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Rudd sets productivity targets to see off global financial tremors

PM's plan to fortify economy

Mike Steketee
David Uren

KEVIN Rudd has outlined an ambitious agenda to boost the nation's productivity and maintain prosperity, warning that while Asian growth will shield Australia from sharp downturns in the US and Europe, it will not stop the global financial crisis from affecting our economy.

The Prime Minister, in an address to The Australian and Melbourne Institute New Agenda for Prosperity conference in Melbourne yesterday, set targets for higher productivity in areas of government policy that drive growth, such as education, infrastructure and cutting red tape.

While arguing at the conference that Australia was not immune from world events, such as the global credit crunch, he said the economy had so far proven resilient. "I remain an unapologetic optimist about Australia's long-term economic future, despite the challenges that lie ahead," Mr Rudd said.

He added, however, that productivity was in the long term, the key to building a more internationally competitive economy that could grow faster without fueling inflation and produce more output from its existing resource base.

Speaking shortly before he flew to Washington DC to begin a 17-day trip taking in the US, Europe and China, Mr Rudd rejected protectionism and urged the Government to pursue an internationally open economy.

He said he wanted to argue Australia's case in a number of principal economic capitals of the world and he would be making the case to world leaders that Australia's financial market had a strong regulatory framework, while the balance sheets of the most important companies were strong.

Demand for resources from China and India was holding up, while the Government had not net debt and was committed to conservative budgeting.

Mr Rudd indicated that the Government would continue to rely on the Reserve Bank to maintain appropriate support for domestic liquidity while Australia would work with international financial institutions to improve global standards of financial disclosure and transparency.

His comments on the strength of the economy were yesterday backed by the Reserve Bank, which said Australian banks were in strong shape to overcome the international financial crisis, although more pain may be felt among home owners struggling with rising interest rates.

The Prime Minister pledged to develop policy to "maximise Aus-



Economic shelter: Prime Minister Kevin Rudd in Melbourne yesterday



Avoid manipulators: Ross Garnaut delivers his speech in Melbourne last night

Call for cover on collapse of banks

Richard Guyas

BANK customers would be guaranteed to quickly recover \$20,000 of their deposits in the event their bank collapsed under a plan before the federal Government to help retain confidence in the nation's financial system.

The Reserve Bank said yesterday the nation's banking system remained robust despite the global credit squeeze caused by the collapse of the US sub-prime mortgage market last year.

But it revealed the nation's peak financial regulators, led by the Reserve Bank, had recommended the commonwealth introduce a scheme to guarantee to quickly repay the first \$20,000 of customer's deposits with a bank, building society or credit union if the institution collapsed.

The scheme would involve the commonwealth repaying the failed institution's customers with funds it has on deposit at the Reserve Bank, and then recovering the money by selling the institution's assets.

The move, first considered by the Wallis inquiry into the banking system in 1997 and revived after the 2001 collapse of insurance giant HIH left many policyholders out of pocket, would protect Australians from losing money in the event of a bank collapse such as the recent failure of Northern Rock in Britain or Bear Stearns in the US.

It would also bring Australia into line with other developed nations. Australia is one of only two countries, the other is New Zealand, in the 30-member OECD that does not have an explicit government guarantee over depositors' funds with banks.

Although the proposal was put to the Howard government early last year, before the current financial turmoil, it is designed to avoid a situation such as last year's run on Northern Rock. Panicked customers rushed to withdraw their deposits from Northern Rock amid rumours it had been hit by the credit crunch, ultimately prompting its renationalisation by Britain's Labour Government.

The Reserve estimated in its financial stability review, released yesterday, that the \$20,000 cap Continued — Page 2

NEW AGENDA FOR PROSPERITY

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Garnaut warns of political fixers

Paul Kelly
Editor-at-Large

AUSTRALIA'S risk in combating climate change lies in a revival of rent-seekers, political lobbyists and sectional manipulators who hurt our economy for most of the past century, warned last night Ross Garnaut, government adviser.

He said reducing greenhouse gas emissions was the next battle between economic reformers, who relied on transparency and competition, and the old Australian impulse to political fixes.

In his dinner speech to The Australian-Melbourne Institute economic and social conference, Professor Garnaut took aim at critics of his proposed emissions trading scheme, particularly those who want emissions permits issued for free.

"That approach would have government deciding which firms and which activities should be given permits to emit greenhouse gases," he said.

"We once handed out foreign exchange in this way — firm by firm, activity by activity.

"If this course were to be followed, managers would find it more rewarding to put pressure on government to secure emissions rights than to find and to apply low-emissions ways that go about their business.

"We wouldn't find enough new ways to reduce emissions at low cost."

Professor Garnaut warned that some people saw climate change as the chance to "invite back into the centre of policy-making all of the rent-seeking interests that highlighted our economic perfor-

Razor gang eyes 25pc cut to CSIRO research

Sid Marris

A MASSIVE cut to the CSIRO's Flagship program, potentially wiping out one quarter of the science agency's research budget, is up before the Rudd Government's razor gang.

The Australian understands that financial departments have proposed reducing the CSIRO's \$2.8 billion budget over the next four years by taking \$414 million from the Flagship scheme over the same period, which builds joint ventures between the agency and industry.

While it would not kill off existing collaborative ventures, the reduction in joint investment from business would result in a

book. The CSIRO Total Wellbeing Diet and a navy program for mapping water flows around the country.

While Kevin Rudd campaigned on the theme of bolstering innovation and an education revolution, finance ministers are looking broadly to find savings that will bolster the surplus in the May 13 budget, arguing it will help take pressure off inflation.

The proposal, which could be debated by the Expenditure Review Committee as early as today, is expected to face fierce resistance and may not survive, but is a further sign of how difficult the budget cutting has become.

The ERC has followed an unusual process of reviewing

'Rescue our kids from chaos'

Stuart Rintoul
Natasha Robinson

INDIGENOUS people increasingly support the idea of removing children from the "chaos and confusion" of Aboriginal communities by placing them in boarding schools and hostels, says Indigenous Affairs Minister Jenny Macklin.

Speaking at The Australian's New Agenda for Prosperity conference in Melbourne yesterday, she described Arakun, in Cape York, which she has just visited, as a "broken community" and "as tragic a place as any of us can find anywhere in this country."

She said the strong message she received in Arakun, where alcoholism, violence and pornography

were rife, was "we have to get out of this chaos, we have to get our children out of this chaos."

Her comments came as veteran indigenous leader Galarrwuy Yunupingu called for mission-style dormitories to be re-established in the Northern Territory for Aboriginal communities to ensure Aboriginal children were fed, clothed and clean.

"The missionary days were good. The missionaries looked after the kids much better than the Government does today," he said.

His comments were strongly supported last night by indigenous academic Marcia Langton, who said dormitories or boarding schools could give children a "break from failure."

STARTING YOUR OWN TELCO

Have you always wanted to be a telecommunications provider? Well, now you can, writes Tony Kaye

WITH Telstra and Optus ranking as the two dominant service providers, and literally thousands of smaller operators trying to carve out their own business niche, Australia's telecommunications market is undoubtedly one of the toughest in the world.

It's a market where only the most innovative — and those with top systems, a solid customer base, reliable cash flow and good profitability — can survive.

And it's on those four key pillars of success that TelcoInabox is rapidly building its foundations as it seeks to become a \$100 million a year turnover company by 2010.

TelcoInabox started as an idea in 2002 when, "over a few beers", Damian Kay and business partner Morgan Duncan worked through the concept of creating a fully packaged telecommunications operation — offering competitive fixed-line, mobile and internet services — that could be on-sold as a "white label" franchise business.

The franchise model had never been done before, anywhere in the world, and Kay in particular had the industry knowledge to take it forward in that he was already half-owner of a small telecommunications company.

Kay says the two started TelcoInabox with the exact sum of \$84,556, and jokes that the last \$6 bought two of the beers needed to come up with the model for the franchise concept.

"TelcoInabox enables anybody with a phone, computer and internet connection to be a full-service, telecommunications provider, providing a full range of

products to end users, all on one bill under their own brand," Kay says.

"Our franchise channel is the largest part of the business (approximately 65 per cent of revenues) and is unique in that franchisees operate fully under their own brand and not the corporate 'TelcoInabox' brand."

For an investment of \$45,000 plus GST, approved franchisees can access all telecommunications products, services and systems that TelcoInabox has put together under reseller contracts with the major carriers, Telstra and Optus.

"I guess, figuratively speaking, we've made owning a telecommunications business as easy as buying a loaf of bread," Kay says. "What we've done is created all the systems to allow franchisees to be their own telecommunications company. So instead of getting a bill from Telstra or Optus, their customers are getting a complete bill from the one company for everything.

"As a white label telecommunications service — it's their brand, their logo, their everything. All they need to do is go out and get their own customers, make sure they give really good service and keep the customer, make sure the customer pays their bills, and make sure they run the business profitably."

Growth is definitely on the fast track. TelcoInabox expects to turn over about \$30 million this year, and has projected \$50 million for 2009. "We are growing very quickly," Kay says. "Last month alone, annualised, we grew by \$3 million."

Kay says TelcoInabox now has close



'I guess, figuratively speaking, we've made owning a telecoms business as easy as buying a loaf of bread'

Franchise and grow: Damian Kay says TelcoInabox has close to 100 franchisees

to 100 franchisees nationally, servicing the small and medium enterprise market, with each franchisee not restricted to specific territories in operating their businesses. But the company is also clearly focused on expanding outside of Australia.

"We've just gone live in the UK, which is very exciting for us, and we expect to have New Zealand rolled out by the end of the year," says Kay, who is speaking from a trade fair in Germany.

"International expansion is very high on our agenda at the moment. We want to be a \$100 million company over the next 2 1/2 years, which puts us in an area we want to be playing in."

With expansion on the whiteboard, TelcoInabox this month spent \$500,000 to buy Aussiead's voice over internet protocol (VoIP) and ADSL national network, National Telephone Networks, to expand its existing infra-

structure and support its services providers' demand for more internet protocol services.

TelcoInabox has also just signed a new contract with Telstra Wholesale to resell its fixed wire and 2G mobile phone network services — a deal the company estimates will be worth \$60 million over three years, and is close to signing a similar-size deal with Optus for its 3G mobile and data services.

"Technology is a major challenge for us," Kay says. "Change in technology is happening at a fast pace in our industry. We have always kept up with it but it is a never-ending challenge for us.

"For us to stay the market we leader we just have to continue to innovate — so many start-ups have some success but just die by indigestion," Kay says.

"We have invested heavily in the systems to allow us to grow."

COURIER OUT OF THE BOX

The internet was a boon for this company, writes Cameron Cooper

TWO defining moments have shaped the success of courier systems company Pack and Send — and the company's founder admits he did not see either coming.

When Michael Paul opened the doors of his first shop in Parramatta in 1993, the internet was little more than a plaything for technology geeks. Five or six years later, with mainstream businesses quickly adopting web-based strategies, the popularity of online auction site eBay boosted up demand for Pack and Send's packing, postal and freight services.

"In 1993, I didn't know what the internet was," Paul says. "But our business model was still filling a gap in the marketplace, certainly for items that were fragile, large, awkward or valuable."

From 1999, when eBay really started to take off in Australia, Paul says he saw a shift in buying behaviour as customers called on couriers to pack and shift second-hand goods.

"There was an explosion of inquiries for us to handle the movement of secondhand goods that were unpacked and we were in the perfect position, having a national network of stores."

Pack and Send has come a long way in 15 years. Back then, its only line was a \$290 cardboard box. Named 2007 Franchiser of the Year by PricewaterhouseCoopers,

it has 85 stores nationwide and annual revenue of about \$30 million. Aside from corporate clients such as Qantas, Telstra and BHP, it services householders, eBay buyers and sellers, tourists and small businesses.

With its No Limits motto, Pack and Send prides itself on ensuring that the toughest deliveries get through. Paul remembers his team delivering 340 tubs of icecream throughout Australia and New Zealand in one day, and a staff member accompanying a fragile ornament on a flight to Perth to ensure its delivery before 5pm.

Paul, who started Pack and Send after working in a mailroom and becoming frustrated with the lack of freight services to courier a computer, says the second key to success, Paul says it is crucial to have technology platforms able to run time-sensitive operations.

"We invest in IT and assets, including the use of our public website and the general functionality it has. The combination of

that, plus always being in touch with your customers' needs, will keep you on track. In today's market you've got to be looking two or three years ahead and anticipating the technology changes you need to make."

Paul says customers are demanding convenience and personalised systems. Major international logistics players have superb infrastructure and technology to handle large-volume orders, but such scale may reduce flexibility.

Pack and Send customers can choose in-store, call centre or online ordering options, but Paul says personal service is the key to repeat business.

"It is important to get the balance right," he says. "When we send a parcel overseas, for example to London, we like to use technology to enhance our customer service.

"When it goes to London and is delivered, we send a text message or email to the sender to say it has been delivered and signed by someone at a certain time.

"You can use technology and e-commerce to give a better level of personalised service."

Pack and Send will this year open stores in Britain and New Zealand as it continues to tap into the international demand for personalised courier services.

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