

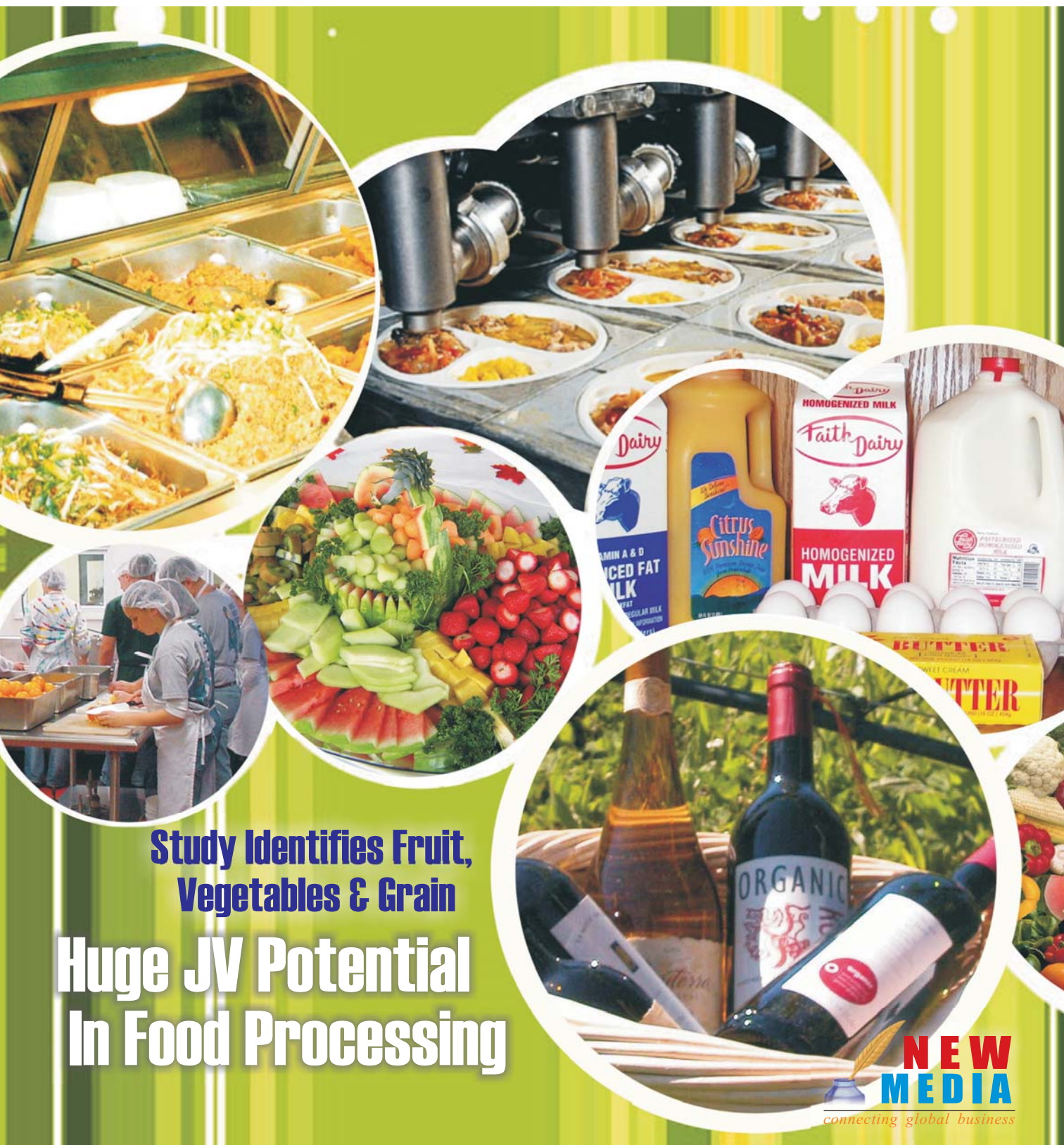
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**Study Identifies Fruit,
Vegetables & Grain**

**Huge JV Potential
In Food Processing**

Founder Chairman
Late Shri R.K. Prasad

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Dear Reader,

Greetings. One key area in which India and Australia can collaborate on a large scale to their mutual advantage is food processing. In India's, economy, agriculture plays a very important role. About 65 percent of the country's population of more than one billion people depend upon agriculture and allied activities for their livelihood. And India produces a large variety of cereals, vegetable and fruits. However, India's food processing industry lacks state-of the-art technology, cold storage facilities, supply chains and transport. As a result, huge quantities of raw materials go waste. Now, let us look at what Australia could offer to India. First of all, Australia's agricultural economy is highly technology-driven. Its food processing industry is well-developed and is as latest as in the West in terms of technology and manufacture of value-added products. The awareness of India's needs in the food processing industry and Australia's capabilities in fulfilling them have the two countries to set up a joint committee to study and recommend various measures of collaboration in this vital industry. The study is out and it has rightly identified grains, fruits and vegetables as the areas for Indo-Australian joint ventures. The cover story of the current issue of Indo-Australian Business deals in detail with the potential that food processing holds for both the countries to collaborate. In the focus section we have highlighted the perfect synergy existing between India and Western Australia. There are two articles on how the resource-rich Australian state is fuelling India's GDP growth and helping the country's gold and diamond industries in boosting its multi-billion dollar jewellery exports. Mining, oil and gas exploration are areas in which Australia offers not only the latest technology to Indian companies but also opportunities for them to invest in that country. We highlight this aspect in the write-ups on business opportunity. There is a face-to-face interview with India's Ambassador to Australia, who has just completed his three-year tenure in that country. There is a brief but significant write-up on India and Australia agreeing to study the feasibility of a Free Trade Agreement between the two countries and the possible benefits accruing from the pact for both. Education is a key area which links India and Australia at the level of people, especially students. There is a lucid presentation of Perth as a city of global learning by Simon Johnson, Regional Director, Western Australia Trade Office - India. His presentation to the students of Thadomal Shahani Engineering College (TSEC) also appears in the current issue. The issue carries plenty of news, besides our other regular features.

Wish you happy reading,



Satya Swaroop
 Managing Editor
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Indo-Australian Study Identifies Fruit, Vegetables & Grain

Food Processing Offers Huge JV Potential

By Dev Varam

India and Australia have identified food processing and agri-business as the areas of future cooperation between the two countries. A joint study was commissioned by the Australian Minister for Trade and the Indian Minister for Commerce and Industry during their Joint Ministerial Council (JMC) meeting held on 27-28 February 2007 in Delhi. The Australian funded study, conducted by Rabo India Finance (RIF), has just been released. The need for such a study had been widely felt in view of the underdeveloped stage of the Indian food processing industry and the well established and recognized Australian expertise available in this key sector.

The study undertook a general assessment of the issues and opportunities in the development of the Indian food processing industry through supply chain analysis and opportunity identification in selected food and agri-sectors. The study was conducted through secondary data research and discussions with stakeholders and focused on three agribusiness sectors of significance to Australia and India. These are: fruits and vegetables, dairy and grains. In addition, the scope of the field

research was directed towards detailed supply chain analysis.

India An Overview

India's economy is largely based on agriculture, with nearly 70 percent of the country's population depending on it for livelihood. Though India produces a large variety of crops, fruits and vegetables in huge quantities, its food processing industry is still in a nascent state of development, in terms of technology, cold storage facilities, supply chains, exports of finished products. Same is the situation in dairy, milk and meat production and processing.

India is the world's largest democracy and the fourth largest economy in the world (USD 3 trillion GDP) in Purchasing Power Parity terms after USA, China and Japan. With robust GDP growth rate of eight per cent in recent years and a relatively young population, India offers good prospects as a trading partner and as an investment destination.



Purchasing Power

India has a large and growing population of over one billion people of which, around 300 million are categorized as middle class consumers, who have significant purchasing power. The country also offers a relatively young market with 54 percent of the population below 25 years of age. This sector of the population earns more, spends more and demands more from the market, making India a dynamic society.

It is estimated that the domestic demand for goods and services has doubled over the ten year period to 2007. The number of households with "high income" is forecast to increase by 60 percent to 44 million over the next four years.

Fruits & Vegetables

India is the world's second largest producer of fruits and vegetables; however only two per cent of the total fruits and vegetables produced in India are processed. With increasing household incomes, the demand for fruits and vegetables for consumption both in fresh and the processed form is rising rapidly. The study identified the gaps in the cold chain and wastage due to poor post-harvest infrastructure in the country as areas where greater investment was needed. These factors contribute to the low export competitiveness of Indian producers.

Processed Food & Retailing

The processed-food market was a focus of the study as this segment is underdeveloped and presents enormous potential for growth. The study highlighted that the growth of modern, organized retailing in contrast to the kiosks and small shops through which Indians traditionally purchase food will drive the demand for value-added fruits and vegetables. The study has also shown that exotic vegetable sector is likely to grow strongly, with the increasing popularity of international cuisines.

Dairy Products

India is the largest dairy producer in the world. However, the average productivity of the industry is among the lowest (about one-fifth of Australia's). Liquid milk is the major form of dairy product consumed and proportionally dairy forms 13 percent of average household food expenditure. In India, per capita availability of milk is 241 grams per day or approximately 88 kg per year, which is lower than the world average (285 grams per day).

During the past 10 years, the per capita availability has gone up significantly and it is expected to reach 280 grams per day by 2011. The study has highlighted that rising household incomes, increasing urbanization, changing lifestyles and the rapid growth of the private-





sector and dairy-processing industry could lead to greater demand for value-added, milk-based products, such as processed cheese, table butter and ice cream.

Wheat Products

India is the second largest producer of wheat in the world. Rapid economic growth and urbanization is leading to dramatic changes in dietary patterns across India. As incomes rise, households tend to increase their consumption of bread and wheat based products and wheat is now a major food staple in India, crucial to India's food economy and security.

The increased per capita wheat consumption is an indication of the westernisation of the Indian diet. Despite production reaching 70 to 75 million tonnes, the increasing demand has necessitated imports of wheat in recent years. The study has shown that while consumer demand for wheat varies considerably across the country retailers are increasingly aware of the need to respond to consumer demand for quality products, and a variety of wheat and wheat based products.

Supply Chains

Supply chain management is a significant management priority for retailers in today's business environment. In India, supply chain management activities such as transportation and warehousing have traditionally been perceived as being low value-added activities for management. The joint study questions this

perception, noting the rapidly developing food retail sector and fierce competition is forcing retailers to respond rapidly to changes in the market.

Investment Avenues

The joint study identifies the current constraints on the development of value adding in the agri-food industry in India as being areas of potential investment by the Australian food industry (especially given its R&D and technical strengths). The study also identifies potential opportunities for mutual benefit through partnerships between leading Indian and Australian companies. Further collaborative projects would benefit from close association not only at the commercial level but also through technical co-operation.

Future Processes

Perceptions of the difficulties faced in participating in the Indian market through current market access barriers, supply chain management problems and difficulties in establishing channels for trade and investment are often exaggerated. The joint study will provide Australian companies with information which will assist them to better understand these issues.

Specific key findings of the study will be highlighted to Australian businesses over the next few months. The full report will be made available in a seminar to be presented at India Food Pro 2007 later this year. ■



Australia's World Class Food Processing Tech for India



The Australian food and beverage industry is recognized worldwide for its, variety, high quality, healthy image, innovative manufacturing and packaging technologies. The diversity of foodstuffs available from Australia is huge and comprises grains, meats, dairy products, seafood, fruit and vegetables, bakery goods, olive oil, wine and other beverages, confectionery plus a host of individual gourmet treats and specialty lines.

Climatic differences within the Australian continent - from the tropical north to cooler south - contribute to the range of produce grown in the country and abundance of ingredients available for further processing. Located in the southern hemisphere, Australia can also offer counter seasonal produce to northern hemisphere markets.

Ethnic and cultural diversity in Australia is reflected in the food range available with many European, Asian and Middle Eastern influenced specialty products. Australian food producers can also cater to specific consumer needs in terms of certification such as certified organic, kosher or halal foods.

The processed food and beverage industry is the largest manufacturing sector in Australia with approximately 20 percent share of value added by Australian industry. Following a two-year downturn, Australian food exports grew by almost 9.0 percent to A\$24 billion in 2004-05. This accounted for 19 percent of total Australian merchandise exports, demonstrating the importance of the food industry

to the national economy.

The grains, meat, wine and dairy products industries have contributed significantly to the absolute growth in Australia's food export earnings. For instance meat accounted for nearly 30 percent of the total value of food exports in 2004-05, grains around 20 percent and wine has continued to increase to 11 percent (in 1990-91 wine's contribution was just 2.0 percent).

Fruit & Beverage

The fruit and beverage export industry in Australia remains consistently strong with Asia forming its biggest market. While other food categories fell in export value during 2004-05, fruit, vegetables and nuts rose by 8.0 percent to A\$616 million. This accounted for about 3.0 percent of the total value of food exports.

In 2004-05 approximately 195,000 tonnes of vegetables were exported around the globe at a value of A\$160 million, and 302,500 tonnes of fruit valued at A\$456 million. The main vegetable products included fresh carrots, asparagus, onions, cauliflower and potatoes, predominantly exported to Japan, Malaysia and the UAE. Fresh fruit lines mainly included oranges, grapes and apples and were exported to the USA, Hong Kong, Malaysia.

Australia is considered a niche, high quality exporter of fruit and vegetables and has some supply advantages in the world market due to its ability to supply in the counter seasons to the northern hemisphere.

Strongest Markets

The strongest export growth is in the mature markets of the USA and Canada. Niche export opportunities are also available in emerging markets such as Russia, Eastern Europe such as Poland

and Czech Republic and Asia such as Singapore, South Korea and China. The size of these opportunities is dependent on suppliers' price points, varieties, packaging, promotion and marketing support.

The top three markets by value are:

- UK - A\$962 million
- US - A\$887 million
- Canada - A\$251 million

Key Markets

Japan and the US remain the biggest markets for the Australian food industry but other destinations have

grown in importance over recent years and are providing key opportunities for exporters.

For example, the shares of exports going to both Indonesia and the United Kingdom increased from 2.0 percent in 1990-91 to 5.0 percent in 2004-05, to China from 3.0 percent to 5.0 percent, Korea from 4.0 percent to 6.0 percent and both New Zealand and Malaysia from 2.0 percent to 4.0 percent.

Australia has benefited from the capacity to supply high quality food products not only to relatively close Pacific Rim markets, but has also established a growing presence in more distant markets such as Saudi Arabia and the United Kingdom over the past 15 years. ■

Australia's Cutting Edge in Meat Product Exports

The number one driver of the worldwide food industry is the desire by consumers for fresher, healthier and more nutritious foods such as organic, chemical and additive-free and nutritionally-rich products.

Because of Australia's reputation as a clean, healthy and disease-free environment, exporters have a competitive edge over other countries and the opportunity to take advantage of the trend.

Consumers are also looking for convenience and fast foods without sacrificing flavour, quality and nutritious ingredients. There is demand for differentiated food categories such as

organic foods, and functional foods which cut across many of the main product categories. Increased consumer awareness of product and ingredient origins is also driving growth for minimally-processed foods.

Due to a number of well-publicized health scares, food quality and safety issues are more important to consumers. This has triggered developments leading to an increased application of quality assurance programs to assure product traceability and safety.

Meat is one of Australia's core food export products and underpins a significant proportion of Australia's food export statistics. In 2004-05 meat exports accounted for nearly 30 percent of the total value of food exports equating to about A\$7 billion. This represents an increase of 21 percent upon the previous year.

Exporting is vital to the meat industry representing 60 per cent of the industry's trade with exports consisting mainly of beef, mutton and lamb, goat meat and pork. In fact, Australia is the world's second largest exporter of beef (Brazil recently took the title), exporting to more than 100 countries across the globe.

Other meats include chicken and game or exotic meats such as kangaroo, wild boar and crocodile.

Australia's beef and sheep meat products are primarily exported as chilled and frozen primal cuts with fresh pork carcasses predominately air-freighted to Singapore. ■



Fresh, Clean & Safe Sea Food Product Exports

In aquaculture products too, Australia enjoys a competitive edge and has an international reputation as a reliable and consistent supplier of high quality, fresh, safe, clean and healthy sea foods.

The most pressing international demand is for high quality, high value species such as rock lobster, prawn, abalone and Southern Bluefin tuna. This encompasses the wild catch, aquaculture, processing and, retail sectors.

Combined, Australian fisheries production rose by 5.0 percent in 2004-05 with a gross value of production of \$2.05 billion. In the same year Australia's total exports were valued at \$1.54 billion. Of this, around 80 percent consisted of edible products such as rock lobster, tuna, abalone and prawns. The remaining 20 percent comprised non-edible products such as pearls, fish meal and marine fats and oils.

With regard to export markets, Japan and Hong Kong remain the biggest market for Australian edible exports. In 2004-05, 32 percent of edible products were exported to Japan (\$380 million) and 30 percent were exported to Hong Kong (\$359 million). This consisted of mainly tuna products to Japan and rock lobster and abalone to Hong Kong.

Although the export market remains strong, one of the greatest issues facing the seafood industry at present



is the pressure of meeting market demand and the need to maintain a sustainable marine ecosystem. Both the Australian industry and government are working together to address this issue.

As a result, the future growth in seafood exports is likely to include value-adding activities that include improved packaging and product differentiation and the increased production of high-value species through advanced methods of aquaculture. An important component of Australian fisheries production, aquaculture now equates to 30 percent of total production.

Globally, consumers are demanding quality, fresh, clean and nutritious food products. Australian seafood is renowned for its high quality and is more attractive because of Australia's clean environmental image. Exporters are encouraged to leverage these aspects in their marketing.

Consumer interest, for example, has increased in seafood that is marketed for its healthy properties such as protein, iron, low cholesterol and Omega-3 oils. This is also true of seafood that highlights Australia's pristine waters and environment.

Consumers in markets like Taiwan and Japan focus on a product's freshness, which is reflected by the expanding market of live products. Demand for frozen 'fresh' products is also on the 'up'.

Australian Wine Gains Global Recognition

Australia's exports in wine have grown at an extraordinary rate in recent years. Australia is the market leader in the UK and stands at second place in the US. In 1990 exports totalled A\$10 million and in 2005-06 had reached a staggering A\$2.8 billion with 722 million litres leaving its shores.

On a national scale, Australia has about 2,000 wine companies and the sector employs around 31,000 people. There are 167,000 hectares under vine and the total grape crush in 2006 was 1.85 million tonnes.

Australia's export and wine success has been due to a number of reasons including:

Good supply factor - Australia is able to consistently deliver quality and value. It has developed choicest varieties of wines at all given price levels. For example, Shiraz, Chardonnay and Cabernet Sauvignon may represent around 60 percent of the grapes used, but there are around 140 others varieties grown and turned into wine. Australian wine also has a competitive advantage because of its natural resources and environment. Lower land costs, a large choice of climates and terroir offering genuine regional diversity spread across 62 regions, have all

contributed to increasing exports.

Flexible wine making practices have allowed winemakers leeway to experiment and try new things. This has encouraged the development of fruit forward approachable and affordable wine styles which have been instrumental in the growth of new wine drinkers.

Brands - The Australian wine industry has been able to create strong identifiable brands. With few restrictions



Best Suited to Asian Palates: An Australian Success Story

Top8Wines is the brainchild of Adelaide-based Francis Wong. Wong started his company when he was unable to find small production Australian wines on sale in Asia. But he was confident there was an untapped market.

"Top8Wines presents collections of the best Australian boutique wines," Wong said. "By this I mean wines that are suited to the palates of particular Asian markets."

He said that tastes in Asia are far from being homogeneous. "Asia is huge and the different countries and different regions have distinct identities and needs. What sells in one place doesn't necessarily sell in another. So what we offer varies from market to market."

Wong explained that the boutique wineries Top8Wines covers are rarely mass-marketed or distributed in Asia because of their small production capacities.

"So we are finding a market for them which they probably wouldn't find on their own and we are providing wonderful wines which most customers would not otherwise be able to try."



on grape variety, yield or region, Australia has become known for creating interesting wines and combining tradition with new thinking.

Skills infrastructure - Australia has a strong infrastructure of viticulturists and winemakers, research institutions and an industry structure which is free from the regulatory rigidity found in European viticulture. There is also genuine unity in the Australian wine sector and close working relationships with related industries such as food and tourism.

Regulation and integrity - importantly, the industry regulates through the AWBC wine

exports ensuring only quality wine is exported.

Export Avenues

Export opportunities in the wine sector include:

- The most popular varietals such as Shiraz, Chardonnay, Cabernet Sauvignon blends.
- Australian varietals and styles produced in hot and cool climate regions.
- Wine with price points from FOB40 100. There are only niche opportunities for wine with price points of FOB100+.
- Wine with innovative packaging, marketing and styles developed for particular market segments such as women. ■

He said that all the wines he carries are rigorously scrutinized by a panel of experts who not only have wine experience and expertise, but also understand Asian consumer tastes. Wong said he started selling in Malaysia first, because he considers this the most difficult market for his products in Asia.

"Malaysia may not be so large in size, but it is extremely diverse," he said. "I knew that if we were successful in selling premium wines in Malaysia, then we could sell them anywhere in the region."

Wong turned to Austrade in Kuala Lumpur for assistance and advice when he began to explore the Malaysian market. He said the help

he was given was 'fantastic'.

"I try to work with Austrade in every market, because they always have their finger on the pulse. It makes such a difference."

He said that Austrade has also been very helpful in getting Top8Wines into Singapore, and he is working with Austrade in China on a market familiarization trip which will take place in October, when he escorts a group of 20 young Australian winemakers to Shanghai.

"We want to showcase the potential for Asia to show these young winemakers how the Asian market is growing and what it can mean for them in the future." ■

India's Agri-Business Avenues Await Tapping



Agriculture accounts for nearly 25 percent of India's GDP (gross domestic product) and provides employment for about 65 per cent of the working population. India has one of the largest livestock populations in the world and is the world's largest producer of sugarcane (and sugar), tea and pulses. India is among the world's largest producers of fruits, vegetables, wheat, rice, milk, and spices.

However, there is minimal value-addition along the Indian food chain; apart from some small-scale operations. Nevertheless, demand for snack foods, chocolates, soft drinks, dairy products, and other processed products has increased as incomes have risen and tastes and preferences have changed.

Wheat is becoming an important cereal in India. With the general rise in incomes, wheat is replacing coarse cereals and has a growing share of the staples segment where rice dominants. Corporate marketing of branded wheat products, such as wheat flour, has boosted demand. Multinationals and major corporations are able to popularize wheat; delivering clean, packed and branded wheat products to outlets throughout the country.

Although an important source of protein in the Indian diet, the overall per capita supply of pulses has declined.

Over recent years, local production has stagnated and failed to keep pace with population growth. Annual production is still short of the demand by a few million tonnes.

While demand for edible vegetable oil has increased rapidly in India, oilseed production has virtually stagnated. Currently, more edible oil is imported to India than any other food product. The most popular imported oils are: palmolein; soya bean; and sunflower.

India is a major buyer of Australian wool; in 2004/05, Australian wool exports to India were valued at A\$154 million. India is a significant producer, processor and exporter of woollen products, without a domestic



apparel-grade wool growing industry.

India's domestic market for woollen apparel is expected to grow. There have been discussions regarding the importation of duty free raw wool from Australia that would be processed for re-export.

Although the local production of cotton is sufficient for the textile industry, high levels of contamination, due to typical farming and harvesting practices, compels the domestic textile industry to import cotton for high quality cotton fabrics and value-added ready-made garments. Quantities of woven cotton fabrics are also imported.

The market for high-value dairy products, such as: skimmed milk powder; whole milk powder; butter oil; whey powder; lactose; and energy and health products (eg. vitamin-enriched yoghurts), is growing.

India is a major importer of unprocessed dried fruits and nuts such as almonds, dry dates, figs, raisins and sultanas. The Australian company, Almondco has been exporting to India for several years.

Although India is the second largest producer of fruit and vegetables in the world, an estimated one-third of the combined annual crop is wasted or destroyed due to poor post-harvest techniques and inadequate transportation, refrigeration and processing infrastructures. Only about 2.0 percent of the total produce is processed commercially.

Restrictions on importing of fruit and vegetables into India were lifted in 1999. Australia's exports of vegetables and fruits to India in 2004/05 were valued at A\$90 million. Australia's proximity to India and the counter-seasonal harvest are highly advantageous factors, although import duties are high and difficulties can be experienced with import permits.

The Australian Quarantine and Inspection Service (AQIS) and Austrade India can assist exporters with information regarding current issues with import permits.

Opportunities

Australia is perceived in the Indian market as a supplier of quality product. There is potential demand in India for:

- Dairy (butter oil, skimmed milk powder and specialty cheese)
- Pulses (mung beans, chickpeas, lentils and field peas)
- Fresh fruits (mainly apples followed by pears, grapes, citrus)
- Raw cotton



- Abattoir equipment
- Bulk grain handling and storage services/expertise
- Processed foods (juices, bakery products, confectionary and cereal snacks)
- Agribusiness services - modern farming methods, irrigation and water management, soil improvement techniques, organic farming, post-harvest management, aquaculture
- Animal husbandry - cattle and sheep genetics, equine, animal health-related products, animal feed

India is developing the organized retailing segment concept of supermarkets and shopping malls; especially in South India a method that suits. Australian food products by providing greater visibility and shelf space.

Indian authorities estimate losses of A\$4 billion worth of grain and 30 percent of the fresh fruit and vegetable crop due to a lack of storage facilities. The development of facilities will create opportunities for Australian companies.

Competitive Environment

China, the USA, and the United Arab Emirates are India's largest trade partners.

Australia competes with Burma, Canada, Syria and Turkey to supply pulses. Local pulse production is a few million tonnes less than the market demand.

Indian Tariffs & Regulations

Historically, India has maintained high tariffs and other import restrictions on food items and for foods including dairy products, meat products, fruit and vegetables, this is still the case. However, commodities in short supply such as pulses, edible oil and dried fruits are comparatively easy to import as there are virtually no import restrictions and tariffs are low.

Industry Standards

The Indian Ministry of Agriculture, specifically its Department of Food Processing Industries, sets key parameters for import compliance under the Prevention of Food Adulteration Act in conjunction with the Department of Health.

Quantitative restrictions have been removed from most agricultural items. India is bound under by World Trade Organization to remove quantitative restrictions on most key agricultural items including fresh fruit, vegetables and canned products.

All food product imports have to comply with industry standards and laws such as:

- Prevention of Food Adulteration Act
- Fruit Products Order
- Milk and Milk Products Order
- Meat and Meat Products Order

Weights and Measures Act (for packaged food products)

Market Entry

Food trade zones are being set up at production centres/ports where Indian companies are venturing into food processing some in collaboration with overseas companies. Part of the government's focus is to create more products such as: tomato puree; processed pulps of fruits; fresh fruits and vegetables; cut flowers; and packaged grains. This can create a market entry driver for Australian companies involved in food manufacturing and value-added processing.

The Indian Ministry of Agriculture's focus is on upgrading grain handling, distribution and storage systems and setting up an integrated cold chain system throughout the country. There will be emerging opportunities for establishing these systems for which tenders will be



floated. The tenders are expected to be for consultancy in areas from project concept to the design of model centres to project management. There are possibilities for joint ventures between equipment suppliers in Australia and companies in India.

Massive proliferation of the Indian Internet user base, currently estimated at 50 million users and predicted to rise to 100 million users in the next 710 years, is driving significant growth in Internet advertising and e-commerce. However, the agribusiness industry lags behind other industries in India with regard to e-commerce trading. This is expected to change as more companies move into the international market, and both industry and consumer demand increases for business online.

Distribution Channels

The normal chain of distribution in India is that an importer/cost-and-freight agent imports products and distributes to a wholesaler, that then on-sells to a chain of retailers, ultimately reaching the consumer.

Well-established importers and distributors are responsible for ensuring that customs, quarantine and import procedures run smoothly. Australian companies are advised to work with companies in the larger city regions, already operating in the import industries, which have a growing customer base.

Given the size of the Indian market, constituted of a number of large and dispersed cities, exporters may need to use a number of distributors to cover a region, although national groups do operate.

Transport

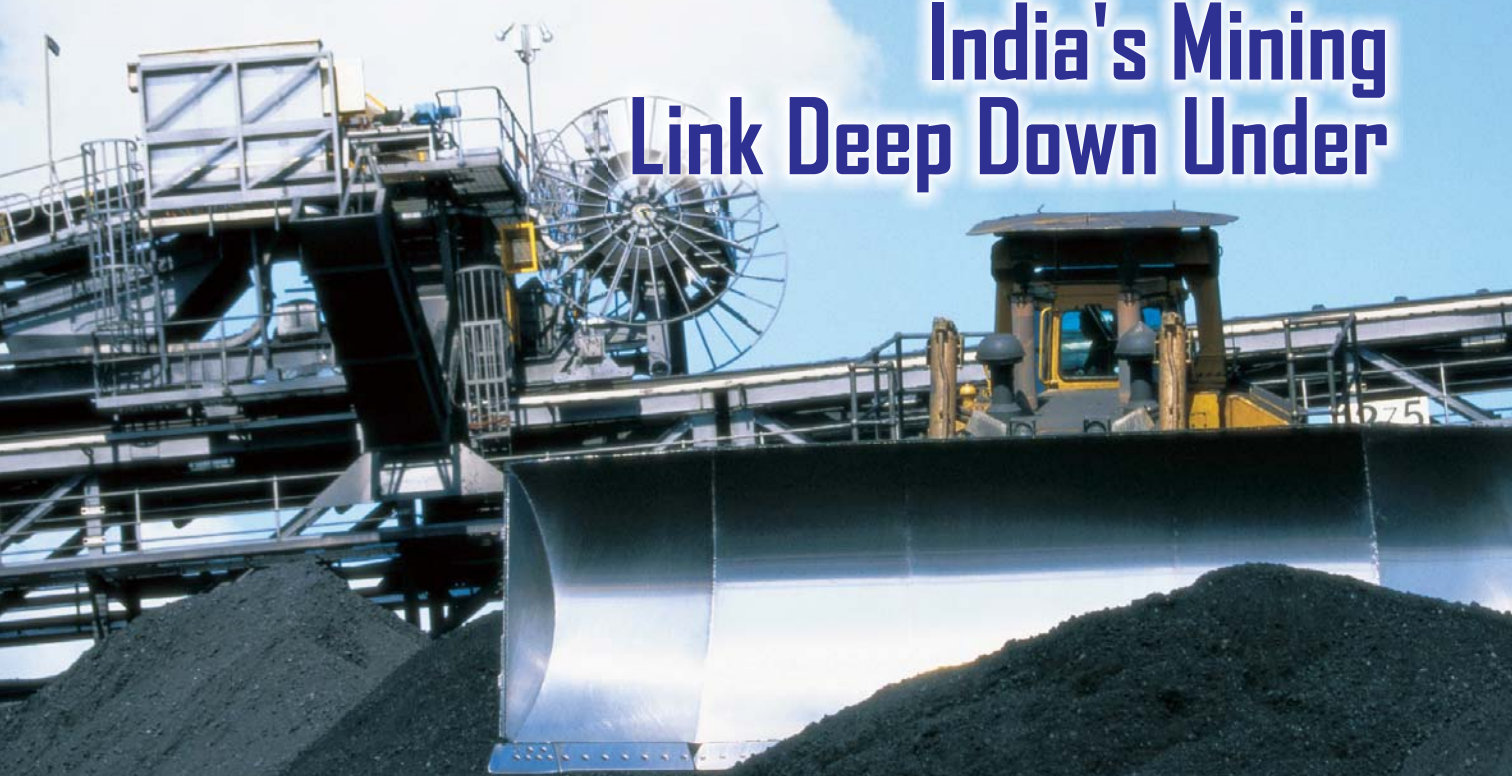
The Indian railway network consists of 62,809 route-km of rail track spread over entire length and breadth of the country. However, it is more efficient to travel by air as trains are slow by international standards.

Air-India is the country's international carrier. Air-India, along with a handful of other airlines, provides extensive domestic passenger and cargo air services.

Among the 11 major ports, Mumbai is the largest port handling almost one-fourth of the entire trade transported through Indian ports.

Infrastructure costs including railway freight and port handling charges in India are not considered competitive compared to other major countries. However, this aspect is recognised by the government and all efforts are being made to improve the infrastructure with the help of private sector involvement. ■

India's Mining Link Deep Down Under



India and Australia have established strong links in mining. Both countries have set up a Joint Working Group (JWG) on Energy and Minerals, which promotes collaboration and joint ventures in areas such as coal and LNG, mining technology services and equipment. The result is a growing number of success stories from Aditya Birla Minerals to Gujarat NRE Coke

Australia is one of the world's leaders in exploration and mining, and a major source of minerals and metals for the global market. The country boasts a diverse range of natural resources, a business environment geared towards international trade and well-developed air, sea, road and rail infrastructure for ease of transportation.

Australia's mining industry is well developed. It is renowned for its skilled mining industry professionals and advanced extraction and processing technologies. Australian miners have developed innovative approaches to excavation, often under challenging conditions in remote and inhospitable locations.

Australia's transparent and predictable legislative framework provides certainty to investors and helps facilitate investment through all stages of mineral development. Organisations also have online access to pre-competitive geo-scientific data, making Australia one of the easiest locations for mineral exploration.

Indian mining organisations such as Aditya Birla Group and Gujarat NRE have significant investments in

Australia. Many others are now seeking exploration opportunities to ensure long-term supplies of coal, copper, manganese, oil and gas.

India was Australia's tenth largest trading partner in 2006, with two-way trade totalling more than A\$10 billion in that year. Mineral and energy commodities made up a significant proportion of Australia's exports to India, and included A\$3.6 billion in non-monetary gold, A\$2.6 billion in coal and A\$1 billion in copper.

In August 2007, the Australian Government announced it would allow uranium exports to India. As well as helping the country meet rapidly growing energy needs, the use of low-emission energy sources such as nuclear power will help reduce global greenhouse gas emissions.

A resource-rich nation

Australia has sufficient resources to supply markets in Asia, Europe and the United States. Mineral deposits are still being discovered in areas that have been mined for more than 100 years. The country is the world's largest

producer of bauxite, alumina and tantalum and the second largest producer of lead, nickel and uranium. It is also the world's largest exporter of coal.

Table 1: Australia's identified mineral resources, production and world ranking

COMMODITY	ECONOMIC DEMONSTRATED RESOURCES (EDR)	RANK	PRODUCTION 2005	PRODUCTION WORLD RANK
Bauxite	7.8 Gt	2	60 Mt	1
Alumina	N/A	N/A	17.7 Mt	1
Black coal	39.1 Gt (recoverable)	6	397 Mt	4
Copper	41.4 Mt	2	921 kt	5
Gold	5,225 t	2	263 t	2
Iron ore	16.4 Gt	5	261.4 Mt	3
Lead	23.8 Mt	1	767 kt	2
Manganese ore	143 Mt	4	3.38 Mt	N/A
Nickel	23.9 Mt	1	189 kt	3
Silver	44 kt	2	2,407t	4
Tantalum	52 kt	1	840 t	1
Uranium	716 kt	1	10,592 t	2
Zinc	41.8 Mt	1	11,218 t	2

Source: Geoscience Australia: Australia's Identified Mineral Resources 2006

Its vast natural reserves have made Australia highly attractive for international resource investment, resulting in a booming minerals sector that shows no signs of slowing down.

According to the Australian Bureau of Agriculture and Resources Economics (ABARE), Australia's export

earnings from mineral resources increased by 17 per cent to A\$106.5 billion in 2006/07. Export earnings are forecast to again exceed A\$100 billion in 2007/08, contributing almost 60 per cent to Australia's merchandise exports and 45 per cent of total exports.

The commodities that recorded the largest increases in export earnings in 2006/07 were:

- nickel, up A\$5,004 million to A\$8,461 million
- zinc, up A\$1,746 million to A\$4,286 million
- refined gold, up A\$3,232 million to A\$10,321 million
- crude oil, up A\$1,675 million to A\$8,313 million
- iron ore and pellets, up A\$2,648 million to A\$15,502 million.

Large-scale Australian projects

The resources boom has spurred activity across Australia's economy. According to ABARE research, new capital expenditure in Australia's mining industry in 2005-06 was \$18.6 billion, more than double the average annual expenditure in real terms (2006-07 dollars) for the past 25 years. Surveys of industry intentions indicate the possibility of further increases to almost \$23 billion in



Success story: Gujarat NRE A Steady, Long-Term Venture

Based in Kolkata, Gujarat NRE Coke Limited was established in 1993 and is the largest non-captive manufacturer of low-ash metallurgical coke in India. Through its Australian subsidiary Gurjarat NRE Coke Australia, the company acquired two collieries in southern New South Wales and is working towards an export capacity of four million tonnes per year by 2008.

The high quality of premium coking coal was a key reason for investing in the country, according to Arun Kumar Jagatramka, Vice Chairman and Managing Director of Gujarat NRE Coke Limited and Chairman of India NRE Minerals Ltd.

"We wanted to secure a steady, long-term supply of coal for our operations," he says. "Due to the long history of coal operations in the country, Australia has the raw materials, infrastructure, technology and skilled staff we require. There are very few competing destinations for this type of investment."

Both these operations employ locals who are experienced in the mining industry as well as people who are undertaking training to enter the sector.

"We have had no issues hiring staff," says Sanjay Sharma, Company Secretary at India NRE Minerals. "The collieries are located in a traditional mining region, so it has been relatively easy to find people who have the relevant skills and knowledge. We provide employment for a large number of people in the community and as such, have been warmly received and supported."

Jagatramka praised the facilities in the Illawarra region where the collieries are located, describing the Port Kembla Coal Terminal as the best he had seen.

"The excellent infrastructure makes it effortless for us to transport the coal from our mines," adds Sharma.

Gujarat NRE received support and advice from the federal, state and local governments when it was considering investing in Australia. Invest Australia met with senior management in Kolkata and helped evaluate a range of investment opportunities. The agency also organised introductions to Australian companies and government departments that could facilitate Gujarat NRE's entry into the Australian market.

"Australia is an investment-friendly destination, with a robust economy and the most stable business and political environment in the Asia-Pacific region," says Jagatramka. "Its regulatory environment is designed to make it easy for foreign companies to establish operations in the country and that has certainly been our experience."

"Without the assistance provided by various departments and agencies at all levels of government, we would have found it much more challenging to set up in Australia," he adds. "The welcoming attitude displayed by government, business and the communities in which we operate is deeply appreciated. We see a long and prosperous future for us in Australia."

Gujarat is also involved in exploration activities in Tasmania for coal, gold, iron ore, platinum, nickel, zinc and copper. It is also exploring the potential for a coal gasification facility in southern Tasmania.

In August 2007, Gujarat merged with its parent company to create Indian NRE Minerals Ltd, with the goal of becoming a major player on the Australian coal and minerals sector.

2006-07 and over \$30 billion in 2007-08.

There were 279 major minerals and energy projects underway as of April 2007. Of these, 91 projects worth A\$43.4 billion were in advanced stages (under construction or firmly committed). Another 188 projects were undergoing feasibility studies.

Large-scale mining projects underway in Australia include BHP Billiton's A\$2.8 billion Ravensthorpe nickel project and A\$2.05 billion Rapid Growth Project 3 iron ore mine, both in Western Australia. In late 2005, Rio Tinto invested US\$760 million to convert its Argyle Diamond mine in Western Australia to underground mining operations. Its future is now assured until at least 2018.

Oil and gas investment is also surging, with the North-West Shelf Venture in Western Australia continuing to attract investment. The venture is Australia's largest resource development project, with investment totalling more than A\$14 billion since 1984. It supplies natural gas to the domestic market, liquefied natural gas (LNG) to Japan and condensate, crude oil and liquefied petroleum gas to international markets. Development of the Angel gas field and the fifth train expansion accounted for A\$4 billion worth of capital expenditure alone.

Woodside has also planned further development of the Thylacine and Geographe gas fields at the Otway Basin in Victoria. In addition, there are significant investments earmarked in the LNG sector in Western Australia via the Gorgon, Scott Reef, Pluto and Scarborough projects.

Despite all this activity, Australia's vast territory contains further untapped resources. Resources companies from around the world invested more than A\$4 billion on minerals and energy exploration in

Australia in 2006/07, an increase of over 56 per cent on the previous year. In real terms, 2006-07 expenditure is expected to be the highest on record and around 72 per cent higher than average annual expenditure over the past 25 years.

Focus on innovation

The demand for raw materials has prompted a great deal of research and development into more efficient surveying and exploration techniques and mineral processing technologies.

According to the Australian Bureau of Statistics, business expenditure on research and development rose to a record A\$10.1 billion in 2005/06, the seventh successive year-on-year rise. The mining industry contributed 16.7 per cent of total business expenditure on R&D, an increase of 33 per cent on the previous year.

Australia has developed world-leading capabilities in the mining technology services sector. The country is recognised as a leading innovator, developer and supplier of software systems and equipment that manage the technical and commercial issues of mine planning, design, operation and maintenance.

Australian mining and processing R&D continues to thrive because the industry operates on a highly cooperative basis. It uses national programs coordinated by a central group called the Australian Mining Industry Research Association to ensure the efficient channelling of R&D on exploration, mining, processing and environmental issues.

Indo-Australian ties

Indian mining organisations are active in Australia's resources sector. They include:

- Aditya Birla Minerals has mining and exploration activities at the Nifty copper operation in the Pilbara region in northern Western Australia and the Mount Gordon copper operation in northwest Queensland. It also has exploration rights in Queensland and the



Paterson province of Western Australia.

- Burrup Fertilisers Pty Ltd, a private company promoted by the Oswal Group, operates a A\$630 million liquid ammonia plant near Karratha in Western Australia. It is the largest ever Indian investment in Australia.
- Vedanta Resources PLC, through its holding company Sterlite Industries (India) Ltd, acquired the Mount Lyell gold and copper mine in Tasmania in 1999.
- Bhushan Steel signed a A\$3.2 million Memorandum of Understanding in May 2007 with coal exploration and development company Bowen Energy to work on Bowen's Queensland coal projects.

Prospects for trade with India continue to improve as trade liberalisation progresses. In March 2006, India and Australia signed a Trade and Economic Framework. The framework aims to promote cooperation in areas such as energy and mining, infrastructure development and information and communications technology.

Joint Ministerial Commissions also promote trade between the two countries by encouraging interaction between government and business on a range of issues. In 2000 Australia's Department of Industry Tourism and Resources and the Ministry of Mines of the Republic of India established the India-Australia Joint Working Group (JWG) on Energy and Minerals.

Through annual meetings, the JWG aims to encourage cooperation and promote trade opportunities for Australian and Indian business in energy commodities such as coal and LNG, mining technology services and equipment and clean development technologies.

Invest Australia is the Australian Government agency that helps international companies build their businesses in Australia. The agency is represented in major American, European and Asian markets, with offices in 18 locations including Mumbai and New Delhi.

For more information about Invest Australia's services, visit www.investaustralia.gov.au or email: IAindia@investaustralia.gov.au.



A Case of Perfect Economic Synergy

Resource-Rich W. Australia Fuelling India's GDP Growth



Western Australia is leading Australia's economic development. The Western Australian resources sector is the driving force behind the State's thriving economy.

The State is recognised as a resources powerhouse, not only in Australia, but throughout the Asia region.

Indian investors are already aware of the opportunities that exist in Western Australia and are taking advantage of the State's investment-friendly government.

Western Australia is experiencing a surge of resource development and continues to lead the way as Australia's number one resources investment destination.

More than \$95 billion worth of projects are either underway or planned over the next few years in Western Australia and will bring tremendous benefits to the State and continue to keep unemployment levels at record lows.

The projects range from multi-billion dollar iron ore commitments through to a variety of gold, nickel, alumina, diamond and heavy mineral sands projects.

Latest sales figures show the Western Australian resources industry has set new records reaching a remarkable \$53.4 billion. These figures reveal sales rose 25 percent over the past financial year.

Western Australia's strong trading partnership with India is contributing to the State's success. India is now Western Australia's third largest trading partner with \$5.7 billion in two-way trade, an increase of more than \$2 billion over the past year.

Western Australia has benefited greatly from investment opportunities in India with the State's market share of Australia's exports to India totalling 56.1 percent over 2006-07.

Western Australia's leading export to the region is gold; non-monetary gold accounting for about 82 percent with other top exports including copper ore and concentrates of base metal.

Regional Director of India's Trade and Investment Office Simon Johnson said the importance of India as an export market would continue to grow.

"With Western Australia now accounting for more than half of Australia's merchandise exports to India, export trade value with India has been estimated at \$500 million per year", Johnson said.

"Indian investment to Western Australia has also been welcomed, with more than \$1 billion in investment secured over the past year.

"More recently there has been a growing interest in oil and gas exploration, both onshore and offshore, with many Indian companies thriving in Western Australia.

"India-based companies Reliance Industries Limited and Birla Group Private Limited are both enjoying exciting times in Western Australia."

Reliance Industries is currently undertaking a drilling program which will result in investment worth US\$30 million while Birla Group has invested in a Western Australian mine, Nifty Copper Mine.

Johnson said trade and investment opportunities between Western Australia and India would continue to increase.

He said India's economic growth rate would exceed 8.0 percent over the next two years as was forecast.

Western Australia's strong resources industry will continue to fuel its growth. The resources industry already accounts for 88 per cent of Western Australia's total merchandise exports, with the remaining 12 per cent made up of mostly wheat, wool, live animals, seafood, meat and pearls.

This result has been achieved through robust global



demand for Western Australia's resources and strong commodity prices.

The Department of Industry and Resources is the primary agency for developing and managing Western Australia's industrial and resources sectors. The department helps create jobs and investment opportunities to build and sustain the State's economic base.

The department's key role is to advance the

responsible development of industry and resources for the benefit of West Australians. It helps create prosperity through sustainable development and broadens the State's capabilities while helping to protect the community and the environment.

The Department of Industry and Resources' customer base is in the resources, manufacturing, science and innovation and service sectors. The department strives not only to build relationships with Western Australian and interstate stakeholders but also with the international market.

The State Government, through the Department of Industry and Resources, actively assists Western Australian businesses and investors to capitalise on international business opportunities.

To ensure these opportunities are maximised, a Western Australian Government Overseas Network has been established with Trade and Investment Offices set-up across the world.

Representatives from the Department of Industry and Resources in each office provide invaluable assistance and links to opportunities in existing and untapped markets.

India is one region with an established government overseas office. International Trade and Investment Offices in Mumbai and Chennai assist Western Australians to take advantage of India's burgeoning economy which continues to gain momentum due to its liberalisation, market reform and the dismantling of tariff barriers.

The Indian offices are set up to help Western Australian companies access the Indian market, help to promote and facilitate inward investment into Western Australia by Indian businesses and facilitate government to government relations.

The strong relationship that exists between India and Western Australia has proved significant in contributing to increasing trade figures. ■

W. Australia's Gold & Diamonds Boost India's Jewellery Exports

India and Western Australia have emerged as strong trading partners. India today is Western Australia's fourth largest trading partner, having jumped from the 11th place in the past three years.

In fact, Western Australia's supply of gold and affordable Argyle diamonds has enabled India to create a 'mass' diamond jewellery export market of some US\$8 billion. Today, India's jewellery manufacturing industry is the country's leading export earner. The share of gold in Western Australia's exports to India is as high as 95 percent.

Toward this end, in November 2005, a Memorandum of



Understanding was signed between the government of Western Australia and India's Gem and Jewellery Export and Promotion Council to help the State's jewellery designers to promote their services to Indian manufacturers.

Given the diamond and gold supply chain with Western Australia, there exists an opportunity for Western Australian jewellery designers to 'piggy back' on India's jewellery manufacturing sector and to be part of the value adding component of India's number one export.

In 2005, total Western Australian exports to India amounted to \$3.2 billion, accounting for nearly 46 percent of Australia's exports to India in that year. Five years ago, in 2000, the State's exports to India were \$0.13 billion, then accounting for 7.4 percent of all Australian exports to India.

Processed Gold

It is also noteworthy that reported Western Australian exports to India consist virtually entirely of processed gold, which has now become Australia's foremost export to India, superseding coal. This accounts for the extraordinary jump in Western Australia's trade with India in recent years. Exports of gold accounted for nearly 95 percent of total exports in 2004 and more than 92 percent in 2005. The need and scope for diversification are glaring features of this trade relationship.

However, the export trade statistics for Western Australia to India do not include diamonds, where 94 percent of Rio Tinto Argyle diamonds from Western Australia are exported to India via Belgium. Belgium is India's second largest trading partner, after the US, for imported goods, partly for this reason.

At present, trade between Western Australia and India is very one-sided. While the State's exports to India amounted to more than \$3 billion in 2005, in contrast, Western Australia's imports from India were only \$112 million - less than 4.0 percent of the State's exports. As a result, Western Australia had a massive trade surplus of \$3.1 billion in 2005, on top of a trade surplus of \$2.9 billion in 2004.

It is also worth noting that the pattern of Western Australian imports from India have been rather erratic over the past five years. In 2001, imports increased by 14 percent over the previous year, followed by a greater increase of 63.5 percent in 2002. In 2003, however, imports from India rose by only 6.6 percent, followed by another massive rise of 81 percent in 2004, only to be followed by a 30 percent fall in 2005. These figures indicate that a stable base is yet to be developed for the State's two-way trade with India. In total Australian imports from India, Western Australia's share has risen from 6.2 percent in 2000 to 9.2 percent in 2005. Much of this growth has occurred in the past three years, 2003-2005.

Although Australia has done very little to promote its capability and industries to the Indian market in the past, Western Australia is well positioned both climatically (Western Australia enjoys five climatic zones) and geographically (a two and a half hour time difference and eight hour flight time from Perth to Mumbai).

Further, with its advanced complementary service sectors and commodity industry, the State could improve its participation in, and share of, India's growing prosperity and development.



Since 1996, the government of Western Australia through the Department of Industry and Resources has operated two offices in India, in Mumbai on the West Coast and Chennai (satellite office) on the East Coast. In addition to trade, the mandate of the offices is to attract investment to Western Australia and to recruit Indian students for the State's education institutions.

Mining

Australian mining companies have to date met with limited success in India. Major players such as Rio Tinto (its India office reports to its Perth office) and BHP Billiton have operated offices in India for some 10 years - both are yet to commence mining operations in the country.

On the other hand, some smaller Australian exploration and mining companies have been more successful. One such is Deccan Gold, an exploration and mining company which is currently operating in Karnataka. Chairman of Deccan Gold Charles Devenish, relocated himself from Perth to Delhi five years ago to oversee his company's investment and float on the Mumbai stock market.

With over 2326 private and 292 public operating mines in the country, minerals form 16 percent of India's exports. Coal India is India's biggest mining company. It is also government owned and lacks modern infrastructure and technical investment. Several Western Australian mining IT software companies have established themselves in the market and are doing well.

Avenues for Australia in oil & gas sector

India ranks sixth in the world in terms of petroleum demand and by 2010, the demand will drive the country to fourth position behind the United States, China and Japan. In recent years the strategy pursued by the Indian government has been to expand exploration interests beyond its domestic waters and into oil and gas fields of Myanmar, Africa and Central Asia. However, the major thrust still lies in searching for hydrocarbons in onshore and offshore blocks in India. Recent gas finds in the Bay of Bengal are making oil majors take notice of the potential in prospective domestic basins.

The Indian oil and gas sector is better organized than its mining counterpart, probably because the industry's main players are publicly listed companies (even though Oil and Natural Gas Corporation (ONGC) is formerly a government entity it operates as a private company) and at arms length from government interference in operational management of the companies. The main players are Indian Oil Corporation, Oil India Limited, Gas Authority of India Limited, ONGC, Reliance, Bharat



Petroleum and Hindustan Petroleum are the main players. The industry is estimated to be worth \$94 billion.

Despite the presence of significant local companies and refineries (25 in number), India imports 72 percent of its oil requirements, mainly from the Middle East. Recently, with the construction of offshore terminals, there exist opportunities for Australian LNG exports to enter the market. Woodside, Shell Australia and BHP Billiton are monitoring these opportunities.

Cairn Energy PLC, arrived in India 1994 and established a presence in Chennai, through its Cairns Australia operations, looking for exploration permits in the Bay of Bengal and as subcontractors. Indeed, the first work opportunity for Clough was as a subcontractor to Cairn Energy in its Bay of Bengal project.

Today, Cairn Energy, the parent company, is the most successful of the foreign exploration investors in India's oil and gas industry, through recent significant onshore gas finds in Rajasthan. The company has invested around US\$2 billion in the last 10 years. Cairn Energy generates more than 60 percent of its revenue from oil and gas fields in India and the percentage is likely to go up once the Rajasthan fields are commissioned.

British Gas, British Petroleum and Shell are now being followed by US majors, such as Halliburton and Chevron, which are also expressing an interest in exploration in India now that the government has extended a welcoming attitude to foreign investment.

In 2004, Shell Australia sent a one-off consignment of LNG to the Shell/Reliance LNG offshore terminal in Gujarat. Also currently under construction is an LNG

terminal in Mangalore, Karnataka.

Clough has set up an office in Mumbai where it employs more than 40 local Indian engineers. The company operates as a service provider consultancy to the industry as well as offshoring some of its Australian design work to its India office. Clough also undertakes offshore services to major Indian companies. There are a growing number of riggers and other service providers such as Sea-Tech - a Western Australian company working in India through its Dubai based operations.

Education & Training

Currently 27000 students from India study in Australia, of which only a small proportion study in Western Australia. The State's higher education providers have been focused on the ESL market and students from traditional markets in South East Asia as well as China, Vietnam and now even further afield from Russia, and are lagging behind their Eastern seaboard counterparts in addressing the Indian market.

With Australia and especially Western Australia's skilled shortage, the Indian market needs to be given greater attention and funding by Western Australian education institutions.

Construction & Building Materials

India's rapid urbanisation provides additional



opportunities for Western Australian firms to participate in the booming markets for building material and construction. Some idea of these opportunities can be gained from the case of Mumbai, which is today one of the world's most expensive real estate markets. To find affordable housing or apartments that are less than 15 years old demands a premium price. Suburbs such as South Mumbai and Bandra compare with costs in New York and London, and the demand is huge.

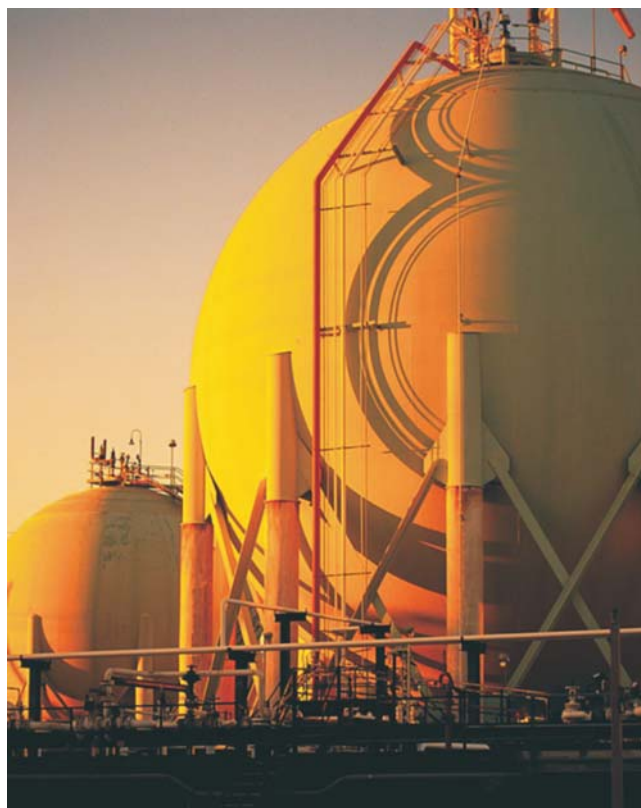
Another trend is the development of 'estate' living urban areas on the outskirts of the city. These contain public spaces for landscaping and internal modern road access. Developers and architects seek modern designs and building materials (but always with an eye for 'value for money').

Indian Investment in Western Australia

To date, the lion's share of Indian investment in Australia has come to Western Australia. In the last five years some \$800 million dollars have been invested in value adding industries in the Western Australian resources sector.

Major Indian companies such as the Oswal Group and Birla Group have invested in the establishment of an ammonia fertilizer facility on the Burrup Peninsular and in the development of the Nifty Copper Mine near Telfer. In addition, ONGC with its Canadian offshore company has invested in an exploration field off the North West Shelf.

It is anticipated that India will ramp up its interest to purchase LNG from Western Australia, and this in turn will contribute to further investment in Western Australia's resources sector. ■



IMF Pat for Australia's Fine Fiscal Feat

The International Monetary Fund (IMF) has commended Australia's exemplary economic management and recognized Australia as being at the forefront of global best practices in its annual assessment of the Australian economy. Sound fiscal, monetary and structural policies have created the conditions for a continued expansion, supported by high employment levels. The IMF released its report on 'Australia: 2007' on 12 September 2007.

IMF staff expect Australia's strong economic performance to continue, with growth above 4.0 percent in 2007 and core inflation to remain around 2.5 percent, well within the Reserve Bank of Australia's target band. IMF considers that this outlook may surprise on the upside, should resource export volumes increase and rural incomes recover.

The IMF Executive Board praised Australia's very strong fiscal position, with fiscal policy firmly focused on medium and long-term objectives. IMF staff consider that the 2007 Federal Budget was supportive of long-term objectives, as many of the new initiatives are focused on increasing labour participation and boosting productivity.

The IMF praised Australia's efforts to improve long-term fiscal sustainability with the release of the second Intergenerational Report and noted that a number of measures have been put in place to better control spending. In addition, the report notes that the Future Fund has helped Australia to be well prepared for an ageing population.

IMF has praised Australia's record in undertaking comprehensive labour and product market reforms, and noted the large payoff in terms of

macroeconomic performance. IMF has highlighted the importance of making progress on the National Reform Agenda, and praised the focus on human capital, competition and regulatory reform.

IMF staff project GDP growth to accelerate above 4.0 percent in 2007 and moderate in 2008. Headline CPI inflation is expected to be slightly over 2.0 percent in 2007, and to stay in the upper half of the Reserve Bank of Australia's target band thereafter.

The IMF Directors welcomed the authorities' efforts in advancing multilateral trade negotiations, and their commitment to double Australia's official development assistance by 2010.

Economy Surging With Business Investment

Meanwhile, a recent release of national accounts data by the Australian Bureau of Statistics has shown strong and sustained economic growth. GDP increased by 0.9 per cent in the June quarter 2007 to be 4.3 percent higher through the year. The Australian economy has now recorded its 16th consecutive year of economic growth.

Released on 4 September, the data shows that new business investment grew by a strong 4.6 per cent in the June quarter to be 13.3 per cent higher through the year. Strong growth was recorded in both engineering construction and machinery and equipment investment. New engineering construction grew by 6.6 percent in the quarter to be 28.5 percent higher through the year. New machinery and equipment investment increased by 5.9 percent in the quarter, and is 11.5 percent higher through the year. The outlook for business investment remains positive, with around \$23 billion worth of engineering construction projects having been commenced but not yet completed.

Strong business investment is being supported by strong business profits which, as measured by private non-financial gross operating surplus, remain 16.8 percent higher through the year. Public investment also grew strongly, increasing by 15.4 percent in the quarter to be 16.5 percent higher



through the year.

Labour productivity in the market sector strengthened in the quarter, increasing by 1.2 percent to be 3.0 percent higher through the year in trend terms (2.9 percent seasonally adjusted). Labour productivity in the market sector is growing well above the long-term average of 2.25 percent.

With the release of the June quarter National Accounts, the unemployment rate is around 32-year lows, a record proportion of the working age population is employed, and inflation remains contained. Over the past six years, new business investment has grown by almost 115 percent. This has dramatically increased the capacity of the economy, and is beginning to be reflected in strong output and productivity growth.

Private Capital Expenditure

The latest Australian Bureau of Statistics Private New Capital Expenditure report shows that total new capital expenditure reached \$21 billion, an increase of 6.3 percent in the June quarter 2007 (seasonally adjusted, volume terms) to be 11.4 percent higher than a year ago.

The strong increase in investment reflects partly the privatisation of Telstra (Australia's largest telephone company). However,



even excluding the impact of Telstra, business investment remains strong.

The largest increase in investment was in 'other selected industries' (comprising selected service industries), where total expenditure increased by 9.5 percent in the quarter, to be 22.9 percent higher than a year ago. Expenditure also increased in the mining sector, where total expenditure increased by 5.6 percent in the quarter, to be 6.8 percent higher than a year ago.

In addition, expected capital spending plans by the private sector for 200708 indicates that robust investment will be sustained. According to the report, private investors in Australia have estimated their investment to reach \$79.2 billion by June next year on an annual term, reflecting upbeat business expectations from the past quarter, when they reported the estimate of yearly investment to be \$71 billion.

Mining Sector Driving Import Growth

Mining equipment from overseas used in the commodities boom and fuel sourced from outside Australia have been given the credit for driving Australia's import growth.

Mineral fuel imports surged by more than 20 percent in August, despite higher crude oil prices and resources companies bought more capital equipment, the Australian Bureau of Statistics (ABS) has revealed recently.

Merchandise imports rose by 7.0 percent in August in seasonally adjusted terms, ABS said. In unadjusted terms, merchandise imports rose by \$1.677 billion, or 11 percent, to \$16.924 billion from a downwardly revised \$15.247 billion in July. Imports of mineral fuels, lubricants and related materials climbed to \$2.253 billion, or 21 percent, in August from \$1.860 billion a month earlier.

ANZ international economist Alex Joiner said the ABS data showed a significant rebound in imports after soft growth in recent months, with higher-value fuel imports driving the result.

"While global oil prices fell in August, the weakening of the Australian dollar in the month meant that the price of imported oil products remained relatively high," Joiner said.

The Australian dollar fell from an 18-year high of 88.74 US cents on July 25 to 76.76 US cents after the close of trade on August 17.

Machinery and transport equipment imports increased by 13 percent to \$6.993 billion, from \$6.164 billion.

Joiner said domestic businesses, particularly in the mining sector, continued to invest heavily in capital goods.

"Overall, the strong increase in merchandise imports, on a balance of payments basis, points to a likely deterioration in the trade balance in August," he said.

As the drought continued, food and live-animal imports were up 15 percent in August, increasing to \$655 million from \$568 million a month earlier on an unadjusted basis. ■



Investment in Infrastructure Vital

'India will be Able to Sustain High Growth'



India's High Commissioner to Australia Prabhat P. Shukla, who has just completed his eventful tenure in Australia. As India celebrates 60 years of independence. High Commissioner Shukla speaks to India Chronicle, a monthly Newsletter of the Indian High Commission, about the growth in India and his tenure in Australia.

Sujatha Singh, New Indian High Commissioner to Australia

Indian High Commissioner to Australia Prabhat P. Shukla will be completing his eventful tenure in Australia. He has been appointed as the next Ambassador of India to the Russian Federation. Ms. Sujatha Singh, presently Joint Secretary in the Ministry of External Affairs, will be the next High Commissioner of India to Australia. She is expected to take up her assignment shortly.

India celebrates 60 years of Independence this year. It is a very important milestone in the history of our nation. What is the message you would like to convey on this important occasion?

I shall begin by offering my greetings and good wishes to all members of the Indian community on the occasion of our completing 60 years of Independence. Our fathers, who gave us freedom, were driven by a sense of pride and justice. A determination to live proud and free. Through our collective endeavour, we have made considerable progress in various areas in the past six decades, and thus realize the dreams of the leaders of our freedom movement. We have safeguarded a plural democracy and unity when many of the opinion-makers and even leaders in the West thought that we would not succeed. Happily, we are also well on the road to tackling poverty, though we must also recognize that the road ahead is still long and hard.

Today global attention is focused on the rapid pace of economic growth in India, how is it to represent a country undergoing such transformation?

The economic growth in India over the past few years has been at about 9.0 percent and are now a trillion-dollar (US) economy. The economic transformation in India is clearly visible. The economic reforms begun in the early 1990's have made this possible. Our global trade has been going up and India is viewed by other countries both as an expanding trade partner, and an attractive investment destination and, more recently, as a source of investment. An important feature of

our economic growth has been that it is led by domestic consumption and investment, which provides stability to us even in the face of international economic uncertainty. Another unique feature is that the services sector contributes over two-thirds of our growth.

I have always felt honoured to represent my country abroad. In the current context of increased economic interest in India, our focus on economic diplomacy has also correspondingly increased. It certainly gives a sense of satisfaction to project a rapidly developing country which has emerged as a world leader in several areas, and where several of our domestic companies are becoming global players. Side by side, we have, of course, done well in strengthening our diplomatic and political ties around the world. This is specially true of the Asia Pacific region, where I have served in the last seven years. Our "Look East" policy has paid rich dividends.

India's economy is on a high growth trajectory. In your opinion is this trend going to continue. If yes, how do you see India in next five years?

The economic growth of India is based on sound fundamentals. The economic growth is concomitant with growth and development in all related areas banking and financial institutions, stock market, trade, communications, required legal and regulatory frameworks, etc.

We still have some way to go on infrastructure, with a requirement of over US\$300 billion over the next Plan period. However, the Government is focussed on this area



and has taken several measures to encourage private investment and public-private partnership in the infrastructure sector. If we can address the infrastructure requirements, of which we are confident, I expect the growth trend to continue, perhaps at an even higher rate.

Agriculture is the other sector where we need to see more investment and faster growth. This has an important human dimension as well, since some 55 percent of the Indian population still derives its primary livelihood from agriculture. Our Government is focused on faster and more inclusive growth during the current Five Year Plan (2007-12). I visualise an India that is committed to continued economic and social development. I might mention some of the Plan targets GDP growth rate of 10 percent, increase in farm sector output to 4.0 percent, reduction of educated unemployment rate to below 5.0 percent, electricity to all villages and clean drinking water for all by 2009.

Traditionally India and Australia have shared warm and



friendly bilateral ties, which are new areas of cooperation being explored between the two nations to enhance cooperation?

Relations between India and Australia have developed rapidly in the last few years. There are frequent exchanges of visits at political level. Prime Minister Howard has visited India in 2000 and 2006. Our trade has been growing rapidly and was over A\$ 8.6 billion last year. Our mutual investments have also been growing. The areas of energy, infrastructure, services sector, and food processing offer further opportunities for enhanced cooperation.

We are also discussing further enhancement of our defence cooperation. Cooperation in the area of sports is another area, particularly in the context of New Delhi Commonwealth Games to be held in 2010 and expertise of the Australian side in organizing sports events and in the area of sports infrastructure. Tourism between India and Australia has been growing but is far below its potential. Direct flights and simplification of visa procedures should contribute to increased tourist traffic.



We expect Indian Airlines to start operations to Melbourne early next year.

Foreign investments to India have been on the rise. At the same time Indian companies have been making many overseas acquisitions. In your opinion what are the long-term implications of such trends?

In 2006-07, Foreign Direct Investment (FDI) in India exceeded foreign institutional investment for the first time. A liberal and transparent FDI policy has contributed to this. There are now very few constraints on investment in industrial, services and infrastructure sectors.

With a comfortable foreign currency reserves position and relaxation of norms on investment abroad, Indian companies have been increasingly investing and acquiring assets in other countries. This is particularly visible in the steel, pharmaceuticals, information technology, energy and resources sectors.

For example, India is now the second biggest source of investments into UK. This trend would enable our companies to become global, acquire newer markets and technological capabilities, increase the volume of their business leading to economy of operations, and of course increased trade and investments back into India.

You have been in Australia over three years. As you come to the end of your tenure, how would you describe your experience as the High Commissioner of India in Australia?

I have had a satisfying tenure here. I have seen an increased interest in India, both in the Australian Federal and State Governments as well as in the private sector. Our academic and cultural interaction has increased, contributing to greater people-to-people contacts. What this indicates is that there is a new agenda between our two countries, and the old baggage has been cast aside. Whether we talk of world trade or environmental issues, or UN reform, or even non-proliferation there is a greater positivity than ever before. I also had good interaction with the Indian community in Australia. They have adapted well here, while maintaining their cultural linkages with India. By common consent, Indo-Australian ties have never been better, and are set fair to continue to improve. ■



Perth - The Global City of Higher Learning



Perth City in Western Australia evokes many an exciting image. But what gets etched deeply on one's mind is that of education and higher learning. Following is a presentation by Simon Johnson, Regional Director, Western Australia Trade Office - India, to students of Thadomal Shahani Engineering College.

Perth is a beautiful city, located alongside the peaceful waters of the Swan River, 20 km inland of the Indian Ocean on the West Coast of Australia. It is an education city where students from across the globe study in a calm and conducive atmosphere. Sprawling across an area of 1,075 sq km with a population of around 1.5 million, Perth is a very accommodating and multi-cultural city, where the official language is English.

Perth is not just a case of all study and no play. The city has a number of locations which come to life, especially at the weekends. Just outside the Perth city centre is the Perth district of Northbridge where one finds a range of nightclubs, pubs, cafes and eateries, offering an eclectic mix of cultures and cuisines.

Why Perth in Western Australia?

- Wide range of quality courses and research opportunities
- Worldwide recognition of education
- Job opportunities around the globe
- Institutions diverse in size and location
- High standard of living
- Great accommodation options
- Clean, safe & secure environment
- Less crowded than the Eastern states
- World class teachers & facilities
- Internationally recognized qualifications
- Australian Qualifications Framework
- Fully integrated study pathways.

VTE Colleges

- TAFEWA & private colleges

- Many offer work experience
- Colleges accredited by State Government under State legislation

Courses Available at Bachelor's Level

- Computer Systems Engineering
- Computer Systems and Network & Security
- Games Technology
- Games Software Design and Production
- Internet Computing



- Internetworking and Security
- Cyber Forensics, Information Security & Mgmt
- Computer Science
- Counter Terrorism Security and Intelligence

Courses Available at Master's Level

- Communications Networks
- Telecommunications and Networking
- Information Technology
- Network Management and Security
- Digital Forensics
- Information Operations
- Internet computing Mobile Computing
- Software Engineering
- Computer Security
- Computer Engineering
- Information and Communications
- Technology

Wealth of Research & Innovation

Development & adoption of advanced technology

Research partnerships that span the globe

Home to winners of the 2005 Nobel Prize in Medicine

Travel in style

Modern & safe network of ferries, buses & trains

Discounted fares for international students

All transport within Perth & Fremantle CBD is FREE

Value for Money

One of the most affordable place to study in the English-speaking world

High living standards & low living costs

Tuition fees comparable with the world's best

Cost of Education

Degree	Fees In Lakhs (per Annum)
Undergraduate Diploma	360000
BachelorsD	720000
Postgraduate Diploma	720000
Masters	720000
Living Expenses	430000



Cosmopolitan Atmosphere

Welcoming & friendly people

Over 200 nationalities live, work & study in Perth

All the world's cuisine in one place

Perth is alive with cultural & social activities

Plenty of Part-time Work

WA has the lowest unemployment rate in Australia

Plenty of part-time work for international students

Work up to 20 hours per week

Qualification Recognized by

- government and private enterprises
- Australian Association of Commonwealth Universities
- Professional Associations worldwide
- Universities world wide- Asia USA Europe

Pre-Visa Criteria

- Sufficient Funds to cover the Tuition & Living Expenses
- Good Academics
- Right Program
- Proficiency in English

ISAAC 2007 – A Grand Success

TSEC – Where Students Dare & Dream

Thadomal Shahani Engineering College (TSEC) evokes admiration in the engineering professional fraternity. A highly sought after college among students who want to become engineers. The uniqueness of this much-acclaimed institute is its association with the New Jersey-based Institute of Electrical and Electronic Engineers (IEEE), a globally reputed technical organization. IEEE's global membership covers more than 400,000 engineering professionals, including professors, academics and students IEEE has been responsible for connecting technology and engineers worldwide, through various activities, including its publications. IEEE's presence is more strongly visible in TSEC than in other institutions. It is only natural that the institution's

motto is: ***"To dare, to dream and to accomplish their manifestation in reality"***

It is not surprising then to find TSEC alumni occupying high positions in reputed corporate companies such as Infosys, Wipro, CMC and Siemen's to name a few. Since 1999, IEEE-TSEC has been holding ISAAC (IEEE-TSEC Students Activities And Conferences), a technical festival.

Recently, Simon Johnson, Regional Director, Western Australia Trade Office - India inaugurated the ISAAC 2007, which drew great response from the engineering fraternity. Planet Education was the main sponsor of the event. A large audience of 12,000 participated in the 3 days festival, making the event grand success. ■

India, Australia to Launch Joint Study

Forging Trade Ties Further Towards Signing FTA

India and Australia have agreed to undertake a joint feasibility study of the benefits of a free trade agreement (FTA) between both countries.

Trade and investment links between Australia and India have grown rapidly in recent years. It is expected that the study would provide a timely opportunity to examine the potential for benefits which might flow from a bilateral FTA.

India is emerging as one of the key drivers for global economic growth and its economic rise will be increasingly critical to world economic development. Australia's established economic strength and competencies make it a significant trading partner for many countries, including India.

The study will examine the potential benefits of FTA for both countries. In particular, the study will focus on the impact a FTA could have on promoting economic growth



in both countries, bilateral trade in goods and services, as well as investment and other commercial linkages.

The Governments will initially hold bilateral meetings to discuss the terms of reference for the FTA feasibility study. The study will commence in late 2007 and is expected to be completed in 2009.

The two-way trade in goods and services between Australia and India reached US\$ 7.76 billion in 2006-07. ■

Satyam's Brisbane Unit to Deliver World-Class ICT Solutions

Satyam Computer Services, a leading, India-based global consulting and Information Technology services company, recently announced the launch of a new solutions centre in Brisbane's Central Business District.

The New 50-seat facility will support regional Queensland-based clients across various IT platforms with an emphasis on enterprise application-based solutions. The facility reflects Satyam's commitment to the Australian market (the company has development centres in Melbourne and recently launched a regional solutions hub in North Sydney adding up to over 7,500 sq m) as well as its continuous efforts to bolster its Virtual Global Delivery Model.

B. Rama Raju, Satyam's Managing Director, officially opened the new facility at a ceremony attended by several senior Satyam clients, and officiated by Anita Nayar, India's Consul General.

'Satyam is already well established in Australia and today's announcement reinforces our ongoing commitment to collaborating with customers wherever they need us to transform their organizations,' Rama Raju said.

'The Brisbane facility will generate worldclass ICT solutions and offer the same expertise and project management capabilities as our other solution centres across the globe. Moreover, it will enable Satyam to meet specific regional requirements of our Queensland-based clients and help them excel in a



competitive national business environment. It clearly demonstrates our willingness to adjust our delivery models to align with our customers' needs'.

"Queensland has a vibrant ICT industry that attracts exceptional talent from across Australia and elsewhere in the region,' said Virender Aggarwal,

Satyam's Director and Senior Vice President for APACMEIA. 'This creative, energetic talent pool will bolster our capabilities to provide specialized ICT solutions locally and to global customers. With its pro-business initiatives, Queensland has earned its reputation for attracting international ICT organizations like Satyam to establish a presence here."

The Brisbane development centre will serve local government, finance, and insurance clients, while addressing other sectors, including mining. In addition, a significant proportion of Satyam's Australian development will also take place at the new facility, primarily the development of future enterprise applications for both Australian and multinational clients. The centre currently employs 40 professionals and expects to employ another 50 professionals in the near future.

Satyam Computer Services Ltd offers a wide range of information technology services worldwide, including software development, managed IT services, engineering design, data-warehouse development, and systems integration. The company's development centres in India, the US, UK, UAE, Canada, Singapore, Malaysia, China, Japan and Australia serve more than 300 global companies.

The company said the new centres are in line with its effort to mitigate risk through a virtual global delivery model. "Our aim is to have a multi-cultural workforce as this will help control attrition and rising cost of wages particularly when the dollar is weakening. Our customers are also looking at multi-language capabilities and by hiring locals, we expect to serve this need," Agarwal said.



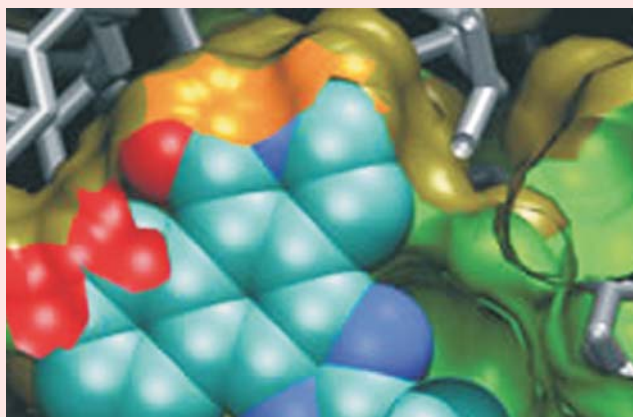
Final Phase Clinical Trials Bring Bonanza for Biotech Firms

The Australian biotechnology sector continues to mature and consolidate, with increasing numbers of companies approaching late stage clinical trials. Several companies are generating substantial income from royalties against a backdrop of industry consolidation.

Pharmaxis recently announced positive results for Phase III trials of the respiratory drug Bronchitol, showing a significant improvement in the quality of life of subjects after 12 weeks of treatment. Pharmaxis conducted the trial at 22 hospitals across Australia, New Zealand and the UK and has applied to the U.S. Food and Drug Administration to commence a U.S. Phase III trial for the drug.

This result brings the number of Australian companies with products in the final stages of clinical development to 11. Some examples include Acrux, Clinuvel Pharmaceuticals, Chemgenex Pharmaceuticals, Circadian Technologies, Neuren Pharmaceuticals, Halcyon, QRxPharma, and Psivida.

Royalty income is proving significant for an increasing number of Australian biotechs. Biota announced a net profit of more than \$4 million for the first half of the financial year, driven by strong revenue growth of \$12.7 million from Relenza royalties. New South Wales-based Peptech reported royalties of more than \$8 million in the first half of the financial year, based on treatments for rheumatoid arthritis. The licensing of the cervical cancer vaccine Gardasil to Merck & Co. is likely to generate substantial revenue for CSL in the



coming years.

The sector shows great potential for investment as several companies exist with advanced products of interest to big pharmaceutical companies. Avexa recently announced positive results from its Phase IIb clinical trial of Apricitabine for the treatment of HIV infection, while Progen is due to commence a Phase III trial of PI-88 in primary liver cancer patients towards the end of 2007. In early October, Chemgenex announced positive preliminary data from the Phase II/III clinical trial of its chronic myeloid leukaemia drug. Ventracor recently received regulatory approval to sell its implantable heart pump in Europe. Designed for long term use in patients with end-stage heart failure, this device is in clinical approval trials in the U.S.

The industry has been characterised by large numbers of small to medium-sized companies, but some companies are consolidating to increase their prospects. The recent merger between Peptech and Evogenix provides access to revenue-generating platform technologies for the merged company. CSL Limited acquired Zenyth Therapeutics and Amrad in 2007, while GroPep was recently bought out by Danish company Novozymes.

Investors are paying strong attention to the Australian biotech sector, with institutional investors from Australia and overseas, such as MPM Capital, Orbis and Franklin Templeton taking substantial stakes in several Australian biotechs, including Acrux, Alchemia, Avexa, Peplin and Pharmaxis.



Integrating Regional Economy via APEC, an Australian Effort

The Australian Government will provide \$14.5 million to the Asia-Pacific Economic Cooperation (APEC) forum over the next three years to advance economic integration.



mechanism to support capacity-building activities for APEC economies including in areas such as health including avian influenza, emergency preparedness, human resource development and anti-corruption.

The new contributions comprise:

An amount of \$10 million for setting up a new Policy Support Unit to substantially increase the analytical capacity of APEC on regional trade and economic reform issues; and \$4.5 million to the APEC Support Fund which is used to fund programs to assist members in implementing their commitments in APEC.

The APEC Policy Support Unit is a joint Australia-Japan initiative to provide policy analysis capacity to APEC on key areas of its economic and trade agenda. The Unit is expected to commence operation in early 2008.

The APEC Support Fund provides a flexible funding

Recent initiatives under the APEC Support Fund include work on building capacity to mitigate the effects of Avian influenza and pandemics, renewable energy development, supporting innovation in small and medium enterprises, skilling workers in developing economies for the 21st century, and training for disaster impact assessment.

The APEC Support Fund was launched with a three-year contribution from Australia in 2004. Since then, China, Korea, Russia, Chinese Taipei, and the US have also contributed to the Fund. The increased funding announced on 6 September 2007 reflects Australia's continuing support for developing economies' efforts to implement their commitments in APEC. ■

An Adelaide World Park for Mining & Engg. Business

Adelaide has been chosen as the location for a \$160 million business park precinct for mining, engineering and resource companies.

'Worldpark One', to be developed by Axiom Properties Limited, will spearhead best practices in energy, the environment and working/living concepts by collectively addressing water and energy use, carbon emissions, transport needs and ecology.

Social and physical infrastructure engineers Coffey International Limited saw Adelaide as an ideal location for this high-demand engineering precinct concept the company needed a city that could comfortably accommodate its rapidly expanding South Australian workforce, one with proximity to its key industry resources.

The benefits of Worldpark One for resource suppliers will include access to more than 30,000 square metres of cutting-edge, environmentally-friendly professional accommodation set in a three-hectare park. The park precinct concept encourages companies to co-locate in the precinct to foster innovation and to provide a superior work environment for staff.

'Worldpark One will be an innovative work precinct, friendly to people and the environment, and designed for the needs of tomorrow's professionals,' says Coffey International Limited Executive Director Glen Simpson.

Worldpark One will be located at 33-39 Richmond Road, Keswick, and is planned to open in late 2009. Work will start in early 2008. ■

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