

Robb moves to ease trade fears

ADAM CREIGHTON
SID MAHER
TRADE

TRADE Minister Andrew Robb and the US's top trade negotiator have moved to ease fears a landmark trade deal among Asia-Pacific nations, in the final stages of negotiation, will push up the cost of medicines and undermine national sovereignty.

Ahead of crucial international talks in Sydney this weekend, Mr Robb said elements in the union

movement and other groups opposed to trade had been engaging in “unfounded scaremongering” in a bid to stymie the Trans-Pacific Partnership — a comprehensive trade deal being negotiated between 12 countries, including Australia, the US and Japan.

Michael Froman, president Obama's chief trade representative, said any new intellectual property rules that emerged as part of the agreement were no threat to national health systems or drug prices — groups opposing the TPP argue tougher, US-style

intellectual property rules would limit access to generic drugs and push up the cost of medicines. “All the countries at the table want to encourage innovation and also maintain affordable access to medicines,” he said, noting around four fifths of domestic US prescription medicines were generic brands but that the US and other countries with strong IP protections — such as Japan, Canada and the Europe — were the leading innovators.

“Australia has played a key role especially in finding landing zones for difficult issues,” he added. Mr Robb said Australia was focused on ensuring the TPP would be “a high-quality, comprehensive trade agreement, which will deliver strong economic outcomes for Australia and Australians”.

“We have made real, solid progress, and expect to add to the momentum this weekend in Sydney,” Mr Froman said.

Mr Froman said the US was also aware of potential problems with investor-state dispute settlement procedures, which enable multinational companies to sue governments for changing policy.

Philip Morris has used an ISDS agreement to sue the Australian

government for introducing “plain packaging” tobacco laws, for instance. “We share many of the concerns that have been expressed about some forms of ISDS. That's why in TPP we're taking a different approach that provides the strongest level of safeguards to promote the rule of law and the ability to regulate in the public interest,” he said.

The countries negotiating the TPP are Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, the US and Vietnam.

for exporters of agricultural products and “commercially meaningful outcomes” for Australian service providers and investors.

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RFG pays \$163.5m for Gloria Jeans

BRIDGET CARTER
ACQUISITIONS

RETAIL Food Group, the company behind Michel's Patisserie and Donut King, has bought Gloria Jean's Group from its founder and chairman Nabi Saleh for \$163.5 million.

The global coffee chain had long been a target for Retail Food Group, and adds to its coffee businesses, Cafe2U and The Coffee Guy.

“Given close alignment between Gloria Jean's Coffees' activities and those of RFG, the business represents a target that has long been of interest to RFG,” said chief executive Tony Alford.

Gloria Jean's has 358 stores in Australia, 87 in the US and franchises in 40 other countries.

RFG will pay \$153.5m in cash plus \$10m in its own shares, plus up to a further \$16.4m depending on the company's performance.

In 1996, Mr Saleh and Peter Irvine brought the franchise to Australia, opening an outlet in the Sydney suburb of Miranda.

The deal comes four months after the Singapore-based Global Yellow Pages pulled out of a plan to buy the whole group.

The acquisition is expected to deliver \$13m of synergies over three years. RFG is raising \$40m towards the purchase via a placement through the issue of 8.3 million shares at \$4.80 each.

In addition, a share purchase plan for up to \$15m will be considered and \$10m of vendor equity would be used to fund the acquisition.

The raising is at a 0.8 per cent discount to its last closing price.

Mr Saleh, who is a board member of the Hillsong church, has promised to stay with the business for at least another two years, along with his senior management team.

He said RFG's reputation as a food and beverage operator and expertise in building franchise businesses made it ideal to lead the continued expansion of Gloria Jean's.

Gloria Jean's was established in Chicago in 1979 by Gloria Jean Kvetko, and under the ownership of Mr Saleh expanded to Australia in 1996.

RFG is buying the intellectual property rights to the Gloria Jean's and It's a Grind brands, and will be the operational manager of the business here and in the US. RFG shares closed 2c higher to \$4.86.

ADDITIONAL REPORTING:
AAP

Sweet dreams for ResMed

HEALTH: Sleep disorder equipment maker ResMed has reported a 3 per cent rise in net profit after tax to \$US83.3 million (\$95m) for its first quarter on the back of the launch of products.

Revenue for the period rose 6 per cent to \$US380.4m, with the inflow of sales from its new S+ device, a product that gauges the quality of the user's sleep, offsetting lacklustre growth in turnover in the US.

The strong growth in its non-US business saw ResMed's shares rise 35c, or 6.5 per cent, to \$57.2. Revenues in the US on a constant currency basis rose only 3 per cent to \$US207.2m (\$236.4m) as the company continued to face stiff competition from rival device makers. Outside of the US revenue jumped 11 per cent to \$US173.2m. The overall revenue was ahead of consensus forecast of \$US375.1m.

SARAH DANCKERT

Chip off the old block to power the future

A new product offers clean energy — and horses love it, too

BARRY FITZGERALD
RENEWABLES

MARK Kavanagh makes a good point. Looking out across his expansive training complex at Flemington, he says the last thing anyone wants over the four-day Melbourne Cup carnival is for the 330,000 racegoers in all their finery to catch an unpleasant whiff from the stables.

“We can't have flies and smells here. This place has to be absolutely pristine as we are only 200m from one of the greatest sporting events in the world.”

It makes the trainer of 2009 Melbourne Cup winner Shocking and 2008 Cox Plate winner Maldivian particular about the bedding used in the stables, home to more than 50 horses during the carnival.

Earlier this year he trialed a new dried wood pellet animal bedding product with super absorbent properties from Queensland called Proteq. He liked it so much he has become part of the business, itself part of the privately held Altus Renewables.

“We are always looking for something that will give us an edge. But like anything, it is a massive commitment to change. We get products introduced to us every day,” Kavanagh told *The Weekend Australian*. “So we decided to trial it over three months and I immediately thought it had potential.”

Normal equine bedding is (wet) sawdust and wood shavings.

Dollar-wise, the compressed and dried wood pellets (which retain absorbency after being wet down into sawdust for use in the stable) are a little more expensive. “But it is a better product,” Kavanagh said.

“Where we get the savings is when the stable is cleaned, as more of the bedding stays behind. So we end up paying lower disposal fees.”

There are also health benefits — for horse and stable hand — because there is less dust.

The elite horses housed at the Kavanagh stables like it too. “The ones I have spoken to say they like it a lot more,” he jokes. “But we can tell they like their bedding because a happy horse always pisses in the same spot, and that is what



AARON FRANCIS

Horse trainer Mark Kavanagh and Altus Renewables chairman Denis Waddell at Mark's stables in Flemington

they are doing.” Kavanagh has Chivalry going around today in Race 7 at Moonee Valley's Cox Plate race day. Early markets had Chivalry 5-1 equal favourite for the set weights race for three-year-olds.

Kavanagh's ambassador role for Proteq plugs him into the much bigger plans that Altus has for its “densified” wood pellet. The product is plugged into the world's growing hunger for biomass-based fuels for the generation of renewable energy: as the wood pellets get burned, they are replaced by the next plantation pine that reaches maturity.

The wood pellets used in equine bedding are one and the same as those Altus recently shipped off to Korea to be used as a renewable addition to the fuel loaded into coal-fired power sta-

tions, and domestic heating. The maiden shipment of 26,000 tonnes of wood pellets marked the start of a new export industry for Australia, with founding chairman of Altus Denis Waddell planning to replicate the successful start in Queensland with projects in South Australia, Victoria and NSW. Funding the growth could involve an ASX float of the company in two to four years.

The initial project is located in the Tuan Forest near Maryborough, and it has production capacity of up to 125,000 tonnes of wood pellets annually. Export prices are about \$140 a tonne. Prices for other products — equine bedding, kitty litter and spill absorbents — command much higher prices.

The facility sits across the fence line from the privately owned Hyne Tuan sawmill — the biggest in Australia — and utilises sawmill residue to manufacture the wood pellets, essentially a kiln drying and compression process in which water content is dramatically reduced.

The key competitive advantage is the direct sourcing — by conveyor belt across the fence line — of the sawdust.

Waddell said the Brisbane-based Altus was involved in talks with several European brokers and Japanese and Korean trading houses that are seeking to market the wood pellets to targeted end users.

He said that the pellets were a “sophisticated form of packaged energy”.

“As a result of the unique properties, wood pellets are becoming the product of choice for a

range of small and large-scale biomass renewable energy applications,” Waddell said.

“Firing wood pellets with coal allows power generators to produce electricity with minimal loss of efficiency while meeting their renewable generation offset requirements.”

Continued strong growth in demand is forecast, with some estimating global demand could reach 140 million tonnes by 2020. The market in 2007 was eight million tonnes.

Waddell said the European Union's 20 per cent renewable energy target by 2020 provided the initial stimulus. Europe is estimated to account for more than 60 per cent of current demand.

Kavanagh says he likes the “green” element, “but it has got to be price effective as well”.

Domestic operations drive Carsales surge

ONLINE: Shares in auto marketing website Carsales.com.au surged more than 3 per cent yesterday after the company said that its domestic operations had enjoyed a solid first quarter of trading.

At the annual meeting in Melbourne, chief executive Greg Roebuck said the performance was likely to continue through the first half, assuming market conditions remain unchanged.

The company was also well-positioned for continued growth in the medium to long term.

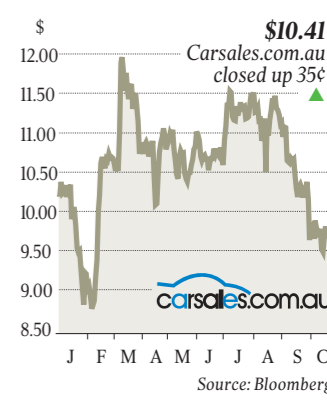
In a firmer overall market, investors welcomed the outlook statement. The stock spiked 34c, or 3.4 per cent, to \$10.40.

Carsales reported a strong profit in 2014, up 14 per cent from \$83.5 million to \$95.5m.

Domestic revenue climbed 10 per cent to \$233m, driven by strong performances across the established operations of private, dealer, display and data products and services.

The company also built up positions in international markets, with strong growth potential, adding to its existing Webmotors interests in Brazil, which grew underlying revenue by 22 per cent. In South Korea, it spent \$126m on the acquisition of a 49.9 per cent stake in the number one auto classifieds business, Skencarsales.com.

Underlying revenue for the period of ownership rose 35 per cent on the previous corresponding period. Carsales was active locally, as well, paying \$60.1 million for 50.1 per cent of car finance broker Stratton Finance, as Mr Roebuck banked on local adoption of a US trend



towards more sophisticated financing options.

While carsales.com's growth would mainly be driven by its portfolio of offshore businesses, the carsales chief payments “evolution” in the consumer segment. “People will want to know what they can afford to pay for a vehicle from their monthly salaries, like in the US where you see a lot more ads for cars costing \$X a month,” he said. “So (online) searches by repayment capability will become more common.”

The Stratton deal took carsales' spending on growth initiatives to \$280m-\$300m over the last 12 months. Mr Roebuck said yesterday that the performance of the Stratton and Tyresales businesses continued to be “encouraging”.

On the international operations, he said there had been solid progress in Brazil and South Korea, with carsales well-positioned for medium and long-term growth in those markets. He foreshadowed a further update on market conditions and performance at the half-year result in February.

RICHARD GLUYAS

IN BRIEF

APA cooking with gas

ENERGY: Gas infrastructure company APA Group is performing in line with guidance in the first quarter of fiscal 2015, which should see normalised earnings increase up to 9 per cent to up to \$760 million. The natural gas infrastructure group told shareholders at its annual general meeting yesterday that normalised continuing business EBITDA is expected to increase between 6 per cent and 9 per cent, to reach between \$740m and \$760m.

Quickflix client surge

TECH: Movie and TV streaming service Quickflix expects to add more customers over summer as it looks for a tie-up amid flat growth. Chief executive Stephen Langford said the company had extended its service over new major device platforms and secured new content deals to position it for longer-term growth. Quickflix recently reported a blowout in its full-year net loss to \$10.2m following a \$6.4m loss a year earlier. The company added more than 21,000 subscribers during the year but had to double its budget on marketing and new content to \$3.24m. Quickflix was also

talking to parties about potential partnerships in its Australian and New Zealand markets as well as opportunities to enter Asia.

Cobham rescue coup

AVIATION: Adelaide's Cobham Aviation Services has won a \$640m contract to provide airborne search and rescue capability to the Australian Maritime Safety Authority for 12 years from 2016. The contract will see Cobham acquire four Bombardier Challenger CL-604 special-mission jet aircraft, which will be specially modified to Australian requirements. The company said much of the work would be undertaken at Cobham's facilities in Adelaide while the aircraft would be based in Cairns, Melbourne and Perth.

Wellcamp takes flight

REGULATION: Brisbane West Wellcamp Airport has received regulatory approval to start regular passenger flights. The certification by the Civil Aviation Safety Authority means the privately-funded airport can start operations with the first QantasLink flight on November 17 and add Regional Express operations from January.

BHP Billiton Chair of Australian Studies at Peking University

The Foundation for Australian Studies in China (FASIC) is seeking Expressions of Interest from qualified applicants for the BHP Billiton Chair of Australian Studies at Peking University (Chair).

FASIC is a not-for-profit organisation formed to manage the position and receive sponsorship and other funds in support of the Chair and the Australian Studies in China program.

The successful applicant will be the second occupant of the Chair, following the inaugural Chair, Professor David Walker, from Deakin University.

FASIC is responsible for the selection and management of the position. The Selection Committee includes representatives of FASIC, Peking University, Universities Australia and the Australia China Council.

The Committee seeks Expressions of Interest from persons wishing to be considered for the position. The appointee will be based at Peking University for one to two full academic years.

Persons wishing to be considered should provide a curriculum vitae, a list of three referees and a summary outline of one or two courses in Australian Studies proposed to be given at Peking University. Full details can be found at www.fasic.org.au.

In principle, no field of interest is excluded, although the relevance to Australian studies is vital. The Selection Committee is keen to encourage an Australia-wide interest in the Chair and expressions of interest from persons in and outside of academia are welcome.

Expressions of interest with relevant documentation and enquiries about the position should be sent electronically to sgao@fasic.org.au, or addressed to the Foundation for Australian Studies in China, c/o Riverstone Advisory, L24, 56 Pitt Street, Sydney, NSW, 2000, Australia, to arrive not later than 21 November 2014.

The Chair was established through sponsorship by BHP Billiton to enhance Chinese understanding of Australia. The Australian Government and Universities Australia have also contributed to FASIC.

See: www.fasic.org.au for more information.

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Further information about the role is contained in the Information Kit available at www.ccc.wa.gov.au. Initial confidential enquiries about this position can be directed to Mr Geoff Blades, Partner, Lester Blades on (08) 9221 0744.

Your application should include:

- A current comprehensive resume with the contact details of two professional referees and
- A covering letter of no more than 4 pages, outlining the expertise you would bring to the role. This document should make specific reference to all core capabilities listed in the job information kit available online.

Interviews will be held in Perth and are planned for the week commencing 1 December 2014.

Applicants must apply online via www.jobs.wa.gov.au. Applications must be received no later than 4:00pm WST 10 November 2014.

CORRUPTION AND CRIME COMMISSION

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