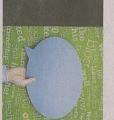


Social media's stem-cell promoters Men's Health Jill Margo p34 Health hy



Peaceful views

want to turn off

Medibank CEO to tackle high costs

Mining defaults could spread to other industries

vestors

Jonathan Shapiro

given its big business in trailia as a result of its BankWest acquistion, he said.

Aurora Funds Management investor

The value of the major banks fell by almost \$25 billion in two brutal days on the sharemarket because investors are worried credit losses will accelerate and hurt profits.

The four major banks fell between 2.4 per cent and 3.4 per cent on Tuesday, following Thursday's revelations by ANZ Banking Group and Westpac Banking Corp that soured corporate and consumer loans would force them to increase bad debt provisions.

ANZ's news that bad debts will rise by \$100 million cut its market value by \$6 billion. ANZ shares are down 10 per cent from their recent high over the past five trading days, putting them into a correction.

The other major banks are not far behind, falling between 9.4 per cent and 6.2 per cent over the same period. Watermark Funds Management financials analyst Omkar Joshi said ANZ's third increase in bad debt provisions in seven months suggested either the bank had not been conservative enough planning for bad loans or was not on top of its corporate loans.

He said "second order" effects from the resources slump could hit the banks, such as loans to businesses that provide services in regions where the primary industry is mining or corporate loans for infrastructure.

Commonwealth Bank could be hit given its big business in Western Australia as a result of its BankWest acquisition, he said.

Some Melbourne flats suffer 30pc falls

Losing hope



of dividend

Hugh Dive said an increase in bad debts was inevitable from their current low levels and tougher regulation had limited competition in the recent benign credit environment.

"In a situation where bank bad debts begin to climb, we would expect that the banks would naturally respond – as they have in the past – by repricing their loan book upwards to account for higher risks and cutting costs such as reducing headcount and discretionary expenditure like advertising," he said.

The high profitability of the banks means they're easily able to absorb losses from the business banking portfolio, he said. The big four banks reported around \$30 billion of after-tax profits last year and provisions for bad debts were around \$3.8 billion.

The downturn in commodities and energy prices is the likely source of pending credit losses but the exposure of the banks is relatively small – a Continued p2

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Craig Drummond in Melbourne on Tuesday: he is seeking a more long-term sustainable business model at Medibank. PHOTO: WAYNE TAYLOR

Jessica Gardner, Sarah Thompson and Anthony Macdonald

New Medibank Private chief executive Craig Drummond says rising medical costs are unsustainable, setting the scene for the insurer to extend its reach into members' healthcare and to place greater pressure on providers and government.

The ambitious 55-year-old former National Australia Bark shief fine raid.

The ambitious 55-year-old former National Australia Bank chief financial officer, who will start at the \$8 billion insurer in July, said one of his first tasks would be to bring government, insurers and providers together to "get a more long-term sustainable business model".

"This is not just a comment about Australia," he told The Australian Financial Review. "This is a comment about the global health industry. We've got to find a way to deliver the whole medical service in a more effective, efficient way. [Health cost inflation] consistently running at 5 [percentage points] above inflation means it is unsustainable."

Departing CEO George Savvides led the insurer for more than a decade, including through its 2014 privatisation by the Abbott government, before announcing his shock resignation last October. The Australian Financial Review's Street Talk first flagged the appointment of Mr Drummond on February 19 and confirmed the hire of the father of two on Monday.

A growing, ageing population.

A growing, ageing population, greater levels of chronic disease and new, more expensive treatments are contributing to bloat healthcare costs. The federal government is scrambling to find new funds to ensure state hospitals do not buckle under the demo-

graphic burden.

The same trends are putting pressure on the whole \$19 billion health insurance industry because rising premiums are pushing the more than 10 million Australians with cover to shop around for the cheapest deal and in many cases downgrade their coverage.

Medibank, as the market leader – although Bupa looks likely to overtake it soon – has not been immune. In Continued p4

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Apartments in central Melbourne are being resold at up to 30 per cent less than their off-the-plan purchase price, sales data shows. Not all apartments have fallen in value – some have risen – but analysis of a handful of transactions shows many apartments have failed to hold their value between original purchase and resale, typically a few years later. The figures are the clearest sign the apartment boom in the Victorian capital is running out of steam and could show more widespread falls if owners decide to sell. One property where prices have \$2,195,000 in November, 2010. The price of a two-bedroom unit in the same building fell almost 23 per cent in a year when it was sold for \$1,075,000 last April. It had previously been bought for \$1,320,000 in June 2014. A number of smaller apartments without car parks suffered falls from 4 per cent to 8 per cent between 2010 and their resale last year. Golden Age managing director Jeff Xu said sales in the building were limited and there were no empty rental apartments. "Some apartments will lose value, but that does not mean every apartment project will lose value," Mr Xu said on Tuesday. Continued p7

Michael Bleby

en Age's Jeff Xu

one property where prices have an is 27 Little Collins Street, which 171 apartments in a 32-storey tower we a Sheraton hotel.

The building was completed by developer Golden Age last July.

A three-bedroom, two-bathroom apartment occupying 140 square metres and with two car parks sold for \$1,565,000 in August, which is 29 per cent below the purchase price of

CPA musters forces to offer financial advice

Accounting group CPA Australia is recruiting to take on the country's biggest wealth management companies, including AMP and the big banks, by operating a network of financial planners.

"They could well end up with over 1000 advisers, which would make them the largest non-institutionally owned licensee business in the country. They definitely have the capacity to get large," former ANZ Wealth head Neil Younger said.

A rule that allowed accountants to help people set up and manage self-managed superannuation funds without holding a financial planning licence expires on July I. Accountants will be able to continue the work under CPA Australia's supervision if it receives an Australia Financial Services Licence.

• Accountants

Crossbench senators open to IR discussions

Former army corporal Jacqui Lambie is the only senator to refuse a government offer to negotiate over tougher industrial relations laws, increasing the chances there will not be a double-dissolution election on July 2.

The attitude among the other seven crossbench senators varied from a willingness to pass the two bills to at least talk about them.

Ricky Muir said he welcomed what he believed was a change of heart by the government over Easter. "I am quite willing to have a conversation with the Prime Minister around how this might proceed," he said.

Glenn Lazarus said he would support the government's plan for a construction industry regulator if it covered misconduct and corruption across all industries.