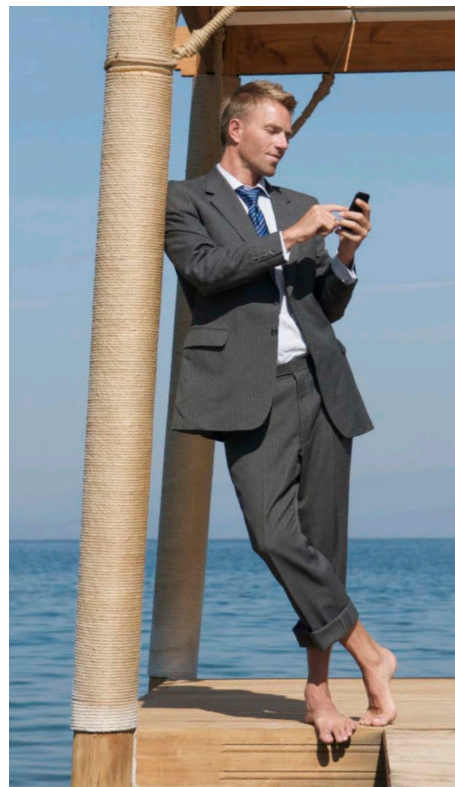




## MOBILE PHONES... FRIEND OR FOE?

You can't go anywhere these days and not hear the latest trendy tune ringing from a mobile phone.



Some of us wonder what we ever did without this modern-day "must have", but love 'em or hate 'em, mobile phones are here to stay.

However, with all good things, there is a downside. The cost of mobile phones is often not in the purchase but in the upkeep, and as many teenagers are discovering (many too late), mobile phones can lose them their credit rating, even before they've left school.

Many young people (and some not so young!) get caught up in the advertising hype, and think that they must have the latest toy with all the bells and whistles, only to find out that their cheap monthly rental is a cover for exorbitant call costs... and it's not until they receive their first account that reality hits.

The result of these savvy sales deals is that many thousands of Australians are talking themselves into bankruptcy, which is a very high price to pay for staying in contact with friends.

However, mobile phones used sensibly can be very cost-effective. It all comes down to making sure you are aware of all the costs associated and controlling your calling habits. Easier said than done when peer pressure

abounds, but there is a smart alternative - prepaid phone cards. You know how much you're paying up front and when you run out of credit, you simply "buy more time"... and you stay in control!

### HELP IS AVAILABLE...

If you are in the market for a new mobile phone, and are bamboozled by the hundreds of options, pay a visit to [www.phonechoice.com.au](http://www.phonechoice.com.au) for an unbiased service on comparing the phones, plans and telecommunications companies. This website allows you to compare all the carriers and their charge rates; the different phone companies and their latest models; and it even provides a handy calculator - type in your current usage and you will be provided with a comparison to the alternatives available.

If you or your children are looking to buy or upgrade a mobile phone, please take the time and do your research first... before you start talking to a salesperson. As always, the time spent in the short term will be well worth it in the long run.

### OTHER SUGGESTIONS FOR MANAGING YOUR MOBILE PHONE INCLUDE:

- Be sure of what you're signing up for... read the small print and ask questions;
- Don't get caught up with all the add-ons such as call diversion or multimedia messaging service (sending media rich messages incorporating photos, sound and animation). Are they really necessary?
- Use a pin number to access your phone to stop others using your phone without your consent. This is particularly helpful if you lose your phone.

### PFA SERVICES

Are you making the most of Pacific Finance Australia's full range of services? Did you know we also provided:

- Equipment and Finance Leasing
- Business and Corporate Finance
- Commercial Property Finance
- Residential Home Loans
- Property Development Finance
- Motor Vehicle Finance
- Insurance Premium Funding

With our range of services and expert staff, we can help you in every facet of your business and finance needs. Contact PFA on 08 9321 2120 to find out more.

## RISING INTEREST RATES NOT ALL DOOM AND GLOOM



as expected, further hikes will gradually move rates to a more 'normal' setting of between 5.00% and 5.50%.

### HOW WILL THIS AFFECT ME?

A rising interest rate cycle has different implications for households, businesses, investors and retirees. As interest costs increase, the disposable income, or spending power, of households is reduced. Corporate profits are also constrained by higher interest rates, and property investors require more cash flow to service loans.

These scenarios suck money out of the economy and slow economic growth. For example, current home loan rates are approximately 6.00%. If the RBA increases rates to the long-term average of 5.00% to 5.50%, the flow on to the consumer will be rates of 8.00% to 9.00%, significantly adding to mortgage costs.

For share market investors, a rising interest rate cycle confirms that a recovery is under way, with improved company earnings offsetting the added costs of borrowing money. Increasing interest rates are only a major problem for shares when rates reach levels well above normal. This was the case in 1994 when rates increased from 4.75% to 7.5% over four months.

### THE OTHER SIDE...

Rising interest rates are not all bad. They provide increased returns for investors and retirees who rely on cash and fixed interest income for living expenses. Currently term deposits pay 5.00% to 6.00% for six to eight months, with higher returns available for longer terms. Cash and fixed interest investors have seen their disposable incomes reduced substantially over the last 12 to 18 months and will welcome this stage of the cycle.

***If this change in interest rate direction is causing you to lose sleep, make an appointment with your financial planner today to learn more about how you can personally manage them better.***

In an effort to help prevent an economic recession at the height of the Global Financial Crisis (GFC), the Reserve Bank of Australia (RBA) lowered the official cash rate to 3.00%, a level not seen since the mid-1960s. However, seven rate rises later it is blatantly obvious that the days of record-low interest rates are over for Australia. Interest rates are fundamental indicators of the health of financial markets. In moderation, rising rates are a positive sign. During the GFC, Australia's historically low settings enabled us to weather the global economic storm.

This approach is still being used by other countries, with official interest rates at the time of writing just 1.00% in Europe, 0.5% in the United Kingdom, and 0.25% in the United States. These economies

were more seriously affected than Australia's, and they continue to struggle with difficult financial circumstances.

As economic conditions improved over the second half of 2009, the RBA began the process of 'tightening', or increasing, interest rates. This was done to ensure "public enemy number one" - inflation - does not run out of control. In late 2009, three monthly increases in a row were announced, a scenario not seen since the 1980s. This was followed by three consecutive monthly increases starting in March 2010.

At its Board meeting on 2 November, the RBA lifted the cash rate 0.25% to 4.75%. This has signalled some concerns about the strength of the current recovery. If the Australian economy recovers

## WHAT'S HAPPENING IN OUR HOUSING MARKET?

Investing in residential property has been a popular way to build long-term wealth.

After the property boom of the last few years and the slow-down of 2008/9 the question for many investors is whether to buy, hold or sell. Are we headed for a period of slow growth? Or will property prices boom again?

There is no simple answer because every property is different and its value depends on its location, individual characteristics and local demand. For instance, in the twelve months to June 2010, house prices rose 24.3% in Melbourne, but only 8.5% in Brisbane. Nationally, over the course of the year to June, house prices increased by 18.4%.

After the property boom of the last few years and the slow-down of 2008/9 the question for many investors is whether to buy, hold or sell. Are we headed for a period of slow growth? Or will property prices boom again?

There is no simple answer because every property is different and its value depends on its location, individual characteristics and local demand. For instance, in the twelve months to June 2010, house prices rose 24.3% in Melbourne, but only 8.5% in Brisbane. Nationally, over the course of the year to June, house prices increased by 18.4%.

### WILL WE GET ANOTHER UPTURN IN PRICES?

Prices are all about supply and demand and government forecasts suggest we are not building enough new homes to keep up with demand. Rental vacancy rates of below 2.0% nationally are very low and as rents increase, demand for investment property may increase. However, with the looming threat of possible rising unemployment, the number of homes in mortgage stress could potentially increase.



### IS HOUSING OVERVALUED?

House buyers may be scared off if housing is too expensive. Compared to average wages, average house prices are very high. In Sydney, for example, average cost of house prices was 4.5 times average income in 1986 but was over 6.2 times by mid 2010. All other capital cities have experienced a similar sharp rise in this multiple particularly since 2001.

### IS HOUSING AFFORDABLE?

New homebuyers are finding housing still too expensive. Housing affordability has been falling since 2000 and is at its lowest level since the early 1990s when interest rates were in the high teens. With lower interest rates and higher first home buyers grants, affordability has improved somewhat.

### IS PROPERTY ATTRACTIVE TO INVESTORS?

Average rental yields for 2010 were around 4.7% for three bedroom houses and around 5.4% for units, however, this level of return is not attractive unless capital gains are more probable.

### WILL SUPERANNUATION MAKE A DIFFERENCE?

With the changes to superannuation, investors may consider super to be relatively more attractive than residential property and move their money to super. As usual it all depends on the individual investor.

*Whilst there may be local residential property opportunities available the conclusion seems to be that housing in Australia is over-valued and there may be better opportunities in overseas property or in other asset classes.*

## TEAM BRIEF GARY WATKINS – DIRECTOR, PACIFIC FINANCE AUSTRALIA



I've been in the Finance Industry in Australia for more than 30 years, and been a Director at PFA for more than 20 of those years.

It's offered me a great opportunity to meet some amazing people and watch their businesses grow from strength to strength. I feel lucky to have been in a position to support these clients over the years and meet their changing needs.

To succeed in the finance industry you need to be on your toes and up to date with all the latest information. This approach has helped PFA also grow from strength to strength, into a large and trusted business. This is so important right now as banks clamp down on the smaller financial brokers in favour of larger groups. The industry is getting tougher and tougher, and only the bigger brokers will last the distance.

My focus is on Equipment Finance for a broad base of companies in the mining, engineering and construction industries. Being such important areas of employment and growth in WA means these clients require the very best service available. Staying up to date and anticipating their needs means PFA are always able to deliver.

I find it an area of constant change and one that I am still excited to be involved in after all these years. In my down time, I find any opportunity to be on the water boating or fishing, and spending time with my two daughters and son. As past President of the Wembley Football Club, I support local footy and come AFL season, my passion lays further a field with Port Power.

**Our growth relies on business referrals, so if you, or someone you know has an enquiry about the field of equipment finance, or any other service PFA offers, don't hesitate to contact me on 9321 2120.**

## THE CHINA BOOM

The current population of China is officially around 1,334,300,000 – yes, that's more than one billion people! The sheer scale of this figure is further apparent when we realise that this is about a quarter of the total human population – in one country. China has experienced remarkable economic growth in recent years. It makes a significant contribution to the global economy and is expected to overtake Japan as the world's second-largest economy this year.

China's booming economy and its demand for our resources has helped Australia stave off recession when most other advanced economies could not do so. But how has China itself fared throughout the financial crisis?

### THE ASIAN DIFFERENCE

In a speech this year to the Committee for Economic Development of Australia, Assistant Governor of the Reserve Bank of Australia (RBA), Philip Lowe, outlined evidence of a two-speed global recovery, with a dividing line between advanced and Asian countries specifically.

In advanced economies, the true performance in many areas has been weak. There's been some good news as a result of temporary fiscal measures, but



this may show a different story as the stimulatory effect fades. On the other hand, the RBA has seen a more V-shaped recovery in many Asian countries. In 2009, the Chinese economy grew by over 8% on the back of public-sector infrastructure spending; however, this rate of growth is still lower than the double-digit growth we saw in China for much of this decade.

### INVESTING IN CHINA

There are two exciting investment opportunities available as a result of the Chinese boom. Firstly, as in the past,

Chinese demand for our commodities means our local resource companies are profiting significantly. Investing on a global scale may find a broader range of businesses benefiting the same way.

Secondly, trillions of dollars of China's sovereign wealth are being released and this cash is looking for a home outside China.

***These sound very exciting but as with any investment opportunity, always consult your adviser first to see if this suits your circumstances.***

## CLIENT FOCUS – BATCHCRETE INTERNATIONAL PTY LTD



Batchcrete International Pty Ltd is a real Western Australian success story. Based in Malaga, they have been a business entity for more than 12 years, servicing and supporting the engineering and construction industry all over Australia. They specialise in providing batching solutions conducive to the manufacture of concrete or paste fill, and along with their own line of original products (O.E.M.), they also offer leading brands in construction equipment.

From Kalgoorlie to Newcastle, Batchcrete have answered the call to

supply and install equipment to some of the most challenging sites imaginable. Their success lies in their expertise to assess, recommend and ultimately provide the most appropriate technology to achieve results, whilst understanding the importance of cost effectiveness and longevity of equipment.

Directors Tony Sabatino and Tony Cammarano have over 50 years of experience in the mechanical engineering industry between them.

"The strength of our business," says Tony Sabatino, "lies in the combination of using our experience to source unique solutions to unique problems, and having the dedicated and professional staff to carry it out. We look for tailor-made solutions, and this is our point of differentiation. We ensure our products are Quality Assured, environmentally friendly and easy to operate."

The latest Division to complement Batchcrete's core mixing and Batching business is their Mixing, Pumping, Injecting and Spraying Division, headed up by Geoff Holtmeulen, who joins the ranks of Batchcrete's highly experienced staff.

With clients like Chevron, Rio Tinto and BHP Billiton in their stable of recent works,

Batchcrete's skills are many and varied. Their diversification has seen them branch into the hiring of equipment, targeting mobile and remote concrete batching. Most recently, they have been awarded the contract to supply 4500 cubic metres of high specification concrete for the Marine Offshore Facility for the Gorgon Project.

"With the purchase of an assortment of new equipment required for the Gorgon Project, we had to turn to Phil Corbett from Pacific Finance to plan how to make this happen," Tony says. Batchcrete have relied on Phil Corbett of PFA for the last ten years to help them meet the ever expanding challenges they face.

Batchcrete International Pty Ltd is certainly a company on the move here in WA. They are a remarkable example of matching their services to their customers' growing needs, and along with the support of PFA and Phil Corbett, it looks like even bigger things to come.

**To find out more about Batchcrete and their services, visit their website at [www.batchcrete.com.au](http://www.batchcrete.com.au)**