

BUSINESS NEWSLETTER

A PUBLICATION OF THE HIGH COMMISSION OF INDIA, CANBERRA



News on Australian Resources Industry

A cost crisis threatens to stall mining mega-projects and shrink the national economy by 5 per cent unless Australia commits to controversial policies to regain its competitiveness, including loosening restrictive rules on enterprise migration agreements used to source foreign workers.

A research report commissioned by The Minerals Council of Australia has warned that labour costs in the mining industry are among the highest in the world, while rapidly soaring capital costs have made new thermal coal projects 66 per cent more expensive to build than the global average. Iron ore projects are 30 per cent more expensive to build than the global average. The slump in the attractiveness of Australian projects comes just as resource-rich rivals – including the Democratic Republic of the Congo, Mongolia and Mozambique – are developing previously untapped reserves. The report declares that neither a temporary slowdown in China, nor weakness in developed world economies or plunges in commodity prices will put an end to the boom.

Last month, BHP Billiton shelved its \$US30 billion Olympic Dam project in South Australia and a planned outer harbour development at Port Hedland in WA, while Fortescue has cut back its expansion plans in the Pilbara and other projects, including Woodside Petroleum's Browse project near Broome, have been delayed as costs soar and rival nations push for their assets to be developed. Today's report paints a grim picture of the outlook for commodities sectors where Australia has traditionally enjoyed success.

Inside This Issue

News on Australian Resources Industry	1
Developments in Coal - Queensland State	2
Developments in Coal Seam Gas - NSW	3
Business Opportunities	4
Business related events in Australia	6

The majority of the project pipeline for thermal coal, which is used heavily by Chinese power stations, is at risk because projects in other countries are overwhelmingly more attractive to investors. Every year, the completion date for thermal coal projects in Australia is delayed by a further three to four months, while low-cost producers such as Colombia seek foreign investment in their projects. Aluminium has few prospects for growth as Chinese and Indian producers have cheaper capital costs in smelting, while countries in the Middle East have access to cheaper energy. By 2020, it will be cheaper to ship Brazilian iron ore to China, except for the most established, premier projects in the Pilbara.

To address the cost pressures, the report calls for a more mobile workforce as workplace policies make it "needlessly difficult" to attract workers. Specifically, it says that rules around enterprise migration agreements should be loosened and the threshold for protected industrial action lifted. Despite the government's move to increase incentives for major projects to use Australian content, the report insists projects must have unfettered access to the most competitive supplies of inputs. The report calls for increased national savings and says the exchange rate is "unnecessarily high" because of a "failure to run sustained budget surpluses".

Developments in Coal – Queensland State

Queensland has become the third conservative-led state to increase mining royalties. Queensland Treasurer Tim Nicholls announced a hike of up to 50 per cent in coal royalties in the 2012–13 state budget, to raise \$1.64 billion over four years.

Miner Rio Tinto warned the royalty increase would endanger jobs and investment in the \$50bn coal industry, and the Queensland Resource Council said the state had gained the "dubious honour" of being the world's heaviest taxer of coal, federal Finance Minister Penny Wong accused the Newman government of acting out of political interest to "pick a fight" with Canberra. Under the deal over resource taxation struck between the Gillard government and the three big mining companies, BHP Billiton, Rio and Xstrata, following the overthrow of Kevin Rudd in 2010, it was agreed that state royalty payments could be deducted from MRRT liabilities. Federal officials failed to make clear whether this offer was limited to royalties applying at the time of the deal, and the federal government was forced to offer a blanket deduction.

As a result, the Queensland government's royalty increase would reduce MRRT payments, and the federal budget bottom line, by about \$200 million this year, rising to just under \$500m in 2013–14. This would intensify pressure on the \$1.5bn surplus Mr Swan forecast for 2012–13, when the government's revenue from the resource tax is already under pressure because of plunging prices for the two commodities it covers, coal and iron ore.

Queensland's move to lift mining royalties follows the lead of the NSW government, which in June last year announced a supplementary coal royalty to raise \$1.5bn over four years, with a rate to be set by regulation. Last month, the Federal Treasurer, Mr Swan wrote to state premiers warning any state that sought to lift royalties would be penalized dollar-for-dollar in funding

from GST proceeds and infrastructure grants.

Queensland Resources Council chief executive Michael Roche said the royalty hikes were "worse than feared" and would raise the effective tax rate on coking coal to 50 per cent. "For some existing high-cost coalmines, the new royalty structure could be the final straw." Rio Tinto Coal Australia managing director Bill Champion said the increase would further endanger jobs and investment, at existing and new projects.

Australia's largest miners, already reeling from a slowdown in China and plunging commodity prices, have warned of further job cuts, project deferrals and investment dollars moving offshore after the Queensland government increased royalties on coal production. The hike, announced in yesterday's state budget, was larger than expected and prompted a chorus of complaints from an industry already upset over the federal Labour government's resources policy and now flummoxed by a new impost from a conservative state government. "Today's royalty increase created the perfect storm for Queensland coal producers when combined with the high foreign exchange rate, lower commodity prices and the introduction of the carbon tax," said Seamus French, the chief executive of Anglo American's metallurgical coal business.

"In the short term it will result in job losses, and in the long term it will significantly disadvantage Queensland against alternative supply regions such as Canada and Mozambique, which enjoy both lower costs and lower tax regimes." Rio Tinto Coal Australia managing director Bill Champion said the global miner was "shocked, surprised and very disappointed" by the size of the royalty increase. "This increase will further endanger jobs and investment in the coal industry, at both existing mines and new projects," he said. "Their decision to increase royalties in this way flies in the face of the efforts being made by mining companies to improve the competitiveness of their operations by reducing costs."

The royalty increases by the Campbell Newman-led Liberal National Party government are forecast to generate an extra \$1.6 billion over the next four years. It will see a jump from 10 per cent to 12.5 per cent for every tonne of coal sold between \$100 and \$150. Coal sold for more than that price will attract a 15 per cent royalty. The spot price of coal has fallen to near three-year lows and is now trading at about \$US155 a tonne, which is a drop of more than 50 per cent from prices seen early last year in the aftermath of the Queensland floods. The falling price and rising costs have seen Queensland coalminers slash thousands of jobs, shelve expansion plans and shut down mines. Australia's two largest coalminers, Xstrata and BHP Billiton, both announced job cuts this week, with BHP shutting its second coalmine this year.

Developments in Coal Seam Gas – NSW

The NSW government has given the green light for the resumption of coal seam gas exploration, but with new and tougher conditions. Companies including Santos, AGL Energy and Metgasco were offered renewals for 22 outstanding exploration licenses, the first to be awarded since the new state government halted new petroleum permit awards after the March 2011 state election.

The new land-use policy, published yesterday, was attacked by farming and environmental groups which said it failed to protect water and land resources. Coal and coal seam gas industries complained about the cost of measures designed to protect agricultural land and waterways. Touted as the toughest regulation of mining and gas exploration and production in the world, the land-use policy maps the Upper Hunter and New England tablelands in NSW to identify coal, gas and mineral reserves and agricultural land.

A draft of the policy, released in March, classified 1.35 million hectares in the Upper Hunter and the New England tablelands as high-value agricultural land. The area has now risen to more than 2 million hectares. A new “gateway” process will apply for all mining and coal seam gas proposals in those areas. A land and water commissioner will be set up “to restore community confidence” in the oversight of exploration and to supervise land access deals between owners and miners.

Coal-seam gas companies will be subject to new codes of practice on well drilling standards and the controversial hydraulic fracturing process. They will also be required to invest in local communities through regional funds. An aquifer interference policy will be used to assess and protect water resources across the state, while explorers will have to carry out an agricultural impact statement as part of the approvals process. But the government stopped short of ruling any regions off limits to coal and coal seam gas exploration license applications.

The NSW Irrigators Council said it was disappointed the government had downgraded the protection of aquifers from a regulation to a policy that would be “unenforceable and effectively meaningless”. It said it would call on the Upper House to intervene.

The Australian Petroleum Production & Exploration Association warned the added regulations would boost costs and delay projects for the coal seam gas sector, but noted the industry could at least start investing in exploration.

Business Opportunities

Exports of the State of Victoria increase by 10 per cent

Press release in first week of September, 2012 by Business Victoria states that Victorian exports have increased by 10 percent to A\$ 21.6 billion since last year with increase in exports to China, which is its largest trading partner. Main exports to China included wheat, wool and processed foods. Seven of the top ten export destinations for Victorian goods are now Asian nations and include the top three fastest growing export markets – China, Singapore and Malaysia. This is in contrast to a decline in exports to Victoria's traditional markets such as the USA, UK and Europe.

State of Victoria announces two new Technology policies

The Minister for Technology, Victorian Government Mr. Gordon Rich-Phillips has announced two new policies viz., DataVic Access and Intellectual Property at the 8th Annual Victorian Spatial Excellence Awards. The release of these two new policies would help in stimulating significant innovation and economic activity creating a platform on which to develop new technologies, new services and ultimately new jobs. The Minister said that it would be easier to identify the Victorian Government data and to access it, in most cases, at no cost. He also said, the access to certain type of data would be restricted on grounds of privacy, public safety, security and law enforcement, public health, pre-existing contractual arrangements or to comply with other laws. Through Victoria's Technology Plan for the Future and the DataVic Access Policy, Victoria's ICT sector will continue to play an important role in contributing to a competitive, productive and growing Victorian economy.

Victorian Chambers of Commerce releases roadmap for growth

VECCI (Victorian Chambers of Commerce) has released the roadmap to More Jobs, More Investment: VECCI's Plan for Growth discussion paper on 12 September, 2012. VECCI Chief Executive said that policy leadership will help stimulate growth in jobs and investment and secure their long term prosperity. VECCI's plan focuses on the key themes of regulation, taxation, infrastructure, innovation and skills and it outlines VECCI's view on the key policies and reforms needed to ensure Victoria continues to prosper over the decade ahead.

Mahindra Satyam to provide technology support to Jetstar

Qantas's budget airline Jetstar will receive subcontracted work from Indian outsourcing giant Mahindra Satyam through an existing deal with Melbourne based Lincom Solutions as it seeks to expand into new markets in Hong Kong and Japan. Jetstar will receive services such as desktop support from the Indian provider.

University of Sydney opens new Laboratory

A new Indoor Environment Quality (IEQ) Laboratory has been opened at the University of Sydney. The Faculty of Architecture, Design and Planning's unique Indoor Environment Quality Laboratory will help architectural and engineering researchers, as well as the construction and development industries, to create more energy efficient and environmentally sound buildings in Australia. It will enable them to test the relationships between design, internal comfort and energy efficiency. Media reports say that the IEQ Laboratory will allow researchers to control and monitor temperature, humidity, air movement, ventilation rates, air

quality, daylight, artificial lighting, sound and acoustics to determine the most efficient way of constructing buildings, cars, trains, buses or planes that will be more comfortable and more energy efficient.

Australia bagged mega deals from China – KPMG

A report released by accounting firm KPMG and the University of Sydney's China Studies Centre says that Australia has secured mega deals with Chinese investors trumping other economies. However it says that it was not able to spread this wealth on investment across sectors. According to the report Western Australia and Queensland have attracted US\$ 13.9 billion and \$US 12.95 billion of Chinese investment respectively. NSW has received \$US 10.8 billion, 70 per cent of which has been in the resources sector.

Deepak Fertilizers faces set back in setting up explosives factory for mining industry

A proposed explosives factory by Indian company Deepak Fertilizers in South Australia has been dumped because of high construction and capital costs. Reports say that Deepak Fertilizers had hoped to build a \$350 million ammonium nitrate plant at Port Bonython SA. The explosives were meant to be used by the mining industry. The company cited among a range of reasons for its decision not to proceed, BHP Billiton's decision to delay any expansion of the Olympic Dam mine. SA Manufacturing Minister Tom Koutsantonis said Deepak would consider other locations in the state for a factory.

SA to invest \$10 million in manufacture of titanium parts for planes

According to Premier Jay Weatherill the South Australian Government was spending about \$10 million on a BAE Systems' project in Adelaide to manufacture titanium parts for the F-35 Joint Strike Fighter program. The \$30 million project will manufacture parts for the tail fins of the jets for sale to the US Company Lockheed Martin. Lockheed

Martin is manufacturing the F-35 aircraft for the US government and the jets are expected to be sold to countries including Australia. The Adelaide factory is expected to be ready in 2014.

Aditya Birla Group raises bid in Northern Iron mine

According to reports, Aditya Birla Group has raised its bid to \$518 million for acquiring Northern Iron amidst competition from a Swiss-based trading house Prominvest AG which is believed to have made a \$525 million offer. The deal is subject to further consultations, due diligence and site visits.

WA calls for Expression of Interest for hotel and residential development

The Western Australian (WA) Government called for expressions of interest for the first land release at Elizabeth Quay, a multi-million waterfront development project, for premium hotel and residential development. The two sites on offer cover a land area of more than 6,800 sqm for retail, residential and short stay accommodation. Expressions of interest (refer to <http://www.mra.wa.gov.au>) would close on October 25, 2012.

BHP Billiton looking to sell nickel mine in WA

BHP Billiton is reportedly planning to sell its nickel operations at Nickel West in Kalgoorlie to cut costs following sharp fall in commodity prices. Market observers feel that BHP is unlikely to find a buyer. The company had taken steps to cut costs at Nickel West earlier this year.

Hospitality industry in WA to recruit Irish workers

Western Australia's hospitality industry is looking at Ireland to recruit 5000 workers. According to WA chapter of the Australian Hotels Association, 1300 hospitality jobs had recently been advertised in the state with employers desperate to find experienced waiters, chefs, bar staff, housekeepers and hotel workers. The shortage

Business related events in Australia

was created by more lucrative job opportunities in resources sector.

Kagara mining to sell off mineral assets

Kagara mining company, which went under voluntary administration in April, is looking for buyers for its Admiral Bay zinc, lead and silver project in Western Australia. The administrators of Kagara are trying to sell parts of the business to recapitalise the company.

WA releases State Priority Occupation List

The annual State Priority Occupation List released by the WA Training and Workforce Development Minister Murray Cowper underscored the need for high-level skilled workforce and training in WA. According to the document, engineers, nurses and childcare workers are among the most sought-after employees as more than 70% of 339 occupations identified were managers, professionals, technicians and trade workers.

Residential projects opened in Pilbara region of WA

The Gap Ridge Industrial Estate, a 260-hectare industrial estate was opened in Karratha to provide crucial support to the growing resources sector of Pilbara region of Western Australia, with \$143 billion worth of resource projects committed or under consideration. WA Government is welcoming 1,000 new residents every week to take up work in the North-West. According to official sources, the estate had attracted significant interest, with 32 companies having purchased land and started developing the area.

India Mega Family and Workshop 2012 held in Melbourne

Victorian Minister for Tourism and Major Events Louise Asher welcomed delegates from India and Australia to the India Mega Family and Workshop 2012 (IMFW) held at the Melbourne Convention and Exhibition Centre on 4-5 September 2012. The event was earlier called the India Travel Mission and is an annual event which facilitates one-on-one business meetings and networking opportunities for Indian travel trade buyers and Australian tourism suppliers. The first IMFW was held in Gold Coast and due to its success and demand for repeat of such an event by the Indian travel industry the Victorian Government submitted the winning bid for IMFW 2012. The event consisted of regional familiarization trips for all Indian agents, a welcome dinner, two days of one-on-one business meetings between Australian tourism suppliers and Indian buyers, and farewell gala dinner at the MCG. Approximately 65 Indian tourism trade and 65 Australian tourism suppliers registered to attend the event. The Coalition Government through Tourism Victoria, is building on already strong tourism partnerships by supporting 'The Melbourne Now!' consumer campaign in India being launched this month.

Fine Food Exhibition held in Melbourne

Fine Food Australia Exhibition was held in Melbourne from 10-13 September 2012 at the Melbourne Convention and Exhibition Centre. A number of Indian companies/organizations participated in the event. Prominent among them were the Tea Board of India and Spices Board of India. Others who participated were Jay Shree Tea & Industries Ltd, Kolkata, Vadilal Industries Ltd, Ahmedabad, Pradeep Stainless India Pvt Ltd, Chennai, Emmen Consultant & Investment Co, Kolkata, Ann Impex House of Spices, Cochin and Januz Universal, Mumbai. Many people visited the stalls of the Tea Board and Spices Board of India. There is a major market for tea in Australia if efforts are made by the Tea Board to promote it in a big way.

Melbourne to host the 19th Congress of ISHAM

Invest Victoria has announced that Melbourne will be hosting the 19th Congress of the International Society for Human and Animal Mycology (ISHAM) 2015. The Congress which is expected attract around 800 delegates from across the globe to the city for five days will generate an estimated revenue of A\$3.8 million for the Victorian economy. Mycology which is a branch of Biology focuses on the study of fungi and its uses within a human and animal context. Melbourne was recently officially ranked by the International Congress and Convention Association (ICCA) as the number one city in Australia for international congresses and conventions. Other forthcoming events include the International AIDS conference, 23rd World Cancer Congress and the World Congress of Cardiology.

Victorian Premier leads trade mission to China

Victorian Premier Ted Baillieu has reportedly told The Age that the overseas businesses in Australia have historically been overstated and argued that the rules governing foreign investment should be as straightforward as possible. He further mentioned, he would not blink if China is to fund, build and operate major projects such as an east-west tunnel and the Metro rail link. Premier Baillieu is all set to leave this week to China leading Australia's largest ever trade mission to China. This mission will have more than 600 delegates representing 400 Victorian organizations.

Australia India Literatures International Forum held at Sydney

In one of the largest India-Australia literary exchanges to be held between the two countries, ten of India's most acclaimed regional writers and two major publishers led by Mr. Girish Karnad were in Australia to participate in the Australia India

Literatures International Forum (AILF), from 3-6 September in Sydney NSW. The AILF was organised by the Writing and Society Research Centre of the University of Western Sydney. The forum, which had several panel sessions and presentations, was open to public to attend. Consul General delivered the opening remarks of the Forum.

Upcoming Events in Australia:

All Energy Australia (10-11 October 2012)

All Energy Australia is Asia-Pacific region's only event devoted to all forms of clean energy. The event will feature areas of renewable energy industry - wind, solar, hydro, hydrogen and fuel cells, solar and bio-fuels.

Venue: Melbourne Convention and Exhibition Centre, Melbourne, Victoria

Website: <http://www.all-energy.com.au>

Organizer: Reed Exhibitions

The Good Food & Wine Show (12-14 October)

The trade exhibition is designed to bring together buyers and sellers of food, wine and lifestyle industries, including Gourmet Food, Cheeses/Dairy, Oils, Alcohol, Coffee, Appliances, Kitchenware, Confectionery and Regional Food Areas.

Venue: Adelaide

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

Organizer: Diversified Exhibitions