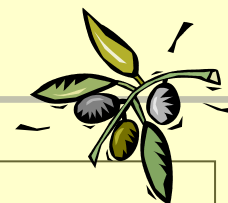


BUSINESS NEWSLETTER

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Carbon Tax policy change

The Australian Government has effected a change in the present carbon tax policy by linking Australia's scheme to the European Union in terms of the floor price from July 1, 2015. The scheme's controversial floor price was currently fixed at \$15 per tonne, due to take effect when the fixed carbon tax moved to an emissions trading scheme in July 2015. Also, strict limits will be enforced on the number of permits big emitters can purchase from cheap carbon-reduction projects in developing countries. The proportion of cheap UN backed permits from developing countries will be limited to 12.5 percent. These are being currently traded at \$3.50. The latest change in effect adopts the European price as a new floor price for the Australian scheme, although a 50 per cent limit remains on the volume of emission permits Australian companies can buy overseas to meet their Australian obligations.

At present big emitters are paying \$23 per tonne of carbon they emit. The move is seen as assuaging business fears about the impact of the carbon tax by dumping a change that could cut hundreds of millions of dollars from annual company costs. The change is seen in many quarters as holding risks for business because it locks the Australian carbon price into the volatile levels set by the EU's carbon scheme, injecting greater uncertainty into the fees paid by companies and passed to consumers, while exposing the Government to new doubts over the budget surplus, which is based on Treasury assumptions that the price per tonne of emissions will reach \$29 in 2015-16, generating \$6.7 billion in carbon tax revenue in that year.

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The Bloomberg New Energy Finance, has predicted a European price of €10 (\$12) in 2015.

Climate Change Minister Greg Combet has justified the change as a way to integrate the Australian scheme with overseas carbon markets, describing it as further proof that a Coalition government would be unable to dismantle the policy. Mr Combet vowed to deliver the billions of dollars in household compensation promised under the scheme every year. The Opposition blamed the change as an admission of flaws in the carbon tax just weeks after it commenced on July 1, declaring that it exposed a huge hole in the budget. Companies had urged the government to drop the floor price because it was much higher than the European equivalent, adding a burden on firms already struggling with the higher Australian dollar.

It is estimated that even a small cut in the floor price has the potential to deliver major savings to Australian business, given the 600 million tonnes of emissions forecast in 2015, of which 60 per cent are covered by the scheme. A \$3 cut in the price per tonne, from the previous floor to the forecast European price, would save companies a collective \$1 billion a year, assuming it applied to 360 million tonnes of emissions. The actual saving could be less because 35 per cent of permits are issued free of charge.

Industry reaction to the change in policy

The Australian manager of Bloomberg New Energy Finance, Seb Henbest, said the company's latest forecast was for the European price to rise from about \$10 a tonne to \$12 in 2015 and \$37 in 2020. "Our most recent analysis suggests that Australian businesses will be paying less in 2015 for each tonne of emissions than would otherwise be the case in a scheme with a floor price," he said. "It also suggests that linking to Europe, assuming a European economic recovery this decade, means Australia will be paying more by 2020. So it means a lower price in the near term but the price will go higher towards the end of the decade."

Business groups have reacted to the government's move by pointing to the high starting price of the carbon price – the world's highest as there is a fixed price through to mid-2015. Business Council of Australia chief executive Jennifer Westacott said removing the floor price and allowing the purchase of more international permits would help business but she attacked the "unnecessary" high fixed price in the scheme's first three years. Minerals Council of Australia chief executive Mitch Hooke said the move was an "empty gesture" that did nothing to alleviate "the high cost burden of the next three years".

The Australian Chamber of Commerce & Industry chief executive Peter Anderson said the government's announcement could not "whitewash" the bigger picture, the "futility" of applying the world's largest carbon tax that was not linked to global action. CSR general manager of government relations Martin Jones said the fixed price period to 2015 "places a much larger obligation on trade-exposed Australian manufacturers than that faced by our competitors; CSR would encourage the government to reconsider this".

Airlines, which are heavily exposed to the carbon price, welcomed the move, Virgin Australia saying the announcement "provides us with more flexibility". Qantas, which is passing the carbon tax on in ticket prices, said the move would address potential inconsistencies between the Australian and European schemes. Delta Electricity, one of Australia's biggest electricity generators, and the Australian arm of BP also welcomed the move. Grattan Institute program director of energy, Tony Wood, said the move would be a forerunner of bilateral linkages in the future. The Investor Group on Climate Change said linking to the EU scheme would give investors more clarity.

Economic Outlook– State of Victoria

According to a Victorian Employer's Chamber of Commerce & Industry (VECCI) latest survey, the states that business confidence is under pressure with 51 percent expecting weaker national conditions in the year ahead. In terms of Victoria's economic performance in the June quarter, only 15 percent of the respondents reported an improvement in general business conditions compared to 38 percent who reported a decline. This sentiment is reflective of recent economic conditions like global instability and introduction of the carbon tax with effect from 1st July, 2012. Regional respondents were more inclined to expect weaker national economic conditions over the year ahead and more or less agreed with the outlook of respondents from the metropolitan area. However, business interests recommended a much stronger participation from the state and federal governments in the form of (i) further investment in productivity enhancing major projects like the East-West link (ii) reduction in unnecessary red tapism which is stifling small business competitiveness (iii) support to help more Victorian businesses get to export markets.

Business Opportunities

International consortiums bid for Sydney's North West Rail Link

NSW Transport Minister Gladys Berejiklian has said that international consortiums from Spain, the US, France, the UK, South Africa, China, Italy and Japan and plus from across Australia, were among those expressing interest in the construction contract for Sydney's North West Rail Link. The Minister said that six consortiums, comprising more than 60 companies, had flagged interest to build the twin 15.5-kilometre tunnels between Bella Vista and Epping. The government is expected to officially call for tenders in October, with a contract to be awarded in the second half of next year and tunneling slated to begin in 2014. Related contracts for surface construction and rail systems, trains and operations will also be awarded.

Danish firm acquires Ludowici

FLSmidth, headquartered in Copenhagen, a leading supplier of complete plants, equipment and services to the global cement and minerals industries has acquired the Australian company Ludowici. Ludowici supplies minerals processing, materials handling equipment and consumables. Both FLSmidth and Ludowici have offices in Chennai, India.

Cars recalled due to presence of asbestos

Importer Ateco Automotive Pty Ltd, which imports the budget Great Wall and Chery motor vehicles manufactured in China, has recalled 23,000 of these vehicles which were found to contain asbestos in their engine and exhaust gaskets. Dealers have been instructed to stop the sale of the

affected cars and recalled gaskets distributed as spare parts. The Australian Competition and Consumer Commission (ACCC) is monitoring the recall. The Australian Manufacturing Workers Union (AMWU) says it is concerned that the cheap imports managed to slip past Australia's import standards. The importation or use of asbestos has been banned in Australia since 2004.

Copper and Gold mine opens in South Australia

An underground Ankata copper and gold mine, owned by Oz Minerals at Prominent Hill in South Australia's far north, has been officially opened. It was constructed at a cost of \$148 million in the Woomera Prohibited Area.

Research firm forecasts growth prospects for State of Victoria

BIS Shrapnel, the business research and forecasting watchdog has commented on the slowing Victorian economy which is affecting growth particularly in construction – lower demand for retail, office and industrial space – but medium term prospects are stronger. The state used low-cost land for industrial, commercial and residential purposes to attract business which panned out into a successful economic development strategy. But now the State's current focus is on fiscal responsibility which has impacted on infrastructure spending.

Stimulus to ICT sector in State of Victoria

Metronode, Australia (next-generation data centre design and construction) a subsidiary of Leighton Contractors has invested in an A\$150

million data centre in Melbourne to stimulate the Victorian economy. The new data centre will boost the state's economy and create new jobs in the ICT sector as stated by the Technology Minister Gordon Rich-Phillips. The data centre came into operation from 1st August, 2012. The local government has invested A\$85 million to stimulate ICT growth in the State.

Research fund established to develop Brown Coal technology

The Victorian and Federal governments have established a A\$90 million research fund to encourage low emission brown coal technology in the La Trobe Valley located in Victoria's eastern part. Companies have been invited to bid for developing ways to dry brown coal and create products which could be commercialised. The Minister for Energy Resources Mr. Martin Ferguson admitted that though previous attempts had failed, efforts should be made to convert brown coal into hydrogen, liquefied gas, fertilizer or char. Conservationists have stepped in with their criticism that both State & Federal governments are throwing away good money after bad in pursuing brown coal development.

Danish firm to employ overseas workers to erect turbines in Tasmania

Danish wind farm builder 'Vestas' will use overseas labour to erect 56 turbine towers at the Musselroe Wind Farm in the job-hungry north-east of Tasmania. But Hydro Tasmania was quick to add that 80 percent of the total construction workforce would be local. The Musselroe Wind Farm, an A\$400 million project to be completed by July next year is expected to generate electricity to approximately 50,000 homes.

Shree Minerals obtains environmental clearance in Tasmania

Shree Minerals Ltd proposed magnetite and hematite mine at Nelson Bay River in Tasmania moved a step closer to a working proposition when the Tasmanian Environmental Protection Authority Board issued approval conditions.

3D maps to assist miners in prospecting for minerals in Tasmania

New three dimensional geological maps of Tasmania are being offered to mining companies by a team at Mineral Resources, Tasmania. The model offers offer companies a good indication of where valuable mineral deposits might be discovered.

ANZ Bank CEO addresses an AIBC organised event

Australia-India Business Council (AIBC) organised its premium event of the year on 14th August - the Australia India Address - which was delivered by Mr. Mike Smith, CEO of ANZ Bank who is one of Australia's highly respected business leaders. The event was organised jointly by AIBC and the Australia India Institute (AII). CG attend the event.

To view the list of all Australian
Government Tenders, visit

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

Business related events in Australia

Upcoming Events in Australia:

Australian Jewellery Fair (2– 4 September 2012)

The JAA Australian Jewellery Fairs are the largest jewellery exhibitions in the Asia Pacific region. Showcases Australian Jewellery industry – new jewellery releases and designs, trading. It features fine jewellery, precious stones including diamonds & opals, pearls, watches, clocks and jewellery equipment.

Venue: Sydney Convention and Exhibition Centre, Sydney, Australia

Website:

<http://www.jewelleryfair.com.au><http://internationaljewelleryfair.com.au/>

Organizer: Expertise Events P/L

Fine Food Australia (10 – 13 Sep)

Fine Food is a trade exhibition designed to bring together the buyers and sellers of food, drink and equipment together. Established in 1994 it has grown to become one of the largest food industry exhibitions in Australia.

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

Website: <http://www.finefoodaustralia.com.au/>

Organizer: [Diversified Exhibitions](#)