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RESPONSES TO QUESTIONS ON NOTICE:

Australian Turntable Company in the Middle East

- 1) Which Middle Eastern countries is ATC primarily involved in?
Dubai and Abu Dhabi, but have completed projects in Oman, Qatar, Iran, Iraq. We have recently submitted proposals on projects in Dubai, Saudi, Oman and Abu Dhabi. Our expectation is that Qatar, Saudi and Iran will ramp up considerably.
- 2) Why and how do potential Middle Eastern clients find an engineering firm in Bendigo to design, build and service their turntables?
Reputation. ATC is a specialist provider and that specialisation carries great weight in bespoke projects. Our Dubai Qatar and Iran revolving restaurants created a solid reputation locally. All projects now come to us , rather than us to them. Trade Missions are very valuable and always have resulted in a contract of some sort.
- 3) Based on previous experiences, what have been some of the biggest or most common barriers faced by ATC in designing and building its turntables throughout the Middle East?
 - I. Initially the biggest barrier was that ATC had only a small resume of projects delivered outside Australia, and none into the UAE. Hence there was some concerns of the Emiratis with our capability.
 - II. Buyers in the Middle East like to have a suppliers representative close by, and initially this was a problem for ATC. However we now have a UAE company that undertakes our installations and maintenance, and the locals are much more comfortable. Also, once we had a couple of recognised projects in the region under our belt, the acceptance of our capabilities was less an issue.
 - III. A major barrier for ATC has been the unwillingness of Australian Bankers to facilitate the funding of some projects in the Middle East. My opinion is that our banks, and in particular our regional banks are ignorant of dealing in the region and have to use third parties or foreign banks that are recognised

globally. It is a sad indictment on Australia's entrepreneurial spirit to have our financiers too ignorant and way too scared to support quality companies sell Australia's expertise into the Middle East. No Australian bank can claim to be global when they deny their customers the chance to grow in growing markets. ATC has no faith in dealing with Australian finance institutions as we pursue our Iranian market. We have established an account with the Arab Bank.

Government support for trade and investment

- 4) Could you comment on the role of DFAT/Austrade in supporting the development of trade and investment flows between Australia and the Middle East?

Our experience with DFAT is as we expected - An agency that had to ensure Australia's interests were protected. We had no bad experiences with DFAT. The only criticism was time. I personally would like to see a greater effort by DFAT to break down the barriers in Iran however.

- 5) What do you consider to be the current strengths and weaknesses of DFAT/Austrade and Victorian Government Business Offices in their provision of services to Australian businesses wishing to do business in the Middle East?

The Victorian Government Business Offices do a wonderful job in connecting businesses in the Middle East. Their strength is in the intimate knowledge of MENA and a large network to interact with. Kassem Younes in particular is a quality advocate of Victorian companies whilst John Butler and team are always accessible. Victorian Government Trade Missions to the Middle East have always delivered successful outcomes for ATC. The Vic Government's real attraction for small companies is that they provide a free service.

Austrade, is a very valuable friend of ATC but because of its structure, seems to need to concentrate on bigger business issues and connections. However, one recent experience with Austrade was with Austrade's Ms Amanda Hodges in the Dubai office and without a doubt Amanda assisted ATC in a way never experienced before. Her time, contacts and expertise dealing with a local Dubai company was perfect. Personally I think Austrade could copy some aspects of the Victorian Government model and maybe attract more companies. The impression we get with Austrade is that often they have to deal with non-business issues which distracts their people from more productive outcomes.

- 6) Is the Export Market Development Grant scheme useful for small exporters and how can it be improved?

Yes, the EMDG is critical for Australia's innovators and exporters to get their products to market overseas. Our experience has been that we could have made better use of the grant once we had begun exporting, compared to receiving grants to get started. To improve the EMDG program, I wonder whether some tax relief could be possible for

people who successfully export, well after the EMDG grant finishes. It is a terrific program that I think needs to be reviewed.

Barriers

- 7) Are there any import duties, taxes or bureaucratic requirements from embassies in Canberra on your products or services in the Middle East posing any problems?
Mostly only when something like a visa is needed in a hurry. Qatar imposes import duties and if I recall an extra duty on steel products. Sadly Qatar also makes foreign companies pay a "Profits Tax" which is very disconcerting and prohibitive.
- 8) Is ATC restricted by any Middle Eastern regulations that protect local engineering firms;
We have only been subjected to heavy tariffs in Qatar where steel products carry import duties. Apart from that ATC has not experienced difficulties with duties relating to manufactured goods. In fact there are great incentives to set up manufacturing in the UAE. Free Zone areas, low labour costs, low taxes as I understand it, and access to major markets is attractive. To set up in the UAE, it is mandatory that a company has a local "sponsor". The sponsor model, if done well and with the right sponsor can generate a great deal of work. ATC has decided to avoid engaging in that model for the time being. We have not decided on manufacturing in the UAE or the region, but with the predicted growth there, it is a possibility for us to manufacture much of the heavy components of our turntables.
- 9) Can you foresee any benefits from Australia signing a free trade agreement with the Gulf Cooperation Council representing the Gulf states or with other Middle Eastern countries?
Yes. The region is positioning itself as a world hub in logistics and people movements. Any cost reductions through an FTA to do business would be welcomed and in return the ME would increase their purchasing of goods and services that Australia is best to supply. Direct money transfers between Australia and Iran banks would help a lot. Australia really needs to promote and concentrate on what we are best at, and approach Iran with a specialist reputation in our best sectors.
- 10) Why is Iran an important marketplace for ATC and what is it like doing business in Iran compared to Arabic nations?
Iran is very much in our sights. We know we can build on our prior history of designing and delivering the world's largest revolving restaurant in Tehran. That job was with a department of the Iranian Government and all throughout the project we noticed a great reluctance from Government employees to sign off on particular aspects of the project. The Government bureaucracy was in line with other countries and it caused a high level of frustration. What we calculated to do in six weeks eventually took six months for the installation, mainly because of bureaucratic red tape and getting sign offs on site.
ATC have seen and felt the market in Iran and the insatiable desire of every age group to bring the country up to speed with the Western world. Consumer goods will be

sought after. See attached newsletter from Middle East Council of Shopping Centres October 2014. As quoted by David McAdam CEO of MECSC “Presently Iran is building 350 shopping Centres in 2015 with three Tehran Super Malls. Land costs are high and developers are trying to maximise density. When sanctions are removed the Iranian market will change virtually overnight”. Australian Turntable Company’s Iranian agent based in Tehran has identified hospitality in particular and tourism accommodation to be the new growth sector. ATC sees tremendous opportunities in Iran because of the issues around space. We have dealt with a local architect to design and engineer a project that is now nominated as one of three finalists in the world architectural Awards. See attached website for Sharifi House. <http://www.dailymail.co.uk/news/article-2728691/We-moving-block-How-Tehran-come-ultimate-space-saving-feature-MOVEABLE-rooms-And-s-push-button.html> .

Iran is a well-educated and extremely sophisticated clever business environment with an exemplary trading history and Australians need to respect the trading culture there. It appears to me that funding projects is not a problem and that good business relationships can be established.

11) Do trade sanctions on Iran cause any problems or delays for ATC?

Yes, at the moment the hurdles of dealing in Iran are time consuming and arduous. ATC have to work with various parties including local construction companies, labour hire, architects, project managers, banks and freighting companies. All have to be vetted by DFAT and although we have not experienced a situation where we were not allowed to correspond with a supplier, the time taken is inordinately restrictive for business. My feeling is that when business does ramp up, time will be of the essence. ATC will be ready when it does.

12) Does Iraq remain a viable export opportunity for ATC?

Iraq is not in our short to medium term plans. If requests come in however we will offer our services. We see no reason to not sell product to Iraq, but are unsure where our market segments will be in that country. The difficulty when selling to Iraq arises when we need to send personnel. Our people have experienced the difficulty in working there. On very few occasions in Iraq were we told the truth. It seemed to have a construction industry culture of telling lies, lies and more lies.

13) How much risk was involved when installing a turntable in northern Iraq;

We felt safe in Sulayminya, although getting product there was tremendously difficult. Australia Post and DHL had to send goods to Erbil, which recently has been near the trouble spots, and we then had to collect them in person. Safety on site was not considered a high priority by the building contractor and in fact ATC technicians were on site when one person was killed.

14) What are the different challenges of selling into Iran compared to Iraq and the various Gulf States;

Iraq has been the most difficult of all Middle Eastern countries. Our client for the project in Iraq was actually a Jordanian company that tried every possible way of not fulfilling

their contractual obligations. Selling into Iran is easier than into Iraq but more difficult than selling into the UAE. America, Germany, China and Japan have a stronger footing in Tehran presently and have been sending business delegations there for quite a while. Australia is well behind in entering the Persian market. Iran is a professional environment working under extremely challenging circumstances. It has a broader and much more educated workforce than Iraq and has many countrymen and women ready to build the country again. I have been told all the same that the country has lost the trade skills necessary to deliver large projects. Australia has not earned the reputation in Iran that it has in the other Gulf countries. All day to day transactions in Iran were with USD cash and any money transfers I understand all go through America. This lends itself to deductions being taken from payments before reaching home in Australia. Hotels, shopping, food etc were all cash when I last visited. People of all ages I spoke to were praying for the sanctions to be lifted and their country opened up and I met with medical people who were managing their services in extraordinarily difficult circumstances. The UAE is relatively simple to sell into.

- 15) Any experience of problems with receiving payments for goods in the Middle East?
Yes, but no more than in Australia. LC's are the best and most secure way of transferring funds. Getting the final 10% payment can be difficult and I urge new exporters to ensure trading terms guarantee the last payment. Iraq was a reasonably unpleasant experience, due to an untrustworthy client, differences in foreign currencies on a project that was five years between original contact and delivery, and a very difficult onsite environment. We eventually received our money, but it took a lot of work and final negotiation. Disputes of any sort are very difficult to resolve, mainly because of the complexity in confirming meetings and rendezvousing in Iraq. It is a horrendous place to manage daily challenges in.
- 16) Do you ever deal with Australia's Export Finance and Insurance Corporation?
Not as yet but we do expect to on high value projects.
- 17) Why do you believe many Australian export businesses may perceive doing business in the Middle East as more challenging or too hard compared to trade with South East Asia or China?
The unstable tensions between Sunni and Shia protagonists dominate news headlines, and generate a perception that everywhere you go in the Middle East this volatile situation exists. It is not true. Ignorance and limited cultural knowledge is a factor why Australians fear the region. We learnt very early that "war is war and business is business".
- 18) What are the best transport options for you to get your product and equipment to the Middle East and is air freight ever a viable option?
Nearly all our products are sea freight but we have had occasions to air freight tons of equipment. The clients were happy to pay, just to get the products on site. Freight to the UAE is not a problem. Freight to Iran is harder but doable. Freight to Iraq is a

nightmare. Air freight or surface freight to Iraq needs to go to Dubai first and then onto Iraq. Irregular flights into Iraqi cities caused ATC dramatic problems.

- 19) How does the regulation of engineering and safety standards in the Middle East compare to Australia and does it vary greatly between country to country?

Engineering Standards in the UAE are very high, mainly because the projects are managed by European and American companies. Safety standards have been slowly improved by the UAE governments, but we saw a much lesser compliance in Iran and Iraq. Iran's engineering education is a very high standard. ATC used Australian Engineering Standards and they were immediately accepted, but early on in the Middle East we had to design and build to British Standards, despite Australian Standards being globally recognised as more stringent.

How have these regulations been determined? Are they representative of an international standard?

- I. Australian and American Engineering standards have been based on British Standards.

Deepening cultural and commercial ties

- 20) Do many Australians understand how to do business in the Middle East and what are the main differences to other parts of the world?

I think Australians would find it quite simple to do business in the Middle East, especially the UAE. Saudi Arabia has major opportunities but ATC is yet to deliver a project into that country. We are quoting a large contract now, and are quite comfortable to deal in Saudi. I have been told on a number of occasions that getting paid in Saudi is fraught with danger, but ATC has no qualifications agree to this claim. Oman, Qatar, Abu Dhabi and Dubai are all comfortable places for Australia and should not hold any fears for exporters. Our advice is "To be careful, but not afraid" Iran has potentially huge rewards whilst Iraq I believe would need a local partner. Australian business needs to be aware of the annual religious period of Ramadan in all Middle Eastern countries and to program their schedules with this in mind. The Middle East is very much in business go slow mode during Ramadan and Australian customs of relaxing are not possible. i.e. Having a drink at the end of the day does not happen in Ramadan. The same applies for Iran, and Kuwait and Saudi all the year round.

- 21) Should the government produce tip sheets or guides or online assistance on how to do business in the region?

Yes

- 22) Is it difficult for women to do business in the Middle East and what may be differences between Iran, Saudi Arabia, Egypt and the UAE?

Saudi is very difficult and I don't know if this is likely to change in the near future or not. Egypt, UAE, Qatar, Iran, Oman, UAE are ok.

- 23) Do you employ many women as engineers, servicing or sales representatives?

ATC employs one highly educated Industrial Engineer/Mathematician Iranian lady who speaks three languages on a casual basis and will employ her full time as soon as we are able. We also employ an Arabic speaking Lebanese gentleman who lived and worked in Qatar for seven years in the construction industry. He holds a senior management position at ATC and also speaks four languages.

Future opportunities

24) Where are the best opportunities for trade in the Middle East and North Africa?

Sheik Mohammed Bin Rashid's 2020 program is a magnificent chance for Australian companies to benefit from. Dubai and Abu Dhabi are the emirates that are delivering huge infrastructure projects around this program, but the international competition is high in every field. Iran is funding its growth on the back of huge surpluses and is on the cusp of a growth revolution. The writer's opinion is that Iran is the best market to approach.

25) Are there any areas of expertise or produce should Australia target to help grow the trade with the Middle East?

Food Security, Water management, Education, Logistics, and Renewable Energy are all sectors Australia is capable of adding value.

26) Is the way Middle Eastern people shop changing in places like Dubai or Tehran?

Most definitely. See attached article. The shopping centre experience is a family outing, especially for the middle class locals. Old shopping malls are generally frequented by working class. Our advice is that shopping centres in Iran are not fully occupied at the moment, but awaiting a change in the economic landscape.