

BUSINESS NEWSLETTER

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GST Reforms in Australia – an update

Treasury secretary Martin Parkinson has told the states and territories that there will be no substantive reforms to the system that distributes the goods and services tax (GST) after a review process that has exceeded 18 months.

Just three recommendations would be considered in a 2013 update, Dr. Parkinson said in a letter to the head of state treasury departments. All states and territories will be asked whether they support the three recommendations, which are all technical changes and offer little reform to the system that carves up about \$50 billion in annual GST collections.

The four powerhouse states of Queensland, New South Wales, Victoria and Western Australia, have called for the GST to be distributed on a per capital basis, arguing that appropriate funding will drive economic growth and increase the size of the GST pool for everyone. Smaller states such as Tasmania have argued to maintain the status quo, where the method of horizontal fiscal equalisation aims to ensure poorer states are not left behind.

A review panel was set up in 2011, led by former Liberal NSW premier Nick Greiner. Mr. Parkinson noted in his letter that there were six recommendations that could have been included in a 2013 update of the terms of reference before dismissing three of them.

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The three recommendations to be put to the states and territories are:

- That relativities (the ratio that determines the share of the GST pool for each state) be rounded to two decimal places in updates and reviews
- That the Commonwealth Grants Commission publish relativities based on total Commonwealth assistance to the states; and
- That the removal of royalty rate concessions to iron ore fines in WA does not prematurely get assessed in the high royalty group that would disadvantage WA.

States and territory treasury departments have been asked to comment on the other recommendations in the review panel's final report, although they will not be considered for inclusion in the upcoming update.

US shale boom threatens Australian LNG exports

Australia and other gas exporting nations stand to lose billions of dollars if large-scale US gas exports are approved, according to oil giant Exxon Mobil, which has stepped up pressure on the US government to take the economic benefits for itself.

The calls come as the head of Royal Dutch Shell, who has warned high costs here would crimp or delay investment, revealed the company was likely to reveal US export plans this year.

In a submission to the US Energy Department on export of liquefied natural gas, Exxon said limiting exports would mean the US would forego economic benefits forecast by a government commissioned report last month.

In a study earlier this month, Deloitte said if US went ahead with exports, Australia would be the biggest loser among LNG exporters because high costs here meant more investment would be displaced.

The push for US exports has come after a shale gas glut in the US depressed domestic prices, making them potentially competitive as a source of LNG for Asia.

Australian LNG is sold to Asia at prices that are linked to the oil price and are the world's highest. There are concerns that opening up the US market could increase LNG's discount to oil and result in a lower price for gas into Asia.

Australia now produces 24 million tonnes a year and has plans to raise this to 80 million tonnes, potentially making it the world's biggest producer.

Business Opportunities

WA invites tenders for new iron ore facility in Port of Esperance and bus facility in Perth

Western Australia Transport Minister Troy Buswell announced that State Government was looking for partners to design, finance and construct a multi-user iron ore facility at the Port of Esperance. Potential developers are required to participate in "Expression of Interest" process by March 1, 2013. It is estimated that 10 million tonne per year upgrade would cost less than \$200 million. Also WA Government is inviting proposals for design and construction of a new underground \$250 million bus station to replace the Wellington Street Bus Station by end of 2013, which will be destroyed as part of the Perth City Link project.

AnaeCo signs MoU with Indian company Brisanzia Technologies in waste management

AnaeCo, a Perth based company, has signed a Memorandum of Understanding with an Indian company Brisanzia Technologies to explore opportunities to set up facilities using DiCom technology. DiCom technology turns waste into biogas, fertilizer and recyclable material. Under the agreement AnaeCo would be responsible for managing design and commissioning of facility while Brisanzia would take care of project management, construction, operation and maintenance.

Increased iron ore prices to shore up WA finances

The rise in the iron ore price has turned around the outlook for the WA's finances. Following a plunge in prices last year, Government lowered its budget surplus estimate to reflect a loss of expected royalty income up to \$500 million. Premier Colin Barnett has promised to use potential \$1 billion-plus revenue from surging iron ore prices to repay the state's bulging debt rather than woo voters ahead of the March election.

Sam Walsh made CEO of Rio Tinto

Mr Sam Walsh, Chief Executive of iron ore division of Rio Tinto, has replaced Mr. Tom Albanese as the Chief Executive of Rio Tinto after the latter was blamed for US\$14 billion write-down on account of aluminium assets (\$11 billion) and Mozambique coal assets (\$3 billion). Mr. Sam Walsh has been actively associated with India in connection with the company's operations in India. Meanwhile, Rio Tinto has announced record iron ore production levels at its mines in the Pilbara region, WA in 2012. Total output reached 253mn tonnes in 2012, a 4% rise compared to 2011. The company is planning to continue growth in the region by increasing production to 360mn tonnes by 2015.

CommSec Report rates WA and NT highly on growth and progress

CommSec's latest quarterly "State of the States" report ranks Western Australia as the best performing state in Australia. It shows that the economies of Western Australia and the Northern Territory were the strongest and likely to remain so in the near future. WA led the way on construction work, retail trade, population growth and equipment investment. It was also the second strongest on retail trade and housing finance and third on unemployment. The report also adjudged Northern Territory as the second best for its overall economic performance, low unemployment and strong economic growth. The Territory also recorded an annual growth of 77.7% in construction sector in the September quarter.

Unemployment rate in WA up in December

Australian Bureau of Statistics data shows that WA's unemployment rate has risen to 4.3% in December (national rate: 5.4%) from a seasonally adjusted 4.1% recorded in November with the number of Western Australians without a job

rising from 56,200 to 59,400 in December. Premier Colin Barnett claimed that around 59,000 jobs were created in Western Australia over last 12 months.

NT sitting on abundant reserves of oil and gas reserves says Minister

Northern Territory (NT) Minister for Mines and Energy Willem Westra Van Holthe claimed that the territory was at the forefront of unconventional oil and gas resource development in Australia. He referred to geological research which pointed out the possibility of abundant oil and gas reserves waiting to be discovered. While 89% of onshore and near shore acreage was either granted or under application for exploration, the majority of NT is still underexplored. Two major LNG projects INPEX project and the ConocoPhillips LNG operation are located in Darwin.

China keen to continue investing in WA's uranium sector

China has been expanding its investment in WA's uranium sector. State-owned China Metallurgical Geology Bureau has become a major shareholder in uranium explorer Zeus Resources with 32% stakes. Hong Kong-based private company Vast Honour already holds investment in Zeus, which plans to start uranium exploration in WA at its Yeelirrie South project, Narnoo deposit and Percival Lakes project. China's strategy was spelt out by the Chairman of China National Nuclear Corporation when he declared last year that China would speed up investments in overseas uranium mining exploration, with a particular focus on Australia and Africa, in order to meet growing demand for uranium. China Guangdong Nuclear Power Group had taken over WA's Extract Resources, which owns Husab uranium asset in Namibia, for \$2.2 billion in March, 2012.

Flinders Mines receives environmental approvals for its iron ore project in WA

Iron ore explorer Flinders Mines has received environmental approvals for its \$1.1 billion Pilbara Iron Ore Project in Western Australia, allowing it to produce up to 15 million tonnes of iron ore per annum. Now company needs to finalise arrangements to access infrastructure in the region.

Fortescue Metals scouting for buyers for its infrastructure business

Fortescue Metals Group plans to sell part of its infrastructure business. The company plans to enlist potential buyers of a stake in its rail and port operations in the Pilbara Infrastructure Pty Ltd.

Balamara Resources forms consortium with Deepak Fertilizers to bid for African assets

Perth-based Balamara Resources formed a consortium with India's Deepak Fertilizers and Petrochemicals Corporation Limited (DFPCL) and WA's Minemakers to bid for world-class Togo phosphate project in West Africa. Under the deal, DFPCL will bring in its experience in production and sale of fertilizer products and Minemakers will handle technical matters.

Delegation from India visits Melbourne to explore best practices in procurement and storage facilities

An 8-member delegation led by Dr. Amar Singh (IAS), CMD, FCI visited Melbourne from 27-30 January, 2013 to look at ways of "improvement in procurement and storage facilities and to identify areas to upgrade Indian wheat". Ms. Aditi Das Rout, Director in the Department of Commerce, Ministry of Commerce and Industry was also part of the delegation. On 29th January the delegation had meetings with Glencore Grain Pty Ltd who gave power point presentation on storage facilities in Australia. They also visited the Geelong Port facilities and saw the places where the grain was stored. On 30th January they met with the Export

Sales Manager from Cargill (previously the Australian Wheat Board) who also gave a power point presentation explaining the method of collecting wheat from the farmers up to the point of processing for export. He also answered a number of queries put up by the delegation members. Dr. Amar Singh wanted to know more about the storage facilities being adopted in Australia and he was told about the 'bunker' facility. He wanted to adopt similar facilities in India. VC(Trade) was present at the meeting held on 30.01.2013.

Indian Film Festival to be held in Melbourne in May 2013

The Department of Business and Innovation, State Government of Victoria have announced the visit of Actress Vidya Balan as the official Ambassador for the Indian Film Festival to be held in Melbourne in May 2013. The Indian Film Festival will celebrate the diversity and breadth of Indian Cinema with Victorian audiences. The 2013 festival will pay tribute to legendary film maker Yash Chopra who had a close relationship with Victoria as former patron of the Film Festival. He filmed two major films in Victoria - Salaam Namaste and Chak de India. The festival supported by the Victorian Government will be held from 3-12 May 2013 and will be delivered by Mind Blowing Films.

Magazine on India-Australia cultural relations released in New Delhi

Trade Minister Craig Emerson joined Australian cricketer Adam Gilchrist in New Delhi on 28th January 2013 to launch a magazine celebrating the trade and cultural connections between India and Australia. The app-based magazine for iPhones and iPads was developed as part of the Australia Unlimited campaign showcasing the ideas and achievements of Australians at home and around the world.

Belectric obtains permission to build solar power plant in Australia

Belectric the German Solar Energy Company has received planning permission to build its first solar power plant in Australia. The plant to be built in Mildura, Victoria will have a 5MW capacity. Solar voltaic engineering consultancy, Clean Technology Partners, will play a decisive part in the entire technical process. Australia offers excellent conditions for photovoltaic energy production and is one of the growth markets of the future.

Canadian education-provider sets up headquarters in Melbourne

North American learning solutions provider has opened an Asia-Pacific headquarters in Melbourne. The company called Desire2Learn, a global leader in cloud based learning solutions, headquartered in Kitchener, Ontario (Canada) has around 8 million learners in higher education, Kindergarten to Class 12, healthcare, government and the corporate sector. Desire2Learn has also recently invested in installations of state-of-the-art data centres in Melbourne and Sydney that provide cloud-based SaaS solutions for clients.

FTA with Malaysia to benefit Victoria economy

The FTA with Malaysia and Australia which came into effect from 1st January 2013 has opened up opportunities for exporters and investors across most industry sectors. Victoria and Malaysia have a strong trading partnership with \$692 million worth of goods exported from Victoria to Malaysia in 2012. Victoria's top exports to Malaysia include refined petroleum, wheat, milk and other dairy products, prepared foods, meat and aluminium. The Victorian Government also has a business office in Kuala Lumpur, established in 2009.

Upcoming Events in Australia:

Fine Food Perth (14-16 April 2013)

The event allows the foodservice, retail and hospitality sector to display a large collection of drinks, food, and equipment to more than 23000 visitors from all over the world.

Venue: Perth Convention and Exhibition Centre

Website:

<http://www.finefoodwesternaustralia.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>