

FINANCIAL REVIEW

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► Household disposable income and saving fall ► Economic growth softens ► Business investment spending dips

Tax, rates, prices crunch income

Michael Read and Tom McLroy

Australian household disposable incomes have fallen as higher taxes, interest rates and consumer prices take their toll on family budgets, with experts warning of more pain to come amid forecasts of a sharp economic slowdown and more rate rises.

The economy expanded by a softer-than-expected 0.5 per cent, in real terms, in the final three months of last year, held up by a fall in imports and higher exports as international students returned to Australia, according to the Australian Bureau of Statistics (ABS) yesterday.

The annual growth rate fell from 5.9 per cent to 2.7 per cent, and is tipped to slow further as the Reserve Bank's most rapid interest rate tightening cycle in a generation forces households to tighten their belts and the tight labour market to cool.

A pick-up in wages growth did not prevent household disposable incomes falling by 0.7 per cent in the quarter in nominal terms, and by 2.2 per cent after inflation, as higher wages were offset by an increase in taxes, mortgage interest payments and consumer price inflation.

Households spent 4 per cent of their gross incomes on mortgage interest, the highest level since 2015.

As wage inflation pushed wage earners into higher tax brackets, personal income taxes jumped to 15.7 per cent of household earnings, its highest level in two decades.

As the budget supports from the pandemic run out, the increase in taxes and mortgage interest prompted households to save less of their income, reducing the household saving ratio to 4.5 per cent of income, its lowest level since September 2017.

Treasurer Jim Chalmers said the national accounts showed the economy was moderating as expected, with substantial challenges in the year ahead.

"This is an inevitable consequence of a global economic slowdown, high inflation, rising interest rates and an international energy crisis," Dr Chalmers said.

"These numbers reflect the reality of rising interest rates and capture the impact of the cost-of-living pressures affecting Australians."

So-called net exports contributed 1.1 percentage points to the economy's

Pressure builds



It certainly seems like the savings that have been funding Australia's post-COVID-19 splurge and growth are now cooling.

Chanticleer back page

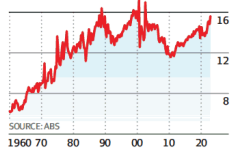


Thinking out loud is not the same as coming up with a package of tax reform and trade-offs with the aim of boosting economic growth.

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Personal income tax (% household gross income)



0.5 per cent expansion in the December quarter.

Higher prices for resource exports such as iron ore, coal and gas helped drive a 2.1 per cent increase in national income in the quarter, and 12 per cent over the year, along with a 12 per cent quarterly lift in mining sector profits.

But business groups pointed to the 1.4 per cent real fall in private business investment in the quarter as a warning sign for the economy's growth prospects.

Business Council of Australia chief executive Jennifer Westacott said the data showed the need for a 20 per cent investment allowance for businesses.

"If we don't act to lift productivity by driving investment, innovation and new industries, the hip pocket gains for Australians will be short lived and they'll continue to fall behind," she said.

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New face of politics | Sarah Ho, who moved with her family from Hong Kong when she was five, and sends her kids to a private school, is an emerging type of voter who election analyst and political demographer John Black describes as "aspirational left". He says this aspirational migrant population is drastically altering the shape and direction of our culture and politics. News p3, Features p36 PHOTO: OSCAR COLMAN

Justify price lifts, Chalmers tells business

Tom McLroy and Michael Read

Treasurer Jim Chalmers says businesses must justify price rises for customers suffering cost-of-living pain, warning against corporate gouging at a time of strong inflation.

As households grapple with rising interest rates and higher costs for everyday essentials, Dr Chalmers said consumers should not have to pay unjustifiable mark-ups.

But Business Council of Australia chief executive Jennifer Westacott pushed back, warning against the demonisation of profitable businesses employing workers and driving higher wages.

The Australia Institute's Centre for Future Work last week attracted criticism when its research suggested businesses had increased prices by \$160 billion a year above costs.

It concluded inflation would have averaged 2.7 per cent since 2019 if businesses had not passed through "excess profits" into prices, in what the think tank named a "profit-price spiral".

But leading economists said the claim of corporate profiteering driving prices higher was misleading and even "silly". Instead, they note that mining and energy companies account for almost all the increased share of corporate profits due to higher export prices that do not feed into the consumer price index.

Welcoming a broader conversation about the drivers of inflation, Dr Chalmers said consumers should not have to pay unjustifiable price increases.

"We should be making sure that businesses aren't gouging in an inflationary environment," he said.

"It's not that long ago that people

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Shemara Wikramanayake and Peter King yesterday. PHOTO: LOUIE DOUVIS

'Tiny' Macquarie now fifth 'big' bank

James Eymers

Westpac chief executive Peter King says Macquarie has become a "big" player amid intense competition in the mortgage market, as the investment bank accelerates growth in its loan book, vindicating concerns shared by the big four it has become the new fifth pillar in retail banking.

But Macquarie boss Shemara Wikramanayake, appearing with Mr King at an event organised by the Institute of International Finance, said the bank was not looking "at growth for growth's sake".

Unlike Commonwealth Bank, which

is offering free NBN access for three years on some new loans, and Qantas Money's incentive of 100,000 Frequent Flyer points, Macquarie does not offer cashbacks or other bonuses to borrowers.

Rather, it has increased share by pricing competitively, forging close relationships with brokers, and leaning on its ability to convert loan applications quickly.

Yesterday, in a nod to the margin degradation unleashed by the mortgage pricing war, CBA lifted the variable rate for new and existing customers of its digital Unloan product by 0.3 percentage points, in response to

investor pressure to be more disciplined on loan pricing.

In a lively exchange between the Westpac and Macquarie bosses at the event hosted at Westpac in Sydney, Ms Wikramanayake spoke candidly about Macquarie's intentions in the home loan market.

This came after Macquarie reported 22 per cent growth over the past year in owner-occupier mortgages, catapulting its book to almost \$60 billion – one-fifth the size of Westpac's. But

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If you're 25, Labor's \$3m plan hits at \$1.2m

Younger workers will be relatively worse off at retirement because of the government's refusal to index its proposed \$3 million superannuation cap, but Jim Chalmers said that was a problem for future treasurers to deal with.

As the government dealt with the fallout from its decision to impose a 30 per cent tax on earnings from funds worth more than \$3 million, Opposition Leader Peter Dutton confirmed the electoral battle ahead by vowing the Coalition would repeal the measure if elected.

Without indexation, for a worker aged 25 and planning to retire at 65, the value of the \$3 million cap in today's dollars would be \$1.2 million. ► News p6

AFR01 A001

Digital shift a lethal threat to Australia Post

Phillip Coorey
Political editor

Daily letter deliveries are likely to disappear or become more expensive as part of a restructure that will be needed to keep Australia Post viable amid the rapid transition towards online shopping and digital communications, a new report suggests.

A federal Communications Department discussion paper to be released today by the Albanese government says Australia Post's community service obligations, which include the daily mail delivery, cost \$348.5 million in 2021-22.

The report says: "The existing community service obligations are no longer financially sustainable and are not well targeted at the needs of Australians due to changes brought about by the digitisation of the economy."

Australia Post chief executive Paul Graham said the organisation had spent more than \$1 billion over the past three years to adapt to spiralling demand for parcel delivery and to invest in technology and to "deliver efficiencies".

"Despite these investments, the losses in Australia Post's letters business continue to undermine the long-term viability of the business," he said.

"Letter volumes have decreased by almost 60 per cent since 2008, while delivery costs have increased significantly. It is clear the status quo for Australia Post is no longer an option. The business is on a path towards billion-dollar losses that, without change, will have to be covered by the Australian taxpayer, and that is money that could be better spent on schools, hospitals and roads."

Australia Post reported a record first-half letters loss before tax of \$189.7 million and will report a full financial year loss in 2022-23, the first annual loss since 2015.

The departmental report, which will herald an eight-week consultation phase before final decisions are made, openly canvasses the decline of the daily mail and pouring more resources into the competitive parcel delivery business.

"Australia Post is projecting significant ongoing declines in addressed letter volumes over the next decade," it says. "Coupled with an estimated addi-

tional 2.2 million delivery points, Australia Post is forecasting that each postal round will deliver on average only 150 addressed letters each day, down from 640 in 2021-22."

The government is seeking feedback on solutions including: "Letters pricing arrangements that support Australia Post to recover the actual costs of providing its services, while retaining appropriate government oversight and maintaining subsidised social mail pricing (for example, for concession card holders); relaxing letter delivery frequency requirements, which are particularly cost burdensome in the face of declining volumes, while maintaining appropriate maximum letter delivery speed regulations; and deregulating the priority letter service, while maintaining a commercial bulk priority letter service to meet the needs of Australian businesses."

The report also canvasses changes to Australia Post's retail model. There are 4300 post offices but since 2013-14, visits to the local post office have declined.

The status quo is no longer an option. The business is on a path towards billion-dollar losses.

Communications Department discussion paper

At the same time, they remain vital for many communities and the department wants feedback on how important the local post office is to individuals, business and communities, and which services were most valued.

It says: "Are other facilities, such as parcel lockers, vending machines, payment terminals or mobile post offices, helpful to serve community needs?"

In a joint statement, Finance Minister Katy Gallagher and Communications Minister Michelle Rowland said the government remained committed to a publicly owned Australia Post, but that required it to be sustainable.

Victorian secretary of the Communications Workers Union Leroy Lazaro said unions had concerns about job losses and the changing nature of the work that posties would have to do.



In a spin | Australia bounded out of the blocks early in the third Test, dismissing the home side for 109 just after lunch on day one. All 10 wickets fell while spinners were bowling. In his second Test, left-armers Matthew Kuhnemann (above) starred with 5-16 off nine overs. PHOTO: GETTY

The Coalition should fear Sarah

Campbell Kwan

Sarah Ho isn't wedded to a particular political party. The marketing executive and mum of three, who lives in Lidcombe in Sydney's west, always votes for the candidate whose policies align most with the health needs of her ageing parents, the education outcomes of her children, and someone who has progressive views on climate change.

"My vote is more towards what the future will be like for our kids. I would consider voting for anyone, not just the major parties," Ms Ho said.

At the last federal election she voted for Labor MP Sally Sitou, in the electorate of Reid, because of her focus on health and cost of living issues.

Ms Ho, who moved with her family from Hong Kong when she was aged five, and sends her kids to a private school, is an emerging type of voter who election analyst and political demographer John Black describes as "aspirational left". Often from migrant backgrounds, these voters from dual-income households are veering away from the political right as they did at the last election, but they are also behind a surge in consumption of both private health and private schooling.

Ms Ho's electorate of Reid is one of the top 20 electorates in the country with the highest proportion of aspirational left voters, according to an index created by Mr Black's political profiling company Australian Development



Sarah Ho is one of the voters haunting the Coalition. PHOTO: OSCAR COLMAN

Strategies. "The top of the ranking is littered with teal members and Greens members, with ALP members either elected in 2022 or being challenged by the teals or Greens," Mr Black said.

There are just eight Coalition-held seats in the top 50 electorates. These include Bradfield in NSW, held by Paul Fletcher, Alex Hawke's Mitchell in Victoria, and the Western Australia electorate of Moore, held by Ian Goodenough.

At the bottom of the list are seats held by MPs whom Mr Black labelled "stale, pale and male". These include David Littleproud's Maranoa in outback Queensland and the Bob Katter-held seat of Kennedy.

Australian National University politics lecturer Jill Sheppard said the index results were not surprising, as these voters felt spurned by the former Morrison government during last year's election because of rising living costs.

She said that such socially moderate but fiscally conservative voters were open to any party as they "don't feel like there's a home for them" in the Liberal Party. "These are people who are pretty well established in adulthood, they've voted before, but they're pissed off about being income-rich and asset-poor," Dr Sheppard said. "Couples and families hitting their 30s and 40s aren't necessarily doing badly - it's not a kind of visible crisis - but this generation is growing up and can't find security whether that's housing or career."

Mr Black said the Liberal Party needed a "wholesale restructure" if it was going to survive.

"Labor cleaned out the ratbags in Victoria and crooks in NSW and that was an ongoing process, and it made a big difference to the quality of the candidates, campaigns and brand of the party," he said.

One obvious change would be to focus on selecting professional women to run for parliament in an effort to attract aspirational left voters.

Mr Black pointed to Tamil Australian doctor Michelle Ananda Rajah's recent victory for Labor in Higgins, in Melbourne's inner south-east as an example.

"If it's a migrant on the way up, who is also a professional woman, like in [the electorate of] Higgins, even better," he said.

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ASIC boss steps back from Chester inquiry response

Patrick Durkin

Australian Securities and Investments Commission chairman Joe Longo admits a Treasury investigation into deputy Karen Chester produced a "mixed" outcome, but categorically denied he deliberately misled parliament.

Ms Chester maintains there were "no adverse findings" against her, and yesterday insisted it was "business as usual".

However, Finance Minister Katy Gallagher acknowledged the saga had damaged ASIC's reputation.

Mr Longo, Ms Chester and other

ASIC leaders were hauled back before the Senate economics committee to be grilled on whether they misled the committee.

Letters produced to the committee reveal that while the Treasury inquiry found there was an "insufficient basis" to take formal steps to remove Ms Chester, instances of her alleged conduct could be "wholly or partially substantiated" and may breach ASIC's code of conduct.

Mr Longo acknowledged yesterday that the outcome of the Treasury inquiry was "mixed", distancing himself from comments at an earlier hearing when he supported Ms Chester's



Katy Gallagher (centre) with ASIC's Joe Longo and Karen Chester at a Senate inquiry yesterday. PHOTO: ALEX ELLINGHAUSEN

claims that there were "no adverse findings" against her.

"This whole matter has put a lot of pressure on the organisation," Mr Longo told the committee.

"The letter says what it says, the word I would use is mixed."

Ms Chester told the committee she stood by her earlier evidence that there had been "no adverse findings" against her but said she had not seen the Treasury report.

"I've not been informed of any adverse findings, and clearly if there had been adverse findings I would have been told. I've not seen the report, I've relied upon two short letters that I received about the outcome," she said.

"This all relates to an exceptional period in time for ASIC which I say will never be repeated."

The Australian Financial Review revealed last week that the alleged conduct occurred while Ms Chester was

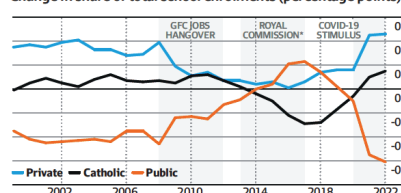
acting ASIC chairwoman from late 2020 to early 2021 and around the time former chairman James Shipton returned to the regulator after being cleared of an expenses investigation.

The Financial Review revealed Mr Shipton was among the ASIC staff to lodge a complaint against Ms Chester that related to allegations of "disrespectful and contemptuous" conduct, including one incident involving the pair in ASIC's Canberra office in early 2021, alleged to have involved "shouting" and "door slamming".

Mr Longo said questions about the investigation at the earlier hearing were "entirely unexpected" and his earlier response was based on his recollection at the time. He said he did not hold a copy of the Treasury report based on an investigation by law firm Seyfarth Shaw.

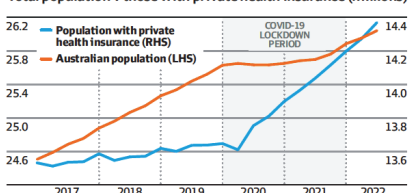
"I did not retain a copy of the report and nor do I have one in my possession," Mr Longo said.

Change in share of total school enrolments (percentage points)

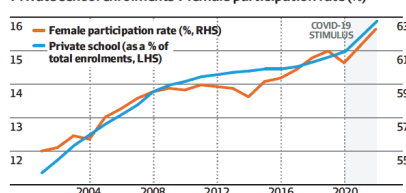


*Royal Commission into Child Abuse

Total population v those with private health insurance (millions)



Private school enrolments v female participation rate (%)



SOURCE: ABS, APRA, AEC, AUSTRALIAN DEVELOPMENT STRATEGIES

THE RISE OF THE 'ASPIRATIONAL LEFT'

Voting trends This demographic group includes younger Australians aged up to their mid-40s but also many older high-income earners who are taking longer to drift to the conservative side, writes **John Black**.

Three key decisions that adults in Australia are making about their own lives, and their families, revolve around choosing who to vote for in an election, staying healthy and giving their kids the best education they can.

And lately, we've seen the emergence of one broad-based demographic group with a tendency to make the same specific choices about all three – and it's causing a headache for Australia's two major political parties.

This new demographic, which elected Anthony Albanese Prime Minister in 2022, comprises the aspirational parents that are responsible for a churn in enrolments from public schools to private schools, and who are driving the real per capita increase in private health fund members that we've seen since the start of the COVID lockdowns in early 2020.

This demographic is voting for the broad left, but growing its consumption of private health and education, traditionally the preserve of the political right.

It's being driven by increasing numbers of professionals, particularly women, and more recently, waves of Asian migration. These two trends are fundamentally changing our culture, and are on a par with how the wave of post-World War II migration from Europe reshaped Australia.

Pandemic pressures, border closures and the \$300 billion COVID stimulus have had an impact too, but looking through the smoke, the trends are consistent.

The best description I have come up with for this new demographic is Aspirational Left, albeit with a strong transactional

streak that runs counter to traditional party loyalties. They're all clambering up the economic greasy pole, and they all voted overwhelmingly, after preferences, to dump Scott Morrison's Coalition government last year.

But they weren't all that keen to throw a No. 1 vote for Labor either, particularly if they lived in what used to be a safe Coalition seat. In these seats, they voted strategically for the teals, or even the Greens, if there wasn't a teal candidate available, as we saw in Brisbane.

The Aspirational Left includes parts of three of our longstanding demographic stereotypes and a new stereotype called Next Generation, which we designed to include the big numbers of post-2001 migrants from India, China, Nepal and the Philippines.

These migrants are aged 25 to 34, living in rental homes, with moderately high family incomes, with a mother working full-time and the father working in IT or in a secure public sector job, and both are voting Labor.

Overlapping the Next Generation is our traditional Swinging Voter group. These are financially insecure couples in their late 20s and 30s, buying a home in the suburbs, starting a family, often with a pre-school child, juggling payments for their mortgage and childcare, while seeking a secure second job.

Traditionally UK-born, but now including recent arrivals from a wide range of mainly Asian nations. This group is voting Labor, but scared stiff of rising mortgage rates.

The youngest stereotype is one we call Coming of Age – that group of first-time voters and young adults approaching their mid-20s. They're politically restless, typi-

cally tertiary students, highly mobile, renters, agnostic, woke and voting Green.

Finally, we have the big and fast-growing middle-aged stereotype we call the Goat Cheese Circle – established families aged 40 years and above, moving to the liberal left. They're dual-income, professional consultants with high salaries, living in the inner suburbs with ash-sprinkled goat cheese in the fridge and a Tesla in the garage.

They've been voting teal since their annoyingly woke young adult kids moved back home to save money for their next overseas trip and brought their rescue greyhound with them.

But they weren't all that keen to throw a No. 1 vote for Labor either.

In summary, the Aspirational Left includes a big slice of younger Australians aged up to their mid-40s, but – and this is the spoiler alert for the Coalition – it also includes many high-income groups who are now taking much longer to make the traditional Australian drift to the conservative side of politics, as they transition through their 40s and 50s.

Instead of holding their nose and voting for Morrison and his increasingly whacky government in 2022, many of these well-paid professionals were much more likely to vote one for the so-called teal candidate, and then cast a second preference to Labor.

While it was their primary vote for teal which won the seat from the Liberals, taking the Coalition out of contention for win-

ning a majority of seats, it was the second preference to Labor that put Labor between 44 per cent and 52 per cent of the two-party preferred (2PP) vote in seven of the eight seats the teal candidates won in 2022.

Unless the Albanese government makes a Whitlamesque pig's ear of the economy we can't see the Aspirational Left realigning to the Coalition nationally at the next federal election, although the Victorian Liberals have pulled the right rein in selecting Roshana Campbell, a female professional of Indian heritage, for the Aston byelection.

The demographic spoiler alert for Labor in Aston may be that, while higher income Australians and Asian migrants are increasingly backing Labor via first preference votes for independents and Greens, many older and poorer Australian-born Labor voters living in traditionally safe Labor suburbs are moving towards the Coalition, via first preference votes for fringe right parties such as Pauline Hanson's One Nation and Clive Palmer's United Australia Party.

It seems both federal parties may finally be realising that overseas migration is now the main driver of Australia's population growth, accounting for just over 51 per cent of the population increase since 2001.

And the biggest gains in migration to Australia since 2001 have been from India, China and the Philippines, with a combined contribution to the population of 1.25 million people.

Chinese-born migrants from the late 1990s provided the first wave of more than half-a-million Asian migrants moving to Australia, and they are now establishing themselves as dual-income professional families, increasingly likely to take out

Australia should give old F/A-18s to Ukraine

Comment

Aaron Patrick



A debate in the Western alliance over whether to give Ukraine advanced combat aircraft seems to be moving towards aerial armament.

On Friday, US President Joe Biden said Fighting Falcon F-16s weren't in the pipeline, but left the option open. "I am ruling it out for now," he said in a television interview.

On the same day, British Defence Secretary Ben Wallace offered a similar hedge. Two weeks earlier his government said it planned to train Ukrainian pilots on NATO-standard fighter jets.

The Danes' acting defence minister, whose air force is about half the size of Australia's, was more positive: "At some point it may be necessary to look at the contribution of fighter jets."

In one year's time, on the invasion's second anniversary, the West will not want to look back with regret at lost opportunities to defend a liberal democracy against Vladimir Putin's regime.

Ukraine isn't losing, but it isn't winning either. Putin is unlikely to sue for peace unless he faces defeat. There is probably only one way for Australia to have a decisive influence over the outcome: give Ukraine some of the retired F/A-18 Hornet fighter bombers it still owns and has failed to sell.

Two of Australia's serious military theorists, Dr Ross Babbage and Dr Peter Dean, support, under certain circumstances, the Royal Australian Air Force handing over the planes.

Should Australia do more? The government's \$500 million contribution to Ukraine's defence is respectable but unexceptional. Based on the size of the economy, the military aid ranks 26th out of 37 donors, from Estonia to South Korea, according to calculations by the Kiel Institute for the World Economy.

Australia, which lost 27 citizens on Malaysia Airlines Flight 17 over Ukraine in 2014, has provided as much assistance, proportionally, as Hungary, which is led by a far-right Russo-sympathetic government, and Switzerland, which has been neutral for 500 years.

In international circles, much of the debate over the Ukraine air force focuses on



Defence Minister Richard Marles has a chance to help shape history if he pulls some of the F/A-18s (pictured) out of storage.

If the Americans and Brits agreed, I would certainly be open to it... We don't need them any more.

Ross Babbage, defence consultant

the F-16, the most numerous combat aircraft. The F/A-18, which the RAAF retired in 2021, is a similar vintage and performs the same combat roles as the F-16. Both are from the same era as the MiG-29s and Sukhoi Su-27s still used by the Ukrainians.

A common misconception, even among military experts, is that Australia no longer owns what are known as Classic Hornets, which have been replaced by larger Super Hornets.

In 2019, the Morrison government agreed to sell 25 of the 75 planes it originally bought to the Royal Canadian Air Force for \$C90 million, or about \$4 million each.

In 2020, then-defence industry minister Melissa Price said "up to 46" of the

remaining aircraft would be sold to an American air training company. Three years on, and eight have been allocated for museums and one for training. The rest remain in storage. The Defence Department won't say where the rest of the planes are. The agreement to sell them appears to have fallen through. "We're still waiting to get them," says Eric Doyle, the chief executive of Houston-based RAVN Aerospace. "We're hopeful. We don't need all of them."

According to Doyle, the aircraft are in excellent condition and come with spare parts. Which means there are, within one member of the Ukraine military alliance, enough surplus combat jets for an entire mid-sized air force.

The Ukraine air force had about 70 MiG-29 and Su-27s in 2000, according to the International Institute for Strategic Studies.

It doesn't have enough spare parts to sustain itself, President Volodymyr Zelenskyy told the US Congress last year, and needs something else "to close our skies for Russian rockets and aircraft".

Modern jets are one of the Ukraine government's top requests. Flying at or above the speed of sound, they could shoot down Russian bombers attempting to destroy the Ukraine electricity grid with cruise missiles, cause havoc on enemy bases behind the front lines, and destroy anti-air missile batteries with radiation-detecting missiles already provided by the US.

"If the Americans and Brits agreed, I would certainly be open to it," says Ross Babbage, a former Defence Department and intelligence agency official who is now a private defence policy consultant. "We don't

private health insurance and with one in four kids in private schools, compared to 15 per cent for Australian-born parents.

Following closely behind the Chinese, but overtaking them in raw numbers before COVID struck, are Indian migrants, now numbering almost two-thirds of a million Australians and increasingly aspiring to make it in their adopted country by getting a strong tertiary qualification and then seeking jobs in IT and the public sector.

Some 200,000 Filipino migrants have settled in Australia since 2001 and one in three of their children are enrolled in Catholic schools, compared with the Australian-born figure of 22 per cent.

Filipino migrants, like the Indians before them, and the Chinese before them, are moving up the aspirational ladder and taking out private health insurance.

So, we are talking about big demographics here, living in the key seats, led by people aged from their late teens to their mid-50s, especially professional women and Asian migrants, and the top one-third of income earners. I've been at this gig for 50 years, and it's the most profound change in political demographics that I've observed in that time.

Down at the state political level, the political economy managed by West Australian pro-development Labor Premier Mark McGowan provides the template of what modern Labor needs to do to win state government with the support of both this new generation of Aspirational Left voters and traditional Labor demographics flirting federally in 2019 and 2022 with fringe right parties.

South Australian Premier Peter Malinauskas seems to be ploughing a similar furrow.

However, in the old Tammany Hall states, where political and economic leadership tends to be spelt with a small i, we're more likely to see the formation of minority Labor or Coalition governments, with a mixed bag of independents, teals, Greens, and fringe parties deciding which side wins on any given issue.

And we'll see more demand for private health and education systems, at least until state governments stop equating better public health and education outcomes with quotas for nurses and teachers respectively, and instead start to focus on the best outcomes for patients and their kids.

Until then, the Aspirational Left will just keep voting with their feet. **AFR**

John Black is a former Labor senator for Queensland. He is executive chairman of demographic and political profiling company Australian Development Strategies.

need them any more."

Legally, because the F/A-18s were manufactured in the US, approval from the Biden administration would be necessary. There could be advantages in the US and Europe by allowing Australia to go first. As a relative outsider to the conflict, the Australian government could make it easier for other countries to follow at little financial or political cost to itself.

"I have no problem with the fighter aircraft being used," says Peter Dean, the director of foreign policy and defence at the University of Sydney's United States Studies Centre. "What we are attempting to do is maintain the military balance here."

But a requirement that Professor Dean and other experts have is that any aircraft are provided as part of an international strategy to arm the Ukraine. It would include training, weapons, fuel and parts.

While it takes at least a year to master the F-16, Ukrainian pilots could be taught to do "a limited number of things... in a few months," according to US Senator Mark Kelly, a former US Navy fighter pilot.

F/A-18s are of similar complexity. Australia has excellent pilot training facilities too, according to John Blandand, a defence specialist at the Australian National University.

For Prime Minister Anthony Albanese, Foreign Minister Penny Wong and Defence Minister Richard Marles, it is an opportunity to make Australia—and themselves—important figures in Europe's biggest conflict since World War II.

By pulling some old planes out of storage, they could help shape history. **AFR**

We paid our fair share of tax at Qantas

Comment

Vanessa Hudson

The Australian Financial Review's Rear Window column's latest piece on Qantas makes some big mistakes on two levels.

First, getting important numbers wrong, and not by a little. Second, drawing a false conclusion that we take with both hands and give back with none.

The article claims Qantas has paid only \$288 million in company tax since 2010. The actual figure is \$411 million, and most of that was in the years leading up to the pandemic, when our carry-forward losses were extinguished.

Put another way, we were paying our fair share of company tax right up until the point the border slammed shut for almost three years.

The article says our company tax payments are the sum total of our contribution to the government's "consolidated revenue", but that's not right either. We collect and pay multiple taxes from our activities, from GST and FBT to ticket taxes and fuel excise.

Even in 2021, which was one of our worst years financially, total taxes and statutory fees collected and paid were \$785 million. In the year before COVID-19 the figure was more than \$2.5 billion.

Rear Window contrasts its version of our tax contributions with its version of what support Qantas received during the pandemic, and naturally finds us wanting. But those figures aren't right either.

Of the circa \$2 billion of funding Qantas received from the government, about half of this was fees for services—including about \$500 million to maintain critical passenger flights (which the article acknowledges) and more than \$550 million for freight flights.

We collect and pay multiple taxes from our activities, from GST and FBT, to ticket taxes.

Rear Window dismisses the freight element as "juicy" but the letter of thanks from AusTrade describes it as "helping to protect 35,000 direct jobs and 120,000 indirect jobs" and "retaining Australia's reputation as a reliable global trading partner and preserved the economic future of many of our farmers, fishermen and primary producers".

The next largest chunk of support was JobKeeper at about \$850 million. Qantas was the biggest recipient because no other company stood down 25,000 people while the border was closed.

But here's the most important part: while JobKeeper was a wage subsidy for most employers, for Qantas it was largely welfare for people who had no work to do. Half of it went straight to staff, rather than offsetting non-existent wages.

Rear Window calls it a fault in the system that a now-profitable Qantas isn't paying these elements back. That argument again: Qantas should pay back the money it passed on from the government to its people, because it had no work for its people, because the government shut the border.

Qantas is not the only airline that received government support, and all are now returning to profit, but none of them are in Rear Window's sights. That's despite the fact more of our profits stay in Australia than any other airline. And despite the fact our major domestic competitor hasn't paid company tax for at least a decade.

These are not the first errors of fact or judgment in the many Rear Window articles focused on Qantas in the past six months, but it's the first time we've moved to correct them publicly. **AFR**

Vanessa Hudson is the chief financial officer of Qantas.

Rear Window

From back page

How nonsensical for Gerry to complain that the market is low-balling his real estate assets when the market's caution is caused entirely by his refusal to provide reasonable transparency on those assets.

Under pressure from investors, Harvey Norman only began breaking out the value of its top 20 properties in its financial 2021 accounts.

In the 2022 accounts, those are valued at \$1.5 billion. The market can now ascribe value to nearly 40 per cent of the book.

If Harvey thinks the other 60 per cent is underappreciated by the market, why doesn't he tell us about them?

Itemise them, disclose their physical addresses for the first time, explain their revaluations individually, go right ahead and close the gap.

We're forced to rely on only aggregated values and broad assumptions, broad assumptions being the stuff financial alchemy is made of.

We know, for instance, that the valuations—partly independent, partly not, all at the discretion of the board—are based on "net market rent per square metre". This is sufficiently vague that we don't know what it means.

Is that what they could charge if they repurposed the building? Or is it what the franchisee is currently being charged?

The footnote is a classic: "Fair value is estimated on inputs that are not based on observable market data." That is, they put their fingers to the sky and say, "Yeah, that feels about right."

In FY22 (consistent with previous years), the company's auditor considered the valuation of the property assets to be a key audit matter, given "the extent of judgment exercised by both independent valuation specialists and the directors in determining fair value", and "by their nature, the use of directors' valuations".

Of course, if a normal publicly traded retailer with major real estate assets was trading at a major discount to the sum of its parts, the obvious and long ago-executed solution would be to demerge the properties to unlock the latent value.

Harvey Norman can't do this, of course, because an external landlord would actually collect the rent from the tenants.

Harvey charges the rent but doesn't always collect it. He provides all sorts of financial accommodations to the franchisees and then forgives their outstanding loans when they go broke, as they regularly do!

It was called "tactical support" and was \$75 million in 2019, the final year the company bothered to disclose it.

Harvey's high-quality accounting problems are nothing a good dose of sunlight couldn't fix. Or perhaps not...

Will high-flying Dessau fly higher still?

Linda Dessau is making up for lost time.

After being grounded for the entirety of the pandemic, the twice-appointed Victorian governor visited no fewer than six countries in four trips last year.

March was partly spent in the United Arab Emirates and the UK, part of July was

spent in the United States, she went back to the UK in August, and spent most of October on the road (visiting Japan, Italy and Scotland).

All these trips, Government House regularly attests, "promote Victoria's economy, advance trade investments and build links in a variety of sectors".

Never mind Global Victoria's trade offices in Tokyo, London, New York and Dubai, which mustn't be quite equal to the job.

(Former NSW premier **John Fahey** memorably described the existence of NSW trade offices as "a throwback to colonial days... when it was important to have garden parties and participate in ceremonies", yet yielding "little to no benefit". That was 29 years ago, so we imagine they're even less useful now.)

Governor Dessau's 2022 trips were conducted with up to four other official personnel, along with business class flights and other accommodation and transport



Frequent flyer: Victorian governor Linda Dessau has been spiking the state's credentials here, there and everywhere. PHOTO: JUSTIN MCMAUS

befitting the role (so, no taxis).

With Government House recently undergoing a \$1 million renovation, perhaps Dessau just wanted to avoid the dust.

Not listed as an "official visit" on the Government House website was Dessau's new year's trip to London, where she was one of 19 recipients of the Royal Victorian Order by King Charles III, doled out for "personal service" to the sovereign.

Dessau's gong, her closeness to the Andrews' Labor government, and the nearing end of her second term, has many in Victoria pondering whether she's due for higher office. Ex-military officer **David Hurley's** term as governor-general ends in June next year.

State governors are often tapped for the position. They know the ropes after all, and have inevitably had dealings with the palace (Hurley, **Michael Jeffery** and **Quentin Bryce** were all state governors before being called up to Yarralumla).

Only the legal profession's leading lights have to this point been as well represented in the role, and Dessau, a former Family Court judge, is one of those too.

Still, even though she tends to receive rare reviews in her home state (businesswoman **Susan Alberti** suggested she should get a statue recently), we're not sure how far that translates.

Our attempts to gauge Dessau's odds with key decision-makers in Canberra were inconclusive.

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