

Mining a safe profit

INDUSTREA has a rapidly growing order book and continues to benefit from the Chinese Government's mining safety tax initiatives, with \$22 million worth of contracts with Chinese companies last month.

Since July 2008 Industrea has won more than \$102 million in new export contracts and CEO Robin Levison expects the trend of one contract every three to four weeks to continue in 2009.

"We feel that the global mining market is very much focusing on productivity and safety and that's exactly the sort of products what we manufacture, sell and hold the intellectual property rights to," says Levison.

"Companies with ownership of our product have grown 100 per cent on what they were last year."

The most recent contracts include a \$20 million deal to supply long wall roof support and shearer carriers to China Shenhua Energy Company and a \$2 million contract to supply drilling guidance equipment to the Shanxi Asian American Daning Energy Co (SAADEC).

SAADEC was the first user of Industrea's methane gas drainage equipment, which has become the industry standard in China with government aims to boost mine safety.

The Chinese Government has introduced a new tax on coal to fund the purchase



of safety equipment and Levison is very proud to make a contribution to the rapidly growing industry.

"Many other Chinese coal miners have visited the mine over the past six years to see first-hand the benefits of this equipment, leading to continued orders from across the country for the drilling systems," he says.

"The Daning mine has been a role model for other Chinese coal mines in successfully removing very high methane gas content from its coal seam, and the effective drainage of this potentially dangerous gas has had an enormous benefit in improving mine safety."

Tzvetkoff shifts labour offshore

INTABILL has outsourced its call centre operations to the US after making 96 staff redundant early last month. But founder Daniel Tzvetkoff assures the company's core e-commerce service is still steady.

Tzvetkoff says as the bulk of its business is overseas, it costs about a third of the price to outsource to the US and it would not have been effective to continue the company's lending services either.

"Profit-wise we've cut back and the market is not what it was 12 months ago – the lending service had to go as we couldn't afford to keep it going," he says.

"We're still seeing growth but markets are getting more competitive so we had to cut back on prices and remain competitive as well – but we won't be making any more cutbacks here."

The company's acquisition arm IB Global has been put on hold along with the possibility of any new products being released, but Tzvetkoff hopes to be expanding e-billing services into Australia by the end of this year.

Loan reform floated

A BRISBANE lawyer has called for insolvency law reform to prevent businesses collapsing when they have a reasonable ability to trade their way out of difficulties.

McCullough Robertson partner Scott Butler says under existing laws, directors must not allow their company to incur a debt unless they have a reasonably held expectation that it is solvent, but this is preventing otherwise creditworthy companies acquiring funding to keep themselves afloat.

"My view would be that where directors are forced in a position either to incur debt and trade or not to survive the downturn, the test should be whether the decision to trade is reasonable or not," says Butler.

"In the UK it's called wrongful trading and their courts applied it to realise that if a director makes a tough decision, they look at it from the standard of what a reasonable business person would do," he says.

"It's better to save a situation rather than never give that opportunity and my view is that in a lot of cases some shareholder value

could be saved, businesses can survive and employees don't have to be sacked."

The reforms Butler is suggesting have also been referred to as 'reckless trading' and apply even before insolvency, allowing directors to take more responsibility.

But The Corporations Act 2001 leaves directors open to civil and possibly criminal penalties, as well as being personally liable to compensate for losses if insolvent trading occurs.

"This legislation means that directors are walking a legal tightrope if they attempt to keep their businesses afloat rather than declaring insolvency."

Butler has recently joined McCullough Robertson's insolvency team which he expects to grow by 50 per cent – an increase roughly in proportion to the amount of new insolvency litigation cases the firm has been experiencing.

"Insolvency cases have increased by that amount if not more," he says.

Margin move

THE Federal Government has released new laws to regulate margin lending following the collapse of investment companies such as MFS and Storm Financial.

The move follows margin loans that resulted in 'mum and dad investors' losing their homes. Minister for Superannuation and Corporate Law Nick Sherry says margin lending would be added to the Corporations Act as a financial product.

Margin lending is not currently regulated in Australia. The initiative is part of a plan to modernise Australia's financial regulation for the 21st century.

"There have been several high-profile examples of margin lending arrangements that have caused financial pain to a wide range of Australians," says Sherry.

Lenders will first of all be required to hold an Australian Financial Services Licence and work under the regulations of the Australian Securities and Investments Commission.