

Australian business news digest - April 26

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THE AUSTRALIAN FINANCIAL REVIEW (www.afr.com)

-- Virgin Australia chief executive John Borghetti responded to Qantas Airways chief executive Alan Joyce's claim that Qantas should have a domestic market share of 65 per cent saying "no one has a God-given right to any market share." Virgin is now using larger and more luxurious aircraft in Australia and Qantas is planning to offer more flights and larger aircraft on key sectors. Broker RBS is predicting the high level of competition will force both airlines to lower prices, and consequently profitability will suffer. Page 25.

-- Dean Taylor, founder of online wine retailer Cracka Wines, has stated that avoiding being taken over by one of the larger players in the market is his main challenge as he works to an aggressive expansion strategy. Cracka does have backing from the six founders of the successful motor industry web site carsales.com.au. Woolworths has an online presence with Dan Murphy's and Coles is expected to go online with 1st Choice Liquor. Page 27.

-- Insurance Australia Group has received criticism over its plans for expansion in Asia but the company's Asia chief, Justin Breheny strongly defends the acquisitions the company has made in the region. "We have a responsibility to make sure that in five to 10 years time, we are setting up the company structurally for the best position to ... maximise performance and return to shareholders," said Mr Breheny. IAG is aiming to be a top-three presence in China, India, Thailand, Malaysia, Indonesia and Vietnam. Page 27.

-- Bank of Queensland will receive its fourth departee from Commonwealth Bank of Australia for this year when Doug Snell starts work at BoQ next month. Mr Snell was chief of regional and agribusiness banking in Queensland for CBA and fits in with BoQ chief executive Stuart Grimshaw's focus on the growth prospects of the agricultural sector. Mr Grimshaw came to BoQ last year from a high-ranking position at CBA, and this year Jon Sutton, Peter Deans and Brendan White made the transition. Page 31. THE AUSTRALIAN (www.theaustralian.news.com.au)

-- Perth-based iron ore mining company Atlas Iron will today launch a feasibility study on the building of a new railway to transport ore from the Pilbara region to Port Headland Port, 600 kilometres distant. The project will be a joint venture with QR National that may cost \$3.5 billion and will allow usage by multiple companies. Provisional opening is scheduled for 2015. Currently iron ore goliaths BHP Billiton and Rio Tinto do not allow other companies to use their transport infrastructure. Page 31.

-- The surprise earnings downgrade of Seven West Media, around \$45 million less than market expectations, is expected to have flow on effects on the share prices of other media companies when the Australian Securities Exchange opens today. "If Seven West is doing it tough, its competitors must really be struggling," said Digby Gilmour, head of telecommunications media at CLSA. Other analysts have already noted that Ten Network Holdings and Fairfax Media were on their watchlist prior to the news from SWM. Page 31.

-- Perth-based Gold explorer Cortona Resources has received a mining lease from New South Wales Minister for Resources Chris Hartcher allowing production to proceed at a minefield 60 kilometres east of the nation's capital, Canberra. The historic Majors Creek goldfield saw rich output between 1870 and 1891 and then between 1914 and 1916. The company will initially focus on the Dargues Reef which is projected to provide 50,000 ounces annually over a six-year period at an outlay of \$697 per ounce. Page 32.

-- In Newcastle today, Australia's second largest telco, Optus, should turn on its new 4G mobile network as it enters battle with the sector leader Telstra. Optus had been targeting regions where Telstra does not provide 4G coverage, however, Telstra last week announced it would be moving into areas, such as Lake Macquarie, the Hunter Valley and Port Stephens, where Optus had planned to be the leader. Optus should have 4G coverage in Melbourne, Sydney and Perth by the middle of the year. Page 33. --

THE SYDNEY MORNING HERALD (www.smh.com.au)

-- The revised version of laws proposed by the federal government to stop the practice of avoiding legitimate responsibilities by putting companies into failure and then resurrecting them as slightly different outfits has been criticised by accountants and insolvency specialists. The law is too broad and "will affect everyone who falls behind in superannuation and tax debts ... it does not distinguish between legitimate business failure and so-called phoenix operators," said Matthew Jess a partner at solvency specialist Worrells. Page B2.

-- Australian wine conglomerate Treasury Wine Estates is planning to respond to a drop in sales in the United States (US) by taking its Californian brands out to the world. Stephen Brauer, who manages Treasury's largest US brand, Beringer, said the company was targeting the Nordic countries, Britain, Hong Kong, China and Japan. "Globalisation is intensifying competition, but quality and regionality will win over price," said Mr Brauer, and added: "Brand building the old-fashioned way is still the best strategy." Page B3.

-- The three New South Wales government-owned electricity distributors - Endeavour Energy, Essential Energy and Ausgrid - will be merged to reduce costs with wealthy businessman Roger Massy-Greene selected to be chairman of the new state-owned corporation. The merger is aimed at reducing costs and is expected to result in significant job reductions, although the commitment by the government to retain rural offices may make cost savings difficult. Page B4.

-- Tony D'Aloisio has a history that includes being chief executive of the Australian Securities Exchange, chairman of the Australian Securities and Investments Commission and a time as a partner at Mallesons Stephen Jaques. Mr D'Aloisio also has a long standing commitment to the Australian wine industry and owns, in partnership with his wife, Oakridge Wines. Now Mr D'Aloisio has become president of the Winemakers Federation of Australia where he said of retailers such as Coles and Woolworths that they are winemakers' customers "so we are all in the same business ... chasing margin." Page B6. --

THE AGE (www.theage.com.au)

-- Reserve Bank of Australia (RBA) governor Glenn Stevens was educated at Sydney University and the University of Western Ontario, but four of the more senior RBA managers have Massachusetts Institute of Technology (MIT) education. Deputy governor Philip Lowe, assistant governors Guy Debelle and Christopher Kent, and head of economic research Jonathan Kearns all have MIT schooling. Others with an MIT background include Bank of England governor Mervyn King and United States Federal Reserve chairman Ben Bernanke. Page B2.

-- The largest operator in the lenders' mortgage insurance market in Australia, Genworth Financial Australia, has had the float of United States parent Genworth Financial's 40 per cent stake delayed due to a drop in earnings from the insurance arm of the business. Insurance payouts relating to tourism areas in Queensland are thought by analysts to be the cause of lowered earnings. Page B3.

-- Australian budget airlines Jetstar and Virgin Australia have both been accused of discrimination by wheelchair-bound Sheila King, with both airlines only catering for two wheelchair-assisted passengers per flight. Federal Court judge Justice Alan Robertson has determined that Jetstar can discriminate due to "unjustifiable hardship" provisions, but Justice Nye Perram has agreed to that the expenses of Mrs King should be capped at \$10,000 while Jetstar estimates its costs will be in the range \$100,000 to \$180,000. Page B4.

-- Financial software supplier Reckon has sold its entire holding in Melbourne IT, a company specialising in online business services with a focus on domain name registration. Reckon's 4.97 per cent share of Melbourne IT cost \$5.64 million and was sold for a reported \$4.99 million to produce a loss of \$650,000. Page B4.

Reuters