

Regional Investment Analysis

Final Report

30 August 2016



Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Mr Patrick Smit
Senior Development Manager
LandCorp

30 August 2016

Sent by email to: patrick.smit@landcorp.com.au

LandCorp Regional Investment Analysis

Dear Patrick

In accordance with our engagement agreement dated 15 February 2016, which was accepted on 1 March 2016, we have prepared this report which serves as the final deliverable of the Regional Investment Analysis project. This report contains the findings from the case study review of the operations of four government-owned investment attraction organisations; the identification of investment opportunities in Broome, Bunbury, Geraldton and Kalgoorlie; and the profiling of the level of interest among potential investors in relation to the types of investment opportunities identified.

Our report was based on publicly available information and stakeholder consultations; we have prepared this report which documents our research and findings.

This report was prepared for the purpose of providing insight into the operation of government-owned investment attraction organisations and an insight into the appetite, funding parameters and evaluation criteria and processes of investors with potential interest in the types of investment opportunities identified by stakeholders. The report should not be relied upon for any other purposes. Our report may not have considered issues relevant to any third parties. Any use third parties may choose to make of our report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use.

Our work has been limited in scope and time and we stress that an extended research process may reveal information that this process has not.

Our analysis was based on publicly available information and we were not engaged to check the factual accuracy of this information. We disclaim all responsibility to any party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of this briefing note, the provision of this briefing note to the other party or reliance upon this report by the other party. Liability is limited a scheme approved under professional standards legislation.

The information obtained does not represent the opinion of EY.

If you would like to clarify any aspect of this report or discuss other related matters then please do not hesitate to contact us.

Yours sincerely

Greg Dobson
Partner

Table of contents

Executive Summary	i
Task 1: Investment attraction organisations	4
1. Summary of findings	5
1.1 Purpose of this briefing note	5
1.2 Overview of existing State Government services	5
1.3 Key themes and findings	6
1.4 Application to WA	6
2. Invest Victoria	8
2.1 Approach to investment attraction	8
2.2 Investor services	9
2.3 Organisation structure	10
2.4 Analysis	10
3. Trade and Investment Queensland	12
3.1 Approach to investment attraction	12
3.2 Organisation structure	14
3.3 Analysis	15
4. Industrial Development Agency (IDA), Ireland	16
4.1 Approach to investment attraction	16
4.2 Investor service	16
4.3 Organisation structure	18
4.4 Analysis	18
5. Invest Toronto Inc., Canada	20
5.1 Approach to investment attraction	20
5.2 Investor services	20
5.3 Organisation structure	21
5.4 Analysis	22
Task 2: Developing investment pipelines	23
1. Summary of findings	24
1.1 Task 2 Context and scope	25
1.2 Methodology	25
1.3 Findings	26
2. Broome pipeline	28
2.1 Overview	28
2.2 Shorter term opportunities	28
2.3 Longer term opportunities	29
3. Bunbury pipeline	31
3.1 Overview	31
3.2 Shorter term opportunities	31
3.3 Longer term opportunities	32
4. Geraldton pipeline	34
4.1 Overview	34
4.2 Shorter term opportunities	34

4.3	Longer term opportunities	35
5.	Kalgoorlie pipeline	37
5.1	Overview.....	37
5.2	Shorter term opportunities	37
5.3	Longer term opportunities.....	37
Task 3:	Profiling the investor community.....	39
1.	Summary of findings.....	40
2.	Detailed findings.....	44
2.1	Banks	44
2.2	Debt funds	45
2.3	Property funds	46
2.4	Mining funds.....	47
2.5	Super funds.....	48
2.6	Private equity.....	49
2.7	Domestic / offshore investor themes	50
3.	Next steps.....	52
Appendix A	Consulted investors.....	54
Appendix B	Investor universe	55
Appendix C	Consulted documents	57
Appendix D	Consulted stakeholders	58
Glossary	59

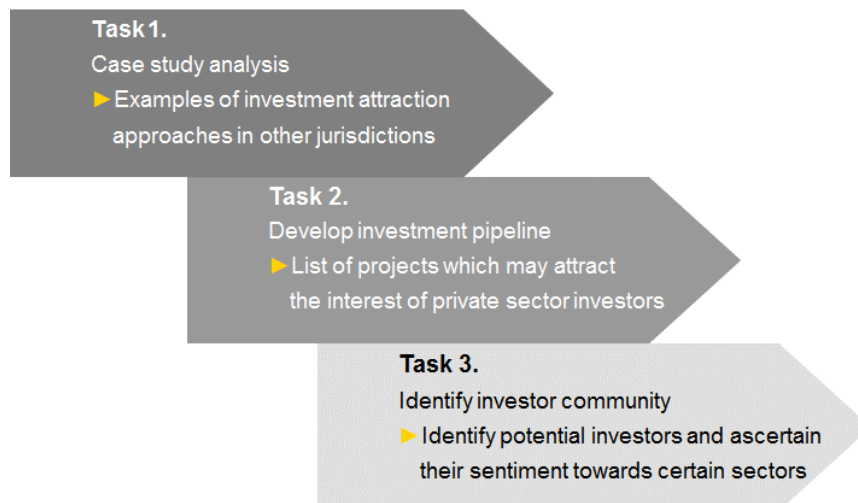
Executive Summary

EY was engaged by LandCorp to prepare a Regional Investment Analysis report. As per the requirements of the project, EY was tasked with undertaking three distinct phases of work, specifically:

- ▶ Identify domestic and international case studies on the investment attraction capabilities of high performing economic development organisations and best practice approaches to investment attraction. This work was completed as part of Task 1 of the project.
- ▶ Consult with stakeholders for the purpose of identifying investment pipelines for the four regional centres that form the current Regional Centres Growth Program. The investment pipelines contain lists of projects identified in desktop reports or by stakeholders as being important for the regional centres, and for which have been assessed as offering some potential to attract interest from private investors. The investment pipelines were completed as part of Task 2 of the project.
- ▶ Develop a profile of the investor community that might be interested in the types of investment opportunities identified as part of Task 2. The profiling is to include potential investors in the industry sectors of relevance; the types of assets that they are generally interested in; and their processes for evaluating investment opportunities. This work was completed as part of Task 3 of the project.

The three-stage approach to the development of this report is outlined in the figure below.

Tasks comprising the Regional Investment Analysis



As part of **Task 1**, EY reviewed the operations of four investment attraction organisations: Invest Victoria; Trade and Investment Queensland (TIQ); Industrial Development Agency (Ireland); and Invest Toronto (Canada). Each of the organisations was found to operate with a strong focus on the formation of strong partnerships with potential investors and companies for the purpose of seeking to attract investment to their respective regions. Other findings include:

- ▶ Each of the four organisations are government owned yet governed by independent boards comprising expertise from the private sector, academia and government. The organisations were generally small, relatively nimble and tended to operate in some senses as a step-removed from the typical government bureaucracy.
- ▶ Invest Victoria, Invest Toronto and IDA Ireland offer services that span the investment lifecycle from scoping and feasibility assessment of potential market opportunities, to providing assistance with entering the market and setting up business, to ongoing advice and support,

particularly on the navigation of regulatory approvals processes. TIQ has a strong regional focus, promoting regional investment opportunities to the market. Unlike the other agencies it does not appear to provide ongoing advice and support to market entrants.

- ▶ Qualitative and quantitative evidence was found to demonstrate that each agency has experienced success in attracting investment.
- ▶ Government efforts on investment attraction is competitive, with Australian states all vying to attract foreign direct investment (FDI). In this competitive environment and based on our analysis, there appears to be merit in the concept of exploring the case to strengthen the investment attraction focus of the Western Australian Government, particularly in a regional context.

As part of **Task 2**, EY undertook a desktop study of government and private sector documents, and interviewed government and industry stakeholders about potential investment opportunities in Broome, Bunbury, Geraldton and Kalgoorlie. The review exercise resulted in the identification of long lists of potential investment opportunities across the four regional centres. These lists were filtered via a process of considering factors such as the degree of potential private sector interest; alignment to regional centre clusters and key industries, and geographical relevance to the regional centres to form four regional investment pipelines. The objective of preparing the investment pipelines was to identify a set of potential investor opportunities that may attract private sector interest for the purpose of informing the final phase of the project (the profiling of a potential investor community) rather than the development of a fully comprehensive and definitive set of investment opportunities. Findings from this phase of work include:

- ▶ The identified investment opportunities included both short and long term opportunities predominantly related to sectors such as agribusiness, infrastructure, mining, property and tourism.
- ▶ Discussions with stakeholders found much interest in the concept of investment attraction in the regions and the scope for engagement with potential private sector investors. It was difficult to identify highly specific investment opportunities. The documents reviewed and stakeholders interviewed tended to have informed views on generalised areas or sectors of opportunity rather than detailed investment plans for which funding is being sought. This may be related to the timing of this project, as it was undertaken prior to the finalisation of the Regional Centre Growth Plans.
- ▶ Despite the above, the identified investment opportunities provided a platform to profile and consult with a range of potential investors that may be interested in regional assets and to ascertain the level of interest in the types of opportunities identified.

As part of **Task 3**, EY prepared a targeted profile of investors that are active in the identified industry sectors of the opportunities generated as part of Task 2. For the relevant investors, we utilised previously gathered EY information along with market soundings to generate an insight into investment activity, appetite, funding parameters and evaluation criteria and processes. In conducting this process, a total of 11 investors were contacted and analysed, representing six types of investor groups, these being: banks, debt funds, property funds, mining funds, super funds and private equity. Findings from this phase of work include:

- ▶ Across all six investor groups, there was a consistent and common message with regards to investment in Western Australia, namely:
 - ▶ overall appetite for transactions is strong, with ample liquidity available in the market for investments that are suitably structured and provide appropriate returns for the risks involved;
 - ▶ there was no preference for or against investing in Western Australia, with transactions considered on a deal-by-deal basis rather than location/geographic basis; and

- ▶ the most important factors that are considered by investors initially are industry sector (and sub-sector), credit profile of the operator/business and key debt sizing metrics.
- ▶ The sectors with the most appetite from investors was infrastructure, agribusiness and property, while the least appetite was toward mining and mining services related operations (see table below).

Investor appetite by sector and investor type

<u>General appetite</u>	Banks	Debt funds	Property funds	Mining funds	Super funds	Private Equity
Agribusiness	Moderate	Moderate / High	Low	Low	High	Moderate
Infrastructure	High	Moderate / High	Low	Low	High	Moderate
Mining	Low	Low	Low	High	Low	Moderate
Property/ tourism	Moderate	Moderate / High	High	Low	High	Moderate

- ▶ While there is demonstrated appetite from the investor community for opportunities such as those identified in Task 2 of this engagement, there is currently not enough information regarding their likely commercial potential, ownership and capital structure to allow potential investors to assess the risks and rewards of investing.
- ▶ In the event that the identified investment opportunities are pursued with a view to testing the appetite for private sector engagement:
 - ▶ each potential investment will require an appropriate development plan, capital structure and investment features (as noted above) in order to attract suitable investors;
 - ▶ initial feasibility studies will be required to provide high level commercial information to potential investors for initial assessment; and
 - ▶ a bespoke financing process will likely be required for each opportunity, with specific investors targeted dependent on the key metrics and industry of operations of the relevant opportunity.

Task 1: Investment attraction organisations



1. Summary of findings

1.1 Purpose of this briefing note

The purpose of this briefing note is to provide an overview of domestic and international case studies on the investment attraction capability of a selection of four economic development agencies. This task forms part of the broader scope of work to provide LandCorp with a Regional Investment Analysis report.

The four international and national investment attraction agencies that were selected for analysis were: Invest Victoria, Trade and Investment Queensland (TIQ), IDA Ireland and Invest Toronto.

When analysing each agency, we looked at:

- ▶ Overarching objectives and policy focus
- ▶ Approaches to attracting investment, including foreign direct investment (FDI)
- ▶ Investor services
- ▶ Size, scale, budget and governance structures
- ▶ Quantitative and qualitative indicators of success
- ▶ Overall analysis of the agency

Our analysis of each agency is presented in the remainder of this briefing note.

1.2 Overview of existing State Government services

The Department of State Development (DSD) dedicates a part of their website to “Invest in WA”. The website provides key facts about Western Australia’s global resources hub and efforts in research and development. The “Invest in WA” site advertises the shared time zone with Asia and suggests we are Australia’s western gateway. DSD offer its global offices as points of contact for potential international investors. The Department and its overseas offices provide the following free and confidential services:

- ▶ Information on business requirements, economic trends, and market analysis
- ▶ Identifying business opportunities and facilitating networking in established and emerging markets
- ▶ Introductions to relevant government agencies
- ▶ Assistance on site selection
- ▶ Advice on possible incentives that may exist for companies considering establishing in regional Western Australia

DSD reported that in 2014-15, its International Trade and Investment Division coordinated 101 international trade activities related to developing export markets and investment linkages.

Recently the Premier, the Honourable Colin Barnett MLA, announced the establishment of a specialised team in DSD to help expand agribusinesses in the State. Led by the former Director General of the Department of Agriculture and Food Western Australia, the team will focus on export market development and FDI attraction.¹

The State’s regional development commissions are not expressly charged with the objective of investment attraction though investment attraction may fall within their remit of broadening the economic bases of regions and promoting business development.²

¹ Department of Premier and Cabinet Media Statement, New unit to boost WA agriculture overseas, 2 March 2016.

² *Regional Development Commissions Act 1993*.

1.3 Key themes and findings

1.3.1 Approach to investment attraction

Being active in the home market and having a good knowledge of the potential investment opportunities is a reoccurring theme across all agencies analysed. This is partially achieved through on-the-ground representation, and through accessing international and domestic networks. Each agency has a local and global network. Invest Victoria, TIQ and IDA Ireland all have local and global offices. TIQ also has a broader regional presence, with an office in each major regional area of Queensland. Invest Toronto accesses global networks through its partnerships with government departments that have existing international presence.

All agencies have a strong focus on forming partnerships with potential investors and companies. However, each agency offers differing level of services to potential and existing foreign investors.

Invest Victoria, Invest Toronto and IDA Ireland offer services that span the investment lifecycle from scoping and feasibility assessment of potential market opportunities, to providing assistance with entering the market and setting up business, to ongoing advice and support. TIQ has a strong regional focus, promoting regional investment opportunities to the market. Unlike the other agencies it does not appear to provide ongoing advice and support to market entrants.

The agencies reviewed are not responsible for vetting investment opportunities according to factors such as environmental or social issues but presumably operate within the appropriate regulatory structures of their respective states. Nor are agencies responsible for constructing the contractual terms of investments that are made in the respective states but rather they may provide assistance to their investor clients in working with the relevant government agencies that are responsible for constructing and signing off on the contractual terms of investment agreements.

Qualitative and quantitative evidence was found to demonstrate that each agency has experienced success in attracting investment. However, proper analysis of the full costs and benefits delivered by the agencies has not been possible within the scope of this project.³

1.3.2 Organisation structure

All of the agencies are state owned companies governed by a board, with the respective government as the ultimate parent company. All boards have representation from the private sector, academia and government.⁴ This type of entity structure allows government, as the sole shareholder, to ensure that the agency acts in the best interest of the State and that its actions are aligned to the broader investment attraction and economic development policies of the government of the day. Importantly it also allows the investment attraction agency to operate with a commercial focus.

1.4 Application to WA

There are a multitude of economic, political, social and financial factors that are independent of the existence of an investment attraction agency which a potential investor is likely to consider when making an investment decision.

Investment attraction is competitive, with Australian states all vying to attract foreign direct investment (FDI). In this competitive environment and based on our analysis, there appears to be merit in the concept of exploring the case to strengthen the investment attraction focus of the Western Australian Government, particularly in a regional context. This could be done through the creation of a new entity, or by utilising existing entities such as the regional development commissions and Department of Regional Development.

³ Comparisons of the relative shares of foreign investment secured by the different states and territories of Australia would enable stronger conclusions to be reached. It is worth bearing in mind that the “prize” is significant: In approximate terms, Australia receives around \$200 billion worth of foreign investment each year.

⁴ This does not apply to Invest Victoria as it does not publish information on the composition of its Board.

Particular areas of focus could include connecting investors with investment opportunities and helping investors navigate their way through government approval processes.⁵

⁵ The Department of State Development does provide assistance to some parties on navigating government approvals processes in WA but it appears that the Department has a narrower focus than those held by some of the organisations reviewed for this exercise.

2. Invest Victoria

2.1 Approach to investment attraction

2.1.1 Overview

The Department of Economic Development, Jobs, Transport and Resources (DEDJTR) established Invest Victoria (Victorian Trade and Investment Office Pty Ltd) in 2005 as the State's investment promotion agency "and a one stop shop for potential investors".⁶

Invest Victoria's physical presence spans 18 global offices located in Australia (Victoria), the Americas, Asia, Europe and the Middle East. The agency also reaches potential investors through its well-presented and user friendly website.

The three main functions of Invest Victoria include:

1. **State promotion** - advocates the State as a desirable place to invest and do business in
2. **State opportunities** - provides information on State Government projects which require private sector involvement and presents a high-level overview of sector-based opportunities (sectors of focus include; energy technology, professional services, transport, and medical technology and pharmaceuticals)
3. **Investor services** - offers a variety of free services to companies / investors on analysis of market opportunities, entering the Victorian market and ongoing business support once a company is up and running

2.1.2 State promotion

Through its website, Invest Victoria promotes the State's attractiveness as an investment destination by publicising:

- ▶ The quality of the State's infrastructure (air, port, new investment projects, ICT, road and rail)
- ▶ The size of the State's market (growth in population), size of the State's economy (including contribution to GDP) and recent economic performance, and proximity to other states and to Asia
- ▶ Australia as a place in which it is easy to do business, has a mature financial sector, is engaged with the international community, and has a transparent and robust legal system
- ▶ The quality of life and liveability of the city as a place where it is easy to attract and retain professionals

2.1.3 State opportunities

The website also links investors to current major State Government projects which will involve the private sector. An example is provided in the box below.

Through the **Melbourne Metro Rail Project** (the Metro Rail Project) the Government has committed to delivering a nine kilometre twin rail tunnel linking the city centre to health and research, and education precincts. The Metro Rail Project will result in the delivery of five expanded and new underground stations. The website provides a one page high-level overview of the Metro Rail Project through text and video format, and link to the Project's website.

The Invest Victoria website promotes this and other major State Government projects that offer opportunities for private sector involvement. Examples of other current projects include the removal level crossings across Victoria, and the Murray Basin Rail Project which involves standardising and increasing the axle loading of Victoria's rail freight lines in the Murray Basin region.

⁶ Victorian Auditor-General's Report, Investment Attraction, August 2012, page 24.

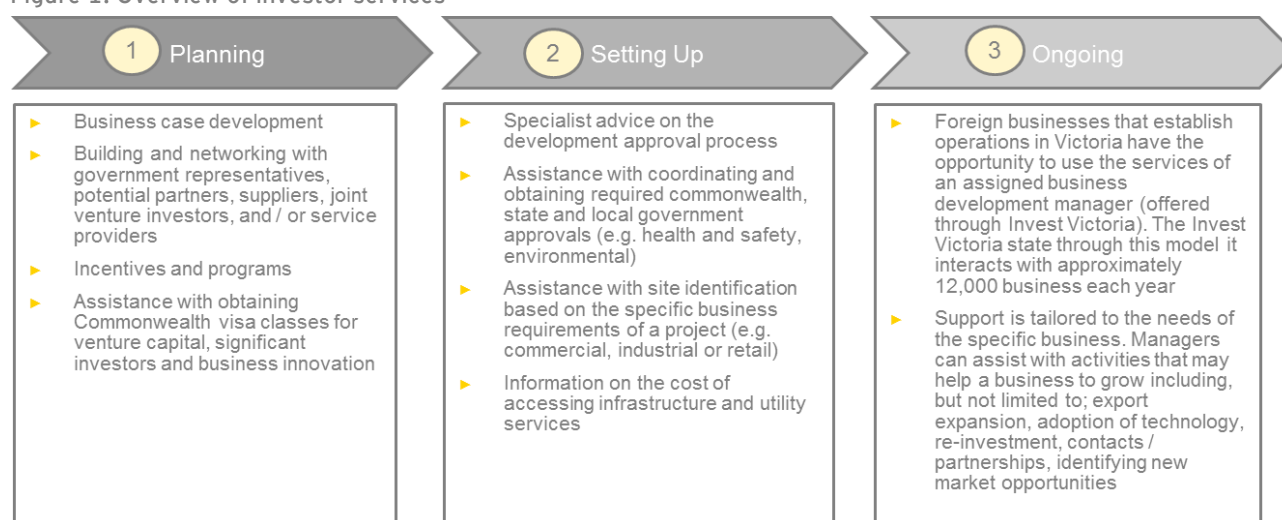
Investment attraction services were the remit of the Department of Business and Innovation. Following machinery of government changes, DEDJTR is now responsible for investment attraction services.

Although some of the State Government's projects are located in regional areas, Invest Victoria does not have a specific regional focus. Invest Victoria also promotes the State Government's Future Industries Fund, which will provide \$200m in grant funding to companies in six high growth sectors that are considered to have the potential to create jobs and attract investment in Victoria. The six growth sectors are; medical technologies and pharmaceuticals, new energy technologies, food and fibre, transport defence and construction technologies, international education, and professional services.

2.2 Investor services

The Agency's services span the investment lifecycle from scoping and feasibility assessment of potential market opportunities, to providing assistance with entering the market and setting up business, to ongoing advice and support provided through dedicated business development managers. The figure below summarises the specific services offered (by Invest Victoria) at each of the three stages of entering and operating in the Victorian market.

Figure 1: Overview of investor services



Source: Invest Victoria website

2.2.1 FDI examples

Specific examples of where Invest Victoria has assisted business include:

- ▶ Invest Victoria provided Eventbrite with resources, ongoing support throughout the decision to setup in Melbourne and thorough aftercare services once established⁷
- ▶ Invest Victoria arranged introductions between LINPAC and government representatives, provided information on market logistics and ongoing support when LINPAC faced challenges in the Victorian market⁸
- ▶ MUJI, a Japanese retail company which sells household and consumer goods, was attracted to expanding and opening stores in Melbourne because of the city's cultural diversity and perceived ability to build its brand. MUJI used the Invest Victoria Tokyo office for information, including on an effective way to structure its business
- ▶ Pactera, an ICT and outsourcing company, was supported by Invest Victoria to set up in Melbourne and has since expanded to Sydney. The company was attracted to Victoria because of overlapping time zones Victoria has with Asian countries as well as being the hub for connecting the Asian Pacific region with Europe and America. Another attraction for Pactera was the demand for ICT and the State's growing population

⁷ Eventbrite is a platform which allows people to create and find events in over 180 countries.

⁸ LINPAC is international, mainly plastic packaging and supply chain manufacturing and services business.

- ▶ Invest Victoria was involved in the negotiations to attract Tiger Airways Victoria's investment agency also successfully negotiated Tiger Airways to establish an Australian operation in Melbourne

According to the website of Invest Victoria, a number of large foreign owned companies have chosen to relocate their headquarters to Victoria (including, BP, Royal Dutch Shell, Toyota, BUPA and Cargill) however, the precise role of Invest Victoria in making these shifts happen is not known.

2.3 Organisation structure

2.3.1 Size, scale and budget

For the purpose of financial reporting, DEDJTR is the reporting entity and, as a wholly owned statutory body, Invest Victoria's financial statements are consolidated into DEDJTR's. There is no disaggregated information on the size, scale and budget of Invest Victoria's activities.

This lack of transparency has been publically criticised in the past. In 2012, the Victorian Auditor-General, prepared a report into the Victorian Government's efforts in investment attraction. At the departmental level the Auditor-General found "internal and external reporting is selective and does not provide for a comprehensive understanding of the scale, cost and impact of investment attraction activities" (page 4).

The Auditor General also found that the Department had not conducted any evaluations of its investment attraction activities and therefore it was not possible to determine the success of these activities, including whether the benefits were greater than the costs, "or that it is making the best use of government funding" (page 4).

2.3.2 Governance arrangements

2.3.3 Invest Victoria is a statutory body (wholly owned subsidiary of the Victorian State Government) and a related entity of (DEDJTR).⁹ In Victoria, the objective of state owned companies is for them to operate as efficiently as possible in line with prudent commercial practice, while also maximising contributions to the economy and the well-being of the State.¹⁰

The *State Owned Enterprise Act 1992*, governs the requirements of State owned companies and their relationship to State Government. This review was unable to source publicly available information on Invest Victoria's governance arrangements, including; processes around decision making, accountability and board member selection.

2.4 Analysis

Invest Victoria offers potential investors an 'one-stop-shop' of information and advice. The main advantages of Victoria's investment promotion agency model include:

- ▶ Holistic provision of free and confidential advice to potential and existing investors from the inception of a market opportunity through to navigating market entry and ongoing business management
- ▶ The streamlining of administrative procedures which "enables new investments to be established more quickly and reduces investor costs"¹¹
- ▶ Strong focus on promoting Victoria as an attractive investment destination

As a state owned company, Invest Victoria has a commercial focus and does not operate as a typical government department or agency. However, there is also limited information on its financial and governance arrangements. There is also no publicly available information on if or how Invest Victoria measures its performance. This makes it difficult to assess the overall effectiveness of Invest Victoria.

⁹ DEDJTR Annual Report 2014-15, page 11.

¹⁰ The Victorian State Owned Enterprise Act 1992 is the relevant act which governs state business corporations. There is limited information on Invest Victoria's governance arrangements.

¹¹ Victorian Auditor-General's Report, Investment Attraction, August 2012, page 24.

The Victorian Government focuses on select sectors of the Victorian economy. Although some projects may occur in regional areas, investment attraction for regional areas is not an area of attention for Invest Victoria.

Operating 18 global offices provides Invest Victoria with direct market access to potential investors and allows for greater global marketing of Victoria as an investment destination. There is likely to be a significant cost associated with operating the offices. The cost of these services would need to be evaluated against the benefits to form a judgement on whether they are beneficial.

3. Trade and Investment Queensland (TIQ)

3.1 Approach to investment attraction

3.1.1 Overview

Trade and Investment Queensland (TIQ) is the Queensland Government's agency (statutory body) which assists exporters "to break into emerging and established markets" and promotes Queensland as an attractive place for companies to locate Asia-Pacific headquarters.¹²

TIQ offers services that extended beyond investment attraction and advocacy of the State as a desirable investment destination. It also promotes Queensland's goods and services to potential buyers, and assist Queensland based producers to access export markets. The agency has both a regional and an international presence.

3.1.2 Investor services

TIQ provides investment and business services to international and interstate investors and companies. It leverages its relationship with local councils, industry bodies and its network of regional advisors and internationally located Trade Commissioners to provide a range of investor services, including:

- ▶ Assistance with organising inbound visits and site visits
- ▶ Detailed industry knowledge about business costs, investment-ready projects and skills availability
- ▶ Preparation of business cases
- ▶ Connecting potential investors / companies with other industry participants e.g. suppliers and associations
- ▶ Assistance when liaising with other government departments and agencies
- ▶ "Identifying potential partners for joint venture or collaborative opportunities"¹³

The agency has a strong regional focus, promoting regional investment opportunities to the market and provided regional advisors in each of Queensland's regions.

Figure 2: Queensland regional areas and location of TIQ's regional offices



Source: <http://www.tiq.qld.gov.au/connect/who-we-are/regional-advisers/>

¹² <http://www.tiq.qld.gov.au/connect/who-we-are/>

¹³ <http://www.tiq.qld.gov.au/wp-content/uploads/2015/12/TIQ-756-14-Natural-Resources-2pp-Brochure-EndOpps.pdf>

Through TIQ's website, potential investors and companies can learn about the economic characteristics, major projects and regional investment opportunities particular to each of Queensland's regions.

TIQ has a four year strategic plan in place to 2018, which resulted in the agency moving towards a sector focus approach where "clients liaise directly with Priority Sector Teams established to promote Queensland's capabilities" in its target sector areas (TIQ 2014-15 Annual Report, page 14).

Private sector investment ready projects - in the food and agribusiness, tourism, renewable energy, urban infrastructure, mining and resources, and knowledge sectors - are marketed to potential investors on TIQ's website. Factsheets on each investment ready project opportunity can be accessed. Factsheets provide information on:

- ▶ The project opportunity
- ▶ Location
- ▶ Investment type (e.g. debt / equity)
- ▶ Investment amount required and when (e.g. staged projects)
- ▶ Opportunity summary
- ▶ Reasons to invest
- ▶ Timeframe
- ▶ Company / project overview
- ▶ Contact details of TIQ officials who can provide further information

TIQ also delivers "both Ministerial and TIQ-led trade and investment missions" which provide another means of promoting Queensland's investment opportunities to potential investors.¹⁴

3.1.3 FDI examples

The table below outlines a specific example where TIQ assisted European company to locate its Australian operation in Queensland.

Table 1: Project example

Company / type of service	Product	Details
Vadain International - inbound investment	High quality custom-made curtains	<p>TIQ's specialist investment team worked in partnership with this European manufacturing company to take advantage of an investment opportunity.</p> <p>TIQ provided advice and contacts to help the company to setup in Queensland including:</p> <ul style="list-style-type: none"> ▶ Developing a business case including a detailed labour cost comparison and indicative costs of leasing a facility fit for its purpose ▶ Providing contact details of government departments and commercial entities and organising meetings with them to facilitate the investment opportunity ▶ Access manufacturing sites <p>The company chose Queensland as its Australian base and as a result it has invested more than AUD \$1m in a manufacturing plant that has created 35 jobs within the first year of operation.</p>

Source: TIQ website

¹⁴TIQ 2014-15 Annual Report, page 13.

During 2014-15, TIQ facilitated 29 Queensland-based investment deals across its sectors of focus (seven deals in food and agribusiness, five deals in mining and resources, and 17 deals in urban infrastructure and knowledge)¹⁵.

In 2013-14, TIQ also provided China-based Centenio Group with support while purchasing land to build a residential tower. The Group invested in Queensland due to a combination of support provided by TIQ, an open and transparent investment market, and investment security.

3.2 Organisation structure

3.2.1 Size, scale and budget

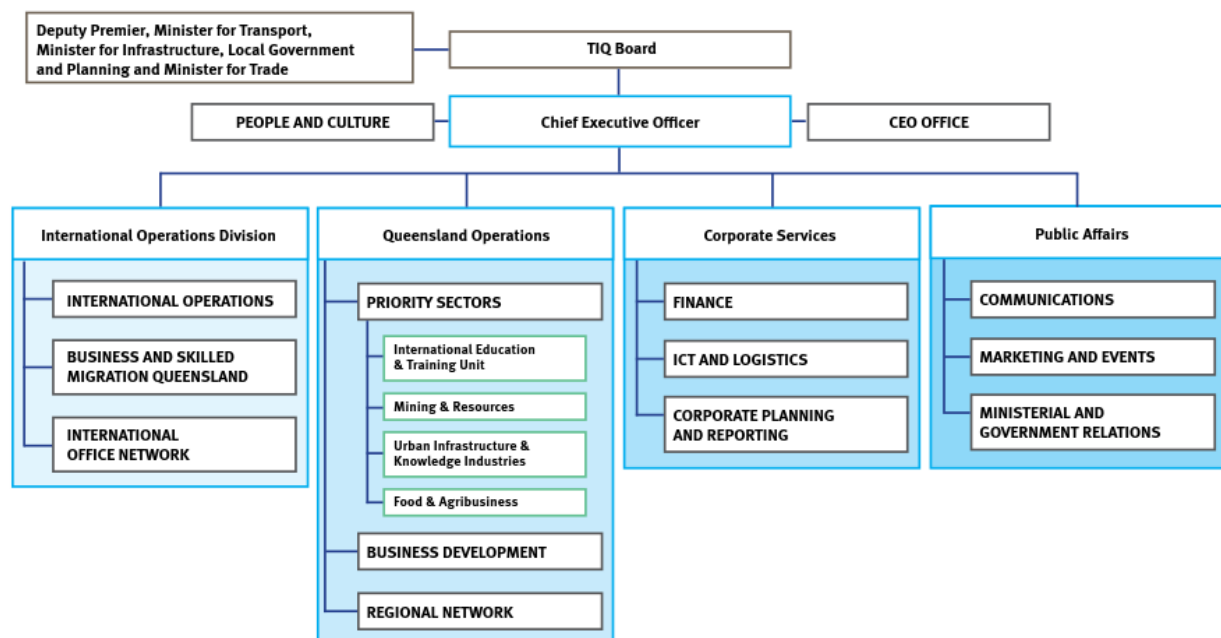
During 2014-15, TIQ's total income was approximately \$34m, up from \$14m in the previous year. In 2014 TIQ employed 102 FTEs, which increased to 109 in 2015. TIQ has nine state offices, eight of which are regionally located, and 13 overseas offices.

3.2.2 Governance arrangements

TIQ was established on 1 February 2014, under the *Trade and Investment Act 2013*, as a stand-alone statutory body. The Department of Infrastructure, Local Government and Planning is responsible for administering the Act and the Queensland Government is the ultimate parent of TIQ.

The following figure depicts the hierarchical relationship between the relevant Minister, Board and the management of TIQ.

Figure 3: TIQ's organisation chart



Source: TIQ's 2014-15 Annual Report, page 17

The Board is responsible for the effective performance of TIQ and it provides strategic direction for the organisation thus ensuring that TIQ's activities are aligned to the objectives of government and the needs of industry. The Board is also responsible for a number of other duties including (but not limited to): agreeing and monitoring performance targets; considering and approving annual budgets; ensuring risk management and regulatory compliance policies are met; monitoring of financial performance; and "determining the level of authority to be delegated to the Chief Executive Officer and Executive Management Team."¹⁶

¹⁵TIQ 2014-15 Annual Report, page 8.

¹⁶ TIQ Annual Report 2014-15, page 18.

TIQ's Board comprises a mix of members from the private sector who own businesses in agriculture and tourism, senior State Government officials and academics.

3.3 Analysis

TIQ is a statutory body which is governed by its Board. This structure provides TIQ's Board and Executive Management with autonomy when making decisions about how the organisation operates.

Queensland's investment promotion agency takes a regional and sector focus when promoting investment opportunities. There is a strong focus on private sector investment ready projects and using TIQ's on-the-ground regional network to link investors to investment opportunities. Investment fact sheets and region-by-region information collated on its website make it easy for interstate and overseas investors to get a good overview of investment opportunities in Queensland.

TIQ is not solely focused on attracting direct foreign investment (FDI) (it also promotes the sale of Queensland goods and services to potential buyers, and helps local businesses to access export markets). It is unclear what proportion of TIQ's overall budget is allocated to inbound investment attraction.

4. Industrial Development Agency (IDA), Ireland

4.1 Approach to investment attraction

IDA Ireland’s mission is to partner “with multinational companies to win and develop foreign direct investment, providing jobs for the economic and social benefit of Ireland”. The Agency has the objective of becoming a global force in attracting FDI, creating jobs in Ireland, and encouraging businesses to move to Ireland.

4.1.1 Overview

IDA Ireland is predominantly focused on attracting large multinational companies to locate their headquarters or a substantial part of their European operations in Ireland. IDA Ireland takes a proactive and fiercely competitive approach to attracting and securing FDI - it actively seeks out new global companies and, in some instances, offers grants and tax concessions in addition to the County’s relatively low corporate tax rate of 12.5%.

In 2014 there were 197 investments with 88 new name investors. Examples of leading multinational companies located in Ireland include; Amazon, LinkedIn, PayPal, SAP, and Johnson and Johnson.

4.2 Investor service

IDA Ireland has a network of overseas offices to be close to particular markets “and gather the best information and form the strongest possible networks into the companies” that is targets.¹⁷

The Agency has a focus on delivering services to clients that respond to client needs “efficiently, effectively and ahead of competitors” (page 27). Client services are offered throughout the FDI process, from scoping Ireland as a potential place to invest in, to services and support provided during the decision making process, market entry and ongoing operations. **Error! Reference source not found.** provides a summary of the types of services on offer to multinational companies considering investing or investing in Ireland, and Figure 5 shows how IDA Ireland partners with multinational companies.

Figure 4: Summary of services provided by IDA Ireland

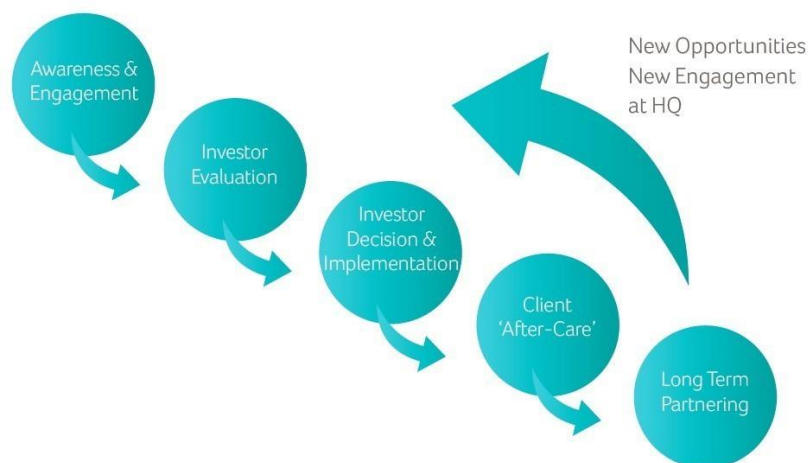
Raising awareness	Instilling confidence	Developing a business case	Financial support	Ongoing support
<ul style="list-style-type: none"> ▶ Contacts key decision makers in companies across the globe to raise awareness of Ireland as a location for FDI ▶ Targets companies operating in key sectors through global office networks and indirectly through international marketing 	<ul style="list-style-type: none"> ▶ Supports current and potential clients ▶ Provides information on all aspects of operating a business in Ireland, for instance on ▶ Streamline process of working through the Government (e.g. tax treatment, licences etc) 	<ul style="list-style-type: none"> ▶ Partners with companies and provides assistance during the business case development process ▶ Also assists companies to find property solutions particularly in regional locations 	<ul style="list-style-type: none"> ▶ Employment, capital, R&D, environmental or training grants (within EU state aid rules), and tax credits ▶ Low company tax rate of 12.5% 	<ul style="list-style-type: none"> ▶ IDA acts as a key contact for networking opportunities and connections with other companies and government entities

Source: *Winning: Foreign Direct Investment 2015-2019, IDA Ireland, page 25.*

¹⁷ <http://www.idaireland.com/corporate-governance/>

Figure 5: How IDA Ireland partners with leading multinational companies

Phases of Development



Source: *Winning: Foreign Direct Investment 2015-2019, IDA Ireland, page 24*

On its website, IDA Ireland sets out the following steps it takes when evaluating potential investments:

- ▶ A meeting is then conducted to get to know the clients proposed investment and to discuss what Ireland would need to provide and whether the requirements are able to be delivered to the client
- ▶ Clients are encouraged to visits Ireland where the people skills base and location is then identified
- ▶ Once the site visit is completed, the client's proposed investment project is presented to the IDA management and board. The client's business plan, details of the proposed project, location and relevant financial information are all included

If the proposal is accepted, the whole process can take six to 10 weeks from first contact to implementation.

A review of Ireland's FDI strategy was undertaken in the aftermath of the economic crisis in 2009. The review called for a regional focus with new investment to be allocated to areas outside of Dublin and Cork. In line with the review, the Agency now has a greater focus on attracting FDI to Ireland's regional areas. Under the Agency's FDI Strategy for 2015-2019, IDA Ireland has set a target of increasing investment by 30-40% in regions outside of Dublin. Ireland's Department of Jobs, Enterprise and Innovation has also announced a Regional Action Plan for regional development in which IDA Ireland will collaborate with the Department to maximise investment potential.

4.2.1 FDI examples

The IDA Ireland's 2014 Annual Report and Accounts present the following information:

Figure 6: How IDA Ireland indicators

Indicator	2014 Value
Total of Investments Approved	197
No. of Greenfield Projects	88
No. of Expansion Projects	80
No. of Research, Development & Innovation Projects	29
Investment in Research, Development & Innovation Projects	€469m
% of Investments Located Outside Dublin and Cork	37%
% of Jobs Approved Outside Dublin and Cork	45%
% Jobs Approved with Salaries in excess of €35,000	69%
Average Salary in New Investments	€47,736
Annual Corporate Tax Payments of IDA Client Companies	€2.8bn*
Total R&D inhouse Expenditure	€1.4bn*

Note: *Corporation Tax and R&D expenditure data refers to 2013

Source: IDA Ireland 2014 Annual Report and Accounts, page 6.

Examples of multi-nationals to which IDA Ireland has provided services and support to include Dell, Pfizer and GlaxoSmithKline (GSK).

IDA Ireland worked closely with Dell to ensure they had the facilities, resources and connections required for the business to grow. Dell Ireland is now a global hub for services, sales, operations, software, finance, and marketing, and employs 2,500 people in Ireland.

IDA Ireland have provided ongoing support to Pfizer, which has also benefited from Ireland's commitment to the highest pharmaceutical manufacturing standards and access to Ireland's Pharmaceutical professionals and the ongoing support IDA have provided.

GSK will invest €250m over five years in one of its production sites in Ireland. IDA Ireland will support the investment over the length of the period which is estimated to create 150 new high level positions. GSK have stated that Ireland's commitment in creating a global pharmaceutical R&D base was a major factor in GSK's decision to invest in Ireland.

4.3 Organisation structure

4.3.1 Size, scale and budget

The Agency depends on the Irish Government to provide the financial resources required for it to fulfil its mandate. As at 31 December 2014, IDA Ireland received income of approximately \$149m, \$89m of which was expended as grants and \$41m of which was used to fund promotion, administration and general expenses. IDA Ireland has a global team of over 250 people.¹⁸

4.3.2 Governance arrangements

IDA Ireland is a statutory agency set up under the *Industrial Development Acts 1986-2014*. The Agency operates under the auspices of the Department of Jobs, Enterprise and Innovation, and it is overseen by its Board, which is responsible for "setting the broad policies of the organisation and for overseeing its operation".¹⁹ There are also a number of committees of the Board which assist the Board to discharge its duties.²⁰

In its most recent Annual Report, it was noted that the Board has established internal controls to identify and evaluate business risks. Strategies endorsed to achieve this include conducting regular reviews of developments and strategies and conducting regular reviews of strategic plans, both long and short term.

IDA Ireland's Board is comprised of business executives from a cross-section of sectors including; technology, healthcare, and consumer products. It also has representation from IDA Ireland, and the Department of Jobs, Enterprise and Innovation.

4.4 Analysis

IDA Ireland takes an active and aggressive approach to attracting large multi-national companies to locate their European headquarters to Ireland. The Agency has both a regional and a sector focus, and in some instances, it directly approaches private companies to consider locating to Ireland. The Agency is service driven and also focuses on developing long-term partnerships (with companies).

¹⁸IDA Ireland, Annual Report and Accounts, 2014, page 19
<http://www.idaireland.com/how-we-help/global-teams/>.

¹⁹ IDA Ireland, Annual Report and Accounts, 2014, page 8.

²⁰ Committees of the Board include; Audit, Finance and Risk Committee, Investment Committee, Management Development and Remuneration Committee, Property Committee, National Institute for Bioprocessing Research and Training Committee (Annual report page 10).

Ireland has been an attractive destination for FDI. This is most likely due to a number of variables including; its proximity to the rest of Europe, low company tax rate of 12.5% and additional financial incentives offered by the Government. Also of note, Ireland is the only English speaking country that is part of the Euro Zone and uses the Euro as its currency, and it has a relatively cheap and skilled labour force.²¹

²¹ Case Study: Foreign Direct Investment and Ireland's Tiger Economy, <http://www.senseimichael.com/2011/12/03/case-study-foreign-direct-investment-and-irelands-tiger-economy/>.

5. Invest Toronto Inc., Canada

5.1 Approach to investment attraction

5.1.1 Overview

Invest Toronto is the “primary business, sales and marketing corporation for the City of Toronto” which connects potential investors and companies to “the global business opportunities found in Toronto”.²² Invest Toronto identifies and actively targets businesses that align with Toronto’s core capabilities. It offers services to assist businesses through all stages of the decision making process.

The Corporation markets Toronto as an appealing location for direct foreign investment by promoting the City’s cost advantages, workforce, geographical location, quality of life and business environment. It works directly with “foreign businesses that have an interest in expanding to a new market” and Invest Toronto “encourages them to consider Toronto as their point of access into North America”.²³

5.2 Investor services

Invest Toronto offers consultation services to potential investors and businesses on making global business investment decisions. Its services include:

- ▶ “Informing the international business community and corporate investment markets about the market potential and commercial opportunities available in Toronto
- ▶ Providing one-on-one consultations to help businesses locating in Toronto navigate the transition process
- ▶ Fostering effective business, institutional and government partnerships, and providing coordinated access to regional leadership and other influencers
- ▶ Facilitating interactions with sector experts and all three levels of government
- ▶ Providing guidance on site location and selection
- ▶ Facilitating business-to-business linkages
- ▶ Providing industry and economic benchmarking analysis
- ▶ Connecting clients to qualified professional service individuals”²⁴

At the request of City Council, the sole shareholder of Invest Toronto, the Auditor-General conducted an operational review of Invest Toronto in 2014.

The Auditor General found that Invest Toronto’s operations, services, and activities were efficient and effective. The Audit noted that the involvement of the CEO, CFO and Executive Vice President of Operations in all areas of Invest Toronto’s activities had contributed to its success.

However, the Audit did make a broad recommendation, that the City of Toronto clarify its long-term strategy for investment promotion activities, including a regional approach to economic development.

5.2.1 FDI examples

Since 2014, Invest Toronto’s investment services team has provided services on 1,067 foreign direct investment opportunities.

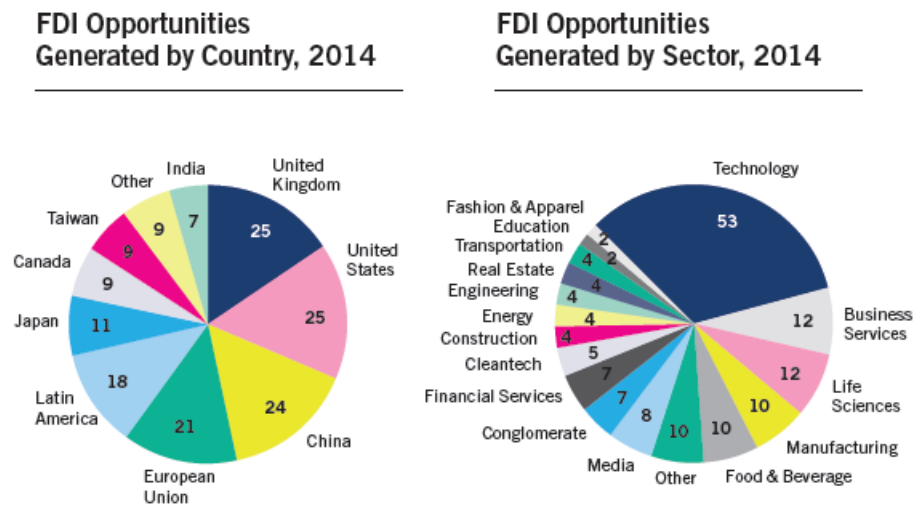
²² <http://www.investtoronto.ca/Invest-Toronto.aspx>

²³ Invest Toronto Annual Report 2014, page 6.

²⁴ <http://www.investtoronto.ca/Invest-Toronto.aspx>.

Of the 1,067, 158 occurred in 2014 with opportunities coming from 29 countries (half came from the United Kingdom and the United States). Opportunities (identified in 2014) were from a variety of business sectors, with the majority coming from the technology, life sciences/biotech, and business services industries. The figure below depicts the FDI opportunities in 2014 by country and by sector.²⁵

Figure 7: FDI opportunities by country and sector



Source: Invest Toronto 2014 Annual Report, page 7

The Corporation has achieved 93 investments since 2010 and 24 investments in 2014.

Selected examples of businesses Invest Toronto has provided services to include:

- ▶ The CEO of Monex Canada Inc. stated Invest Toronto was positively influential in Banco Monex's initial stages of setting up a Canadian Business, suggesting their knowledge of legal contacts, employment procurement and property location assisted them greatly
- ▶ Astek Group is a French consulting company which focuses on the engineering and IT services industries. Invest Toronto supported the Company when it was identifying an appropriate site by providing "information on corporate structuring, real estate and human resources". The investment services team also "arranged meetings with service providers including recruiters, real estate agents, lawyers, and contacts at the Ministry of Economic Development, Employment and Infrastructure, and the local French Chamber of Commerce"²⁶

5.3 Organisation structure

5.3.1 Size, scale and budget

Invest Toronto's total revenue for 2014 was approximately \$3m. Invest Toronto does not have a global presence but leverages the partnerships it has with the Government of Canada and its Embassies and Consulates, the Province of Ontario which operates 11 Marketing Centres providing in-market representation and on the ground connections.

²⁵ Invest Toronto Annual Report 2014.

²⁶ Invest Toronto 2014 Annual Report, page 30.

5.3.2 Governance arrangements

Invest Toronto was established under the *City of Toronto Act 2006* and it is incorporated as an Ontario Business Corporation.²⁷ Invest Toronto's sole shareholder is the City of Toronto.²⁸ Invest Toronto is governed by its Board, which comprises of 17 directors.

5.4 Analysis

Invest Toronto provides clear and transparent reporting of its financial status and achievements through its annual reports. It has a commercial focus and leverages its corporate and government relationships and networks to deliver its investor services in what appears to be an efficient and effective manner.

²⁷ <http://www.investtoronto.ca/Invest-Toronto/Corporate-Documents.aspx>.

²⁸ 2014 Annual Report page 3.

Task 2: Developing investment pipelines



1. Summary of findings

The purpose of this report is to document four regional centre investment pipelines. The report forms a deliverable for Task 2 of the Regional Investment Analysis.

The investment pipelines were developed by extracting material contained in the relevant regional blueprints (produced by the regional development commissions) and the relevant regional planning and infrastructure frameworks (produced by the Department of Planning). These documents have a long term perspective, sometimes out to 2050, and hence many of the investment opportunities contained in them are long term opportunities.

We also undertook targeted stakeholder consultation as a means to gather views on investment opportunities that exist in the regional centres. Stakeholder interviews were conducted with:

- ▶ Department of Planning
- ▶ Department of Regional Development (three separate interviews)
- ▶ Mid West Development Commission
- ▶ South West Development Commission
- ▶ Goldfields-Esperance Development Commission
- ▶ Kimberley Development Commission
- ▶ Tourism WA
- ▶ Department of Commerce
- ▶ Chamber of Commerce and Industry (two separate interviews)
- ▶ Chamber of Minerals and Energy.

Despite our efforts, we were unable to secure an interview with the Department of Treasury.

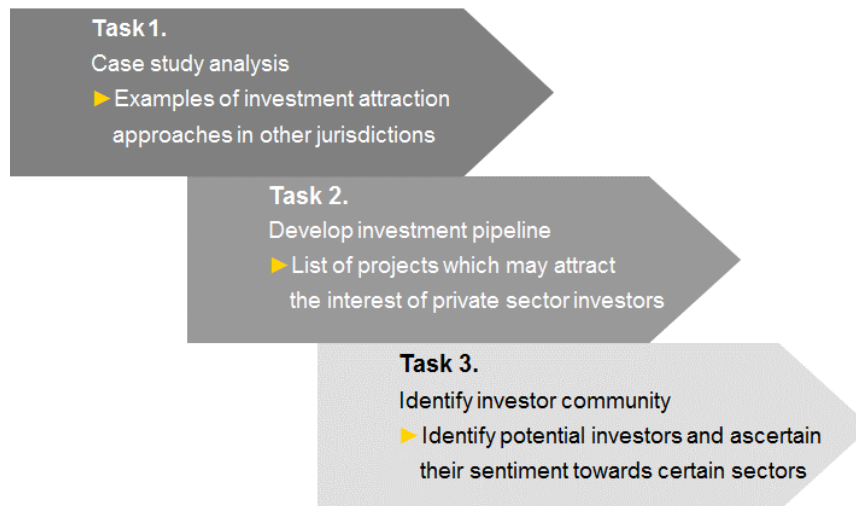
Our discussions with stakeholders found much interest in and support for the concept of investment attraction in the regions. However, a general finding has been that it has been difficult to identify highly specific investment opportunities. The documents reviewed and stakeholders interviewed tended to have informed views on generalised areas or sectors of opportunity rather than detailed investment plans for which funding is needed.

The pipelines contained in this report reflect the information obtained during the document review and stakeholder consultation. Our methodology, outlined below, has resulted in the identification of options that have the potential to result in: (i) private sector interest; (ii) tangible and investable outcomes rather than planning and preparation type projects; and (iii) broad alignment with advice we have received on prominent industry clusters relevant to each regional centre. It has not been a requirement of this work to evaluate the relative financial or economic viability, or to provide a prioritised profile of investment opportunities.

1.1 Task 2 Context and scope

This report marks the second deliverable of the Regional Investment Analysis project. Task 1 of the Regional Investment Analysis utilised case studies to provide an overview of selected national and international approaches to regional investment attraction. The objective of Task 2 has been to produce four investment pipelines or lists of projects identified in desktop reports or by stakeholders as being important for the regional centres, and for which have been assessed as offering some potential to attract interest from private investors. The investment pipelines identified in this report will form the basis for Task 3, which will seek to align the identified investment opportunities with potential investors and to provide insight into their processes for making investment decisions. The three step process is outlined in Figure 1.

Figure 8: IDA Ireland indicators



In preparing this report, the objective has been to identify a set of potential investor projects to inform Task 3 (the profiling of a potential investor community) rather than the development of a fully comprehensive and definitive set of investment pipelines.

1.2 Methodology

Reviews of the regional blueprints and the regional planning and infrastructure documents resulted in the development of four 'long lists' of potential investment opportunities.²⁹ We then used a series of criteria to identify potential opportunities that were deemed to be of most relevance to this project.³⁰ An investment opportunity was filtered out of the list if it did not meet one of the binary criteria.³¹ These criteria are:

- ▶ **Private sector interest and funding status (if applicable):** The ultimate objective of the Regional Investment Analysis is to align investment opportunities to potential private investors and for this reason we sought to identify opportunities for which there is likely to be private investor interest (or in other words, opportunities in which there could be scope for investors to earn some form of commercial return) rather than a pure government interest. We also took into account the funding status (if available) for the opportunities: at times, investment opportunities were identified for which funding status was publicised as being largely advanced. It was determined that the value of including fully funded or nearly fully funded opportunities in the Regional Investment Analyses

²⁹ For Broome, the long list contained 123 investment opportunities. For Bunbury, the long list contained 354 investment opportunities. For Geraldton, the long list contained 69 investment opportunities. For Kalgoorlie, the long list contained 92 investment opportunities.

³⁰ All investment opportunities, even those filtered out of the final investment pipeline have been retained for record.

³¹ Investment opportunities were not ranked or prioritised but rather were deemed to be relevant or not relevant (using the criteria) to this study. To be deemed relevant to this study, an opportunity had to satisfy all criteria.

was limited as the objective of the analysis is to identify opportunities for which private sector funding could be secured.

- ▶ **Investable outcomes:** For the regional blueprints in particular, investment opportunities often related to strategic or planning type projects rather than tangible outcomes that could likely attract private sector investment interest. The focus of this project is on investment opportunities for which there are tangible and investable outcomes and hence strategic or planning type opportunities were filtered from the long lists.
- ▶ **Alignment to clusters and consultation themes:** As per guidance from LandCorp, Pracsys analysis on regional clusters³² was used to determine whether investment opportunities were aligned with the traded clusters for each of the four regional centres. Consultation themes on the economic strengths of each of the regional centres that emerged through the stakeholder consultation were also used as a means to capture current thinking on the primary sectors within each regional centre. Opportunities that were best aligned with the Pracsys clusters and consultation themes were retained for final consideration.
- ▶ **Relevance to regional centres:** Many opportunities exhibited a connection or likely flow on impact to a regional centre and were thus retained but in some instances, the links between opportunities and a regional centre were considered to be limited and hence these opportunities were filtered out.³³
- ▶ **Uniqueness:** Duplicates were often encountered thus requiring a process by which all collected information was retained and amalgamated into a single opportunity.
- ▶ **Additional opportunities identified through consultation:** In addition to general themes pertaining to the regional centres, some stakeholders provided specific investment opportunities. These were added to the refined list and included in the final investment opportunity pipeline. The table below illustrates the application and results of our methodology.

Table 2: Application and results of criteria applied to identify investment pipelines.

Regional centre	Aggregated investment potentials	Private investor interest and funding status	Investable outcomes	Alignment to clusters and consultation themes	Relevance to regional centres	Uniqueness	Opportunities identified through consultation
Broome	123	29	28	17	8	8	9
Bunbury	354	97	95	39	12	9	11
Geraldton	69	16	13	12	12	9	11
Kalgoorlie	92	92	5	5	5	4	5

1.3 Findings

The above process resulted in the development of a pipeline for each regional centre. A summary overview of the pipelines is provided in the table on the following page. The blueprints are long-term strategic documents and hence contain opportunities that may not be feasible in the short term. For this reason, opportunities have been identified as shorter term opportunities (deemed to

³² Pracsys, 2016, *Regional Centres Clusters Analysis*, Phase 3, Draft Report; received by email on 13 April 2016.

³³ The prime criterion for the determination of relevance to a regional centre was the geographical location of the investment project and its proximity to the relevant regional centre. The evaluation was done with some element of judgement about possible linkages and impact between projects external to an immediate regional centre. For example, in the case of Bunbury, a local stakeholder advised that activity in Busselton tended to have strong linkages and impacts with Bunbury and hence a Busselton-specific project could be considered relevant for Bunbury. In other instances, similar judgements may have been made for investment projects that are not directly in a regional centre.

be possible within the next five years) or longer term opportunities (deemed to be possible in a period beyond five years from now).

Further detail on each of the opportunities is provided in the following chapters of this report.

Table 3: Resulting investment pipeline projects for each regional centre.

Regional centre	Investment pipeline
Broome	Shorter term (~0-5 years)
	Develop the new Broome Road industrial area.
	Redevelop Broome foreshore including; Chinatown in Broome's centre, marina areas, and reinstatement of the jetty at the town beach.
	Create an Aboriginal cultural centre.
Broome	Longer term (~5-20 years)
	Expand the Broome Port.
	Relocate and redevelop Broome International Airport.
	Support the development of a regional onshore and offshore gas facility.
	Improve the value proposition for utilising renewable energy options in regional business and domestic situations in the region.
	Develop a tropical agriculture research facility campus in the East Kimberley.
	Develop opportunities for value-adding in the beef industry.
Bunbury	Shorter term (~0-5 years)
	Construct a South West cattle sale yard facility.
	Revitalisation of Bunbury foreshore and Casaurina Harbour.
	Redevelop the Dolphin Discovery Centre.
	Build a regional performing arts academy complemented by a performing arts venue.
	Attract 5 star hotels to Bunbury.
Bunbury	Longer term (~5-20 years)
	Develop the Busselton - Margaret River Airport.
	Develop a high-value digital animation industry warehouse space.
	Expand the Bunbury Port.
	Redevelop the Busselton foreshore, including accommodation.
	Develop an Aboriginal arts hub and associated gallery in Bunbury.
	Redevelop Bunbury back beach.
Geraldton	Shorter term (~0-5 years)
	Geraldton Port upgrade.
	Improve Houtman Abrohlos Island tourist attractions.
	Develop a large scale aquaculture industry on the Abrohlos Islands.
	Redevelop the Batavia Coast marina and waterfront.
	Develop Lot 601.
Geraldton	Longer term (~5-20 years)
	Expand the Oakajee deep water Port.
	Upgrade Geraldton Airport.
	Construct new and existing rail networks to connect stranded mineral deposits.
	Construct a high speed rail between Geraldton and Perth.
	Develop a gas fired power station in the Mid West.
	Develop an integrated large scale renewable energy solution for the Mid West.
Kalgoorlie	Shorter term (~0-5 years)
	Redevelopment Hannan Street in Kalgoorlie town centre.
Kalgoorlie	Longer term (~5-20 years)
	Increase Aboriginal tourism enterprises.
	Develop a range of accommodation options.
	Establish a mining innovation hub.
	Develop Kalgoorlie-Boulder Airport.

2. Broome pipeline

2.1 Overview

Reviews of the Kimberley Regional Investment Blueprint and the Kimberley Regional Planning and Infrastructure Framework resulted in the identification of 123 investment opportunities. Filtering according to project funding status and likelihood for private sector interest reduced the number of investment opportunities down to 28. These were then considered in the context of alignment to regional cluster and relevance to Broome as the regional centre.

Important traded clusters for the Broome economy as identified by Pracsys include:

- ▶ Non-metal mining
- ▶ Fishing and fishing products
- ▶ Metal mining
- ▶ Hospitality and tourism
- ▶ Performing arts.

These clusters aligned with stakeholder themes on the significance and opportunities that are perceived to exist in fishing, tourism, culture and arts, and shipping services. The expansion of Broome Port facilities to better cater for cruise ships and generally improve the tourist experience of Broome as a tourist destination was a commonly encountered theme during the stakeholder consultation phase of the project. Opportunities for improved cultural centres were also commonly encountered and tie in with the Broome tourism theme.

2.2 Shorter term opportunities

Broome Road industrial area

The industrial area is currently being developed by LandCorp and requires commercial investment by industrial businesses. There is an identified opportunity to relocate businesses currently located near the Broome Port to the new industrial area as their current location causes congestion in the Port area and acts as a constraint on the growth of the Port.

Construction of Stage 1 is now complete. The Broome Road industrial area is 412 hectares and is designed to service Broome and the West Kimberley. Stage 1 lots can be tailored to suit individual requirements but are primarily designed for transport, logistics, construction and equipment hire businesses.

Broome foreshore redevelopment

The Broome foreshore redevelopment is proposed to include Chinatown in Broome's centre, marina areas, and reinstatement of the jetty at the town beach.

A Chinatown Revitalisation Business Case is being delivered in partnership with the Kimberley Development Commission and LandCorp and received Council Endorsement in April 2015. The business case underwent State Cabinet approval for \$10 million of funding with the Shire preparing to consider of a further \$2 Million. There are multiple sub-projects within the larger Chinatown project. Kimberley Development Commission has identified some potential investors for latter sub-projects such as the creation of night markets and additional tourist facilities in the hospitality sector.

A group of Broome Business people have formed the Broome Marina Working Group to encourage the people of Broome and the WA Government to promote proposals for a Broome Marina. Two separate proposals have been created for a Broome Marina, and both include residential property

and commercial property. Current boating facilities are limiting both passenger boats mooring in Broome and marine business activities.

Aboriginal cultural centre

Opportunities to increase Aboriginal cultural experiences are identified in the documents reviewed. Providers need to leverage the existing tourism brand and infrastructure within Broome. A co-location option is being considered whereby a new cultural centre would be co-located with the existing Visitors Centre. A new cultural centre would enhance the capacity of the town to host cultural events. The provision of additional 'on country' accommodation is also being considered and could be of interest to private investors.

2.3 Longer term opportunities

Expand Broome Port

The Broome Wharf upgrade received \$24.15 million in mid-2015 from the WA Government. The port supports live exports, oil and gas exploration, pearling, fishing charter boats and cruise liners. Further expansion of the Port has been identified as a means to encourage a higher volume of tourists. Additional investment to capitalise on this influx surrounding the Port and in the town centre will add to the Broome holiday brand. The scope for investment into surrounding areas of the Port to capitalise on an expansion such as tourist facilities, and export and import facilities is also being considered. Such facilities could be of interest to private investors.

International airport redevelopment and eventual relocation

As per the Broome International Airport Master Plan, Stage One will include the extension of a runway, a full length taxiway, terminals, full storage, roads, carparks and ground transport facilities. Stage two will follow on as an 'as required' basis and could include terminal extensions and runway extensions.

Longer term, Broome International Airport Holdings proposes to construct and operate a new international airport at a site approximately 12 kilometres North-East of Broome town site.

Each of the above investment opportunities provides the potential for private returns and hence may be of interest to private investors.

Regional onshore and offshore gas facility

The development of a regional onshore and offshore gas facility has been proposed as a means to promote the establishment of regional processing facilities for natural gas as a means to retain regional benefits for development.

Renewable energy options

A stated goal in the Kimberley Regional Development Blueprint is to facilitate the development of commercially viable regional renewable energy pilot projects. Pilot projects may be undertaken in conjunction with private investors looking to test the commerciality of new technologies.

Tropical agricultural research facility

A Tropical Agriculture Research Facility Campus in the East Kimberley has been proposed as a means to develop and export the region's agriculture and food knowledge and expertise. There is precedent of similar facilities that demonstrate the scope for private sector engagement in agricultural innovation and research centres. For example, the Arla Strategic Innovation Centre in Denmark is underwritten by Arla Foods.³⁴

Value-add beef industry for domestic and export markets

Focus has been placed on value-adding opportunities for the beef industry within Broome. There is a desire to establish core operations in processing, intensive fattening and the farming of breeder stock for export markets. Upgraded port and airport facilities would greatly assist as would direct investment in the industry.

³⁴ <http://www.arla.com/company/news-and-press/2013/pressrelease/arla-to-invest-270-million-dkk-in-global-innovation-centre-914750/>, accessed 4 July 2016.

3. Bunbury pipeline

3.1 Overview

Reviews of the South West Regional Investment Blueprint and the South West Regional Planning and Infrastructure Framework resulted in the identification of 354 investment opportunities. Filtering according to project funding status and likelihood for private sector interest reduced the number of investment opportunities down to 95. These were then considered in the context of alignment to regional cluster and relevance to Bunbury as the regional centre.

Important traded clusters for the Bunbury economy as identified by Pracsys include:

- ▶ Forestry
- ▶ Electric power generation and transmission
- ▶ Upstream metal manufacturing
- ▶ Wood products
- ▶ Agricultural inputs and services
- ▶ Livestock processing
- ▶ Coal mining
- ▶ Construction products and services
- ▶ Food processing and manufacturing
- ▶ Business services
- ▶ Hospitality and tourism.

The majority of investment opportunities for Bunbury aligned with the clusters of livestock processing and tourism. The redevelopment of the Busselton and Bunbury foreshores was a commonly encountered theme during the stakeholder consultation phase of the project. The Busselton - Margaret River Airport and Bunbury Port expansion were also frequently referred to by stakeholders.

3.2 Shorter term opportunities

Beef sale yard

There is a stated need to work with industry to create an ability to deliver, year round, on beef production at levels required by overseas markets. The identification and construction a new South West sale yard facility is identified as being key to achieving this year round production.

It is considered that the implementation of this facility will address supply chain bottlenecks for the export of beef products and increase the capacity of the South West market.

Revitalisation of Bunbury foreshore and Casuarina harbour

The first three stages of the re-development have already been funded by Government (or an indication to fund has been made). However, the development of surrounding infrastructure such as hotels, cafes, and other facilities will not be Government funded.

Major developments include a waterfront destination, retail and commercial outlets, residential accommodation, and a marine precinct to accommodate local boating. It is expected the retail and marine ventures will create further employment opportunities.

Redevelopment of the Dolphin Discovery Centre

A redevelopment plan was created in 2009. Stage one of this plan was supported by the Royalties for Regions program. A master plan for stage two is being completed and includes conference rooms, an education centre, a café / restaurant, improved amenities and visitor facilities. Once planning is complete, the City of Bunbury will seek Government support and private investment to complete the project.

Performing arts academy and venue

The construction of a regional performing arts academy and a performing arts venue could attract private investor interest and would add to cultural tourism opportunities for Bunbury and support the creative industries sector. This aligns with the aim to promote awareness of the value of the creative sector within Bunbury and the contribution this industry can make to employment and growth in the regional centre.

5-star hotel in Busselton

The Government has plans for a 5-star hotel to be developed as part of the Busselton foreshore redevelopment. This will add to the desire of improving the quality of iconic attractions within Busselton to support domestic and international visitation.

3.3 Longer term opportunities

Busselton - Margaret River Airport

Government funding has been provided to upgrade the Airport as a means to enhance its capability to serve the domestic market. There are however two opportunities outstanding. These relate to a desire to upgrade the Airport further so as to enable international capacity; and the need for the provision of additional facilities in logistics, transport and warehousing within the Airport precinct. Private investment could be considered for both opportunities.

Animation industry warehouse in Bunbury

There is a desire to exploit the opportunity of high-value digital animation, media, publishing, film, art and music in the South West. This can be achieved by building an industry warehouse space for use by film and digital media for use by film production and animation crews.

As an example of potential private investor interest, in 2013, the Vue Group secured a multimillion dollar contract with a China-based design studio. This was thought to have provided an estimated \$15 million boost to the local economy. The Vue Group worked with the Shanghai Hippo Animation Design company to produce the animations.

Bunbury Port expansion

The Bunbury Port will potentially be expanded subject to trade requirements. Expansion may include: the development of existing berths within Port Basin; the extension of the inner harbour basin inland to allow for additional berths; the realignment to the existing road and rail systems; and deepening of the Inner Harbour Basin to accommodate "Cape Size" vessels. Enhanced port capacity for cruise ships is also being contemplated.

Busselton foreshore redevelopment

The Busselton Foreshore will be redeveloped to increase the number of high quality international events in the region and improve the quality of visitor experiences.

A significant portion of the Busselton foreshore has already been completed. Key components of the final stage of development will include public amenities, family attractions, restaurants, and areas to host regional events and community festivals. Commercial leases for short stay

accommodation opportunities and new private investment are to be attracted as part of the development.

Aboriginal arts hub

The development of an Aboriginal arts hub and associated gallery in Bunbury has been proposed as a means to increase cultural tourism and promote a unique South West Aboriginal art industry. There may be scope for Government to co-invest with private proponents in the construction and operation of such a facility.

Redevelopment of Bunbury back beach

The purpose of this tourism plan is to incorporate residential, short stay and non-residential accommodation into a tourism orientated precinct with tourist based activities. The tourism precinct will be located less than a kilometre away from the city centre and is linked with many pedestrian access routes and roads. Additional investment will be required by hoteliers, restaurants, small tourist attraction business and short stay accommodation.

4. Geraldton pipeline

4.1 Overview

Reviews of the Mid West Regional Investment Blueprint and the Mid West Regional Planning and Infrastructure Framework resulted in the identification of 69 investment opportunities. Filtering according to project funding status and likelihood for private sector interest reduced the number of investment opportunities down to 16. These were then considered in the context of alignment to regional cluster and relevance to Geraldton as the regional centre.

Important traded clusters for the Geraldton economy as identified by Pracsys include:

- ▶ Metal mining
- ▶ Fishing and fishing products
- ▶ Non-metal mining
- ▶ Agricultural inputs and services
- ▶ Downstream metal products.

These clusters predominately aligned with stakeholder themes on the importance of perceived opportunities existing in tourism, aquaculture and, transport and shipping services. Redevelopment of the Batavia Coast and Lot 601 (a large plot of land in central Geraldton) to improve tourist visitation was a commonly encountered theme during the stakeholder consultation phase of the project. Scope for an expansion of Geraldton Port facilities to better cater for cruise ships and increase Geraldton's ability to service the Mid West was also frequently commented on by stakeholders.

4.2 Shorter term opportunities

Geraldton Port upgrade

The Geraldton Port is said to be approaching capacity. Upgrades to power, road and rail access is required to enable a higher capacity. The current lack of container facilities also results in additional transportation costs for those businesses having to use Fremantle Port to import and export product.

Houtman Abrohlos Island tourist attractions

Investment in tourist attractions on the Houtman Abrohlos Islands could grow the visitor market and build the Geraldton tourist brand. There is a strong desire to ensure tourism and recreation infrastructure is constructed in a manner that maintains the ecological and cultural heritage values of the area.

Large scale aquaculture industry

There is an investment opportunity for a large scale aquaculture industry on the Abrohlos Islands. Geraldton has been identified as optimal economic location for finfish aquaculture due to the existing infrastructure and proximity to Perth. Studies in aquaculture have been conducted adjacent to the Port of Geraldton for several years with the objective of gathering data and identifying optimal production methods.

Redevelopment of Batavia Coast Marina (Stage 2)

Stage 1 of the redevelopment of the Batavia Coast Marina is complete. Stage 1 has created waterfront promenades and boardwalks, linking the waterfront with the city. The stage also comprises residential and commercial lots.

Stage two will include a mix of residential, commercial, retail and tourism developments. The development involves the City of Greater Geraldton, the Midwest Development Commission and LandCorp. Private investment will be needed.

Development of Lot 601

Lot 601 is considered part of the Batavia Coast Marina stage two. Lot 601 is part of the CBD shopping precinct, with main street frontage onto the main shopping street with uninterrupted views of Champion Bay and the recently redeveloped foreshore.

Private investment will be needed to provide residential, tourism and retail services and infrastructure in the precinct. LandCorp in conjunction with the City of Greater Geraldton and the Mid West Development Commission is currently overseeing an Expression of Interest process.

4.3 Longer term opportunities

Oakajee deep water port project

Even with an expansion, Geraldton Port will encounter limitations in its ability to service large ships and to manage throughput. There is limited scope to locate an industrial estate near Geraldton Port due to its proximity to the town centre. Additional and ongoing investment is still sought primarily for the purposes of constructing an Oakajee industrial estate in the first instance, with the longer term need for an Oakajee port still a possibility.

Geraldton Airport upgrades

Identified upgrades that are required for the Geraldton Airport include extension of the existing runway or construction of a full length parallel runway with associated taxiways, aprons and terminal aircraft handling capabilities to accommodate jet services. The establishment of instrument landing system capabilities is also noted as something that could be of benefit to the Airport and the region. The Airport is currently owned by the City of Greater Geraldton. Private or other Government funds are likely to be needed to fund the desired upgrades.

Construct new rail network

The Mid West Development Commission has identified a number of 'stranded' mineral deposits in the region that are not connected to rail infrastructure. New rail networks to link these mineral deposits to export infrastructure is seen as critical to improving the efficiency of mineral transportation in the region. Similar rail lines in the Pilbara are privately owned and operated.

Passenger rail between Perth and Geraldton

A rail network between Geraldton and Perth would improve accessibility as Geraldton does not currently have a rail passenger service. This would provide an alternative to driving or flying for tourists and residents. The Blueprint states that a service would not currently be viable but that it may become viable if there is a significant increase in the region's population and tourists.

Develop a gas fired power station

The development of a gas fired power station in the Mid West would improve the reliability and capacity of energy supply in the region.

Renewable energy solution

The development of an integrated large scale renewable energy solution for the Mid West is identified as providing scope to reduce the reliance on carbon intensive power plants. There are numerous examples of private proponents who have constructed and operated renewable energy plants in Australia.

5. Kalgoorlie pipeline

5.1 Overview

Reviews of the Goldfields-Esperance Regional Investment Blueprint and the Goldfields-Esperance Regional Planning and Infrastructure Framework resulted in the identification of 92 investment opportunities. Filtering according to project funding status and likelihood for private sector interest reduced the number of investment opportunities down to 5.

Important traded clusters for the Kalgoorlie economy as identified by Pracsys include:

- ▶ Metal mining
- ▶ Non-metal mining
- ▶ Downstream metal products
- ▶ Agricultural inputs and services
- ▶ Construction products.

These clusters align with stakeholder themes on the significance and opportunities that are perceived to exist in mining and metals. In addition to the above themes, there is also a significant desire to develop the tourist experience in Kalgoorlie. Opportunities for improved cultural tourism, accommodation and town centre redevelopment were frequently mentioned by stakeholders.

5.2 Shorter term opportunities

Hannan Street redevelopment

The redevelopment of Hannan Street will include the expansion of St Barbara Square and beautification of the town centre. A small pool of Royalties for Regions funding has been dedicated to the project. Additional private investment is being sought from local retail and services businesses.

5.3 Longer term opportunities

Aboriginal tourism enterprises

There is a desire to increase the number of Aboriginal tourist enterprises as a means to attract visitors seeking traditional cultural experiences. There is an ability to leverage Aboriginal tourism that is promoted overseas as well as the unique Aboriginal cultural experiences supporting this industry to improve the number of Aboriginal enterprises in Kalgoorlie.

Develop accommodation options

It is argued that a range of accommodation facilities should be provided to cater for different demographics and to stimulate migration and tourist visitation to the region. Investment from local, national and global partners in the past has led to the development of various accommodation types supporting the growth of the tourist market. This is hoped to continue to further develop Kalgoorlie's tourist profile.

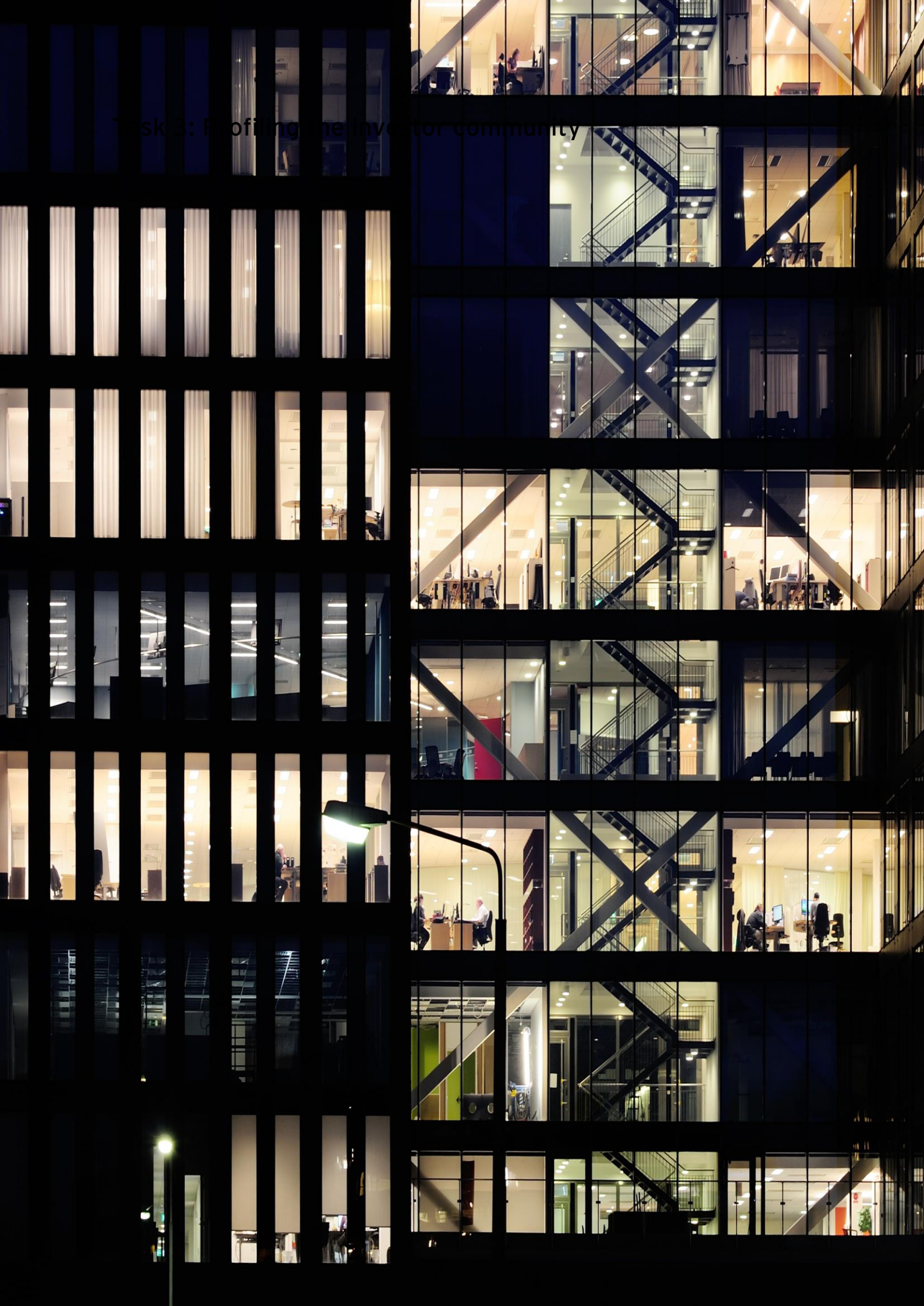
Mining innovation hub

Establishing a mining innovation hub to harness the comparative advantage of Kalgoorlie and the wider region could increase downstream processing of current mining and expand Kalgoorlie's ability to process extracted commodities. Investment by private investors (mining companies) could help underpin an innovation hub.

Kalgoorlie-Boulder Airport

A commonly encountered view is that the development of the Kalgoorlie-Boulder Airport will increase the number of business and tourist travellers in Kalgoorlie and provide for associated spin-off benefits. It is argued there is a need for the regional airport to ensure high quality landing and terminal facilities to support increased visitation. Private investors may be interested in particular elements of an upgrade, such as terminal facilities.

Task 3: Profiling the investor community



1. Summary of findings

In accordance with our engagement agreement dated 15 February 2016, EY presented (as per Task 2) potential 'investment pipelines' for the four regional centres; being Broome, Bunbury, Geraldton and Kalgoorlie that make up the Regional Centres Growth Program (refer report 'Regional Investment Analysis - Task 2', 27 May 2016). Using information from regional development documents as well as stakeholder consultations, Task 2 identified 36 short and long-term investment pipeline projects within these regions.

Further to the above report, Task 3 of our scope of work entails the development of a targeted profile of investor communities that are active in the identified industry sectors of the opportunities generated in Task 2. An analysis of the opportunities identified in Task 2 suggests there are 4 key industry sectors being:

- ▶ Agribusiness;
- ▶ Infrastructure;
- ▶ Mining; and
- ▶ Property.

Active investors within these four industry sectors were identified and have been summarised in [Appendix B](#), noting this is not an exhaustive list of the investor universe.

For a select number of these investors we have utilised previously gathered EY information along with market soundings to generate an insight into investment activity, appetite, funding parameters and evaluation criteria and processes [Appendix A](#). In conducting this process, a total of 11 investors were contacted and analysed, representing six types of investors groups, as summarised below.

Investor	Source of capital	Description
Banks	Deposits, debt capital markets	Financial institutions licensed to receive deposits and make loans (or Authorised Deposit-taking Institutions)
Debt funds	Private investors, family offices, super funds	An investment pool in which core holdings are fixed income or floating-rate debt investments such as short-term or long-term bonds, securitized products, money market instruments or floating rate debt, and are managed by specialist fund managers, who make investment decisions on behalf of investors.
Property funds	Private investors, family offices, super funds	A debt or equity fund specialising in property investment, incorporating existing tenanted sites and new developments
Mining funds	Private investors, super funds	A debt or equity fund specialising in mining and mining services investments
Super funds	Superannuation	A fund that invests workers' superannuation, typically across a range of asset classes including cash, domestic and international shares (equity), property, and debt amongst others
Private equity	High net worth individuals, super funds, wealth funds, angel investors, private equity	Consists of investors and funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity

Investors were selected so that a wide range of appetite, industry specialisation (across Agribusiness, Infrastructure, Mining and Property) and operation size (i.e. ability to invest large and small amounts) were represented in order to provide a clear picture of investment appetite.

Preference was given to those investors to which EY is aware are active investors with a demonstrated transaction history and which would most likely have an interest in the opportunities identified in Task 2.

This process resulted in the following key findings:

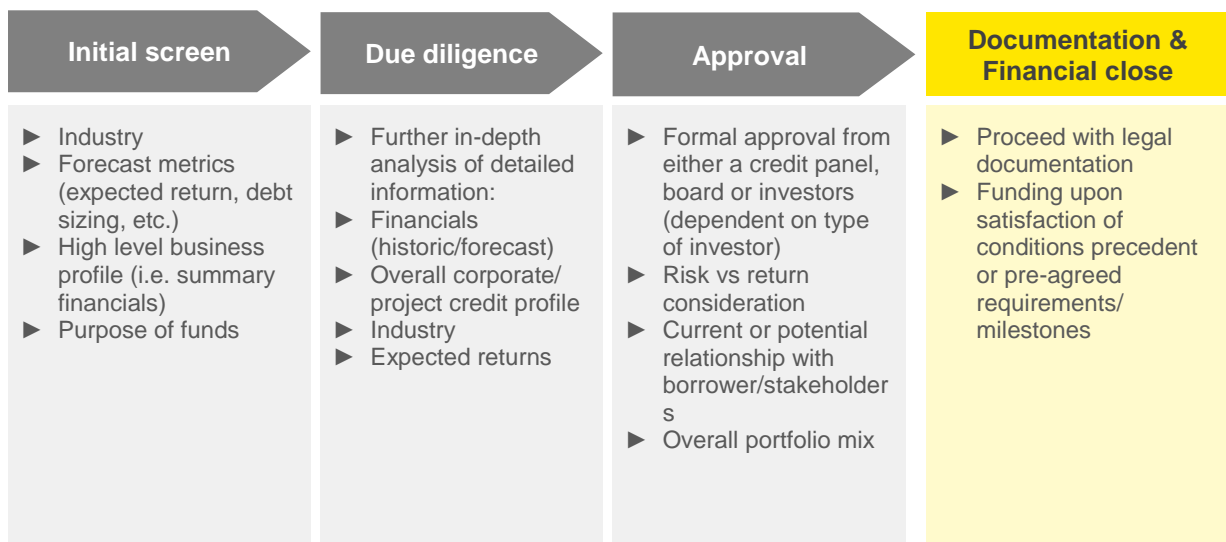
- ▶ Across all six investor groups, there was a consistent and common message with regards to investment in Western Australia, namely:
 - ▶ overall appetite for transactions is strong, with ample liquidity available in the market for investments that are suitably structured and provide appropriate returns for the risks involved;
 - ▶ there was no preference for or against investing in Western Australia (with the exception of mining services and the Pilbara region for property-specific investors), with transactions considered on a deal-by-deal basis (see next page for overview of investment process) rather than location/geographic basis; and
 - ▶ the most important factors that are considered by investors initially are industry sector (and sub-sector), credit profile of the operator/business and key debt sizing metrics.

Appetite across the four identified industry sectors varied widely between investor groups:

- ▶ The sectors with the most appetite from investors was infrastructure, agribusiness and property (excluding high-rise CBD residential development), while the least appetite was toward mining and mining services related operations.

<u>General appetite</u>	Banks	Debt funds	Property funds	Mining funds	Super funds	Private Equity
Agribusiness	Moderate	Moderate / High	Low	Low	High	Moderate
Infrastructure	High	Moderate / High	Low	Low	High	Moderate
Mining	Low	Low	Low	High	Low	Moderate
Property/ tourism	Moderate	Moderate / High	High	Low	High	Moderate

Investors' information requirements and decision-making process are reasonably similar across all six groups, with an initial review of the business/project and high level terms required to assess the appropriateness of the investment proposition (relative to the investor's mandate) before committing further time and resources to a more exhaustive due diligence process.



Timing for the above process varies across investors, with private equity and infrastructure funds typically taking longer due to more rigorous due diligence by virtue of the form of investment they make (equity) and/or increased complexity of the transaction, both of which require more in depth analysis to gain all required internal approvals for investment:

- ▶ banks and debt funds can take as little as 6 weeks; and
- ▶ private equity and Super funds can take 6 months or longer depending on the investment complexity.

While there is demonstrated appetite from the investor community for opportunities such as those identified in Task 2 of this engagement, there is currently not enough information regarding their likely commercial potential, ownership and capital structure to allow potential investors to assess the risks and rewards of investing.

Next steps are suggested to identify those opportunities from Task 2 with the highest likelihood of progression and agree the level of Government support that may be available for each opportunity, and develop high level information packs to provide to potential investors for their initial screen. For each sector, the following features are likely to attract investors:

Industry sector	Suggested features
Agribusiness	Large-scale operations with considerable assets (land and/or livestock), earnings stability, solid history of local and/or offshore demand
Infrastructure	Fixed price turnkey contracts and experienced high quality stakeholders for any construction requirements. Long-term contracted revenues from high quality counterparties and/or Public Private Partnerships (“PPPs”) with little/no patronage risk or alternatively Government supported
Mining	Strong offtake agreement with high credit quality counterparties, large scale and/or low cost producer
Property	Existing sites - high quality tenants with long-term committed leases and appropriate yields Development sites - significant pre-sales (in many case 100% cover for debt investors) and A-grade developer with strong experience and balance sheet

In the event any/all of the identified investment opportunities are pursued:

- ▶ each potential investment will require an appropriate development plan, capital structure and investment features (as noted above) in order to attract suitable investors;
- ▶ initial feasibility studies are required to provide high level commercial information to potential investors for initial assessment; and
- ▶ a bespoke financing process will likely be required for each opportunity, with specific investors targeted dependent on each project's key metrics and industry of operations.

2. Detailed findings

2.1 Banks

Senior debt investors with wide-ranging mandate across industries, seeking low-risk / low-return investments:

Major players	ANZ, CBA, NAB, Westpac, HSBC, Rabobank, BankWest, St George, Bank of Queensland, BankSA, numerous offshore banks		
Form of capital investment	Senior ranking debt (on secured or unsecured basis dependent on credit profile)		
Amounts	\$10-150m		
Required returns (p.a.)	3.0-6.0% on drawn amounts plus upfront / establishment fee		
General terms	<ul style="list-style-type: none"> • Predominantly investment grade borrowers • Typically 1 – 5 years, but can go longer for high investment grade infrastructure transactions • Financial covenants dependent on type of lend, but typically either (i) Debt/EBITDA and Interest Cover, or (ii) Loan-to-value Ratio and Interest Cover 		
Process for evaluating opportunities	<ul style="list-style-type: none"> • Typically require 3-4 years of historical financial statements, corporate strategy, forecast/budgeted financials for current/next year, organisational structure, management team overview, customer profile (e.g. top clients, contracts, offtake agreements, target demographic), suppliers (if applicable), visit to head office (or site tour) and in some cases financial model • Funding can take at least 8 weeks (credit approval process of ~4 weeks, plus another 4 weeks for legal documentation) 		
Appetite	Agribusiness	Moderate	Good appetite but specific to large-scale businesses with stable earnings history, strong market position, and can provide assets as security
	Infrastructure	High	Strong appetite for investment grade transactions, and will invest in PPP's so long as there is either no volume risk and/or Government supported cash-flows
	Mining	Low	Good appetite for select gold operators and mega-size operators (e.g. BHP), but otherwise very limited for all other mining and mining services borrowers due to ongoing pressure on margins/profitability from recent easing in global prices
	Property	Moderate	Require 1st-ranking mortgage, with select appetite across residential and commercial property, and limited appetite for inner city centre residential apartment developments due to over-supply, noting requirement for 100% pre-sales cover and restriction on the number of foreign buyers for new developments.
Relevance for Government	Consider for PPP or investment grade transactions requiring senior debt, particularly if supported by a Government entity, due to ability to provide low pricing, high volume and flexible debt packages		
Recent example	In early 2016, CBA committed \$130m of senior debt to Aged Care provider The Bethanie Group to assist with the development of multiple new property development sites throughout the greater Perth region		

2.2 Debt funds

Senior and junior debt investors with wide-ranging mandate across industries, seeking slightly higher risk / return investments than banks in exchange for longer tenor and/or more flexible terms and debt sizing metrics:

Major players		Challenger, MetricsCredit, AssetInsure	
Form of capital investment		Senior and junior ranking debt	
Amounts		\$5-75m	
Required returns (p.a.)		4.0-7.0% senior debt, 8.0-15.0% junior debt	
General terms		<ul style="list-style-type: none"> Investment and sub-investment grade borrowers Tenors up to 7 years Financial covenants similar to those of banks, however can push thresholds further in terms of overall debt capacity 	
Process for evaluating opportunities		<ul style="list-style-type: none"> Typically require 3-4 years of historical financial statements, corporate strategy, forecast/budgeted financials for current/next year, organisational structure, management team overview, customer profile (e.g. top clients, contracts, offtake agreements, target demographic), suppliers, meeting with management on visit to head office (or site tour) and in some cases financial model Funding can take 6 weeks (credit approval process of ~2-3 weeks, plus another 4 weeks for legal documentation) 	
Appetite	Agribusiness	Moderate / High	Select appetite for asset-rich businesses or high probability growth
	Infrastructure	Moderate / High	Select appetite where pricing hurdles are met, with similar general requirements as banks
	Mining	Low	Limited appetite for mining and mining services borrowers due to easing global demand for commodities, volatile pricing and inconsistency in earnings, but will consider strong asset-backed and/or high growth businesses with confirmed high quality offtake/contracts
	Property	Moderate / High	Require 1st or 2nd ranking mortgage with select appetite across residential and commercial property, particularly for CBD residential apartment developments where top-tier developer and 100% pre-sales are required
Relevance for Government		Consider for transactions where banks are unwilling to lend or bank debt capacity is limited	

2.3 Property funds

Funds with a specific mandate for property and real estate opportunities, where investments fall into two broad categories being (i) existing sites with tenants, and (ii) new developments:

Major players	ISPT, Qualitas, MaxCap, Fortress, Alceon,		
Form of capital investment	Senior and junior ranking debt, preferential equity		
Amounts	\$5-150m		
Required returns (p.a.)	5.0-7.0% senior debt, 10.0-15.0% junior debt, >18.0% preferential equity		
General terms	<ul style="list-style-type: none"> • Will consider developments and existing sites across residential, commercial, retail, office, industrial • Tenors can be up to 7-10 years • Financial covenants based on either Loan-to-value or Loan-to-cost ratio (<60% senior, <75% junior) and interest cover ratio (>2-3x) 		
Process for evaluating opportunities	<ul style="list-style-type: none"> • Key information for existing sites includes property valuation, tenant information and historical financials, with additional requirements for developments including building contract, approvals, development program, budgeted cash flows and quantity surveyor report • Funding can take as little as 6 weeks (credit approval process of ~2-3 weeks, plus another 4 weeks for legal documentation) 		
Appetite	Agribusiness	Low	No appetite
	Infrastructure	Low	No appetite
	Mining	Low	No appetite
	Property	High	Prefer 1st or 2nd ranking mortgage for senior/junior debt respectively, or General Security Agreement for mezzanine debt/preferential equity. Strong appetite for non-CBD residential development with substantial pre-sales (~100% cover) and commercial/office property with contracted tenants at appropriate yields. Select appetite for CBD residential development due to concerns of over-supply, in many cases requiring >100% pre-sales cover and A-grade developer with strong balance sheet
Relevance for Government	Consider for property related transactions where debt capacity (or general terms such as tenor) are limited from banks		
Recent examples	<ul style="list-style-type: none"> • Alceon provided preferred equity finance for the Marq residential development project located in West Leederville, WA with an estimated end value of \$38 million, and was also an equity investor in the Sellenger residential development project, located in Perth, WA with an estimated end value in excess of \$24 million • ISPT purchased a 75% interest in Brighton Village, Butler, Western Australia, with the remaining 25% interest purchased by Coles Group 		

2.4 Mining funds

Investors with specific mandate for mining and commodity operations, includes both existing sites and new Greenfield developments:

Major players	Taurus, Red Kite, RMB Resources, IMC Resources, Lion Selection Group, Pacific Road, Wingate		
Form of capital investment	Senior and junior debt, preferential equity, equity		
Amounts	\$5-200m		
Required returns (p.a.)	15-20% junior/mezzanine debt, >25% equity		
General terms	<ul style="list-style-type: none"> • Specific to each investment opportunity, particularly if new development or single-site • Common debt-sizing metrics for developments (greenfield and brownfield) and single-site (or small scale) operations include Debt Service Cover and Loan Life Cover Ratios (threshold dependent on credit quality), appropriate reserve tail and gearing ratio (debt/assets) • Larger operators with diversified existing assets only require Debt/EBITDA and one of Interest Cover or Debt Service Cover ratios • Equity investments will likely require board representation and some influence over development proceedings 		
Process for evaluating opportunities	<ul style="list-style-type: none"> • Key information for existing sites includes location and logistics, offtake/contract agreements, mine life, cash flow modelling, required approvals/development program and industry sub-sector analysis (i.e. commodity) • Funding can vary depending on the investment opportunity but can take as little as 12 weeks for senior debt and as long as 6 months for equity 		
Appetite	Agribusiness	Low	No appetite
	Infrastructure	Low	No appetite
	Mining	High	Strong appetite for existing sites with solid offtake agreements and low operating costs, while developments (greenfield and brownfield) further require lump sum fixed price turnkey agreements, applicable permits/contracts, feasibility studies, financial modelling and extensive due diligence on project build/contracts, market pricing, projected financials and industry dynamics. Limited appetite for junior miners currently.
	Property	Low	No appetite
Relevance for Government	Consider for equity investments in mining specific opportunities		
Recent example	In April 2016, a consortium led by Taurus Fund Management, the Australia-based fund manager, agreed to acquire a 70% stake in Foxleigh Mining Pty Ltd, the Australia-based company mining coal in Foxleigh Coal Mine, from Anglo American PLC		

2.5 Super funds

Predominantly seek long-term, high quality investments to match the long-life superannuation assets of its investors:

Major players		IFM, AusSuper, IndustrySuper, HESTA, REST, Pricoa, UniSuper, Hastings	
Form of capital investment		Senior ranking debt, equity	
Amounts		\$25-150m	
Required returns (p.a.)		4-5% senior debt, 20% for equity	
General terms		<ul style="list-style-type: none"> • Predominantly strong investment grade appetite • Tenors of 7-25 years • Infrastructure investments require solid offtake and secure revenue sources • Agribusinesses require suitable scale • Large equity investments may require board representation 	
Process for evaluating opportunities		Existing assets require solid financial (and patronage) history, while new projects further require appropriate lump sum fixed price turn key agreements, feasibility studies, financial modelling and extensive due diligence on project build/contracts, projected patronage numbers, forecast financials and industry dynamics	
Appetite	Agribusiness	High	Select appetite for sale & leaseback transactions, along with large businesses with strong assets and stable earnings
	Infrastructure	High	Strong appetite for investment grade transactions with long-life assets.
	Mining	Low	Little or no appetite for mining or mining services related transactions
	Property	High	Select appetite focused on existing A and B grade commercial/office sites with contracted tenants at appropriate yields, noting many will not consider residential development
Relevance for Government		Consider for long-term infrastructure projects where these investors have the ability to provide equity and/or long-term debt options, and equity investment for select agribusiness / property transactions	
Recent examples		<ul style="list-style-type: none"> • A consortium led by Hastings Funds Management won an auction to lease (for 99 years) electricity distribution company TransGrid from the Government of New South Wales for \$10.25bn • Port of Melbourne - Three consortia of Australian and international funds have submitted bids for a 50-year lease of the Port of Melbourne, Australia's biggest shipping container terminal. The state government of Victoria aims to raise at least A\$5.3bn before the end of 2016. Macquarie Infrastructure and Real Assets fund has teamed up with IFM Investors and Dutch pension fund APG in one of the bidding groups. Another joint bid was submitted by Australian fund QIC and Canada's Borealis Infrastructure Trust. A third consortium consists of Hastings Funds Management with Kuwait's Wren House 	

2.6 Private equity

Unless given a mandate for only a specific industry, will opportunistically consider all investments on a deal-by-deal basis with high returns the principal requirement:

Major players	Quadrant, PEP, Anchorage, Champ, Archer, Gresham, Wolseley, RMB Capital, Blackstone, KKR,		
Form of capital investment	Equity, predominantly majority ownership		
Amounts	\$25-100m		
Required returns (p.a.)	>25%		
General terms	<ul style="list-style-type: none"> Recent investments focus on (i) consolidation of fragmented industries (such as IVF, retail, aged care, dental) and (ii) turnaround businesses (e.g. Dick Smith) Look to grow earnings rapidly and exit business after 5-7 years through trade sale or public listing Due to low growth economic environment and limited opportunities, these investors are considering opportunities on a deal-by-deal basis with return hurdles the major metric considered 		
Process for evaluating opportunities	<ul style="list-style-type: none"> Extensive due diligence including detailed analysis of historical and projected financials, financial modelling, management interviews, independent business and industry reports Funding typically takes 3-6 months (inclusive of due diligence period) 		
Appetite	Agribusiness	Moderate	Select appetite for high growth opportunities if pricing hurdles met, with biggest challenge being earnings volatility (mostly due to weather) so very selective in this industry
	Infrastructure	Moderate	Limited appetite for toll roads and other low return/low growth investments, however will consider other investments on a deal-by-deal basis if return hurdles are met
	Mining	Moderate	Selective appetite with focus on expected returns, seeing some appetite for specific commodities with future projected price rises (due to recent price falls)
	Property	Moderate	Select appetite if pricing hurdles met, no appetite for A-grade commercial due to low returns
Relevance for Government	Limited - requirement for majority ownership and high return hurdles restricts interest in these key industries, with appetite focused predominantly on discounted asset / business sales		
Recent example	In December 2014 private equity firm KKR invested ~\$100 million in UK-based agribusiness Sundrop Farms, the investment allows Sundrop Farms to scale its existing operations in Port Augusta, South Australia, by financing a 20-hectare greenhouse facility which will produce more than 15,000 tons of vegetables annually for markets across Australia using innovative solar technology		

2.7 Domestic / offshore investor themes

Offshore investment in Australia generally has been strong over the past 24 months with solid activity across all four identified industry sectors, although focused predominantly on the eastern coast of Australia;

Chinese investors have been particularly active, especially within the Agribusiness sector, with a number of high profile transactions including the well-publicised Kidman Cattle Station sale:

High profile offshore investments in Australia 2015-2016	
Agribusiness	
Kidman cattle station	The FIRB blocked sale of the Kidman cattle empire to Shanghai Pengxin, for \$350 million
Glenrock grazing station	Purchase by Chinese retail giant Dashang Group of one of the Upper Hunter Valley's biggest grazing properties, Glenrock, for \$45m
Fonterra	\$100m investment by Chinese baby food firm Beingmate in a half-share of Fonterra's milk processing plant at Darnum near Warragul
Moxy Farms	New Hope group, China's largest private agricultural company, also continued its planned \$500m investment in Australian agriculture, taking a major share of the massive Moxy Farms dairy business, following on from its 2013 purchase of the Kilcoy abattoir and beef export company
Infrastructure	
Port of Darwin	At 25 times earnings, the Chinese industrial conglomerate Shandong Landbridge Group has paid a full price by the standards of recent Australian port sales (\$506m)
Pacific Hydro	Sold by IFM Investors' Australian Infrastructure Fund to Chinese power generation group State Power Investment Corporation in January 2016 for \$3bn
Property	
Iluka Tower	Hong Kong based Forise Holdings has received approval to build a \$1.2bn, 88 storey residential tower, with construction to commence in 2016 and expected completion in 2020. The 295m tall, ~700 apartment building will become Queensland's tallest tower (roof height).
Mining	
Cloncurry Copper Project	Sichuan Railway Industry Investment Group Co., Ltd., a China-based investment holding company owned by the Sichuan government has agreed to acquire a 66% stake in the Cloncurry Copper Project from Altona Mining Limited for \$295m

EY has had regular contact with many prominent offshore investors, including as an advisor to the Kidman cattle station sale, and through various debt financing processes undertaken in Melbourne and Sydney;

Our experience suggests there is little difference in the investment approach taken by offshore investors relative to those that are domestic-based:

- ▶ The process undertaken to assess opportunities is broadly in line with those undertaken by domestic investors (as outlined on slide 5) involving an initial screening test followed by more rigorous due diligence period;

- ▶ Some offshore investors are now establishing Australian based offices (such as US-based super fund Pricoa) to assist generation of opportunities in Australia; and
- ▶ One point of difference is currency, as almost all offshore investors do not have AUD for Australian investments and therefore are required to take foreign currency risk or enter into interest-rate hedging which can add cost, risk and complexity to transactions.

Chinese investors in particular have demonstrated strong demand for assets in Agribusiness and Infrastructure, and were the successful bidders in a number of processes including the Kidman cattle station and Port of Darwin with high purchase prices observed relative to other market comparable transactions:

- ▶ This high demand from Chinese investors may be due to the relative attractiveness of Australian assets due to the stable political system, long-term track record of economic growth and strong legal framework that protects asset ownership, as well as high liquidity partly due to many Chinese investors having Government affiliation and/or backing; and
- ▶ Appetite has been focused on well established and strategic large scale assets that have either (i) future potential demand from Chinese consumers (such as food, dairy, etc), or (ii) the ability to provide long-term, stable and low risk returns with strong demand from local consumers (such as utilities and ports).

3. Next steps

As identified in this process, there is demonstrated appetite from investors for appropriately structured transactions in Western Australia, with opportunities assessed on a deal-by-deal basis, and a requirement (as a first step) for high level information before progressing further with due diligence and potential investment;

Whilst numerous opportunities have been identified, investors will require further details on how each opportunity will be commercial (i.e. generate revenue and profits to service the required returns of investment) and also what risks are inherent, before progressing with further due diligence;

As an example of what further information investors will require, one opportunity identified in Bunbury is an Aboriginal Arts Hub and Gallery. While the public benefits of such an initiative are not in doubt, what is unclear at this stage is how this opportunity will generate the required earnings to provide a return back to investors, and the intended ownership and capital structure (including any potential Government support/contribution) to assess the risks:

- ▶ In the event the Aboriginal Arts Hub and Gallery were to rely on attendance via entrance fees from the public to generate earnings, an investor will require detailed due diligence and likely view the risk to its return as moderate/high given the large exposure to patronage risk and likely variable (or undemonstrated) demand, thereby limiting appetite for investment of debt or equity;
- ▶ However, if this opportunity involved a Government contract for a party to operate the Gallery, or alternatively the development of a purpose-built facility to be leased by the Government from the investor over a long-term and at market yields, the risk would be assessed as very low (or alternatively the credit profile as very high, e.g. AAA rated) and there would likely be significant appetite from investors;

What this demonstrates is there are multiple ways to approach each opportunity, which will then influence the way it is viewed by investors from a risk/return perspective, and which investor groups will have the appropriate appetite to invest in the opportunity

An understanding of Government's preference to support these opportunities in the form of guarantees, contracts, leases or equity investment will assist in developing the opportunities identified in Task 2 so that they can be assessed by potential investors

Therefore, should The Government seek to engage investors with regards to the potential opportunities identified in task 2, EY suggests that further work is undertaken as follows:

- ▶ Discuss with The Government those opportunities that are most important to regional investment, and what form of support it is willing to provide (if any) to ensure the opportunities are realised;
- ▶ Develop with The Government high level information for each of these opportunities, which may include:
 - ▶ Current and intended ownership of asset/structure;
 - ▶ Revenue sources and high level historic/projected financials;
 - ▶ Opportunities for further commercialisation and/or Government support; and
 - ▶ Required investment amounts

- ▶ Using this high level information, approach select investors identified in this process as having appetite, seeking feedback on specific opportunities including:
 - ▶ Appropriate capital structure;
 - ▶ Counterparties best suited to the opportunity (i.e. Government, tenants, corporates, contractors);
 - ▶ Debt/Equity sizing metrics;
 - ▶ Terms and conditions; and
 - ▶ Pricing/return requirements

EY can assist in the above next steps and would be happy to discuss and agree proposed implementation and timing.

Appendix A Consulted investors

As part of this process, EY relied on contact and/or previous experience with the following 11 investors:

Investor group	Investor	Description
Banks	<ul style="list-style-type: none"> ANZ CBA Westpac 	<ul style="list-style-type: none"> EY is in regular contact with the major Australian banks, and contacted the respective Perth offices of ANZ, CBA and Westpac in August 2016 to discuss investment appetite
Debt funds	<ul style="list-style-type: none"> Metrics Credit 	<ul style="list-style-type: none"> EY is in regular contact with Metrics Credit regarding potential debt investments (Sydney office)
Property funds	<ul style="list-style-type: none"> MaxCap Optimus 	<ul style="list-style-type: none"> EY met in March 2016 to discuss investment mandate and appetite EY met in June 2016 to discuss specific investment opportunities, and in August 2016 regarding general appetite
Mining funds	<ul style="list-style-type: none"> Wingate RMB Resources 	<ul style="list-style-type: none"> EY has conducted previous financing processes involving Wingate and RMB Resources
Super funds	<ul style="list-style-type: none"> Pricoa 	<ul style="list-style-type: none"> EY met in July 2016 to discuss Pricoa's investment mandate and appetite
Private Equity	<ul style="list-style-type: none"> Champ Ventures Anchorage 	<ul style="list-style-type: none"> EY met in July 2016 to discuss general appetite for investments (Sydney office) EY has undertaken numerous engagements for Anchorage and is in regular contact with the team (Sydney office)

Appendix B Investor universe

Investor group	Agriculture	Infrastructure	Property	Mining
Banks	<ul style="list-style-type: none"> • Big 4 • Second tier Australian • Asian banks • Other overseas banks 	<ul style="list-style-type: none"> • Big 4 • Asian banks • Other overseas banks 	<ul style="list-style-type: none"> • Big 4 • Second tier Australian • Asian banks • Other overseas banks 	<ul style="list-style-type: none"> • Big 4 • Asian banks • Other overseas banks
Investment Banks		<ul style="list-style-type: none"> • Macquarie 	<ul style="list-style-type: none"> • JP Morgan • Morgan Stanley 	<ul style="list-style-type: none"> • Macquarie • BAML • CS
Super funds / Asset managers	<ul style="list-style-type: none"> • First State Super • Public Sector Pension Investment Board • Hassad • TIAA-CREF Global Agriculture LLC • Pension Plan Investment Board • Rural Funds Management • Westchester Group of Australia • Laguna Bay Pastoral Company • AgCap • Agricultural Asset Management • FarmInvest Australia 	<ul style="list-style-type: none"> • Canada Pension Plan Investment Board • Ontatio Teachers' Pension Plan • GIC • HRL Morrison (NZ) • IFM Investors • UniSuper • VFMC • Rest Super • Australian Super • Future Fund • Hesta • MTAA Super Fund • Qsuper • Queensland Investment Corporation 	<ul style="list-style-type: none"> • IFM Investors • UniSuper • VFMC • Rest Super • Australian Super 	<ul style="list-style-type: none"> •
Debit / Credit funds		<ul style="list-style-type: none"> • Hastings Funds Management • Sankaty Advisors • Westbourne Capital (Future Fund) 	<ul style="list-style-type: none"> • Acumen Finance • Alsalam Bahrain • Asset Insure (Credit Wrap Provider) • Challenger • CVS Lane Capital Partners • Gresham • OCP Partners • Pacific Alliance Investment Management (HK) Limited • Qualitas • Sankaty Advisors 	<ul style="list-style-type: none"> • Acumen Finance
Fund managers		<ul style="list-style-type: none"> • AMP Capital Investors • Colonial • Palisade • Whitehelm Capital (Access) 	<ul style="list-style-type: none"> • AMP Capital Investors • Arcadia Funds Management • Colonial • ISPT • Whitehelm Capital (Access) 	<ul style="list-style-type: none"> • IMC Resources • Linq • Taurus
PE/VC	<ul style="list-style-type: none"> • The Carlyle Group • KKR 	<ul style="list-style-type: none"> • Blackstone Group • M.H. Carnegie & Co 	<ul style="list-style-type: none"> • Helmsman Capital • Allegro • Anchorage Capital • Harbourvest • Wingate • Blackstone Group 	<ul style="list-style-type: none"> • Wingate • The Sentient Group • Red Kite • RCF • Pacific Road • Mellion Capital

				<ul style="list-style-type: none"> Lion Selection Group
Family office			<ul style="list-style-type: none"> Apollo Brookfield Multiplex Forum Capital Sturt Capital TCAP Australia 	

Appendix C Consulted documents

The table below illustrates those documents consulted in order to identify and define projects within the investment pipeline.

Table 4: List of consulted documents referred to throughout task 2.

Relevant regional centre	Document
Broome	2036 and Beyond: A Regional Investment Blueprint for the Kimberley
	Kimberley Regional Planning and Infrastructure Framework Part A: Regional Strategic Planning
	Kimberley Regional Planning and Infrastructure Framework Part B: Regional Infrastructure Planning
	Broome Tourism Strategy - Haeberlin Consulting 2014
	Broome Strategy Community Plan 2015-25
	Broome Airport Masterplan 2008
Bunbury	Broome Road Industrial Park Masterplan 2015
	South West Regional Blueprint
	South West Regional Planning and Infrastructure Framework Part A: Regional Strategic Planning
	South West Regional Planning and Infrastructure Framework Part B: Regional Infrastructure Planning
	Bunbury Back Beach Tourism Precinct Plan 2012
	Bunbury General Structure Plan: Back Beach Tourism 2015
Geraldton	Bunbury Investment Prospectus: Seize the Opportunity 2014
	Mid West Regional Blueprint
	Mid West Regional Planning and Infrastructure Framework Part A: Regional Strategic Planning
	Mid West Regional Planning and Infrastructure Framework Part B: Regional Infrastructure Planning
	Greater Geraldton Investment Brochure 2012
	The Houtman Abrohos Islands Management Plan 2012
Kalgoorlie	Western Australian Marine Science Blueprint
	Goldfields-Esperance Regional Investment Blueprint: A plan for 2050
	Goldfields-Esperance Regional Planning and Infrastructure Framework Part A: Regional Strategic Planning
	Goldfields-Esperance Regional Planning and Infrastructure Framework Part B: Regional Infrastructure Planning
	Kalgoorlie-Boulder Local Planning Strategy: Shaping our future 2013-2033
Esperance and the South-East Region Investment Prospectus	

Appendix D Consulted stakeholders

Table 5: List of consulted stakeholders.

Relevant regional centre	Document
Regional CCI	Kitty Prodonovich
Tourism WA	Derryn Belford
South West Development Commission	Don Punch
Kimberley Development Commission	Jeff Gooding
Mid West Development Commission	Gavin Treasure Neil Condon
Goldfields-Esperance Development Commission	Janice Kendall
Department of Regional Development	Andrew Mann Keith Anthonisz
Department of Regional Development	Brett Sabien
Department of Regional Development	Meghan Barnes Brett Bylsma Peter Rampellini
Department of Planning	Craig Shepherd Amanda Morgan
Department of Commerce	Pru Ayling Peter Cook
CCI WA	Darren Levy
Chamber of Minerals and Energy WA	Benjamin Hammer

Glossary

Word	Definition
Capital structure	The capital structure is how a firm finances its overall operations and growth by using different sources of funds (i.e. debt, equity, other).
Conditions precedent	A condition precedent is an event or state of affairs that is required before something else will occur. In contract law, a condition precedent is an event which must occur, unless its non-occurrence is excused, before performance under a contract becomes due, i.e., before any contractual duty exists.
Credit approval	Credit evaluation and approval is the process a business or an individual must go through to become eligible for a loan or to pay for goods and services over an extended period. It also refers to the process businesses or lenders undertake when evaluating a request for credit.
Credit quality / Credit profile	The financial and non-financial strength of an entity or debt security which point to their ability make repayments as and when due on outstanding borrowings and other liabilities. Higher credit quality implies there is a greater chance of creditors receiving repayment in full and on time.
Debt	A duty or obligation to pay money, deliver goods, or render service under an express or implied agreement.
Debt service cover ratio (DSCR)	A measure of the cash flow available to pay current debt obligations. $DSCR = \text{Net operating income} / \text{total debt service (incl. interest, lease and principal payments)}$ A DSCR of less than 1:1 means negative cash flow.
Debt/EBITDA	A measure of an entity's ability to pay off its incurred debt.
Drawn amounts	The amount of debt utilised from available financing facilities.
EBIT	Earnings before interest and taxation.
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
Equity	The net amount of funds invested in a business by its owners, plus any retained earnings. It is also calculated as the difference between the total of all recorded assets and liabilities on an entity's balance sheet. The equity concept also refers to the different types of securities available that can provide an ownership interest in a corporation. In this context, equity refers to common stock and preferred stock.
Establishment fee	Also called 'application', 'up-front', 'start-up' or 'set-up' fees. An establishment fee is a one-off payment when you enter into a loan.
Financial covenants	Financial ratios that a borrower is required to stay above or below during certain periods to remain in compliance with the terms of financing arrangements.
Gearing ratio (Debt/Assets)	Gearing is a measurement of financial leverage, which demonstrates the degree to which assets are funded by borrowings.
General Security Agreement ("GSA")	A GSA is a common form of security often used to secure commercial loans or credit arrangements.
Guarantees	A guarantee is one of the simplest security documents. It basically states the conditions under which the guarantor will be required to take over the borrower's repayment obligations upon default.
Interest cover ratio ("ICR")	A measure of how easily an entity can pay interest on outstanding debt. $ICR = \text{EBIT} / \text{Interest expense}$
Investment agreements/contracts	A legal agreement/contract between parties involved in an investment outlining the terms and conditions of the investment and requirements of the parties involved.
Investment grade	A credit rating that indicates that an entity or debt security has a relatively low risk of default. Credit ratings of BBB-/Baa3 or above by Standard & Poor's and Moody's respectively are classed as investment grade.

Junior debt	Debt that is either unsecured or has a lower priority than of another debt claim on the same asset or property. It is a debt that is lower in repayment priority than other debts in the event of the issuer's default.
Loan life cover ratio ("LLCR")	A financial ratio used to estimate the ability of the borrowing entity to repay an outstanding loan. Calculated by dividing the net present value of the money available for debt repayment by the amount of senior debt owed by the entity.
Loan-to-cost ratio ("LTC")	Used to calculate the percentage of a loan or the amount that a lender is willing to provide to finance a project based on the hard cost of the construction budget.
Loan-to-value ratio ("LVR")	Used to express the ratio of a loan to the value of an asset.
Mezzanine debt	Any subordinated debt or preferred equity instrument that represents a claim on an entity's assets which is senior only to that of the common shares.
Offtake agreement	An agreement between a producer of a resource and a buyer of a resource to purchase/sell portions of the producer's future production.
Preferential equity / Preferred equity	Debt capital that gives the holder the rights to convert to an ownership and control position in the entity under certain circumstances. These may include the loan not being paid back in time and in full or there being a prolonged unremedied event of default relative to any loan documentation.
Property funds	A debt or equity fund specialising in property investment, incorporating existing tenanted sites and new developments. Generally consisting of private investors, family offices and super funds.
Public Private Partnerships ("PPPs")	A contractual arrangement between a public agency (federal, state or local) and a private sector entity. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public.
Reserve tail	The amount of resource contained in the reserves remaining to be mined at the scheduled maturity of the facility.
Secured / Unsecured	A secured loan, is a loan in which the borrower pledges some asset (e.g. property) as collateral for the loan, which then becomes a secured debt owed to the creditor who gives the loan. An unsecured loan has no assets pledged as collateral.
Senior debt	Debt that takes priority over other unsecured or otherwise more "junior" debt owed by the issuer. Senior debt has greater seniority in the issuer's capital structure than subordinated debt.
Sub-investment grade	Credit ratings of BB+/-/Ba1 or below by Standard & Poor's and Moody's respectively are classed as sub-investment grade.
Tenor	The amount of time (expressed in years, months or days) left for the repayment of a loan or contract or the initial term length of a loan.
Top-tier developer	The largest, wealthiest, and most experienced developers in the industry (i.e. CIMIC, Lend Lease, Brookfield).
Turnkey agreements	An agreement under which a contractor completes a project, then hands it over in fully operational form to the client, which needs to do nothing but 'turn a key', as it were, to set it in motion.
Yields	The income return on an investment, such as interest or dividends received from holding a particular security.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organisation and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organisation, please visit ey.com.

© 2016 Ernst & Young, Australia
All Rights Reserved.

Ernst & Young is a registered trademark. Our report may be relied upon by LandCorp only pursuant to the terms of our engagement letter dated 15 February 2016. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.

Liability limited by a scheme approved under Professional Standards Legislation.

ey.com