

BUSINESS NEWSLETTER

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Mining boom in Australia – Debate

The fall in commodities prices has triggered a debate in Australia over whether the mining boom is over and can no longer be relied on to create jobs, power growth and raise tax revenue in a \$1.4-trillion economy that has gone 21 years without a recession. Recent comments by the Australian Resources Minister are signs that the Australian mining boom may be ending. If predictions are correct and a weakening Chinese economy leads to a decrease in demand for natural resources, then Australia's economy may begin to contract.

A pipeline of \$246bn-worth of planned mining investments in Australia are in doubt of seeing finalisation, with about half already frozen or likely to be delayed owing to high costs and declining revenue. A sharp fall in iron-ore and coal prices, driven by a cooling in demand from China, has led to a review in investment plans in the mining sector. The \$246bn of planned projects is based on government data on projects under study or awaiting approval and mining expenditure estimated by bankers and lenders. It further includes \$40bn of projects already halted by BHP.

According to project finance lenders, lawyers and analysts, some of the major projects at risk include the \$10bn Roy Hill iron ore mine, Xstrata's \$6bn Wandoan mine and GVK Power & Infrastructure's \$10bn Alpha Coal mine. They are in new mining areas, requiring huge investment on railways and ports, which makes them tougher to fund. BHP last month shelved its Olympic Dam copper mine expansion, its Outer Harbour iron

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ore expansion and its Peak Downs coking coal expansion, together worth about \$40bn.

Top miners in the country concede the days of ever rising prices, appear to be over. Iron-ore prices have slumped about a third since early July to three-year lows below \$90 a ton and coal prices have tumbled about a fifth this year to near two-year lows.

The Opposition political parties have sought to blame the carbon and mining taxes for the Olympic dam decision, and for the cut back in mining investment in general in the recent past.

Under the MRRT, the government will impose a 30% tax on mining firms with an annual profit of more than A\$75m. It will apply to firms that mine iron ore, coal and petroleum and affect about 30 of Australia's biggest miners, including BHP Billiton, Rio Tinto and Xstrata.

Under the carbon tax law about 300 of the worst-polluting firms in Australia will have to pay a A\$23 levy for every tonne of greenhouse gases they produce. Mining firms, airlines, steel makers and energy firms are among those expected to be hardest hit. Firms have argued that these taxes will not only hurt their profits but also make them less competitive compared with foreign players in the sectors.

However, the Australian federal government has moved to reassure the public over the nation's resources future. Trade Minister Craig Emerson said there was a lot of mining investment in the pipeline and that "We're not even half way through it, What we are seeing is prices come off a bit from very high levels, but we still have more than half the investment to go and we've got the production to come on stream so that is very good news for Australians."

Workplace Relations Minister Bill Shorten said he did not accept "at all" that mining would cease to make an important contribution to the economy. Mr. Shorten said that while commodity prices were easing off, his department had projected that another 100,000 jobs would be created in the mining industry over the next five years. The volumes are still increasing and there are still plenty of projects.

According to Australia's Resources Minister, Martin Ferguson, the end of the commodity boom has become an inescapable reality as new mining and energy projects worth 230 billion Australian dollars are at risk as a result of low productivity, poor infrastructure, and high costs. He attributed the dipping prices of major commodities, especially iron ore and coal, for a possible reduction in export earnings, as mining and energy exports are expected to fall by 2%, according to BREE's predictions. We think this decline in export earnings can be even more if the commodities continue their downward movements.

Peter Coleman, chief executive of Woodside Petroleum, Australia's biggest gas producer, has said that as commodity prices fall miners are becoming more cautious about investments. But even if the resource price boom is over, and the resource investment boom is coming to an end, resource income boom still has some way to run. This pay-off from the investment boom – the extra resources Australia is able to ship out of the country – will stay with us for decades. After

China will come India. India's rate of urbanisation is just a third, so it has a long way to go. In the past 15 years India has shot up from being the world's 10th-biggest steel producer to its fourth. While India is blessed with vast reserves of high-quality iron ore, it is desperately short of the coking coal used to turn it into steel. Australia will be in the box seat once more, given our stocks of high-quality coal.

Deloitte Access director Chris Richardson says there could be a "tricky phase" for the Australian economy as commodity prices fall and Australia waits for recent investment in mining capacity to come on line.

Ken Henry, the author of the White Paper on Australia in the Asian Century says there is no room for complacency. Australia should waste no time adapting and reforming its policy settings to make the most of opportunities beyond the mining boom. "It would be a mistake to think that geography and/or geology alone will get us where we want to go and allow Australia somehow to ride the wave of the Asian century around us."

To view the list of all Australian

Government Tenders, visit

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

Business Opportunities

Ramco Systems opens office in Australia

Ramco Systems, the Chennai-based enterprise software company has set up a wholly-owned subsidiary in Australia under the name Ramco Systems Australia Pty Ltd. Currently, Ramco has 17 offices spread across India, the US, Canada, Europe, West Asia, South Africa and APAC, according to a company press release. Virender Aggarwal, CEO, Ramco Systems, said the company has a good presence and has been looking at expanding into new markets to help the company become a global brand. Australian companies have been early adopters of SaaS and Cloud technologies. "We believe, Ramco ERP on cloud, a comprehensive ERP offering available on cloud and accessible on iPad, will find ready acceptance among Australian enterprises," he said. Ramco will be marketing its offerings through key partners which will drive business in the region to gain a strong foothold.

Aspen to develop and market generic drugs in partnership with Cipla

In a partnership pact, drug maker Cipla is to develop generic products, to be launched by South African company, Aspen in Australia. The move follows a recent buyout by Aspen in the Australian pharmaceutical space. The company had acquired the over-the-counter and pharmaceutical divisions of Australian drug maker Sigma Pharmaceuticals for \$800 million. Cipla, which has traditionally supplied low cost generic drugs to foreign partners, may see a rise in its export revenue once the joint venture is operational. Analysts say the deal is significant for Cipla, as this would give the company "the first mover advantage". "Not many

Indian companies are present in Australia. So, Cipla would have that advantage, and its strategy has always been to look at emerging markets.

Leighton Holdings to divest stake in its three telecommunication companies

Leighton Holdings, a mining services group, is looking at selling its three telecommunication companies Nextgen Networks, Metronode and Infoplex. As per reports, a number of unsolicited inquiries about those businesses have already been received. Leighton stated that a divestment of the non-core assets would enable it to continue to provide those services to the telecommunications sector without owning infrastructure.

CCS facility to be developed in WA

The National Geosequestration Laboratory (NGL), a carbon capture and storage (CCS) facility aimed at reducing greenhouse gas emissions from the burning of fossil fuels such as oil, gas and coal, would be developed with the support of Federal and WA Governments. WA Department of Mines and Petroleum (DMP) will support cooperation between CCS projects and researchers undertaking studies over two years. The first NGL research unit would be built at the University of Western Australia with a CCS geophysics and geochemistry research facility. The facility is expected to provide critical research and support to Australia's first CCS Flagship, the South West Hub Project, and other national and international CCS projects.

Swisse to make Melbourne its global headquarters

Leading Australian natural health company Swisse Vitamins is establishing its new global headquarters in Melbourne's suburb Collingwood which will create around 140 new jobs. Following their visit to China as part of the super trade mission, Swisse is working with major retailers in China to develop local markets for its range of products including vitamins, supplements and wellness food and beverages.

Business related events in Australia

Zendesk opens software facility in Melbourne

Danish Technology company Zendesk has established an Australian Development Centre which has created 20 new jobs in the highly skilled development jobs sector. Zendesk's growth in Victoria builds the State's growing capabilities in the cloud technology and it is anticipated that the centre will be a hub for the development of cloud technologies.

VECCI and ACCI sign MoU in bilateral trade

Victorian Employer's Chamber of Commerce and Industry (VECCI) has signed an MOU with the Associated Chambers of Commerce and Industry, New Delhi to increase trade and investment opportunities for Victorian businesses in India. The MOU will focus on priority areas to strengthen promote and expand trade and economic opportunities including (i) international education services and access (ii) food and beverage exports including agricultural exports and agribusiness opportunities (iii) technology transfer and export of building and construction products and services and of sustainability and resource efficiency products and services (iv) tourism (v) business migration and investment facilitation between Australia and India. VECCI Board Member Richard Holyman who signed the MOU with ASSOCHAM said that the agreement would deliver extended support for both the organisation members by providing leadership and the facilitation of greater partnerships through such means as trade missions, trade fairs, conferences, seminars and study tours in both locations. He also said that there is unequivocal support from the Indian business community for increased two-way trade and investment partnerships with Victoria to ensure mutual prosperity.

Indian delegation attends the 25th Australia Road Research Board Conference held in Perth

An Indian delegation led by Shri S. Vijay Kumar, Secretary, Ministry of Rural Development visited Perth from 22-27 September 2012 to attend the 25th Australia Road Research Board (ARRB) Conference 2012. The ARRB Conference focused on road design network planning, construction and policy matters. 26 countries participated in the event which witnessed presentation of more than 110 papers. The Indian participation also included experts from the Central Road Research Institute (CRRI), Public Works Departments of Assam, Himachal Pradesh and Bihar as also experts from research bodies.

IISD signs MoU with CIT for delivery of TAFE courses in India

Indian Institute of Skill Development (IISD) and OGM Technical Institute Pvt Limited signed a Memorandum of Understanding at the Central Institute of Technology (CIT) on 20 September 2012 to collaborate on delivering Australian TAFE courses in India with pathways to employment for Indian trainees. Mr Ranjan Bakshi and Mr Peter Linford signed the document on behalf of IISD and OGM respectively. The MoU provides for Australian training of vocational skills in the mining, LNG, energy and infrastructure sectors to be delivered in India.

IIT Hyderabad explores academic collaboration with University of Western Australia

Prof Uday B. Desai, Director of IIT Hyderabad visited Perth on 24-25 September at the invitation of University of Western Australia to explore possible academic and research collaboration between the two educational bodies. Prof Robyn Owens, Deputy Vice-Chancellor (Research) expressed a keen desire on the part of UWA to forge close research links with the Indian Institutes of Technology, mainly to have a 6-month attachment programme for

research scholars in either side. Prof Desai mentioned that UWA has expressed its commitment to have collaborations with IITH and Prof. Brett Nener of UWA would lead a delegation to IITH in Jan–Feb 2013.

Upcoming Events in Australia:

A 21–member business delegation representing IT, banking, education, service and engineering sectors will visit Perth on 14–15 October 2012 as part of Indian Business Mission to Australia to establish long term business links with Australian companies. The visit is being coordinated by the India–Australia Chamber of Commerce, Chennai. The Australia India Business Council (AIBC) is organising a networking session on 15th October.

The Safety Show, Sydney & Materials Handling 23 – 25 October 2012 Safety In Action and co–located with Materials Handling. Products profile – Personal Protective Equipment, Machine Guards & Light Curtains, Height Safety & Confined Space Equipment, Health & Safety Management Software, Hazardous Goods Handling & Storage Products. Risk Management Programs, Security & Communication Equipment, Safety Signage Measurement, Control & Monitoring Equipment, Flooring & Flooring Surfaces, Communication Devices Vehicle Safety, Forklifts, Materials & Manual Handling Aids, Safe Lifting Aids, Electrical.

Venue: Sydney Showground, Sydney Olympic Park.

Website: www.aec.net.au

www.thesafetyshow.com.au

Organizer: Australian Exhibitions & Conferences Pty Ltd

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>