

too weak to lower the jobless rate – which some forecasters now predict could edge close to 7 per cent over the next 12 months – after GDP grew just 0.5 per cent in the December quarter, or about two-thirds its average. The annual rate was 2.5 per cent.

Real net national disposable income per capita, a measure of what Australia earns from its exports and production, was flat in the quarter after falling 0.7 per cent in the previous three months.

Dr Edwards said that excessive property price gains were largely limited to Sydney, suggesting the central bank isn't too worried that lowering interest rates further will create a national housing bubble and is focused on weak growth and rising unemployment.

"The governor [Glenn Stevens] pointed out in his statement that there's a degree of concern [about Sydney house prices]," Dr Edwards told *The Australian Financial Review* in an interview.

"But it does seem to be, in recent months, more of a Sydney problem than a national problem – which is an important piece of information for the RBA."

David Murray, former Commonwealth Bank chief executive and head of the Abbott government's financial system inquiry, said property price

confidence. Alan Mitchell p8

The sharemarket is counting on lower interest rates to carry the S&P/ASX 200 Index beyond 6000 points. Vesna Poljak p32

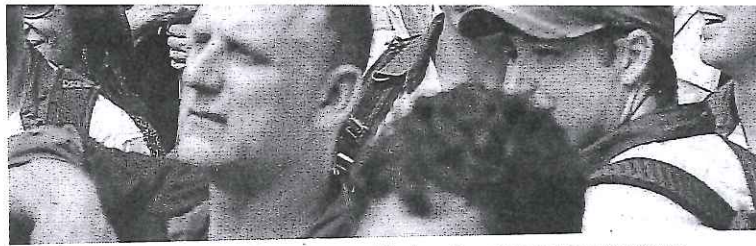
ASIC is investigating suspicious trading after the dollar spiked seconds before Tuesday's RBA interest rate decision. News p10

gains were not only making housing unaffordable but were putting the entire financial system at risk.

"It is a serious issue and if interest rates continue to fall, there will have to be prudential offsets to limit the risks in the housing market," Mr Murray said, adding that there were a number of ways of doing just that, such as through limiting loan-to-value ratios on second properties.

Asked whether that should include a
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Unionists protest at NSW Parliament on Wednesday. PHOTO: JESSICA HROMAS

Biggest power buyers back electricity sales

Will Glasgow

The biggest consumers of power in NSW support the Baird government's electricity privatisation plan, which they say will lead to lower prices and remove a hidden tax.

The chief executive of the Energy Users Association of Australia, Phillip Barresi, disputed union claims that privately operated networks would increase electricity prices. "It is ignorance. The evidence says that's just not

what has happened elsewhere," Mr Barresi said.

The general manager of resources and energy at packaging group Orora, Peter Dobney, said the state budget hides the cost the government-owned electricity networks impose on electricity consumers.

"It's a hidden tax. That's all it is. They
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allowed and anyone reading the report must surrender their smartphones.

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Macquarie buys 90 passenger aircraft

Macquarie Group raised \$500 million through a sale of its own shares to help fund the \$US4 billion (\$5.1 billion) purchase of 90 passenger planes leased to 40 airlines, a deal that takes the investment bank's fleet to 220 aircraft and reinforces its position as a major player in global commercial aviation.

The acquisition, which may take a year to finalise, is part of chief executive Nicholas Moore's strategy to move the company towards more stable businesses, such as leasing, funds management and lending, and away from higher-risk trading and advisory work.

"It's a business they know and understand," Arnhem Investment Management's Mark Nathan said.

"My view is that the market will take it well."

The rise of the Asian middle class is driving demand for passenger aircraft, which owners such as Macquarie lease to airlines for monthly fees and sell after a few years.

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Hockey: more house sales to be investigated

Samantha Hutchinson, Phillip Coorey and Lisa Murray

Treasurer Joe Hockey has warned more suspicious house purchases are being investigated by the Foreign Investment Review Board following the shock decision to force a sale of the \$39 million Point Piper home, Villa de Mare, in Sydney's eastern suburbs.

"It's amazing how many phone calls we've received this morning," he said on Wednesday.

The Treasurer indicated he had no sympathy for the owner of the home, or the consequences of the FIRB investigation he requested personally. If he sold the house within 90 days, as ordered,

It's the supply, stupid



Robert Harley p40

Many are trying to cut the risks of rising house prices. Only new supply will fix the problem.

the owner could keep any profit. If the house sold at a loss, the owner would have to wear that.

Meanwhile, sources say a legal challenge is brewing between accountants and lawyers who advised on the deal and the Foreign Investment Review

Board as a result of the divestment order.

Sydney-based, China-owned, company Golden Fast Foods has 90 days to offload a palatial home at 63-67 Wolseley Road Point Piper after a federal investigation found the purchase breached foreign investment rules. The company is ultimately controlled by Chinese developer Evergrande Real Estate Group and China's 15th richest man Xi Jiayin.

Golden Fast Foods is directed by Sydney-based accountant and former PwC partner Stanley Brogan and two Chinese associates including Evergrande director Huang Xiangui.

Valuers and agents say a forced sale

of the trophy asset in the 90-day time-frame could see the home, which was formerly owned by recruitment magnate Julia Ross and disgraced property developer Nati Stoliar, end up at an auction without a reserve.

"There's certainly been a breach of the act and an order for its disposal means that if no buyer has been found by day 90, it will likely go to an auction without a reserve," King&Wood Mallesons property lawyer Malcolm Brennan SC said.

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Bond king
Prepare for pain, top investor warns

Exclusive
Companies & Markets p23



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price frozen at 65 cents.

's decision to support the change to the letters
ices or prices, we want to hear from you.

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From page 1

Biggest power buyers back privatisation

should call it what it is," Mr Dobney said. The support of the state's major electricity consumers – who have commercial reasons to be highly sensitive to price rises – is a significant endorsement for Premier Mike Baird as he attempts to calm voter anxiety over his proposal to lease 49 per cent of the state's electricity network for 99 years to raise \$20 billion to build new roads, rails and tunnels to address the state's congestion problems.

"Stop the sell off" banners were abundant at a 5000 strong union organised rally outside of NSW Parliament House on Wednesday. NSW Labor in concert with a union-funded campaign has made the future of the state's electricity network businesses – "the poles and wires" – the key battleground of the March 28 election.

Opposition Leader Luke Foley is arguing that the policy will increase prices. "Will prices go up? Of course they will," Mr Foley said at his campaign launch on Sunday. Mr Barresi said that the experience of privatised network businesses disputed that claim. "You've only got to look at the Victorian example," he said.

The Energy Users Association of Australia's members include most of the state's biggest electricity users, including miners Rio Tinto and BHP Billiton, supermarket group Woolworths and packaging group Orora.

Buildings materials group Boral, which is not an EUAA member and is a big consumer of electricity in both Victoria and NSW, also supported the private operation of the networks. "Based on the Victorian experience – which over a long period of time appears to have delivered a safe, reliable and lower cost network – we are supportive of others heading in the same direction," a Boral spokesperson said.

Will prices go up? Of course they will.

Luke Foley, Opposition Leader

Mr Dobney said that the reform was important for Orora – the packing business spun off from Amcor in 2013 – as it produces a globally competitive product.

"We are competing against other countries with much cheaper electricity. Why shouldn't the networks have to be more competitive?" he asked.

He said internal research at the company found comparable sites serviced by privately run Victorian distribution businesses had an average price increase of 50 per cent since 2008 compared to a rise of 180 per cent for government-owned NSW distribution businesses.

Secretary of the Electrical Trades Union Steve Butler – who was at the rally outside of NSW Parliament House on Wednesday – said the "Stop the sell off" campaign was growing as it channelled public hostility to privatisation.

"I think Richo used to say, 'The mob will work you out,'" Mr Butler said, citing former NSW Labor secretary Graham Richardson.

Asked why major NSW energy businesses would support the private operation of the networks if it would lead to higher prices, Mr Butler said: "We're not experts."

But he said the source of the price rise claim was supported by an ETU-funded research paper prepared by the McKell Institute.

Benchmark modelling by the Australian Energy Regulator – which oversees the electricity networks and sets their revenue – found that publicly owned networks in NSW and Queensland were less efficient than those in Victoria and South Australia.

Foundation chairman of the NSW Independent Pricing and Regulatory Tribunal, Tom Parry, has said that government-owned systems were less efficient, had higher operating costs and higher levels of unwarranted capital spend.

Rod Sims, head of ACCC, an independent body charged with promoting consumers' interests, has said privately run electricity networks would lead to lower costs.