

BUSINESS NEWSLETTER

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Australia Business News – A Round Up

A major new survey – commissioned by SBS as part of its Dirty Business: How Mining Made Australia series to be screened from January 6 – shows Australians appreciate the benefits that mining has brought to the economy and its role in shaping the national identity.

The survey reveals a strong anti-foreign sentiment, with most saying foreign ownership of Australian mining companies is higher than they would prefer. Almost 70 per cent support restrictions on foreign ownership of Australian mining companies despite the central role played by foreign investors in the development of the industry in recent decades.

According to the survey, 44 per cent of people believe mining should only be done in Australia by local companies. Almost half the respondents were opposed to miners hiring foreign workers, with 21 per cent supporting the use of overseas workers. Almost half of Australians are concerned about selling minerals to China.

Half of the respondents agreed that "it's fair that the rest of Australia shares in the spoils of the mining boom via the mining tax" but only 29 per cent said the MRRT was good for the economy. The survey shows mining is most popular in regional areas.

Strong focus on costs will continue to be the main theme for the mining sector this year, as companies remain cautious after a volatile year for commodity prices and an increase in resource nationalism. Refocus on costs in 2012, over fast-tracking production, is tipped

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to remain top of the agenda for the resources sector.

Ernst & Young's global mining and metals leader, Mike Elliott, has said that rapid expansions and higher exchange rates had created a high cost legacy for the sector. He added that as a result, cost competitiveness and tighter discipline around project execution and operational effectiveness had become a key issue for miners globally. The mining sector has been very production-focused for most of the past decade and quite quickly that has changed where cost is now a much greater restraint and this is requiring a re-think in project execution," Mr Elliott said. "Every project has to be more cost competitive because it is the marginal projects that will be shut down first."

Looking at the appetite for deals this year, Mr Elliott said the recycling of capital among the majors was likely to be more prevalent."They are all going through reviewing their portfolio of projects," Mr Elliott said. "The catalyst for that will be they will look at some of their high-cost projects and look at what they need to do to reduce the costs.

Business and union leaders are calling on the Reserve Bank to cut interest rates early this year after the manufacturing sector contracted last month for the 10th month in a row. Australian Workers Union National Secretary Paul Howes stated that lower interest rates were needed to assist industry to cope with the effects of a high Australian dollar. He was

backed by Australian Industry Group chief executive Innes Willox, who argued that businesses were paying higher interest rates than international competitors.

Mr Willox and Mr Howes cited the high Australian dollar as a key competitive pressure on the manufacturing sector. Their comments came as the Australian dollar spiked sharply after legislation passed in the US to avert a plunge over the so-called fiscal cliff.

Mr Willox said higher costs, particularly for energy "due to the impacts of the carbon tax and, in some states, the costs associated with investment in network infrastructure, have all taken their toll on margins and activity". He said forward orders continued to be weak, "suggesting demand has not yet turned the corner". He said the government's response to the manufacturing taskforce should tackle skills improvements and training, research and development, and tax reform.

Mr Howes said the government's response should be targeted at helping manufacturers to transform their operations to enable them to be competitive in the new economic environment. Acting Industry and Innovation Minister Chris Evans said the Gillard government was committed to manufacturing industries and appreciated their importance in a globally competitive, broad-based and sustainable Australian economy.

Senator Evans said the government would respond to the taskforce's report as part of an industry and innovation policy statement early this year. It had already put in place policies that supported manufacturing, including lifting Australian industry participation in major resources projects; rewarding innovation with an R&D tax incentive; the \$1.2 billion Clean Technology Programs helping manufacturers reduce energy costs; and reforming the training system, including investing with industry to improve worker skills.

The global head of accountancy firm KPMG has predicted that a second wave of raw materials demand from India and Brazil will support the domestic economy towards the end of the decade after an expected slowing of demand from China, which has already been flagged by big miners BHP Billiton and Rio Tinto.

KPMG global chairman Michael Andrew, the first head of any of the big four accounting firms to be based in Asia, said growth from countries such as India and Brazil was starting to appear. "I think you are going to see a continued expansion and requirements for the sort of commodities Australia produces from Asia, India and South America."

Mr Andrew stated that "the world's largest infrastructure program I am aware of is the Mumbai to Delhi corridor, which is a fast freight and passenger rail project involving the building of seven cities of three million people. It's a trillion-dollar project that will be well and truly under way in that time," he said, "You are seeing reforms in India for the first time in a decade where they are opening up the retail sector promising financial services and Brazil has announced major infrastructure packages."

Business Opportunities

Light rail line to run through Sydney CBD

The New South Wales Government has unveiled its final transport master plan, which confirms that a light rail line will be built through Sydney's central business district. A 12 kilometre tram line will link Circular Quay and Central Railway Station to the Sydney Cricket Ground, Randwick Racecourse and the University of New South Wales. Private cars will be banned from about 40 per cent of George Street, between Bathurst Street and Hunter Street. The CBD's bus network will also be redesigned to reduce congestion. Premier Barry O'Farrell says the Government expects to invest \$300 billion into infrastructure over the next two decades and would also require Commonwealth funding.

Clean Energy Council push for finalising new guidelines for Wind Farms in NSW

The Clean Energy Council says the delay in finalising new guidelines for wind farms in New South Wales is forcing investors to look to other states for opportunities. A year after the New South Wales Government had put up draft guidelines out for community consultation, the policy is yet to be finalised. No new wind farms have been approved since, sending investment elsewhere. The Council says that \$10 billion worth of investment is sitting in the pipeline.

Submarine propulsion testing facility to come up in Adelaide

Defence Minister Stephen Smith announced details of a \$20 million submarine propulsion testing facility to be built in Adelaide. The new facility will allow propulsion systems to be tested before they are installed in submarines. The Minister said that some parts of the facility will also be put in Western Australia, where the navy will have ready access for training, and some in Victoria because maritime specialists are based there. South

Australia Premier Jay Weatherill said it was a significant step towards future submarine work for the state.

Update on NSW mid-year Budget Review

NSW Treasurer Mike Baird released a mid-year budget review statement. According to the report the June budget which found a surplus of \$289 million for 2013/14 was now predicted to be a \$423 million deficit. This update confirmed the auditor-general's earlier finding that the state was in surplus by \$680 million in 2011/12, after a forecast deficit of \$337 million in the June budget. The state's budget is expected to return to surplus stronger than the Treasurer had forecast in June, increasing from \$562 million to \$1.367 billion in 2014/15, and from \$1.172 billion to \$1.758 billion in 2015/16. The Treasurer said the state would be in deficit a year longer than forecast because of a drop in commonwealth revenues and mining royalties.

Thiess and Macmahon win Pacific highway contract

Thiess, Leighton Holdings' subsidiary and contractor MacMahon Holdings won a \$456 million contract to upgrade a section of the Pacific Highway in northern NSW. The Thiess and MacMahon joint venture (60-40 respectively) will be responsible for the design and construction of a four lane divided carriageway stretching 26.5 kilometres from the Frederickton Interchange and Eungai, north of Kempsey. Construction work is scheduled to begin in mid-2013.

Environmental clearance for port facility at Eyre Peninsula

An environmental assessment has given the green light to a proposal to build a \$250 million deepwater port facility on South Australia's Eyre Peninsula. The report had recommended that Centrex Metals' plan to build a 500-metre jetty, a

ship loading facility, storage areas and associated infrastructure, be approved subject to a number of safeguards. It is estimated this will enable Centrex to export up to 20 million tonnes of iron and grain from SA each year. The new facility, at Port Spencer, would be located about 70 kilometres from Port Lincoln. The development awaits the federal government's approval before construction can begin.

Tender called for construction aircraft hangars in WA

Western Australian Department of Environment and Conservation has issued a tender notification (DEC412W0462012) for supply & building of two aircraft hangars at Manjimup Airstrip. The last date for submission of responses in hardcopy to Manjimup Office, Brain Street, Manjimup, Western Australia is 29 January 2013 (before 1500 hrs). A pre-site visit will be held at Manjimup Airstrip, Manjimup.

Chevron discovers natural gas off WA coast

Chevron has announced that it has discovered more natural gas off Western Australia's North West coast. The discoveries at two natural gas wells in Exmouth area of Carnarvon Basin would further increase Chevron's gas portfolio in Australia and expand natural gas resources in the region as the sites of new discovery are located farther from other discoveries in greater Gorgon and Wheatstone in Carnarvon basin.

Upcoming Events in Australia:

India International Handwoven Fair (IIHF), Chennai (5 – 7 March, 2013)

The Handloom Export Promotion Council, a Government of India agency under Ministry of Textiles, will be organizing an India International Handwoven Fair (IIHF) at Chennai Trade Centre, Chennai from 5–7 March, 2013. At IIHF last year, over 150 exhibitors representing various parts of India had participated and displayed wide varieties of textiles, weaves and designs in pleasing colour combinations ranging from the fine muslins to heavy rugs, from delicate pastels to vibrant earthy hues, from appealingly simple to fascinatingly intricate compositions, covering the entire gamut of home textile products and fashion accessories. Over 200 exhibitors are expected to showcase their products in the coming IIHF. The last year Fair attracted more than 100 buyers from several countries for their sourcing purposes. The special attraction of the Fair includes "Theme Pavilion", and "Cultural events", besides "One-to-One business meetings". Additional information about the event can be obtained from <http://www.iihfchennai.com/home.php>.

Mining Australia is going to host their next expo on 20–23 March 2013 at Belmont Park Racecourse, Perth, WA. It will be focusing on the new and most cost effective products related to the mining industry. Exhibitors from well-known mining industries are expected to join the event.

Perth Trading & Investing Seminars & Expo (23 – 24 March, 2013)

The Perth Trading & Investing Seminars & Expo event will be held on 23–24 March 2013 at Perth convention exhibition centre, Perth, WA. The event will be related to the business growth of investments, foreign exchange and trading products from exhibitors participating from different countries.

The Committee for Economic Development of Australia (CEDA) will organise a business event titled “**India: The Emerging Giant**” on 27th February 2012 in Perth. Business experts on India and Consul General of India in Perth will speak at the event on business potential of India and opportunities for cooperation. Further details on the event could be accessed at www.ceda.com.au.

Travel Expo (2 – 3 February, 2013)

Travel expo is scheduled to be held on 2–3 February 2013 at Perth Convention & Exhibition Centre. Leading travel specialists will come together under one roof to unveil their latest range of products and destination information. Further details can be accessed at www.travelexpo.net.au.

AOG Conference and Subsea Australasia Conference (20 – 23 February, 2013)

AOG Conference and Subsea Australasia Conference will be held at Perth Convention and Exhibition Centre from 20–23 February 2013. AOG is Australia’s largest petroleum industry exhibition. It enables face to face business discussion between exhibitors who supply exploration and production products, services and technology with a visitor audience of senior managers, procurement managers, operating managers and engineers. AOG also includes the Subsea Australasia Conference, Australia’s largest subsea event. Further details can be obtained at www.aogexpo.com.au.

To view the list of all Australian

Government Tenders, visit

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