



► Executive luxury watch bonuses ► Holgate: I have not used taxpayer money ► PM orders inquiry

Red card for postal boss

Trump must refocus on jobs: Crosby

Tom McIlroy

Australia Post boss Christine Holgate is resisting pressure to quit over revelations she purchased luxury watches for senior executives who secured a controversial banking deal, instead temporarily standing aside during an investigation.

Prime Minister Scott Morrison ordered an independent review after revelations that Cartier watches worth \$12,000 were purchased for staff behind a deal with Commonwealth Bank, Westpac and National Australia Bank to improve services at Australia Post outlets, saying he was appalled and shocked at the "disgraceful" spending.

"We are the shareholders of Australia Post on behalf of the Australian people... she has been instructed to stand aside, if she doesn't wish to do that, she can go," Mr Morrison said.

Some federal government MPs said privately Ms Holgate should quit, with Victorian Liberal senator James Paterson calling publicly for her immediate resignation.

Run by the federal Finance and Communications departments, supported by an external law firm, the review will also consider governance and the actions of the board, which includes veteran Liberals Bruce McIver, Tony Nutt and Michael Ronaldson.

Mr Morrison, who worked as treasurer to clean up corporate governance, is equally concerned at the culture of the board which allowed the spending to take place. Although the make-up of the board has changed in the past two years, he is eager to ensure that cultural problems do not persist under the current line-up.

It is understood Ms Holgate's assertion to a Senate estimates committee that she had not mispent taxpayers' money was considered by the government to represent a serious lapse of judgment.

Ms Holgate told the hearing the four watches were given to executives Gary Starr, Deanne Keetelaar, Anna Bennett and Greg Sutherland after the Bank@Post deal was finalised, in recognition of their work.

"There were a small number of senior people who put in an inordinate amount of work and they did receive an award from the chair, myself, and on

Return to sender



Phillip Coorey p4

Holgate has made enemies within Australia Post since crossing over from Blackmores.



She is one of the most capable chief executives in Australia but there is now a huge question mark over her judgment. Chanticleer back page

behalf of the board," she said. "We are a commercial organisation. It was a recommendation from our chair that these people get rewarded."

She said the October 2018 purchase was made on the recommendation of then chairman John Stanhope and denied it involved taxpayer funds.

Answering questions from Victorian Labor senator Kimberly Kitching, Ms Holgate said the spending was appropriate for a commercial business.

Since her appointment by Malcolm Turnbull in 2017, the former Blackmores chief has battled criticism and a series of controversies, upsetting Labor and key unions, while overhauling her senior executive ranks.

Former Victorian Labor minister Philip Dalidakis quit Australia Post in February, one of a series of departures which included executives Amanda Murray-Johnson, Janelle Hopkins and Paul Urquhart.

One former colleague told *The Australian Financial Review* Ms Holgate had alienated staff and forced out critics. "She's a narcissist," they said.

Communications Union national secretary Greg Rayner said gifts for highly paid executives were outrageous.

"The government needs to intervene further than just wiping out the CEO," he said. "Australia Post needs a whole reshuffle to get their leadership team right. The board must step aside too."

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Watch this space. Australia Post's Christine Holgate, above, under fire yesterday at the Senate estimates committee in Parliament House in Canberra. Left: The new CEO in 2017 with then chairman John Stanhope. PHOTOS: ALEX ELLINGHAUSEN, BEN RUSHTON

US election

Jacob Greber AFR correspondent

Washington | Donald Trump must urgently refocus his campaign on the economy and jobs, rather than fomenting further controversy over media coverage or individuals such as his top infectious diseases expert, Anthony Fauci, according to conservative pollster Lynton Crosby's CT Group.



Donald Trump

Describing Mr Trump himself as 2020's most influential driver of voter behaviour, CT Group warns that while the President is stoking support among Republicans, he is also motivating his opponents and swing voters to remove him from office.

Mr Trump "must attempt to regain a lead on managing the economy and job creation, linking these as much as possible to his COVID response", CT Group argues in a copy of research slides presented to business clients and made available to *The Australian Financial Review*.

"He should use the situational context of COVID to raise the importance of the traits he's seen as possessing - strength, decisiveness and determination," the globally renowned campaign consultants argue.

The warning - based on a survey of 6500 voters across seven key states, taken over the period covering the first presidential debate and Mr Trump's COVID-19 diagnosis - comes ahead of Thursday's (Friday AEDT) final and, possibly, decisive debate against Joe Biden.

The mastermind of dozens of political campaigns around the world - including last year's win by Scott Morrison and this year's victory in the UK by Boris Johnson - Sir Lynton's group also has advice for Mr Biden's campaign: carry on as you are.

CT Group argues that its findings indicate Mr Biden should continue to

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Packer fails to halt Crown 'first strike'

James Thomson

James Packer has refused to save Crown Resorts from a "first strike" against its remuneration report, instead abstaining from a crucial vote at the casino operator's annual general meeting and opening the door to a spill of the board next year.

A strike is recorded where more than 25 per cent of votes are received against a pay report; a vote on a board spill can be held if a company received a second strike the following year.

Mr Packer's private company, Consolidated Press Holdings, abstained from voting its 36 per cent shareholding in favour of the remuneration report at Crown's annual general meet-



James Packer

ing yesterday, resulting in a protest vote of 34.3 per cent and a first strike.

CPH chief executive Guy Jalland, who also sits on the Crown board, said CPH "felt that was the appropriate, conservative course to take" in light of Crown's difficult year, but denied CPH had deliberately withheld its vote to set up the prospect of a board spill.

But CPH did use its votes to save the three directors up for re-election, including Mr Jalland. However, he received a 41.4 per cent vote against his re-election, the biggest protest vote.

Former public servant Jane Halton was also re-elected despite receiving a 24.8 per cent vote against her nomination, as was former Commonwealth government chief medical officer John Horvath, who copped a 31.3 per cent vote against him.

But Professor Horvath said he recognised that he had been saved by CPH and announced he would retire from the board in recognition of the protest vote from shareholders. Ms Halton also said she had considered resigning, but ultimately decided that "on balance I did have sufficient support".

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Hospitality's plea for more patrons

Patrick Durkin and Tom Burton

Melbourne's hospitality industry is lobbying to double the number of people allowed at venues ahead of Victorian Premier Daniel Andrews' expected lockdown reopening on Sunday, warning proposals for hotels, bars and restaurants are uncommercial.

National cabinet meets today and will discuss adopting a country-wide hotspot system to replace border closures, ahead of the Victorian changes and the Queensland election on October 31.

Victoria had five new COVID-19 cases yesterday linked to an outbreak in Melbourne's northern suburbs after a student at East Preston Islamic College tested positive. More than 500 people are isolating to contain any spread. The

ACT had one new case - the first in more than 100 days was a diplomat returned from overseas.

NSW had one new case of locally transmitted COVID-19 linked to a cluster in Sydney's west. The hospitality industry in Melbourne wrote to the Victorian government yesterday urging it to allow 40 people inside bars and restaurants with 20 people per room.

"Don't underestimate the damage that has been done to hospitality businesses during this prolonged lockdown, including the mental health of our families and staff," CEO of Restaurant & Catering Australia Wes Lambert wrote to Treasurer Tim Pallas.

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Exporters should brace for further pain

Comment

Michael Smith



Australian exporters into China should brace for more politically motivated restrictions on their products, with tensions between Beijing and Canberra likely to escalate in coming weeks.

With two pieces of legislation that have angered China due to go to Parliament in coming weeks, there is little appetite in Beijing to go easy on Australia, despite conciliatory comments by one of the country's top diplomats last month.

The Chinese Communist Party cannot see any value in engaging with Australia at a time when Parliament is debating new national security laws targeting foreign investment, as well as legislation placing restrictions on agreements between a foreign power and state governments, local councils or universities. The legislation is aimed primarily at curbing infiltration by China. Equally, Canberra has run out of patience with Australia's biggest trading partner. Security concerns aside, the government of Scott Morrison has had enough of Beijing's aggressive diplomacy and willingness to play economic games with Australia's key exports.

Unless there is a dramatic breakthrough after the US elections, it is unlikely China will start returning Australia's phone calls soon. Nor will Scott Morrison and his ministers be begging to visit China.

There appeared to be a glimmer of hope earlier this month when Fu Ying, China's former ambassador to Australia, made conciliatory remarks about restoring communications between the two countries in response to questions I sent her for *The Australian Financial Review*.

But even conciliatory remarks from diplomats or China's Foreign Ministry are not necessarily an indication China's leaders are softening their stance towards Australia. As the recent treatment of foreign journalists in China has highlighted, there are suggestions the country's powerful Ministry of State Security is increasingly calling the shots. At the time of Madame Fu's comments, there had been a lull in the wave of restrictions on Australian goods that followed the Morrison call for an inquiry into the origins of the coronavirus. That proved short-lived.

Media reports and conversations with traders in China over the past fortnight suggest cotton and coal have been added to a growing list of Australian products being targeted by Beijing to put pressure on Canberra.

In a more covert display of economic coercion, Chinese officials have quietly warned mills to stop buying Australian cotton. This followed a similar, unofficial edict to state-owned steel

Australia's China challenge

An AFR series



producers and power stations to stop importing Australian thermal and coking coal. While it is questionable whether these unofficial bans are having any impact given coal quotas had already been met in China and farmers had sold their cotton crops, China is not done yet.

Government sources fear other Australian exports to China, such as dairy, are now vulnerable. Analysts in China agree. "China will announce more counter-measures. Australian dairy products will be involved," Song Liang, a Beijing-based dairy analyst, says.

Still, the fallout for Australian exporters will be limited in the short

It is cheaper to buy Xinjiang cotton than imported cotton.

Lin Guofa, Bric Agriculture Group

term. While China has a history of punishing its trading partners over political disputes, it will only do so if the action does not hurt its own economy or upset too many Chinese consumers.

Analysts say the reported coal ban is designed to protect its domestic coal industry more than anything. They say China no longer needs Australian cotton when it has access to cheaper sources of supply from Xinjiang, in the north-west. "A lot of cotton processors have moved to Xinjiang. It is cheaper to buy Xinjiang cotton rather than imported cotton," says Lin Guofa, an analyst with Bric Agriculture Group.

Despite all the political noise, two-way trade between China and Australia remains at record highs, hitting \$252 billion in 2019 as exports to China jumped 23.4 per cent. China still needs Australian iron ore.

About 200 Australian exporters will take part in Shanghai's annual import expo next month, according to state media reports, although border restrictions mean there will be few visitors who make the trip from Australia. Trade Minister Simon Birmingham will not attend.

Behind the scenes, people-to-people contact continues. An online forum, Chinese and Australian Writers in Dialogue, which was initiated by the China Writers Association, is taking place in December despite some initial nervousness from authors about being seen to be linked to an Australian event.

But until there is a circuit-breaker to the present diplomatic stand-off, any Australian companies selling goods into China will be on edge.



Heidi Dugan, Chinese TV star and e-commerce entrepreneur, at Brisbane's Calile Hotel this week. She is heading back to Shanghai next month. PHOTO: ATTILA CSAZAR

Why Heidi Dugan can't wait to get back to Shanghai

Michael Smith
AFR correspondent

Heidi Dugan says she is not nervous about returning to China, a country where she has lived for more than half of her life.

The Australian television personality, who has her own TV show and a loyal social media following in China, is eager to get back to work in Shanghai next month and see her husband after almost nine months away.

Like many expatriates living in China, she was on holidays in her native Australia with her two children earlier this year when the coronavirus pandemic struck. Beijing closed the country's borders to all foreigners regardless of their residency status and Dugan was stranded.

Working from her family's home in Brisbane, she used the time to reinvent her career as a consultant for Australian companies wanting to break into China. She also launched a side business selling Australian healthcare products in China through e-commerce platform Tmall.

Even though diplomatic relations between Australia and China have deteriorated since she left, Dugan, 48, has no hesitation about returning

home to Shanghai – despite the detention of Australian television anchor Cheng Lei in August.

"Friends ask me, 'you're in the media, how do you feel about this?'" she says by telephone from Brisbane.

"No one I've dealt with in China, no government officials, no friends have ever given me the feeling that I'm not safe. You have to go with your gut instinct and look at the people who are living there and how things are going on a day-to-day basis.

"Yes, I am going back to China. That's where I live but I will come out to Australia more often."

Dugan is one of the thousands of Australians living in China you rarely hear about. She is deeply invested in the country, married to a Chinese national, speaks fluent Mandarin and her children grew up there.

Through her media profile via a daily television show *You are the Chef*, which had more than 6 million viewers, she has also forged strong links with the local community and good relationships with local government authorities in Shanghai. She volunteers to teach English to Chinese senior citizens and has helped the Chinese government promote hygiene during the pandemic. "I've really immersed myself in

China. I didn't lead a segregated expatriate lifestyle. I went over there to study. The trust and transparency I've created with the Chinese people is incredibly unique," she says.

Dugan usually shuns talking politics, but is concerned the political environment has whipped up an exaggerated sense of fear about China. Despite China's restrictions on Australian beef, barley, cotton and coal, she sees huge opportunities for exporters.

"I don't see why small, medium or large companies cannot thrive in China right now. There are so many opportunities," she says. There is a caveat though, she says. Companies have to stop treating China like a cash cow and try to get a better understanding of the

I don't see why small, medium or large companies cannot thrive in China right now. There are so many opportunities.

Heidi Dugan

local market, the risks and consumer behaviour.

"People need to refocus their way of doing business with China. The days of not having a proper strategy and just getting a distributor and going to a trade show, those days are gone," she says.

Dugan grew up in Brisbane and moved to the central Chinese city of Wuhan in 1996 to study Mandarin. She ended up in Shanghai, where she married her kung fu teacher, launched a television cooking show and set up businesses promoting health and parenting, as well as helping foreign businesses sell products into China.

But it was not until the coronavirus that Dugan started focusing seriously on cross-border e-commerce in Australian skincare, organic supplements, dried fruit and other health products. She set up a shop on Chinese e-commerce platform Tmall and works with Metcash Asia and eCargo.

At the same time, she launched Arete Group, a consulting firm advising companies on how to do business in China.

Earlier this year, she helped sell \$2 million in products in 90 minutes during a live broadcast on a television shopping channel in China.

In her spare time, she helped the Queensland government promote mandarins in China and edited footage from her new television show, shot, very fortuitously, before the pandemic hit.

Dugan says coronavirus-related travel restrictions mean companies need more advice on the ground in China than ever as it is difficult for executives to travel.

"You need to eat and breathe and live with the Chinese to really understand what they really want," she says.

Dugan says even with a slowing economy Chinese consumers have become more focused on health and wellbeing but they are discerning and it often takes several generations in a household to trust a particular product to make a sale.

"The Chinese consumer is not stupid. You can't just put rubbish products on them. They talk, communicate on social media, and the brands that have done well are the brands that have connected to the consumer," she says.

While there is nervousness about politically motivated restrictions on Australian goods, Dugan argues that products sold on e-commerce channels go straight into bonded warehouses in China and then to the consumer. This means any potential hurdles at Customs is not an issue.



China grows a lot of cotton in north-western Xinjiang province. PHOTO: FAIRFAX MEDIA