

BUSINESS NEWSLETTER

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Challenges for the Australian economy

According to a submission by the Australian Chamber of Commerce and Industry (ACCI) to the Australian Government, Australia enters a federal election year facing a range of challenges that demand strong economic management. Structural adjustment in the economy has made competitive pressures in the non-mining sectors more acute, adding urgency to the need for productivity enhancing economic reforms.

The ACCI feels that restoring the budget position is the principal economic challenge confronting the country. The damage to Australia's fiscal sustainability from a failure to achieve a headline budget surplus in the current financial year is greatly compounded by the presence of an even larger structural budget deficit. Downside risks to the economic and fiscal outlook heighten the prospect that the Government's fiscal policy strategy, on its present course will leave the budget mired deep in deficit for years to come.

Sound management of the nation's finances underpins the ability of a government to successfully implement vitally important economic reforms necessary to lift flagging productivity growth. Without sufficient revenue to fundamentally reform the tax system, the economy will miss out on the efficiency and productivity gains they would have delivered. Similarly, the equity objectives that could be achieved by proposals for new social spending programs will be forestalled until the budget can accommodate their cost. The

Inside This Issue

Challenges for the Australian economy	1
Business Opportunities	2

Government's fiscal strategy needs to outline a clear, detailed and credible pathway back to surplus.

The size of the budget deficit has already seen the Government abandon its promised reduction in the company tax rate. This pledged reform would have improved Australia's global competitiveness and bolstered the wages and job prospects of working families. Even this modest attempt at improving the tax system was stymied by a difficult budget position and a lack of will amongst policy makers. More ambitious measures seem even less likely to be entertained until the severe fiscal pressures of the last few years are adequately addressed.

An inability to balance the budget is a reflection of the capacity of a government to balance competing priorities with respect to limited public funds. The expected 2012-13 budget deficit will be incurred in spite of considerable new tax revenues raised since 2010, and because of the new spending measures announced at each consecutive budget. If the Government was to adhere to its commitment to delivering a budget surplus it should not have offset additional tax and savings measures with new spending commitments.

The focus of government policy should be to provide sound frameworks that provide appropriate incentives for business to engage in productive activity without undue interference are essential for ensuring

Australia's international competitiveness. An essential element of encouraging new industry and jobs involves reducing the overall tax burden. Lower taxes always increase economic activity. Australia cannot afford to become a high-taxing European-style welfare state without further losing ground to low taxing Asian marketplaces. A root-and-branch review of government spending is required in order to identify opportunities to lower the overall tax burden.

Attention should also sharpen around the growing regulatory burden on the economy. Too often the regulation of workplaces and entire industries takes place without sufficient consideration of the costs involved. These costs imposed on businesses in turn are passed onto consumers in the form of higher prices.

Government needs to commit to a comprehensive deregulatory agenda in order to remove unnecessary barriers to potential productivity gains. The fiscal cost involved abolishing costly and unnecessary regulation is negligible, yet the potential gains to be unlocked are substantial.

A key element of getting the fundamentals of economic management right involves policy certainty. Sudden changes in taxation arrangements executed without consultation with industry serves to dramatically undermine business confidence and willingness to invest in the Australian economy. ACCI considers no new taxes, or tax increases should be implemented in the May Budget and for the purposes of promoting certainty the Government should rule this out well before that date. Difficult structural reforms are the only real opportunity for enhancing the long-run growth in living standards.

ACCI surveys show that consistent with weak business sentiment and concerns over subdued outlook in activity and profitability business sentiment and expenditure in non-mining sector have remained contractionary in 2012. Business taxes and government charges remain the largest constraint on business investment. Inflation was well contained throughout 2012.

Business Opportunities

CommSec releases 'State of the States' Report

CommSec (operated by Commonwealth Bank of Australia) in its quarterly 'State of the States' reports that the gap between the country's best performing state, Western Australia and the worst, Tasmania, appears to be widening. It says WA and the Northern Territory are going from strength to strength highlighting that resource states are clearly driving the momentum in Australia. The ACT was the third best overall performer. The middle group comprised New South Wales, Victoria and Queensland. While New South Wales was heralded as the state with the best chance of making a strong economic come-back, South Australia was named the second-worst economy.

Rare earth mineral processing plant scrapped in SA

Arafura Resources announced that it was scrapping its proposed \$2 billion rare earth mineral processing plant that promised to boost South Australia's depressed economy. Reports suggest that it had become the latest victim of the escalation of project development costs blamed for its cancellation and the present economic conditions. Arafura, which is focused on mining chemical elements used in high-end technology products, is backed by the Chinese government-owned East China Exploration and Development Bureau, which holds a 25 per cent stake in the company. The decision to scrap the project is blow to the SA economy which comes after Woodside abandoning its \$50bn Browse Basin project, and BHP Billiton shelving the \$30bn Olympic Dam mine expansion and its \$20bn Port Hedland harbour project. South Australia's Labor government said it was not to blame for the high-cost environment plaguing resources projects and that was not something the state government could control.

Power plant using Enhanced Geothermal System (EGS) operational in SA

The one-megawatt Habanero pilot plant operated by Geodynamics in South Australia has begun

producing electricity driven by hot-rocks technology. CEO Mr. Geoff Ward said the plant was first in Australia to produce power using an enhanced geothermal system (EGS). He said the trial is a globally-significant demonstration test and suggests that it was possibly the most productive EGS system in the world being hotter than the other systems that are operating. The process draws hot water from underground to heat other water in pipes. That produces steam and drives a turbine. It is understood from reports that power corporations in Asia, Europe and the United States were looking to benefit from the trial.

Delegation from Kerala's Ministry for Works visits Sydney

Mr. V.K. Ebrahim Kunju, Hon'ble Minister for Works, Govt. of Kerala led a 6 member delegation to meet Project Developers in Sydney to study their technologies and methodologies used in construction of roads and bridges, in connection with Kerala's road development programmes.

Griffin Coal and Perdaman Chemicals agree for out-of-court settlement

Griffin Coal, owned by Indian Group Lanco Infratech, and Perth-based Perdaman Chemicals & Fertilisers have reached an out-side court settlement of a legal dispute over coal supply agreement. Lanco agreed to pay \$7.5 million plus legal costs to Perdaman Chemicals and Fertilisers. Lanco described the settlement as a nominal price to end the litigation and move forward with its expansion plans for coal mine in Collie, Western Australia and export facilities at Bunbury Port. The prolonged legal proceedings resulting in significant legal costs and loss of management time were stated to be reasons for reaching the settlement.

WA extends invitation to Indian Ministers to attend the LNG 18

WA Minister for Mines & Petroleum and Housing Mr. Bill Marmion sought a Ministerial participation

from India accompanied by a strong business delegation in the 18th International Conference and Exhibition on Liquefied Natural Gas (LNG 18) to be hosted in Perth from 12-15 April 2016. Over 5000 delegates, including presidents and vice-presidents of major global oil and gas companies, are expected to gather in Perth. Minister Marmion said that the conference has evolved into the biggest gathering of LNG sector in the world. The registration for LNG 18 has already started and 60% of participants have already confirmed their participation.

Indian delegation participates in 'Global Skill Challenge Perth 2013' in Perth

A 6-member delegation (three contestants, two experts and one official) from India participated in a 4-day competition "Global Skills Challenge Perth 2013" held in Perth from 30 April to 3 May 2013. India was among 11 countries that took part in Perth completion, which is ahead of the 42nd Worldskills International (WSI) Competition (known as Skills Olympics) scheduled to be held in Germany in July 2013. India took part in three areas, namely, IT Software for Business, Cooking and Restaurant Services. The Indian participation was coordinated by the National Skill Development Corporation (NSDC). CG attended the opening ceremony and met the participants. Indian contestants performed well in all three areas. WSI seeks to promote vocational education and training (VET) in countries across the globe.

WA Minister addresses LNG 17 Conference in Houston

WA Mines and Petroleum Minister Bill Marmion delivered an address at the world's largest Liquefied Natural Gas (LNG) conference, LNG17, in Houston. WA will be hosting the 2016 conference. Minister said WA is expected to have an annual LNG production capacity of more than 50 million tonnes by 2016, up from the current level of 20 million tonnes. In 2012 oil and gas projects worth \$111 billion were under construction or committed

and others under consideration were worth \$91 billion. WA's oil and gas reserves currently exceed 140 trillion cubic feet of natural gas and 350 million barrels of oil. The State's unconventional gas resources, including shale and tight gas, are estimated, by the US Energy Information Agency to be 288 trillion cubic feet.

WA Premier criticizes federal government's education funding proposal

WA Premier Colin Barnett criticised the Federal Government's education funding proposal claiming that it would be disadvantageous to WA public schools as the state would get only \$300 million additional funding over six years from a national package of \$14.5 billion. According to him, WA State Government is spending on an average \$13,900 per primary student and \$19,050 per secondary student in government schools and the proposed model was an attempt to wrest control of government schooling from the States. On the other hand, NT Chief Minister Adam Giles stated that NT Government cannot afford to spend more money on education without making cuts elsewhere and the funding proposal holds NT to ransom.

Court enquiry ordered into the receivership of Burrup Fertilisers

The Australian Federal Court has ordered enquiry into fees and expenses charged by the receivers of Burrup Fertilisers during the final six weeks. Mr. Pankaj Oswal had initiated court proceedings in September 2011 questioning the receiver's modus operandi, including charges. In December 2010, ANZ Banking Group had appointed PPB Advisory as receivers. The receivership was terminated following a settlement which resulted in Apache Energy securing 49 per cent interest in Burrup Holdings and Yara International the controlling stake.

Strong outlook forecasted for the WA economy

A quarterly outlook report by the Chamber of Commerce and Industry (CCI), predicted a growth of 6.5 per cent for the WA economy in both 2012-13 and 2013-14. Household consumption is projected to increase by 5% in 2013-14, following growth of 5.75% in 2012-13. Business investment is expected to grow by 5% in 2013-14, following growth of 15% in 2012-13. Exports are estimated to grow by 5% in 2012-13 and 9.75% in 2013-14. Also the Deloitte Access Economics, which released its Business Outlook on 24 April, forecast WA economy to be the strongest this financial year. Underscoring the importance of proper infrastructure to sustain growing economy, WA Treasurer Troy Buswell called for a fair share of GST.

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>