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In Australia Opportunities Are Plentiful

Scouring the World for Wealth-Enhancing

Opportunities: In the Know

****Opportunities Still Abound in the Land Down Under. ARCHIE BAYVEL, our "man on the street" in Australia, tells us that despite economic doom, opportunities to create personal wealth still exist:**

Not much turns out exactly as it seems in my experience. When one actually arrives at an impact zone, the reality ranges from simple variation to cataclysmic difference. The world recession and its effect on Australia is exactly such a situation.

Yet in the past year, I have visited almost every part of Australia and found only massively prosperous industries, busy and sincere populations, national and personal wealth being created at a whacking rate.

They range from Darwin's \$50 billion gas deal, giant ore and coal enterprises in the Pilbara and Hunter Valley through Gladstone's billion-dollar industrial eye-openers to Duncan McFie, a tuba-playing schoolteacher on a remote Tasmanian island who collects rain off his roof and sells it for £9 a bottle in London and Paris. He calls it "King Island Cloud Juice"!

These examples represent hundreds of enterprises cushioning the likely impact of world events on Australia. They are so different from what you hear in the media, I feared I'd got it wrong. So I dialed around the nation to hear how things really are at this apparently alarming time in Australia's economy.

Here's what I was told; see what you think...

At Port Hedland, a red-dust-swirled iron-ore town 2,000+ miles north-west of Sydney, Andre Bush is CEO of Australia's biggest bulk port and says:

This must be the only place in the world not affected by recession. We had a hiccup last quarter when Consolidated Minerals did not export chromium, and manganese had a downturn. But their figures are small in total context and now manganese is picking up again.

Iron from BHP-Billiton mines has not been greatly impacted in terms of the number of ships loading although current commodity prices are not as exciting as they were. But even if there's a 20% drop in iron ore prices, development will continue full steam ahead.

We are projecting output of 171 million tonnes per annum compared to 131 million last year. That is a slight retreat from earlier predictions of 180 million but it still very big growth.

Fortescue Metals Group has slightly downgraded its iron ore expectations but is tackling its challenge and its berths have a capacity of 55 mtpa. A lot of its perceived slowdown - it's a new producer - is just the natural result of its establishment work being completed.

BHP is doubling its rail track to the port and its Rapid Growth Project No. 5 has just been approved, which targets production rising to 255 mtpa.

Two hundred miles south lies last year's top iron port of Dampier. This is a Rio Tinto town but rivaling that is the massive Withnall Bay gas terminal owned by Woodside Energy Limited and its \$12 billion new plant on the port's north shore to serve the new Pluto offshore gas field.

The port's CEO, Steve Lewis, confirms a last-quarter dip but says:

"We're certainly getting throughput now and expect record tonnages. The iron ore price will be set by the Chinese market in the next few weeks and prices may fall 30% but they have risen 300% in the past four years so what! The business fundamentals still hold.

"The gas industry here hasn't missed a beat and Rio Tinto salt exports are strong with 4 million tonnes out of Dampier last year and about the same out of Port Hedland. This could be a good time for infrastructure investment while some costs are a bit lower."

In fact the need for infrastructure investment throughout Western Australia's vast Northwest is at crisis point and is in itself a screaming industrial opportunity. The planes are full, hotels are full, rentals are astronomical and while Hedland and Dampier alone contribute AUS \$3 million a day royalties to government coffers, you wouldn't want to have a heart attack or serious toothache in either place. Particularly in Port Hedland where hospitals are past bursting point and doctors can't afford office rents. There is no room for workers to build new accommodation BUT one can be confident of dying/suffering with a healthy bank balance!

Eight hundred miles north of the red dust mining ports, the remote inland town of Kununurra is a vast oasis of agriculture in Never-Never country that's standing by for a multimillion-dollar land rush. Work has begun to double the size of the Ord River Irrigation Project there: The West Australian and Federal governments are contributing AUS \$400 million over the next four years.

Geoff Strickland, project CEO, says it will add 40 new 400-hectare farms to draw water from the vast man-made inland sea of Lake Argyle. All big-ticket items such as native title and environmental issues have already been ticked off.

All blocks will have 100% water availability and ballpark land prices are around \$12,000 per hectare; close enough to \$5 million for a 400-hectare farm.

When the land sale is announced, expect a land rush, recession or not. Strickland says: "With both governments pledged to the expansion the project is insulated and its economy buffered against recession."

Down south, in Sydney, David Anderson - head of peak industry body Ports Australia - says: "This presents the best opportunity in 20 years to improve national infrastructure. We must make the most of any breathing space to prepare for our next economic upturn."

Meanwhile Darwin, the monsoon-drenched capital of Australia's tropics, is settling into the planning and design of its Inpex-Total \$50 billion LNG hub. In the next 12-18 months this will inject \$250 million into the economy. The gas will be delivered by sub-ocean pipe from the Ichthys offshore gas field, making landfall adjacent to ConocoPhillips' existing hub.

Jeff Stewart, a high-ranking government officer says:

A range of major projects is on the horizon and the government has a record level of public works spending so we are well positioned economically.

Tourism continues to attract more overseas visitors and the airlines have increased their number of international flights. Darwin's retail spend is supported by its high percentage of government employees and continues to underpin the city's economy and there is strong retail growth as a result.

Thousands of kilometres south the recession has had no effect on Newcastle, Australia's fifth biggest city and the world's largest coal port, where anything from 20 to 50 coal ships habitually queue to load.

Coal throughput of 90 million tonnes last year has increased to 95 million this year and sales lost in China have been replaced from other markets. Rio Tinto has found demand in

Europe and Thailand and Xstrata is sending more coal to Mexico.

Exports to Japan have not dropped off although only about 25% of Newcastle's Hunter Valley coalfield product is the coking coal needed for Japan's blast furnaces. Most is thermal coal used by power stations.

A new port terminal is under construction to cope with world demand. It's expected to be operating next year on schedule and the existing Port Waratah (read Rio Tinto) is getting ready to build more berths while others are planned.

General cargo has dropped off a little but is more than compensated for by the return of grain exports, the first in two years following the easing of Australia's drought.

The big issue in Newcastle today has nothing to do with recession. It's about whether to move the central railway station out of the city so a new retail, office and tourist complex can be built on its site.

Down south and "way to the west" you can't get much farther from the big world than Port Lincoln, on South Australia's border. It's Australia's richest-per-capita town with 1,400 millionaires in a population of only 14,000 people: Local fishing czar and self-made millionaire Hagan Stehr has become a world figure on the fisheries scene since his captive breeding of rare southern bluefin tuna.

Despite that breakthrough, his shares had plunged 82% off last year's high to a mere 39 cents; on the face of it an inexplicable performance for a tightly managed, ground-breaking company. But he came out fighting at the annual general meeting of his Clean Seas company when he told his shareholders: "If you hang around long enough, you'll all be millionaires. There is a future after the current downturn."

Catches of wild southern blue-finned tuna are tightly restricted to only 5265 tonnes a year but there is no limit to the harvesting of land-bred fish. A 250,000-tonne shortage of seafood is predicted by 2012.

Then there's Gladstone, in Queensland. With the world's second-biggest coal port and global-scale industrialization, its net worth grows by billions of dollars every year, this one included.

Gary Scanlon, CEO of its regional development and industry council, says the focus remains on LPG and coal seam methane with eight major gas players including Santos, BG, ConocoPhillips, Shell and Petronas of Indonesia doing deals worth up to A\$2.5 billion. While none are likely to build before 2013, L&G (Arrow) is aiming for 2011.

Two entirely new industries have arrived: Gladstone Pacific Nickel has approval to build a refinery and Boulder Steel confirms an immediate go-ahead for a \$1 billion seamless steel tube mill and pig iron plant on a 100 hectare site. The project, possibly financed with Saudi Arabian investors, will create almost 700 jobs . . .

So there you have it straight from the horses' mouths! Does it show a tottering economy, communities out of work, backs to the wall and barbarians at the gates?

OR . . .

Would it be a truer conclusion to say Australia is doing exhilaratingly well, beyond so-far-so-good and is a land of opportunity when much of the world is being hit very hard?

To reach a balanced conclusion we must recognize that serious issues face the global economy; the numbers are undeniably horrible. But there are many examples of Australian sectors and companies likely to outperform during this crisis because they are sheltered by well-managed resources, ingenuity, industry and high levels of regional sentiment.

The five primary sectors that are the focus of this article just happen to be gas, iron ore, thermal coal, bluefin tuna and the guy with the cool tin roof. But there are many others.

Fish and cloud juice are anomalies, micro black swans, unpredicted events of disproportionate impact compared to the great gas and mineral demand from China and India.

But they represent a huge and thriving SME sector that one hears little about.

Whether Australia's prosperity will continue remains to be seen. But from my observation, the companies, towns and people generating it have already created a flow-on effect that will at least cushion Australia. Using any downtime to mend the infrastructure crisis is a new opportunity transcending any short-term dip in revenues.

But we've got to stay cool, keep planning, and keep working. Many thousands of men and women in the impact zones are cheerfully doing just that. The Brits showed that attitude kept one going even as bombs rained on London. And as Ned Kelly, the famous Australian outlaw, more or less said: "We should fear recession as we fear a cup of tea!" It depends on what economists call sentiment. For myself I've attitude enough to lash out on a glass of Cloud Juice. Here's a tenner: Keep the change.

That's it for today's issue of *Taipan Insider*. Until next time, here's to a world of opportunities.

Sincerely,



Sandy Franks
Executive Publisher
Taipan Publishing Group

