

BUSINESS NEWSLETTER

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Mid-year Budget Update

The federal government announced \$ 16.4 billion in savings over four years, in its mid-year budget update. Savings included \$1.1 billion in cuts to the 30 per cent private health insurance rebate, a paring back of the baby bonus from \$5000 to \$3000 for second and subsequent children, and bringing forward \$8.3 billion in company tax revenue by requiring it be paid monthly not quarterly.

The budget update forecasts a \$1.1 billion surplus for 2012-13 and maintain the trend for the years beyond. The Government has forecast a \$2.2bn surplus in the election year of 2013-14. It forecasts unemployment to average 5.5 per cent this year and next, and growth to stay at a trend rate of 3 per cent, down from the forecast 3.25 per cent.

The mid-year budget update states the cuts were needed to protect the surplus as declining global growth and commodity prices stripped the budget of \$4 billion in revenue for this financial year, and \$21 billion over four years, since May's forecasts. Declining tax receipts were the main culprit due to falling mining profits. Company tax fell sharply and the mining tax, which began on July 1, had its forecast earnings in its first four years downgraded from \$13.4 billion to \$9.1 billion.

The Government feels it was essential to preserve the return to surplus while Australia's economy was growing at 3 per cent or more but that it was ready to switch from pursuing a surplus to stimulating the economy if conditions were to worsen further. The Treasurer vowed that the

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government would "absolutely ensure that our budget settings support jobs and growth" if the economy deteriorated. He said the government had a proven track record of handling volatility in the international economy. Mr Swan said that by keeping the budget in surplus, the government was creating room for further interest rate cuts by the Reserve Bank.

Treasury was forced to downgrade its budget-time revenue estimate over the next four years by \$20.2 billion as a result of lower company tax and mining taxes. The new mining tax is now expected to yield only \$2bn this year, down from a budget-time forecast of \$3 billion and an estimate 12 months ago of \$3.7bn.

The biggest new measure announced in the budget update is a decision to make large companies pay their tax every month, rather than every quarter from the beginning of 2014. Starting with the largest 350 companies with an annual turnover of \$ 1 billion or more and then spreading to medium-sized businesses, with a turnover of \$ 20 million or more the measure will raise a total of \$8.3 billion by forcing companies to pay tax earlier than was otherwise required.

As well as the revenue-raising measures, the budget update counts on growth in both Australia and its major trading partners remaining firm.

Growth in China has been downgraded from 8.25 per cent to 7.75 per cent this year, but the GDP growth among trading partners as a whole has been left unchanged at 4.25 per cent.

Industry reaction to the budget update

Business has urged the government to stop striving for a surplus in hard times to meet a political deadline because this risked hurting the economy. They feel the real challenge is for the government to strictly prioritise its spending within the context of constrained revenue growth and to introduce structural reforms to the budget over a longer time frame than just the forward estimates.

Corporate Australia has criticised the government's move to raise 8.3 bn in savings by forcing businesses to pay tax earlier, warning that it could lead to a cash shortage and higher compliance costs that would weaken the economy.

Corporate Tax Association chief executive Frank Drenth said the timing change would not directly lower company profits, on which the tax rate remains 30 per cent, but would erode working capital at a time when it was under pressure. He said both the Howard and Keating governments had sought to balance budgets by bringing forward company tax payments.

Despite reasonable aims to return to surplus there are equally reasonable calls to the Government not to adhere to an artificial and arbitrary political target. Mini-budget hasn't changed the Government's political target and still leaves a question mark over its economic wisdom and achievability.

The Opposition political parties feel that the budget update has nothing to lift economic growth and productivity.

Uranium mining in Queensland

The State Government of Queensland has overturned a decades-old ban on uranium mining in Queensland, opening the door to renewed development of the resource worth up to \$18 billion. The Queensland Premier yesterday announced his government would appoint a panel to restart the uranium-mining industry, 30 years after the state's last mine closed. Companies holding 80 mining permits and 200 exploration licences are expected to start ramping up exploration activities across the state's northwest.

The Premier said the policy change was prompted by Julia Gillard's visit to India last week, when the Prime Minister held talks to give momentum to Labor's policy shift allowing the potential export of uranium to that country, once safeguard provisions are in place.

Federal Resources and Energy Minister Martin Ferguson, noting that Australia had 33 per cent of the world's commercially recoverable uranium, pointed out, "this industry can also provide a long-term economic benefit, including generating employment in regional areas, and generating export income."

The policy shift was welcomed by industry and northwest Queensland locals but equally condemned by environmental groups, the Queensland Labor opposition and the Greens.

To view the list of all Australian

Government Tenders, visit

<https://www.tenders.gov.au/>

Business Opportunities

The biggest and most advanced of the Queensland projects are controlled by Perth-based Paladin Energy and Canada's Laramide Resources and Mega Uranium. Paladin managing director John Borshoff welcomed the lifting of the ban. Paladin and its majority owned Summit Resources own the Valhalla/Skal uranium project in the Mount Isa region. Mr Borshoff said the Queensland move meant the project could now be considered for a new mine development "slot" Paladin expects to open in 2018-2020.

Queensland produced its last uranium from the Rio Tinto-controlled Mary Kathleen mine in the state's northwest in 1982. The Newman government estimates known uranium deposits in the state are worth \$10bn while the Queensland Resources Council puts it at \$18bn using projected prices and exchange rates.

QRC chief executive Michael Roche said the decision would "unleash the significant potential of a Queensland uranium mining industry". He estimated that based on the \$18bn value of the state's uranium resources there was the potential for \$900 million in potential state royalties.

Aditya Birla Group's subsidiary does due diligence of Northern Iron

It has been reported that Northern Iron has extended the deadline for furnishing takeover binding offers until 20 November 2012 to allow interested companies to carry out due diligence. Aditya Birla Group's Essel Mining and Swiss-based trading company Prominvest are looking at acquiring Northern Iron. Prominvest had made a \$525 million conditional and non-binding offer in July. Northern Iron operates the Sydvaranger magnetite mine in Norway, and expects to ship 2.2 million tonnes this year.

Environmental nod for first WA uranium mine

On 10 October, WA Environment Minister Bill Marmion announced final environmental approval, subject to conditions, to Toro Energy Limited's proposed uranium mine near Wiluna. It would be the first uranium mine in Western Australia (at present WA has no operating uranium). Minister said the Liberal-National Government is committed to ensuring that uranium mining in WA will be subject to strict security provisions and world's best practice safety and environmental standards. In May this year, the Environmental Protection Authority recommended the approval of the project, which would produce about 1,200 tonnes per year of uranium oxide concentrate over an anticipated mine life of 10 years. The company still needs Federal Government approvals. Toro is looking for partners for \$280 million project which seeks to start production by 2014.

Approval for development of new uranium mine in WA

In another development, the Western Desert Lands Aboriginal Corporation (WDLAC) signed an agreement conveying its consent for development of Kintyre uranium deposits in Western Australia. The proposed exploration project, located in WA's eastern Pilbara region, is a joint venture between Cameco and Mitsubishi Development Pty Ltd. WA Mines and Petroleum Minister Norman Moore said the project was in very early stage of development as regulatory approvals and economic matters needed to be sorted out.

Lanco Infratech keen to divest stake in Griffin Coal

The Chairman of Lanco Infratech, which owns Griffin Coal company in Western Australia, has been quoted as saying that Lanco would be looking at opportunities to sell part of its stakes in Griffin Coal to reduce debt burden and also to pursue an expansion plan of coal mine in Collie, WA. The Chairman is reported to have made these comments while addressing a press conference at Lanco's annual meeting in Hyderabad.

WA offers degrees in Tourism and Event Management

The Central Institute of Technology (CIT) of Perth has entered into a partnership arrangement with French Academy Le Cordon Bleu, a leading hospitality institute, to offer degrees in tourism and event management. WA Premier Colin Barnett said that the hospitality and tourism sectors were integral to WA's economy. The degrees are expected to benefit vocational education students with greater career prospects.

Australian Square Kilometre Array Pathfinder inaugurated

The Australian SKA Pathfinder (ASKAP) was officially opened on 5 October at the Murchison Radio-astronomy Observatory (MRO) in Mid-West region of WA located at about 350 kilometres north-east of Geraldton town (over 1500 km from Perth). Governor of Western Australia, Minister of Tertiary Education, Skills, Science and Research Senator and WA Minister of Science and Innovation were among SKA community that attended the opening ceremony. ASKAP will provide basis for the Square Kilometre Array (SKA) project as 60 dishes will be added to the current 36 dishes of ASKAP. A reception on 6 October 2012 was hosted on the occasion of first visit to Perth by the Square Kilometre Array (SKA) Board Members. SKA Board, which held its meeting on 6-7 October, discussed funding models and issues concerning design and implementation of SKA phase 1 project.

African miners keen to emulate WA's mining agreements

According to WA Department of State Development, African countries are keen to look at the regime of WA's mining agreements as a model for fostering development of big resource sector. Some of WA's State agreements have reportedly provided an ideal framework, and are viewed favourably by countries such as China and Japan as effective and transparent documents on matters such as regulatory approval.

Business related events in Australia

Delegation from India visit Perth to explore new business opportunities

A 21-member business delegation from India representing IT, banking, consultancy, education and resource organisations visited Perth on 14–15 October. The companies that participated in the Mission include AAMC Training Group Pvt Ltd, Amman Granites, Bank of Baroda, Bharti Centre for Learning and Development, CDN Software Solutions Pvt Ltd, Coimbatore Institute of Technology, eNoahiSolutions India Pvt Ltd, Gulf Outsourcing Services FZ LLC, Kalycito Infotech Pvt Ltd, Lister Technologies Pvt Ltd, Noel Media & Advertising (p) Ltd, NVS & Associates, NVS Management and Corporate Services, RK Associates, Sea Hydrosystems India Pvt Ltd, Tespa India and Virtual Employee Pvt Ltd. They attended a meeting held at the Chamber of Commerce and Industry, Western Australia and interacted with the WA authorities on business opportunities. They also attended a business networking event and business to business meetings. The delegation was part of India–Australia Chamber of Commerce, Chennai's 11th Business Mission to Australia. Australia–India Business Council (AIBC) WA chapter hosted the networking event.

Indian business explores setting up tractor assembly unit in WA

The International Tractors Limited of Sonalika Group plans to set up a tractor assembly unit in Australia. A senior representative of the company visited Perth from 25–18 October 2012 to identify a partner. He met with WA Government authorities at the Department of State Development and Agriculture Ministry, including the Chief of Staff of WA Agriculture and Food Minister and the Principal Policy Adviser. He also met several agents and

distributors. The company is expected to take a decision after exploring options in other states of Australia.

Upcoming Events in Australia:

Carbon Expo Melbourne 07–09 November 2012

Carbon Expo Australasia is an event that will address the issue of high carbon emission and provide for low carbon technologies. This event is an excellent opportunity for private sectors and government businesses to showcase all their products, services and activities that pertain to the ever expanding carbon market.

Venue: Melbourne Convention and Exhibition Centre

Website: www.carbonexpo.com.au/

Useful Links

These are links to procurement policy documents, guidelines and general information that will assist in understanding the Australian Government procurement environment.

Selling to the Australian Government - A guide for business

<http://www.finance.gov.au/publications/selling-to-the-australian-government/index.html>

Australian Government Procurement Policies

<http://www.finance.gov.au/procurement/>

Commonwealth Procurement Rules

<http://www.finance.gov.au/procurement/procurement-policy-and-guidance/commonwealth-procurement-rules/index.html>

Commonwealth Procurement Circulars

<http://www.finance.gov.au/publications/finance-circulars/procurement.html>