

# BUSINESS NEWSLETTER

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## Australian Economy – Developments

### Oil and Gas Boom

An oil and gas boom is tipped to replace the minerals boom in Australia and deliver hundreds of billions of dollars to the economy but add further strain to struggling parts of the nation. An industry commissioned report has stated that oil and gas would add about A\$ 260 billion to the national economy output over 13 years, with about A\$ 135 billion of it from Western Australia. Oil and gas, particularly the coal seam gas industry in the State of Queensland is under heavy criticism for its potential environmental impact.

### Fair Work Act

There is an existing Fair Work Act, 2009 in Australia that provides a balanced framework for cooperative and productive workplace relations that promotes national economic prosperity and social inclusion for all Australians. The Australian Government is considering proposals to amend the Fair Work Act whereby workplace rules for new major resource projects would be changed to reduce the potential for delays caused by disputes between unions and employers. Employers claim the fair Work Act has given unions a monopoly that has driven up construction costs and led to delays in project start-up dates. There is a general call for the re-introduction of employer greenfield agreements that would allow companies involved in a new project to unilaterally set conditions before workers were engaged. Greenfield agreements outline employment conditions on new projects before workers are employed.

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Big investors have criticised the present arrangements stating that such projects become low productive. It is believed that in the more than A\$ 500 billion worth of potential new Australian resource projects in the pipeline, one in five are stalling due to ongoing unfair union tactics.

### Australian Currency poised for a new deal

Australia is positioning itself to become the third country allowed to directly convert its currency to the yuan, a move that would lower transaction costs for Australian miners and importers. Australian Treasurer Wayne Swan will push Australia's case at a conference in Hong Kong on Wednesday and raise the issue when he meets Chinese leaders in Beijing later in the week.

China surprised many by suddenly allowing the Japanese yen to be converted directly to the yuan late last month. Previously, only the United States had such rights, a reflection of China's historical caution about liberalising its financial system. Australian companies wanting to buy or sell yuan must convert their holdings into US dollars or yen first, a process that increases costs. China wants to move away from the US dollar as a reserve currency and is aiming to have 30 per cent of foreign trade settled in yuan by 2015, a threefold increase from now. To achieve this target, it needs to relax foreign exchange controls. Other countries are also

lobbying the Chinese government for full currency convertibility. Zong Liang, a deputy director at the Institute of International Finance, a think tank attached to the Bank of China, said the British pound or Australian dollar would be the next currency to be granted direct conversion rights. Mr. Zong cited the \$30 billion currency swap between the Reserve Bank of Australia and the People's Bank of China in March as the first step towards direct conversion. Several Australian companies have been taking tentative steps toward greater use of the yuan in their dealings with China, Australia's largest trade partner.

### Withholding Tax

The Australian Government has initiated, in what is described as a "saving measure", a steep increase in withholding tax for overseas investors that is stated to damage Australia's reputation as a global investment hub, important for lifting productivity in the country, supporting jobs and boosting growth. In the 2012-13 national budget, the government doubled the withholding tax on distributions to foreign investors from managed investment trusts from 7.5 percent to 15 percent, raising \$ 260 million across four years. The decision leaves Australia with a less competitive tax regime than other global financial centres that also source investment funds. The move is seen as a short-sighted measure that undermines Australia's need to secure its competitive advantages in the rapidly growing Asia-Pacific.

### Tourism Australia

Tourism Australia is seeking to secure a greater share of the 50 million Indians expected to travel overseas by 2020. The India 2020 Strategic Plan developed by Tourism Australia will harness new research and increased resources, including a doubling of marketing spend in India in financial year 2012-13 and adopt a targeted approach. India is currently Australia's 10th most valuable inbound tourism market, with 148,000 visitors spending A\$867 million in 2011.

## Business Opportunities

### Adani undertakes feasibility study with coal carrier QR National for rail corridor

Indian mining company Adani has moved to make sure it can export coal from the Galilee Basin area by early 2016 by upgrading its arrangement with coal carrier QR National for a rail corridor from a memorandum of understanding to a feasibility study. The study will assess rail infrastructure and haulage services for 60-80 million tonnes of thermal coal a year from Adani's proposed Carmichael Mine to the Abbot Point Coal Terminal and possibly the future Dudgeon Point coal terminal near Dalrymple Bay.

The Queensland government last month approved further work on two proposed railway corridors from the Galilee Basin -- one directly to the coal port of Abbot Point along a route proposed by fellow Indian coalmining company GVK, and the Adani plan for a smaller track to be built to connect with QR National's existing railway infrastructure in the Bowen Basin. Adani needs to transport coal out of Australia and back to India by early 2016 to feed power stations they run there.

The Adani proposal is considerably less ambitious than GVK's, involving the construction of about 180km of line running due east from the Galilee Basin to QR National's existing railway lines in the Bowen Basin.

As well as securing a large coal tenement in the Galilee Basin, Adani has also been active in infrastructure, buying Abbot Point for \$1.83 billion as part of the privatisation program undertaken by the Queensland government. It is also trying to establish a new coal port at Dudgeon Point, just north of Dalrymple Bay in Mackay.

### Australasian Resources secures funds to develop iron ore project

The Australasian Resources has secured funds amounting to \$3.9 billion to develop the Balmoral South iron ore project in Pilbara from the Industrial & Commercial Bank of China (ICBC). The project is expected to produce 12 million tonnes of iron ore per annum.

### Rio Tinto to expand iron ore mining in Pilbara

Rio Tinto announced on June 20 that it would, along with partners, invest US\$5.2 billion on expansion of iron ore mining operations in Pilbara region of Western Australia. Rio Tinto's share of this new investment would be US\$3.7 billion, in accordance with the company's strategy of investing in long life, low cost tier one assets. Rio Tinto and its partners would reportedly spend US\$3.5 billion on port & rail developments over next four years to expand the production capacity in Pilbara to 353 million tonnes per annum. The remaining US\$1.7 billion is proposed to be spent on Yandicoogina mine in Pilbara to expand its life span to 2021 and capacity by 6 million tonnes per annum.

### Aspire Mining to develop coking coal mine in Mongolia

Perth-based Aspire Mining has initiated steps for development of Ovoot coking coal mine in Mongolia by launching discussions with the Russian Railways to secure access to rail network. The company plans to establish partnership with Russian Railways' Mongolian subsidiary to build, own and operate rail-line extension. Aspire wants to develop a large-scale open pit mine at Ovoot

with an annual production of 10 to 12 million tonnes of coking coal. The company expects first production in early 2016 subject to regulatory approvals and infrastructure access.

### Chevron to sell stake in Wheatstone LNG project

Chevron has agreed to sell 8% of its interest in Wheatstone LNG processing facility and 10% of project's gas fields to Tokyo Electric Power Company (TEPCO). Chevron has also signed an agreement with TEPCO on 18 June to supply an additional 400,000 tonnes per annum of LNG over 20 years. With this, TEPCO's total takeoff from Wheatstone LNG project (one of the largest resource projects in WA) reached 4.2 million tonnes per annum.

### NASAH and OGM Technical Institute to place trained Indian workers in resources sector

Mr. Matt Mangan, General Manager of NASAH Pty Limited (he was an Associate Director at Swann Global, Melbourne) alongwith Mr. John Shute, Regional Manager, Asia including India, at the Department of State Development, Government of Western Australia visited the Consulate General of India, Perth on 19 June to inform about planned official launch of NaSAH Pty Ltd and OGM Technical Institute Pty Ltd in Australia at a function in Perth on 5 July 2012. They conveyed that NaSAH Pty Ltd will bid for contracting jobs in oil & gas, LNG and mining sectors providing equipment, manpower and work provision. The focus initially would be job placement until equipment and facilities can be established to position for contracting bids. They also conveyed that OGM Technical Institute Pty Ltd will be involved in training, educating and qualifying workers in India for projects in LNG, Oil & Gas, mining, energy and resources sectors initially, expanding later to other sectors where there is demand. Mr. Mangan mentioned that the training will be primarily in India by Australian education institutes to meet Australian standards.

Graduates would then be placed either with NASAH, or through placement to projects and companies globally including for Australian industry needs.

#### Grange Resources looking for strategic investor to sell stake in iron ore project

Grange Resources Limited, a Chinese-controlled mining company, plans to sell 30% stake in its \$ 2.88 billion Southdown iron ore project in Western Australia (near Albany). Grange is looking for a strategic investor. Deutsche Bank has been appointed as a corporate adviser in the deal. The Southdown project is estimated to have reserves of 400 million tonnes of magnetite with a mine life more than 30 years. It is a joint venture between Grange and Japan's Sojitz Resources & Technology. Grange currently owns 70% of the project after selling a 30% stake to Japanese trading house Sojitz in 2007. Southdown is expected to produce 10 million tonnes of premium magnetite concentrate over a period of more than 30 years. Grange is targeting the first production in 2015.

#### Blackmores acquires FIT-BioCeuticals

Blackmores Limited has acquired FIT-BioCeuticals Limited, an established Australian leader in the Practitioner-Only supplements market, to boost its vitamin and health product range. Both companies are NSW based.

#### BHP subsidiary to extend mining operations

BHP's subsidiary Illawarra Coal which operates the West Cliff mine will be investing \$840 million dollars to extend the mine operations, as per media reports. Once completed it is expected to produce around 3.5 million tonnes of metallurgical coal each year. The new area known as Appin Area 9 will begin operating in 2016.

#### NSW to strengthen exports of Services

A draft industry action plan commissioned by the NSW Government says that the professional services sector in NSW has stagnated while competing economies in Singapore and Hong Kong are ahead. It states that legal, accounting and management consulting services accounted for less than 4 per cent or \$3.6 billion of NSW exports in 2009-10, compared to \$31 billion in Singapore and \$19 billion in Hong Kong. The report says that Australia's strength in its availability of financial skills has deteriorated since 2002 and is the professional services industry is facing serious challenges, with stagnant or slow growth to other domestic and international markets.

#### Wind Farm proposed in South Australia

The South Australian State Government has supported a wind farm proposal north of Jamestown. The development is estimated to cost \$900 million. The wind farm output is expected to power 180,000 homes. According to the SA Planning Minister John Rau the development had the potential to save 1.25 million tonnes of carbon dioxide emissions annually.

#### Emirates to begin direct flights between Adelaide and the Middle East

Acting South Australian Premier John Rau has announced that Emirates airline will begin direct flights between Adelaide and the Middle East in November, with four flights a week linking Adelaide into Dubai International Airport. He said that Emirates will maintain the direct flights to at least the end of June 2016 in return for a financial assistance and co-operative marketing package.

#### Sandalwood trees as alternative crop during drought

A media report says that sandalwood trees may give Eyre Peninsula and west coast farmers in South Australia an alternative crop during drought after a

## Business related events in Australia

demonstration site at Ceduna is proving successful. It said that the threatened species was once abundant on upper Eyre Peninsula. It said that a lot of the sandalwood that's farmed in WA is exported to Asia because there's a huge demand for it there.

### MOU signed between South Australia and China

South Australia and China have signed a memorandum of understanding on trade and economic cooperation. SA Premier Jay Weatherill said there would now be regular consultation between the Chinese Embassy in Australia and the State Government. China is SA's largest export destination.

### Decoration+Design (19-22 July)

It is an exclusive Trade Fair for the Australian soft furnishing and interior products industries. Specifically created to attract key buyers and decision makers in this industry, it offers an unparalleled showcase of forthcoming trends to the Australian and New Zealand markets.

Venue: Melbourne Convention and Exhibition Centre, Melbourne, Victoria, Australia

Website: <http://decorationdesign.com.au/>

Organizer: [Australian Exhibitions & Conferences Pty Limited](#)

### Chambers Business Congress titled Today, Tomorrow & Beyond (15-17 August)

The Business Congress is an absolute must for Business Leaders, CEOs, Senior Management Teams, Entrepreneurs and Thought Leaders who want to boost their professional standing and profoundly impact their future business success

Venue: Melbourne Convention and Exhibition Centre, Melbourne, Victoria, Australia

Website: [www.businesscongress.com.au](http://www.businesscongress.com.au)

Organizer: [Australian Business Consulting and Solutions Pty Ltd.](#)