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HD **Chronican killing snakes and climbing the ladders**

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ANZ'S $70 million remediation payments to home loan customers this week highlights the extraordinarily fine line the banks walk between delivering shareholder returns, corporate reputations and good customer relations.

ANZ's Phil Chronican rightly describes it as a game of snakes and ladders in which a lot of effort is spent inching higher before something intervenes and reputations are slashed.

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This week Westpac took deserved pride in topping the Davos global sustainability index, beating all companies in the western world.

ANZ was in 19th place, in addition to its long reign as the most sustainable bank at the top of the Dow Jones Sustainability

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Index. CBA was next on the Australian list at 25, ahead of Stockland at 32 and Wesfarmers at 92.

In other words, as much as bank bashing is a national pastime, three of the five Australian companies to make the Davos list were banks.

Holding No 1 spot, as Westpac is, is obviously great news but also becomes a point of attack as ANZ and others have found with corporate loans.

CLSA estimates this year ANZ will make $6.8 billion, which puts the $70m in remediation into some context, as does the tax-deductible $5m cost of the program.

Both the $5m cost and the $70m in remediation will involve some tax benefits because the excess charges in years past meant the bank paid more tax than it should have.

A cynic would look at the bank's extraordinary effort in devoting 12 full-time staff for nearly four years, plus the use of PwC as outside auditors -- not its own lifelong auditors KPMG -- to recover $70m in lost company money and wonder why bother.

After all, most people no doubt suspect the bank is ripping them off, and this news just goes to show what could be happening. And why customers need to watch the bank carefully.

The reverse is the case. Chronican and his team deserve the highest praise for their actions and their commitment to customers.

Customer satisfaction is a key focus for all the banks, with the obvious hope that happy customers mean more profits and happy shareholders.

Former CBA boss Ralph Norris pushed that line long and hard and successfully transformed the bank's culture, which incumbent Ian Narev is pushing further.

The Roy Morgan consumer banking satisfaction numbers show all the banks now above 80 per cent, with CBA in the **lead** followed by NAB, Westpac and ANZ at 80.3 per cent.

Customer-satisfaction numbers show a high correlation to the level and success of the bank's advertising campaign, so happy advertisements do wonders for the surveys but may not always the profit figures.

Like any organisation employing large numbers, a bank's image is also key in attracting the right staff who in turn help customers, which also explains why banks push their **brand** and sustainability credentials hard.

None of this will stop the banks being a political football and nor should it because, as former treasurer Paul Keating often observes, they are the most protected species in the land.

But in this case, as with the Bank of Queensland example last year, the banks are actually doing the right thing and deserve credit.

Good Lord

AMID all the noise this week, Warrnambool **Cheese** & **Butter** boss David Lord disclosed he has acquired 129,286 shares as part of his performance pay, which means he will collect $1.2m when accepting the Saputo offer.

Lino Saputo Jr has also confirmed that as he has no management in the country the local brass will keep the WCB team in place.

Helou v West

THERE is no value to be gained from a sleeping national champion, which explains why the Saputo **cheese** win is good for the country because it has helped waken the giant -- Murray Goulburn .

After about 30 months at Murray Goulburn 's helm, Gary Helou didn't need any waking up, but a new player on his stage has him fired up even more.

Next week Peter West takes the helm at Lion **Dairy** with the job of trying to make some money from its assets, which have already been written down in value from $3.7bn to $1.5bn. West will try to make some sense from the **business**, which employs about 3200 people and has about $2.5bn in annual revenues.

An experienced global food hand, his appointment shows the **company** is not about to throw in the towel tomorrow.

Helou, among others, would love to pick up the dregs when and if Kirin sees the light and rationalises its commodity **milk business**.

Parent **company** Kirin is like many Japanese giants, which means it is not afraid of a few shots and is not about to cut and run in a hurry.

Expect Helou to make West's job as difficult as possible; and in the scheme of things this is a much bigger game than the WCB fight.

WCB controls one-tenth of Australian **milk** product, Bega about 0.7 per cent, Lion 18 per cent, Fonterra 20 per cent and Murray Goulburn about 33 per cent.

Overall **milk** production of about 9.2 **billion** litres has basically stood still for the past decade and is down from a peak of 11.3 **billion** litres in 2001.

If **dairy** is going to be the next **iron ore** to fuel Australia's fortunes as the food bowl of Asia it would help if we could manage to grow it out a touch.

There are three key value-added products in which Australia has underperformed big-time through lack of investment: nutritional powders, long-life **milk** and **cheese**.

Lino Saputo Jr may have won the battle for one-tenth of Australia's **milk** supply but he will need to invest to exploit any gain. As a guide, full-cream **milk** sells at about $5000 a tonne and infant formula between $10,000 and $15,000 a tonne.

Murray Goulburn collects about $52m in profit on its WCB **stake** and in the next few months will raise about $400m from its revamped capital structure.

This money will be spent on revamping **operations**, including a new 100,000-tonne drying plant at Koroit, new **milk** processing plants for the Coles contract and the like.

Competition will help boost output and Helou is intent on boosting the value added output from Australia.

This includes more involvement at the consumer end of the **cheese business**, exploiting his 80 per cent share of the long-life **milk** market and working closer with the global leaders in so-called pharmaceutical quality **milk** powder.

The global market is led by the likes of Danone , an MG yoghurt joint venture partner, which is presently in dispute with Fonterra over **Chinese** exports.

The WCB shareholders may be cashing in but the big game is only just starting.

ACCC in crosshairs

THIS column worries when independent regulators like the Australian Competition & Consumer Commission are under fire for overspending because it raises the chance that their independence will be compromised and their plans may be curtailed.

Outgoing chief Brian Cassidy knows the importance of good public administration more than most and talk is already rife of more top-level departures .

Some suggest it ludicrous that the ACCC has chief executive (Cassidy) and two deputies (Mark Pearson and Rayne de Gruchy).

In a paper last month, barrister Michael Terceiro lambasted the ACCC, noting it was top heavy and with a senior executive staff of 54 people at a total cost of $17.8m or $329,053 -- well paid by public service standards.

Performance pay added another $1.9m or $13,800 per staff member, and $8.8m was spent on external consultants. The case for action seems clear and one can only hope it happens without compromising the quality and independence of the ACCC. The official word is the issues are being progressed with government and everything is under control.

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