



Submission No 25

Inquiry into Australia's Relationship with Malaysia

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Australian Government

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AUSTRALIA

INQUIRY INTO AUSTRALIA'S RELATIONSHIP WITH MALAYSIA

Please find enclosed the Department of Industry, Tourism and Resources response to the questions taken on notice at the Parliamentary Inquiry into Australia's relationship with Malaysia held on Monday, 16 October 2006.

If you wish to discuss further anything in this response, please do not hesitate to contact me either by telephone on 6213 6600 or by e-mail to Ken.Miley@industry.gov.au.

We look forward to the outcomes and recommendations of the Inquiry.

Yours sincerely

Ken Miley
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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS,
DEFENCE AND TRADE FOREIGN AFFAIRS SUBCOMMITTEE

Reference: Australia's relationship with Malaysia

MONDAY, 16 OCTOBER 2006

Department of Industry Tourism and Resources

Questions taken on notice:

Reference FDAT 19

QUESTION:

Please provide a copy of the *Muslim visitors guide to Australia*.

BACKGROUND:

Senator Webber asked Mr Noonan for an outline on what his thoughts are about how we will make an ad with a bikini clad woman look a bit more culturally appropriate to a Muslim country? Mr Noonan responded by explaining how Tourism Australia has just published the *Muslim visitors guide to Australia* and said he would pass a copy on to the committee.

RESPONSE:

Please find enclosed a copy of the Muslim visitors guide to Australia.

Reference FDAT 18

QUESTION:

Are there any implications of the Malaysian FTA on the coal industry?

BACKGROUND:

Mr Wakelin asked will the free trade agreement with Malaysia have particular implications for the coal industry? This was taken on notice by Mr Merrett.

RESPONSE:

A Malaysian-Australia Free Trade Agreement should lock in the current applied duty rate of zero for coal and will give Australian coal exporters increased certainty about the coal tariff regime applying in Malaysia.

Reference FDAT 19

QUESTION:

Please provide cases and or figures of investment by Australian manufacturing in Malaysia. Are there any Australian industry sectors that are being attracted to invest in Malaysia?

BACKGROUND:

Mr Barresi asked the question about Malaysia being seen as an attractive destination for Australian investors wanting to set up manufacturing plants and asked if Malaysia was able to attract Australian investment for manufacturing purposes. Mr Miley said he would have to take specific figures on Australian manufacturing into Malaysia on notice.

RESPONSE:

To our knowledge there are several automotive manufactures that export or have investment in Malaysia.

PBR (Malaysia) Sdn Bhd, a subsidiary of Australian company Pacifica Group Ltd, manufactures brake calipers and brake drums in Malaysia.

The small volume sports car manufacturer, Bufori Motor Car Company Sdn Bhd, was set up in Malaysia in the late 1990s by its Australian owners.

Australian investors also have a stake in TD Cars (Malaysia) Sdn Bhd which produces specialist sports cars modelled on an old MG design.

Reference FDAT 19

QUESTION:

What export and investments exist in food-processing operations, in-particular the halal food processing and what potential is there in the future?

BACKGROUND:

DAFF responsibility primarily, but Mr Miley responded by saying that to the extent that this falls under DITR, we will give a response.

RESPONSE:

We have contacted DAFF and they have said they will take responsibility for answering this question.

Reference FDAT 20

QUESTION:

How does the Australian natural gas sector compare with a low-cost producer like Malaysia?

BACKGROUND:

Senator FERGUSON—the area of natural gas. I understand that Malaysia is a prime competitor of ours in the field of natural gas. I wonder how, with Malaysia's low-cost structure, the low cost of setting up plants and its proximity to Asia, we ever get a contract signed if we are directly in competition with Malaysia. It is a readily available resource in Malaysia, as I understand it. How do we go competing with a low-cost producer like Malaysia?

Mr Merrett—The Malaysian natural gas sector is fairly dominated by the state. I understand that they do get a large degree of state assistance through all areas of the process. But, again, I do not have a particular area of expertise in the energy sector, and I would have to take that on notice.

RESPONSE:

Information on gas prices and production costs is commercially sensitive and is not publicly available. In general terms, both Australia and Malaysia are relatively low cost LNG producers. Costs are influenced by factors such as the complexity of the field development, plant development costs, credits from condensate production and shipping distance to market. These will vary from project to project and make cost comparisons on a country to country basis difficult.

Australian LNG is competitively priced, as evidenced by the successful bid for the Guangdong LNG contract and the fact that the capacity of Australia's two operating LNG plants is fully contracted to customers in Japan, Korea and China. While Malaysia's LNG industry is partly Government owned and has been able to make investment decisions quickly and ahead of obtaining sales contracts, Australia has two big advantages over Malaysia. Australia has an excellent reputation for reliability and has massive gas resources available for expansion. Malaysia's expansion capacity is limited and its reputation for reliability was dented by a major fire in 2003.

Reference FDAT 20

QUESTION:

Is there any cooperation between Australia and Malaysia in the natural gas sector, or, are the two countries only competitors?

BACKGROUND:

Senator FERGUSON—It may not always be a sellers' market. If it is a buyers' market, it would suggest that we may find it difficult to compete with a country like Malaysia, which is much closer to the market to start with and has a lower wage structure and lower cost overall to production.

RESPONSE:

There is no formal or informal cooperation between Australia and Malaysia at Government level on LNG.

Reference FADT 20-21

QUESTION:

Is there opportunity to export biodiesel to Malaysia and what is the future of this market?

BACKGROUND:

Mr WAKELIN—Just in the energy area, I have one more question on biodiesel. In terms of alternative fuels, particularly biodiesel, the OECD report refers to Malaysia as one of the very important countries. A Perth based company, Mission Biofuels, is apparently doing quite well. It has a 200,000 tonne capacity. Do you believe that the Malaysian opportunity is clearly there, and what do you think the future might look like?

RESPONSE:

Currently, Australia's biodiesel production capacity is 421 million litres (ML). However, biodiesel production in the 2005-06 financial year was only 18 ML. Although there is potential for significantly increasing production in Australia, it is difficult to ascertain whether exports to Malaysia will be feasible.

This is because Malaysia is developing its own biodiesel production capacity using palm oil as the primary feedstock. The cost of biodiesel production in Malaysia is also significantly lower than in Australia, mainly as palm oil is less expensive than the tallow (animal fats) feedstock used in Australian biodiesel plants and the cost of labour in Malaysia is substantially lower than in Australia.

Should Malaysia's requirement for biodiesel exceed their own capacity, there may be scope for Australia to export biodiesel to Malaysia.

In the future, there may also be a growing opportunity for Australian biodiesel companies to establish biodiesel plants in Malaysia, similar to the ones being established in Malaysia by Mission Biofuels and Sterling Biofuels, particularly to export to countries in the European Union.

Reference FADT 21

QUESTION:

Are there any R&D links between Malaysia and Australia on alternative energy development?

BACKGROUND:

Mr WAKELIN—I will ask a supplementary just to see how we go on this one. With respect to R&D links between Malaysia and Australia on alternative energy development, are we developing anything there? That might be part of the free trade discussions. Do we know anything?

RESPONSE:

We are not aware of any direct R&D links for the development of alternative energy between Malaysia and Australia.

Reference FADT 22

QUESTION:

Please provide information on the defence industry trade delegation to KL led by Western Australia's Department of Industry and Resources and what was the outcome, particularly for those traditional defence areas, like shipbuilding?

BACKGROUND:

CHAIR—Western Australia's Department of Industry and Resources led a defence industry trade delegation to KL—I think it was in August last year—and apparently it was a big show. Have you any information on what follow-up there has been to that or whether or not we have received any orders in some of those traditional defence areas, like shipbuilding?

RESPONSE:

We contacted the WA Department of Industry and Resources and were informed that a number of potential shipbuilding contracts came out of the trade delegations, some of which are currently under negotiations. The details of these contracts are classified and we were not privy to more information.