



RBA governor praises auditors

Reserve Bank of Australia governor Glenn Stevens has highlighted the crucial role of internal auditors in the wake of the financial crisis. He told an Institute of Internal Auditors forum in Sydney yesterday the financial services reforms that followed the crisis should help auditors "sleep better at night". Photo: Jim Rice

Rail funds top Qld wish-list

Mark Ludlow

The \$8 billion Cross-River Rail project is at the top of the Queensland's priority list to Infrastructure Australia, despite growing doubts about whether the ambitious project will ever be funded.

The Bligh government earlier this year announced it would delay Cross River Rail by two years to help pay for the \$5.8 billion damage bill after last summer's natural disasters.

But Local Government Minister Paul Lucas said the project — a new 19 kilometre north-south rail line under the Brisbane River — was still the No. 1 priority and had been upgraded in the submission to "ready to proceed".

"We're now confident this project, which is expected to support 5900 construction jobs during construction, ticks all the boxes Infrastructure

Australia needs it to," Mr Lucas said.

The inner-city rail project has already received \$20 million from the federal government for planning and a feasibility study.

Premier Anna Bligh admitted last year the state government, which is expected to rack up \$85 billion of debt by 2014-15, would not be able to

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Local Govt Minister Paul Lucas

build Cross River Rail on its own and would need a substantial financial contribution from Canberra.

But Liberal National Party leader Campbell Newman has vowed to scale back the project to a more

affordable \$1 billion to \$2 billion if the party wins the next state election.

"Cross River Rail is an \$8 billion unfunded project and right now any suggestion by this government they are going to deliver this is complete nonsense," Mr Newman told *The Australian Financial Review*.

"They haven't got the money and the federal government hasn't got the money to bail them out.

"There are ways of creating an alternative to the current project that delivers the capacity we need across the Brisbane River."

Other priority projects in Queensland's submission to Infrastructure Australia include upgrades to the Bruce Highway in north Queensland, a second crossing for the Toowoomba Range, and the Eastern Busway.

An upgrade of the Warrego Highway in western Queensland was also included in the submission.

Deficit blowout forecast \$11bn

Pip Freebairn

The federal government's budget is in worse shape than most economists think and heavy cuts will be needed to return it to surplus next financial year, a forecast released today says.

In the report, private research firm Macroeconomics says the government's budget deficit is \$11 billion bigger than projected in the May budget. Deloitte Access Economics and Westpac Banking Corp estimate the deterioration in the budget since May to be about \$9 billion.

At the current projections, the government will record a deficit of \$6.9 billion next financial year, Macroeconomics predicts. Balancing the budget is seen as an important political goal, though of little benefit to the economy.

The government forecast a \$4 billion surplus in May. It has foreshadowed that an upcoming update to the May budget will show a larger budget deficit as taxation revenue suffers from a slower growth.

Macroeconomics said slowing in the world economy from Europe's sovereign debt crisis led to slower economic growth and a fall in taxation revenues of \$8 billion this year.

The director of Macroeconomics, Stephen Anthony, said the federal government was at risk of never achieving a budget surplus unless it cut spending this year. At least \$7 billion of cuts is needed this year for any chance of a surplus, he said.

"In 1997, when the Asian financial crisis was taking place, John Howard was tightening fiscal policy by around 0.5 per cent a year, and it turned out to be expansionary for the economy and be a great sign for financial markets," Mr Anthony said.

By reducing debt, a government could lower the interest rate it paid, which would flow through to interest rates paid by private borrowers, who would increase borrowing to invest and consume, expanding the economy, Mr Anthony said.

KEY POINTS

- Researcher Macroeconomics says the government will record a deficit of \$6.9 billion next financial year.
- The government had predicted a surplus of \$4 billion.
- About \$7 billion of cuts is needed this year for any chance of a surplus, the report says.

The cuts did not need to hurt the economy as there was plenty of room to reduce government spending.

"There is usually some spending that can be cut without the need for blunt instruments like efficiency dividends that can really hurt small government agencies," he said.

"They don't have to eliminate any spending measures, they just need to sit down and think about tightening eligibility for some measures that are a bit too generous."

The report said concentrating on Australia's low government debt was short-sighted. "The Treasurer never stops telling us that the federal government has significantly less public debt in GDP terms than most developed countries," Mr Anthony said.

"[But] he forgets to say that the Australian economy has significantly more total debt in GDP terms than just about every nation on earth, so the combination of modest rising public debt and significant private debt could be disastrous for the Australia economy."

New economic statistics showed the economy may be strengthening. Commonwealth Bank of Australia's business sales indicator recorded its strongest gain in October since September 2009.

The data, which is based on credit and debit card transactions processed through Commonwealth Bank point-of-sale terminals, a sample of about 30 per cent of the Australian market, rose by 0.4 per cent in October, after a 0.3 per cent increase in September and a 0.2 per cent increase in August.



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Secretary-General Law Council of Australia



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The Law Council of Australia is the peak national representative body of the Australian legal profession. Since 1933 the Law Council has represented State and Territory law societies, bar associations and their members at a national and international level, promoting the administration and access of justice, and improvement of law.

We seek a high calibre and inspiring leader who can effectively manage the LCA's vision within an intellectual context of change and diversity of opinion. Someone who can maintain the LCA's high profile and standing as the peak representative of the legal profession.

The successful candidate will have extensive financial and business management skills and experience. Critical to success of the role will be a proven track record working with diverse stakeholder groups, including the government, constituent members, directors, sections and members of the LCA and staff. This person needs well-honed communication skills and the ability to effectively manage change to ensure the LCA remains well placed to deliver effective outcomes for the benefit of the Australian legal profession.

The Law Council of Australia will be assisted by Meg Ambrose and Kathryn Howe from Heidrick & Struggles. Cover letters and CVs should be directed to khowe@heidrick.com tel + 61 2 8205 2000.

Applications close on 28 November 2011.