a 10.3 per cent market share based on 21 deals worth \$US4.9 billion.

executives who were looking for a wealth-building opportunity."

As to the opportunities for Australians, Ms Germain said they were viewed as "very good talent", particularly for Asia-Pacific roles. "But individuals who have had top jobs in purely Australian-focused organisations are usually not viewed as having the scale (experience) to immediately step into a global role.

"Given the quality of life in Australia, it is also quite well known that getting someone out of Sydney or Melbourne is very difficult. But that doesn't lessen

Organic growers making a vintage rally



Drop in for a quaff: Michael Gow, left, and Herb Gardner at their stall at the Organic Expo in Melbourne yesterday

Blair Speedy

AT a time when the global financial crisis is being blamed for a 10 per cent slump in Australia's wine exports and drinkers are trading down to cleanskins, one part of the market is still surging ahead.

Organic winemakers say they have seen little of the downturn that is cutting a swath through the industry, despite selling at higher prices than most conventionally produced tipples.

Michael Gow from Melbourne-based organic distributor Raw Wine & Beer says he has had 15 per cent annual sales growth since he started his business in 2001.

"We can't get enough wine, whereas every other distributor in the industry has too much and that's why you get two-buck chuck and 'buy one, get one free' sales," he says.

The increased demand has even seen retail giant Coles launch a range of cleanskin — or generically labelled — organic wines at \$9.99 a bottle among a range of about 50 organic wines at its First Choice liquor superstores.

"You don't see much organic wine at the cheap end of the market — they're quite high compared to the average bottle," Coles liquor merchandise general manager Grant Ramage says. "It's definitely a growth market. There's more customer interest in sustainability as a whole, and organics is the most easily identified

Organic wine costs more to produce because the grape-growing process is generally more labour intensive than conventional farming.

In order to reduce the need for fungicidal sprays, vines are manually thinned out so that air can circulate around the grapes. Handpicking is also preferred because it reduces the need for chemical preservatives added when mechanical harvesters break open the skins. exposing sugary juice to the air and spoilage extremely well," he says.

bacteria. Antly named organic grane grower Herb Gardner says he obviates the need for chemicals in his Gardners Ground wines by processing the grapes in a nitrogen gas environment, depriving spoilage bacteria of necessary oxygen.

"It's a little bit more expensive, but if you want to sell chardonnay, you'd better have something different," he says.

For Ross McDonald, owner of Macquariedale Organic Wines in the NSW Hunter Valley, going biodynamic — which is like organic farming with a dash of astronomy — was a quality issue.

By avoiding the use of chemical fertilisers, the low cropping levels that conventional growers use to maximise fruit quality can be achieved without the need for labour-intensive pruning.

"We can produce better wine — we crop at a lower level so we get more intense flavours, and so we make wine that's truer to the climate and the soil," he says.

"Sales are really booming along."

Rod Windrim from Krinklewood biodynamic wines in the Hunter Valley says his sales have also been "fantastic", selling out each vintage's production before the next has begun despite raising his prices.

While no industry body tracks organic wine sales, anecdotes of such market growth could only be a cause for envy among wine majors Foster's and Constellation, both of which are trying to slash costs by selling hundreds of hectares of unneeded vineyards.

But Frank Bonic, from Organic One Wines in Jerilderie, southern NSW, doubts that the conventional wine giants would be interested in converting to organic.

"No other winery wants to do what we do because the money's not in it, but when you die vou don't take it with vou — I'm living

James Hardie directors face penalty hearing

TODAY'S pre-penalty hearing on regulator ASIC's successful civil action against directors and executives of the James Hardie group will be the tipping point in the long-running debate in Australia about what company directors should expect to be responsible for.

For years directors believed that achieving consensus was what was required, but this case, based on a misleading press release that the Hardie directors ticked off and published on February 15, 2001, has seen 10 former executives and non-executive directors being found by NSW Supreme Court judge Ian Gzell to have breached the Corporations Act.

The Australian Securities & Investments Commission launched a civil action against the Hardie chiefs after it became clear the Medical Research and Compensation Foundation (MRCF) that Hardie had devised to compensate asbestos victims was far from "fully funded" as the press release claimed.

ASIC claimed that seven directors, based "on the material provided to them, could not have been satisfied that James Hardie Industries Ltd. had a proper basis for making the assertions of sufficient funding'

The non-executives facing financial and disqualification penalties include chairman

Meredith Hellicar, US directors Michael Gilfillan and Martin Koffell, and former AMP chair and Telstra director Peter Willcox

The main target is former CEO Peter MacDonald, whom ASIC would almost certainly want to see fined more than \$1 million and disqualified from managing a company for up to 20 years, but non-executive directors will not be viewed in the same way as MacDonald and his two full-time executive cohorts, Peter Shafron and Phillip Morley.

The non-executive directors are likely to lodge an appeal if Justice Gzell does not exonerate them. He may do so if he chooses, on the basis that they acted honestly, but the tide of public opinion and corporate governance protocol has moved to the "opt-out" view that directors must go on the front foot at board meetings and ask questions, duly minuted, about issues they are not happy with.

ASIC noted in its statement of claim that at the relevant time the full-time executives did not ask the non-executive directors for their opinion on the adequacy of the funding and they did not give it.

This week's hearing is likely to be something of an anti-climax, experts say, because all the major representations by ASIC and the defendants have been formally lodged with the court and may not all become public.

Cautious optimism

AUSTRALIAN companies are cautiously optimistic about the 2010 financial year and have been energetic in dealing with the economic downturn over the past 12 months, a survey

Ernst & Young surveyed executives from corporate Australia to gauge market sentiment towards sustaining and expanding a business in the volatile economic climate. It found that 76 per cent of respondents saw the crisis as

having only a temporary impact on profitability. "The results show Australian businesses are cautiously optimistic for the 2010 financial year, with far more proactive plans over the next 12 months," Ernst & Young corporate accounts leader Patrick Winter said.

"Access to capital is still difficult, particularly for small and mid-cap companies. However, organisations have implemented initiatives to reduce costs and manage cash and working capital more effectively," Mr Winter said.

He said the survey results showed Australian businesses had been more energetic than global respondents in the area of debt finance, including reviewing, monitoring and renegotiating debt covenants and considering alternative

sources of liquidity But they were less likely to build working capital measures into management performance objectives and have an emergency plan for cash release, he said.

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Rocket Variable Rate^	5.819
Equity Access	
Equity Rate including Equity Access – Plan 1+	5.969
Equity Access – Plan 2 Rate	5.969
Equity Access Rate	6.819
Rocket Access Equity Rate	5.969
Rocket Equity Investment Rate ⁺	5.969
Investment Property Loans (Residential Investment)	0.70
Flexi First Option Investment Loan (Flexi First Rate)	5.11%
First Option Investment Rate ⁺	5.339
Investment Property Rate ⁺	5.919
First Investment Plan 2 Rate ⁺	5.239
Investment Property Plan 2 Rate	5.819
Fixed Rates# 1 Yea	
3 Yea	
5 Yea	
Rocket Investment Rate ⁺	5.919
Rocket Wariable Rate ^	5.819
	3.61/
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	10.000
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Secured Loan - Fixed (applies to loan >\$10K)	13.799
Unsecured Loan - Fixed (applies to loan >\$10K)	13.899
Secured Variable Personal Loan Rate ⁺ (No Longer For Sale)	5.819
Unsecured Variable Personal Loan Rate* (No Longer For Sale)	10.279
Unsecured Variable Personal Loan Rate* (No Longer For Sale)	11.029
For personal loan enquiries call 132 651, 7 days a week	10.046
Secured Personal Overdraft Rate ⁺	10.249
Unsecured Personal Overdraft Rate	10.749
Business Finance	
Long-Term Finance Products	
Business Development Rate (base rate for Business Loans)	7.449
Bank Bill Business Rate (available on the Bank Bill Business Loan – 30-day interest period)	
Bank Bill Rate (base rate for Commercial Bills – 30-day rate for bills from \$500k – \$1m)^-	
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Business Overdraft Rate (base rate for Business Overdraft and Westpac Invoice Finance <\$2	m) 8.019
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$ \hbox{Bill Indicator Rate (base rate for Development Loan - Bill Indicator Rate for the month of July)}^+ \\$	3.509
Indicator Lending Rate (base rate for Business Overdraft) ⁺	9.16%
Business Equity Rate (base rate for Business Equity Line of Credit) ⁺	8.019
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business i mance kate (base rate for business bevelopment Loans)	

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Cathay boss attacks 'gouging'

Steve Creedy Aviation writer

SOME of Australia's major airport operators have been accused of "counterproductive gouging" for jacking up charges while airlines endure one of the worst financial storms in the history of

Cathay Pacific chief executive and International Air Transport Association chairman Tony Tyler told a Swinburne University of Technology dinner in Melbourne at the weekend that he was astonished by moves to boost charges at two capital city air-

He said he had been astonished to receive "a rather smug letter" from one airport saying its international charges were going to be raised by only about 2 per cent, as against just over 6 per cent at one of the other Australian capital city airports.

Melbourne, suggested Cathay should switch to it.

"I am frankly astonished at the behaviour of both these airports." Mr Tyler said "Their 'business as usual, let's jack up the charges' agenda demonstrates a complete disregard, or indeed ignorance, of the current business climate and the predicament their customers find themselves in.

"A large number of airports in our region have recognised the facts of life and have cut their

charges accordingly. Mr Tyler said Singapore had reduced landing charges by 25 per cent and counter rental by 11 per cent, while Hong Kong had cut landing and parking charges

by 10 per cent. Malaysia offered a 50 per cent discount for two years and Thailand discounted parking charges

The airport, believed to be by 50 per cent and landing charges by up to 30 per cent.

Auckland has deferred a proposed 2.5 per cent increase in landing rates and introduced a 5 per cent discount on existing rates for six months.

"This makes sense for all involved — the airports and the airlines. It gives stakeholders an opportunity to generate business, and help counter the downturn. Anything else is just counterproductive gouging.'

The accusations prompted the Australian Airports Association to call on Mr Tyler to name the Australian operators, but he de-

The IATA chairman said the industry had not been in such bad shape in the 30 years he had been in the business, with global airline losses forecast to rise from \$US8.5 billion (\$10.3bn) last year to \$US9bn this year.