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SUBMISSION TO THE JOINT STANDING
COMMITTEE'S INQUIRY INTO AUSTRADE'S ROLE
IN ATTRACTING INVESTMENT IN AUSTRALIA
NOVEMBER 2018



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TERMS OF REFERENCE

The Joint Standing Committee on Trade and Investment Growth will inquire into Austrade's role in attracting investment in Australia.

The terms of reference asks the Committee to inquire and report on:

- *What role Austrade has in attracting investment into Australian businesses*;*
- *What the benefits have been from investment in Australian businesses*;* and
- *How Austrade might better help Australian businesses* to attract investment*

In inquiring into this topic, the Committee will have particular regard to the areas that play to Australia's strengths, as identified by the Australian Government in consultation with the states and territories including: Agribusiness and Food; Major Infrastructure; Tourism Infrastructure; Resources and Energy; and Advanced Manufacturing, Services and Technology.

** As per the Australian Trade and Investment Commission Act 1985 Part 3, section 8) 1) a) v), Austrade is tasked with "facilitating investment in Australia", as opposed to attracting investment into specific businesses.*

AUSTRADE AT A GLANCE

Who are we?



At the Australian Trade and Investment Commission (Austrade) we understand how Australian business can capitalise on a world of opportunities. Using the badge of government, we put the right people in the right room to get the best economic outcomes for them.

Their success drives Australia's prosperity.

Our staff

1000+ Austrade staff

as at 30 June 2018, 66 per cent of whom were employed in client-focused operations in Australia and overseas. Austrade's gender balance was 57 per cent female and 43 per cent male.

Our mission



To promote Australian exports and international education, strengthen Australia's tourism sector, and attract investment into Australia

by generating market information and insights, promoting Australian capabilities, making connections through an extensive global network of contacts, leveraging the 'badge of government' offshore, working collaboratively with partner organisations, and providing quality advice and services to exporters, education institutions and investors.

122 locations as at 30 June 2018,

including 84 overseas locations in 49 markets, with 14 of those locations also providing consular services on behalf of the Australian Government. Within Australia, Austrade has 10 offices, complemented by a further 28 TradeStart offices.

Extending our reach



Austrade works with other agencies and organisations onshore and offshore to extend our reach into the business community and leverage external resources, knowledge and

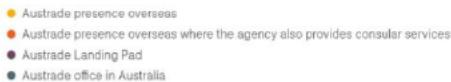
skills. These agencies include the Foreign Affairs and Trade portfolio and other Australian Government departments, state and territory and local governments, industry associations, business councils, and chambers of commerce.

Our service commitment



Each year, Austrade undertakes satisfaction surveys to assess service delivery and

identify areas for improvement in its services to Australian organisations. The surveys are conducted independently and results are available throughout the year.





THE AUSTRALIAN TRADE AND INVESTMENT COMMISSION

At Austrade, we are experts at matching global demand with Australian ideas, innovation and capability.

We help Australian businesses grow by linking them to global export opportunities; we attract international investment to help Australia reach its economic potential; we help startups innovate and go global and we promote Australia's leading-edge education services to the world. Our tourism policy and programs also help to build a thriving tourism industry.

With over 1,100 people working in over 80 offices around the world, our diversity is our competitive advantage. From Auckland to Ulaanbaatar, we pride ourselves on connecting the expertise of our deep network for the benefit of Australia. We are tenacious and creative and our entrepreneurial spirit will always be our hallmark.

THE IMPORTANCE OF FDI

The Government has long acknowledged the crucial contribution FDI makes to the economy. Australia's record uninterrupted annual economic growth over the last 27 years would not have been possible without new FDI, which totalled more than \$645 billion in just the last five years. Underpinning our economic growth, FDI helps create jobs, improve productivity, and enables the transfer of new technologies. It has also helped build the high standards of living we enjoy today in Australia – without it, our productive capacity, employment levels and income would all be significantly lower.

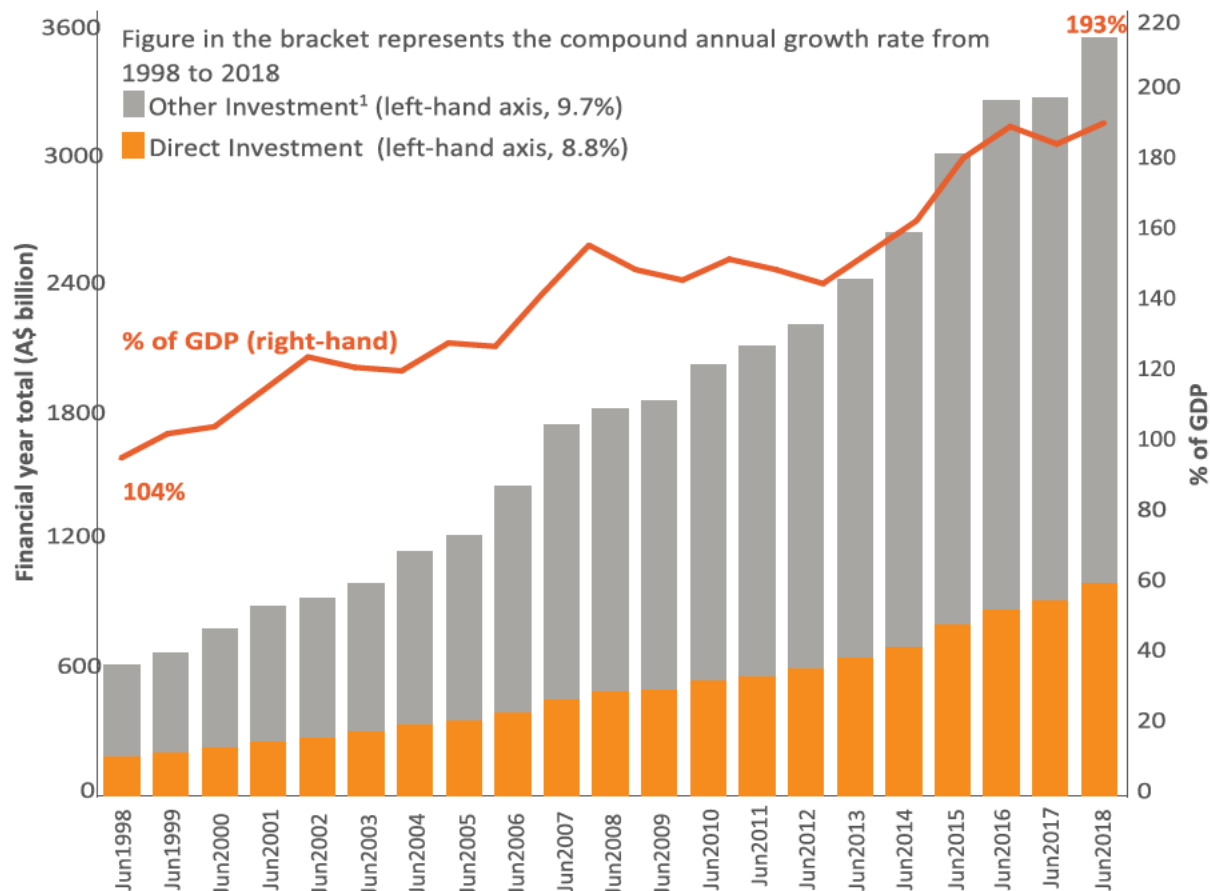
Australia remains an attractive destination for foreign direct investment. As illustrated in Figure 1, the total value of FDI stocks in 2017 came to approximately \$850 billion; increasing from \$444 billion in 2007¹ and \$166 billion in 1997², resulting in an overall compound annual growth rate from 1997 to 2017 of 8.6 per cent². This growth and ultimately our attractiveness as an investment destination can be attributed to our open, well-regulated and stable economy, supported by strong institutions and a talented, highly skilled workforce.

¹ Australian Bureau of Statistics (ABS) Cat. No. 5302 <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/5302.0Main+Features1Jun%202018?OpenDocument>; *International Investment in Australia 2017*, Department of Foreign Affairs and Trade (DFAT), 2018 <https://dfat.gov.au/about-us/publications/Documents/international-investment-australia-2017.pdf>

² Benchmark Report, Australian Trade and Investment Commission (Austrade), 2018, <https://www.austrade.gov.au/International/Invest/Resources/Benchmark-Report/charts?RefineModule=114786&retain=true&StartTax=1110&StartDate=&Keywords=&RefineParent=875>



Figure 1. TOTAL FOREIGN INVESTMENT STOCK IN AUSTRALIA 1998-2018



1. Other investment is the balance of total investment less direct investment. As such, it represents portfolio investment, financial derivatives and other investment categories from the source ABS data.
Sources: Benchmark Report 2018, Austrade (using ABS catalogues 5302.0 and 5206.0)

The results of the [ABS Economic Activity of Foreign Owned Businesses³](#) study (funded by Austrade/Department of Foreign Affairs and Trade (DFAT)) released in August 2018 confirmed the vital role partially and wholly foreign-owned businesses in Australia play in our economic growth story, with FDI supporting one in ten jobs in Australia (1.2 million people), and making a significant contribution to one in five trade-related jobs⁴.

These jobs span Australia's diverse economy – about one in four jobs in mining, one in five jobs in information media and telecommunications, every sixth job in manufacturing, and every eighth job in professional, scientific and technical services are a result of FDI.

The study found, in 2014-15, foreign-owned businesses in Australia had assets valued at \$1.9 trillion and paid wages and salaries valued at \$67 billion. These businesses made operating profits of \$50 billion and contributed 11 per cent of total business tax revenue. These businesses produced nearly 30 per cent of our exports and contributed around one

³ Economic Activity of Foreign Owned Businesses in Australia: 2014-15, (ABS) 2018, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/5494.0>

⁴ "Australian Trade Liberalisation", The Centre for International Economics (prepared for DFAT) 2017, <https://dfat.gov.au/about-us/publications/trade-investment/Documents/cie-report-trade-liberalisation.pdf>



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fifth of our output, while only making up 0.5 per cent of our operating businesses. On average, these businesses also offered higher paying jobs for Australians.

These figures should be considered in the context of an increasingly competitive investment environment. Although the value of total stocks in Australia has increased in the last year, we remain the 13th largest holder of FDI in the world, behind many European countries, the US, China and Brazil⁵.

For this reason, we must be alert to changes in the global environment that ultimately influence Australia's FDI inflows. Digital and disruptive technologies are changing business paradigms, and supply chains are constantly undergoing substantive change as a result. Rapidly growing economies in our region and beyond are creating investment opportunities to support the lifestyle of middle class consumers and the demand for new infrastructure. These factors, alongside nationalistic sentiments and ambiguous geopolitical climates, will likely impact investor appetite, competition for FDI and overall FDI inflows to Australia in the coming years.

The risks to sustaining productive investment are not only international in nature. A 2017 Lowy Institute Poll found 60 per cent of Australians welcomed foreign investment, although some felt certain types of foreign investment were a critical threat. Areas of foreign investment where Australians were most concerned included agriculture, residential real estate, and critical infrastructure. Austrade is working closely with The Treasury and DFAT to develop a communications strategy on how best to promote the message that FDI is necessary given Australia does not have enough capital domestically to build ports, transport and other important economic and social infrastructure, as well as retain globally competitive businesses. In 2017-18, that capital gap was \$55 billion⁶.

Austrade's investment focus

Austrade is charged with leading the Government's efforts to promote, attract and facilitate productive FDI for Australia. That is, investment which creates and retains Australian jobs, develops sectors and infrastructure, introduces new technologies and skills, encourages innovation and competition, raises productivity, and strengthens Australia's overall global economic linkages.

Austrade has a focus on productive FDI. This includes new greenfield investment by foreign companies, joint ventures, partnerships, and research collaborations. It excludes, for example, capital raising and portfolio investment into asset classes such as stocks, government bonds, treasury bills, and mutual funds, as well as residential real estate. In taking this approach, Austrade is ensuring our focus is dedicated to investment opportunities within our priority sectors (listing follows), where investors need us, and where we can make a difference in the contested investment space. As such, there are significant investment flows where we do not become involved unless we are needed by the interested investors.

⁵ *International Investment in Australia 2017*, DFAT 2018 <https://dfat.gov.au/about-us/publications/Documents/international-investment-australia-2017.pdf>

⁶ *Benefits of trade and investment*, DFAT 2019, <https://dfat.gov.au/trade/resources/publications/Pages/benefits-of-trade-and-investment.aspx#investment-benefits>



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Austrade drives productive foreign direct investment by connecting investors offshore with the Australian investment opportunity. Key to this is an extensive offshore network in major investment source markets (half of Austrade's staff work offshore), backed by dedicated investment specialists working onshore in identified priority areas. Austrade's offshore team identify key investors in-market, while our onshore team (working across government and industry) helps address specific investor needs such as connecting those investors to viable investment opportunities.

Austrade is proactive in ensuring Australia's investment sources are diverse and investment interests are spread across several sectors. This helps avoid future capital shortfalls, inflections in markets, and partner withdrawal as a result of protectionist regulations abroad.

In collaboration with the states and territories, Austrade identified five priority sectors for attracting FDI where we can best leverage our national strengths. This sectoral approach and focus has been endorsed by Commonwealth and State and Territory Ministers. In addition to defence, international health and international education, the sectors identified were:

- tourism infrastructure
- agribusiness and food
- resources and energy
- major infrastructure; and
- advanced manufacturing, services and technology.

Illustrative of our sectoral focus, in 2017-18 financial year, 95 per cent of our qualified investment leads were dedicated to these five sectors, led by advanced manufacturing, services and technology, agriculture and food and resources and energy⁷.

This diversification of investment sources and sectors is assisted by our extensive global network. Austrade operates across 84 points of presence in 49 overseas markets, grouped into seven regions: Europe; the Americas; North East Asia; South Asia; Greater China; ASEAN-Pacific; and Middle East and Africa. Across our network, 105 Austrade staff are dedicated solely to investment attraction.

Due to the maturity of their economies, Austrade has historically concentrated our investment promotion and attraction activities in the North American, Western European and Japanese markets. While this primary focus remains, in recent years Austrade has broadened its investment activity to high-growth and emerging markets, including Greater China, and to a lesser extent India, ASEAN, South Korea and the Gulf Cooperation Council countries in the Middle East. These regions have a particular focus on investing in agri-tech, resources and energy, major and tourism infrastructure, and technology.

In each of these markets, Austrade's General Managers and dedicated Investment Commissioners actively promote Australia's investment strengths and opportunities and provide advice on Australia's regulatory environment to investors. These regional teams play an important role in garnering productive FDI, by nurturing existing investor relations,

⁷ Austrade Annual Report 2017-18, Austrade 2018, <https://www.austrade.gov.au/About/Corporate-Information/AnnualReport>



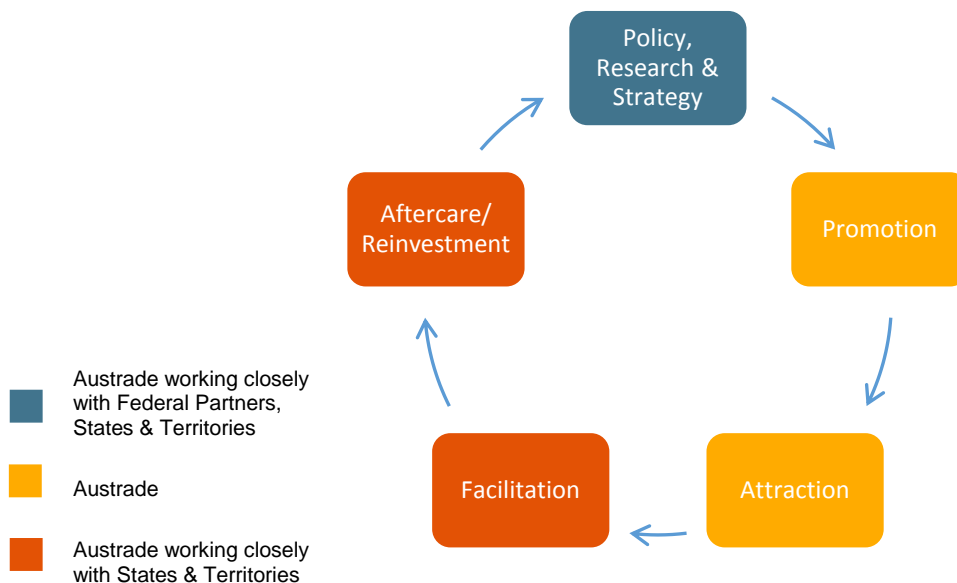
canvassing insight into prospective investor interests, influencing market entry strategies to include Australia, and profiling the appetite of a global investor audience to successfully match this with Australian opportunities. With more than two thirds of Australia's foreign investment coming from re-investment, Austrade's dedicated investment staff, both onshore and offshore, play a critical role in maintaining strong investor relations and encouraging expansion in Australia.

Austrade's offshore team are supported in market by Austrade's Business Development Managers (BDMs). These BDMs are typically foreign nationals recruited from the private sector for their local business experience, commercial networks, and language skills. This approach is unique to the public sector - no other agency marries government expertise with commercial experience the way Austrade does. In doing this, Austrade is given access to a breadth of local business connections and insight that cannot be replicated through other government structures.

Austrade's extensive offshore network is matched by a small and specialised support team onshore. The key role of the onshore team is to work with government and industry partners to provide investment information that matches the interests of foreign investor(s) and addresses the investor's needs. This team is spearheaded by Austrade's five Senior Investment Specialists (SIS), senior officers who specialise in the identified priority sectors of agriculture, major infrastructure, tourism, services and technology, and resources and energy. Similar experts, titled Senior Industry Specialists, support our complementary priority areas of international education and defence.

AUSTRADE'S WORK WITH CLIENTS

Figure 2. AUSTRADE'S INVESTMENT CYCLE





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Austrade secures investment for Australia by following a clear and systematic process. Policies and strategies are developed in coordination with federal and state counterparts, providing direction of our promotion and attraction activities offshore. Having captured the interests of potential foreign investors, Austrade works with relevant Commonwealth, state and territory government agencies to facilitate each investment and provide aftercare to garner further reinvestment in the future.

Austrade's offshore network of trade and investment specialists build and leverage connections with the international business community to promote investment in Australia. This network also supports Australian businesses as they internationalise and pursue export opportunities.

To win productive FDI, the investment specialists target high potential firms, highlighting relevant opportunities and providing information and services to help these firms develop a compelling business case. Targeted advice, site visits and introductions to companies, universities and potential partners, as well as introductions to federal, state and territory agencies and professional services firms are highly valued by prospective investors. By doing so we reduce the time, risks and costs of these businesses potentially investing in Australia.

As noted previously, alongside our staff based offshore, Austrade employs dedicated onshore investment specialists, including five Senior Investment Specialists (SIS) to align with our five investment priority sectors and strengthen the work done by our offshore team. In general, the onshore team performs three core functions: the development and facilitation of onshore investment project opportunities; the facilitation of strategic FDI projects; and reinvestment and aftercare. Austrade's SIS work collaboratively with the sector teams, Austrade posts, other Commonwealth agencies such as the Department of Industry, Innovation and Science (DIIS) and The Treasury, and states and territories to showcase opportunities to prospective investors and realise FDI.

To perform our core investment functions, Austrade provides the following to potential investors:

- › Market intelligence and investment opportunities: provide tailored research on industry capabilities and opportunities within Australia, information on peers and competitors in our market, advice on market trends and forecasts, and support for Australian subsidiary business proposals to global headquarters.
- › Information on business and regulatory environment: help investors understand how to conduct business in Australia by providing information on business costs, investment and taxation laws, workforce capabilities and pathways to migration.
- › Initial coordination of all investment enquiries: Austrade onshore offers a central point of contact in Australia to supplement the local point of contact provided by our overseas based specialists in market.
- › Identification of suitable investment locations in Australia: provide comparative information on different Australian locations, identify sites based on investor requirements, organise visit programs to Australia, and introduce specialists and possible local partners.



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- › Advice on government programs: connect investors to government programs to maximise their investments, through research and development, skills procurement, or export opportunities to third markets through Austrade's trade services.

By offering these services, Austrade is able to deliver on our mandate of promoting, attracting and facilitating productive FDI into Australia.

AUSTRADE'S NETWORK AND OUTCOMES

Austrade has a strong history of delivering for our economy. In 2017-18, Austrade contributed to almost \$4.8 billion in recorded investment value from 113 investment outcomes, helping to increase FDI in Australia and create or retain an estimated 27,588 jobs⁸. These results eclipsed 2016-17 investment outcomes (which totalled 92) and jobs created or retained (3,738) while matching recorded investment value (at \$4.8 billion), and significantly outperformed our results from five years ago, where 72 investment outcomes were processed, at a value of \$2.7 billion and 8315 jobs were created or safeguarded.

Figure 3. AUSTRADE OUTCOMES

Investment Services (Financial Year)	Investor Requests (Site Visits)	Inwards Investment Outcomes
FY 2017-18	490 (134)	113
FY 2016-17	407 (102)	92
FY 2015-16	323 (82)	81
FY 2014-15	312 (91)	92
FY 2013-14	223 (58)	72

Austrade's services remain in high demand from investors across the globe. As illustrated in table 3, Austrade processed 490 information, project and visitation requests and stakeholder introductions, an increase of 20 per cent on 2016-17 results and an almost 60 per cent increase on results from 2014-15. Austrade actively manages and measures the investment pipeline as a lead indicator for future investment.

The following case studies demonstrate Austrade's footprint and our work across various global markets and industry sectors, providing specific examples of investment outcomes facilitated by our organisation.

⁸ Austrade Annual Report 2017-18, Austrade 2018, <https://www.austrade.gov.au/About/Corporate-Information/AnnualReport>



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Figure 4: TOP 10 SOURCES - FOREIGN INVESTMENT IN AUSTRALIA DIRECT STOCKS (\$ billion)

Rank in 2017		2007	2015	2016	2017	% share 2017	% change	
							2007 to 2017	2016 to 2017
1	United States	100.9	182.8	193.0	189.9	22.4	88.2	-1.6
2	Japan	31.1	86.6	91.0	92.5	10.9	197.5	1.6
3	United Kingdom	62.4	64.7	74.7	83.2	9.8	33.3	11.4
4	Netherlands	24.8	47.8	51.8	53.5	6.3	115.4	3.3
5	China	np	35.7	38.7	40.7	4.8	..	5.1
6	Canada	7.2	24.8	28.4	35.4	4.2	389.8	24.6
7	Singapore	14.2	29.2	23.4	26.3	3.1	85.3	12.2
8	Hong Kong (SAR of China)	7.2	12.6	13.4	26.0	3.1	260.2	94.3
9	Bermuda	5.6	23.3	22.5	25.5	3.0	358.6	12.9
10	Germany	19.8	17.0	19.5	23.8	2.8	20.4	21.9
-	India	np	0.9	0.9	0.9	0.1	..	-5.1
Total all economies		444.4	736.0	797.1	849.1		91.1	6.5
<i>of which: APEC</i>		<i>174.0</i>	<i>392.0</i>	<i>412.6</i>	<i>437.7</i>	<i>51.6</i>	<i>151.6</i>	<i>6.1</i>
<i>ASEAN</i>		<i>17.7</i>	<i>41.9</i>	<i>37.0</i>	<i>42.0</i>	<i>4.9</i>	<i>137.0</i>	<i>13.4</i>
<i>EU (a)</i>		<i>136.0</i>	<i>154.8</i>	<i>173.8</i>	<i>188.7</i>	<i>22.2</i>	<i>38.8</i>	<i>8.6</i>
<i>OECD</i>		<i>302.6</i>	<i>466.5</i>	<i>507.1</i>	<i>527.0</i>	<i>62.1</i>	<i>74.1</i>	<i>3.9</i>

(a) EU25 in 2007, EU28 from 2015. np - not published

Source: DFAT International Investment Australia 2017 (based on ABS catalogue 5352.0).

The Americas:

The Austrade Americas region covers eight key markets being Canada, the US, Mexico, Brazil, Colombia, Peru, Argentina, and Chile.

Inwards investment outcomes from the Americas continues to grow. Over the last five years, Austrade has processed 145 investment outcomes, an increase of 25 per cent in the last year alone.

The US is Australia's largest single source market for FDI, with the value of US investment stock totalling \$190 billion in 2017⁹. As the largest foreign investor in agribusiness in Australia, the US has expanded its investment interests towards agri-tech and wellness foods (refer Yamaha Motor Ventures and Laboratory Silicon Valley case study that follows). This is

⁹ International Investment in Australia 2017, DFAT 2018 <https://dfat.gov.au/about-us/publications/Documents/international-investment-australia-2017.pdf>



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however, part of a larger trend towards investment in the technology and services sector as a whole by US investors.

As a result of this interest, the US is an important source of capital for Australian technology start-ups. Austrade officials in the US are proactively building ties with venture capitalists and the broader US investment community to help facilitate productive connections in the market.

Austrade has also identified significant potential agribusiness investment interest from Brazil, and, more recently, from Argentina. Investors from both countries are motivated by several factors, including an agenda for global diversification to minimise ongoing domestic risks, recognition of Australia's unparalleled access to Asia, and shared experiences in "pioneer agribusiness" (i.e. large scale land conversion from pastoral activity to cropping). Austrade's work in Mexico and Latin America is primarily trade focused.

Canadian investors have signalled an intention to diversify their trade and investment targets, including expanding their focus on Australia. Canadian investment institutions view Australia as a transparent, low risk destination for capital. With longer term investment horizons, Australia's investment mix in infrastructure, agribusiness and technology investments present good opportunities for Canadian investors. Major Canadian pension funds especially continue to show strong interest in Australian infrastructure, agriculture and other assets.

- *Albemarle (US)*
[WESTERN AUSTRALIA, Resources and Energy]
Albemarle is close to final Environment Protection and Biodiversity Conservation approval for its Lithium Advanced Materials production plant to process lithium ore concentrate at Kemerton, Western Australia. The estimated \$2.2 billion investment will enable Albemarle's plans to produce 100,000 tonnes per year (tpa) of lithium hydroxide. Once fully operational, the project will create 500 – 600 ongoing jobs and royalty revenues in the order of \$1.3 billion over a twenty year period. Austrade Chicago identified this investment opportunity in 2014 and the onshore Resources and Energy team introduced Albemarle to the Western Australian Government. Austrade has since maintained a close working relationship with both Albemarle and the Western Australian Government to ensure necessary regulatory approvals, and provide introductions to relevant government stakeholders in Canberra.
- *Yamaha Motor Ventures and Laboratories Silicon Valley (YMVLSV) (US)*
[NEW SOUTH WALES, Technology and Services]
YMVLSV has established the first satellite office of YMV outside of Silicon Valley in Sydney due to the opportunity present in Australia. These projects would be focused in technology and services, particularly ag-tech. Austrade played a central role in organising visits of YMV executives, introductions to university and research leaders, and providing industry insight into Australian technology services.



Europe:

As a combined group, the European Union is Australia's second largest source of FDI after the US. It includes four of the world's top ten economies and is collectively home to some of the globe's largest and most innovative and advanced corporations.

To capitalise on this opportunity, Austrade has offices across 11 locations, including Germany, the United Kingdom, France, Italy, Spain, Poland, Russia, the Czech Republic, Switzerland, Sweden, and Israel. Across each of these locations, Austrade concentrates our efforts on identifying and engaging with strategic investors to attract and facilitate greenfield FDI projects into the Government's priority sectors.

Work across this network has been growing substantially over the last five years, with Europe emerging as the busiest market place for Austrade investment outcomes. Since 2013, Austrade has processed 156 investment outcomes, with 89 of these processed in the last two years.

The largest investment flows were attracted into the agribusiness and food (refer BrewDog case study that follows), resources and energy (refer NEOEN case study that follows), and major infrastructure sectors. The majority of FDI projects and the focus of on-going activities will be in the attraction and facilitation of digital and transformative technology investment.

- *NEOEN (France)*
[SOUTH AUSTRALIA, ACT, Resources and Energy (renewable)]
This independent French energy company is a global developer, financier, builder and operator of renewable-based energy power plants. With additional interests spanning France, Portugal, Mexico, and El Salvador, the company has had a presence in Australia since 2012 when it acquired Hornsdale Wind Farm in South Australia. Its purchase and subsequent development of the farm represents an \$870 million investment in the renewable energy market, contributing 250 jobs in the short term (during construction), and 10 permanent positions (during operation) in the longer term, with further permanent positions expected as the company expands into the ACT. Austrade facilitated several introductions to industry and government stakeholders and provided ongoing support, advice and information associated with the Hornsdale investment process.
- *BrewDog plc (Scotland)*
[QUEENSLAND, Agribusiness and Food]
In 2018, the Scottish craft brewer announced plans to open its first Australian brewery and headquarters in Brisbane, the company's second headquarters outside of Scotland. The project represents a \$30 million investment into a brewing and canning facility expected to house 50 hectolitres of product and create more than 150 jobs in the next five years. This company has a vision to grow its workforce to 235 in 10 years. With construction of a restaurant, taproom, visitor and manufacturing centre underway, the first beer is expected to be sold by early 2019. Austrade played a key role since early 2016, providing important market analysis, engagement with state and territory government regulators and assistance with site selection.



Japan and South Korea:

By country, Japan is the second largest single country foreign investor in Australia. In 2015, Japan's FDI stock value was \$87 billion. By 2017, this value had grown to \$92.5 billion¹⁰. These investments have significantly diversified in recent decades, covering technology and services, infrastructure, mining and resources and manufacturing¹¹ (refer to the Rinnai case study that follows).

While not as substantial as its neighbour, FDI from South Korea has increased five-fold in the last ten years to 5.2 billion¹², covering agribusiness, info tech and infrastructure (refer to the Samsung case study that follows). As the benefits of the Korea-Australia Free Trade Agreement begin to be realised, more investment is expected in these sectors, as well as in financial services and the resources, energy and renewables sector.

Austrade maintains an active presence in the North East Asian market, processing 53 investment outcomes in the last five years.

- *Rinnai Australia (Japan):*
[VICTORIA, Advanced Manufacturing, Services and Technology]
To date, Rinnai's total investment in Australia has reached \$285 million. Rinnai's 2017 investment into the Braeside manufacturing site marks the company's move into local manufacturing and research and development in the areas of solar powered heating. The site has added an additional 160 jobs to its existing workforce of 550 and contributed to its burgeoning exports sales, expected to reach \$50 million by 2020.
- *Samsung C&T (and Lendlease) (Republic of Korea):*
[NEW SOUTH WALES, Major Infrastructure]
In a joint venture with Lendlease and Bouygues, Samsung has secured the \$7.2 billion contract by the NSW Government to construct the M4-M5 WestConnex Tunnel Link. Austrade's involvement with Samsung and the project began in 2014 and has centred on increasing Australia's construction capabilities and expertise to drive infrastructure cost efficiencies. Austrade's network of Australian infrastructure specialists, including state and Commonwealth decision makers, contributed to this outcome.

China:

In the last decade, China has emerged as one of Australia's most significant economic partners, with the stock value of Chinese FDI in Australia climbing to \$40.7 billion, an increase of \$5 billion in the past two years¹³.

This increase has occurred despite fluctuations in China's overall outward flow of FDI. 2017, in particular, saw a significant decline in China's outward investment, especially into the US.

¹⁰ *International Investment in Australia 2017*, Department of Foreign Affairs and Trade (DFAT), 2018 <https://dfat.gov.au/about-us/publications/Documents/international-investment-australia-2017.pdf>

¹¹ *Japanese Investment in Australia*, Austrade 2017, <https://www.austrade.gov.au/International/Invest/Importance-of-Foreign-Direct-Investment/Japanese-investment-in-Australia/report>

¹² *International Investment Position*, ABS Cat. No. 5352, 2017 <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02016?OpenDocument>

¹³ *International Investment in Australia 2017*, Department of Foreign Affairs and Trade (DFAT), 2018 <https://dfat.gov.au/about-us/publications/Documents/international-investment-australia-2017.pdf>



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While Australia was not immune to these changes, continued inflow of FDI into our economy is nonetheless a positive outcome given declines in Germany, France, and the US were as large as 54 per cent (US)¹⁴.

Against these trends, Austrade has managed to maintain an active role in attracting investment into Australia. In the last five years, our Chinese offices have processed 54 investment outcomes, with an increase of 30 per cent in the year 2017-18 on 2016-17 levels and a 62.5 per cent on 2013-14 numbers.

While China's investment in the resources sector aided the sector's expansion, Chinese investors are now looking to diversify their interests as infrastructure projects near completion. These interests encompass sectors such as agribusiness, renewable energy, health (refer CRC case study that follows) and financial services, major infrastructure and tourism infrastructure (refer Fullshare case study that follows).

FDI from Hong Kong in particular has also increased. Over the last decade, the value of Hong Kong's holdings in Australia has increased from \$7.2 billion in 2007 to \$26 billion in 2017, almost doubling in 2016-17 alone¹⁵. Drivers behind this include the capital tightening occurring in mainland China and the evolution of Hong Kong as a proxy for mainland investors.

- China Resources Corporation (CRC)*
[AUSTRALIA WIDE, Agribusiness and Food, International Health]

One example of Hong Kong's role as a platform for mainland Chinese investors is the Hong Kong based CRC. The state-owned enterprise has broad interests in Australia, governed by its strategic focus of meeting the growing demand from Chinese consumers for high-quality products. Austrade has a longstanding relationship with CRC, assisting with its ongoing engagement in Australia which currently spans investments across Murray Goulburn, Huon Aquaculture, and Capilano Honey. More recently, CRC entered into a \$1.7 billion joint venture with Macquarie Capital to takeover GenesisCare. Given GenesisCare's delivery of oncology, cardiology and sleep treatments, this investment alone is a signal of China's diversification into the services sector and an illustration of the demand for Australian health solutions.
- Nanjing Fullshare Industrial Holdings Group (Fullshare)*
[QUEENSLAND, VICTORIA, Tourism Infrastructure]

Fullshare has emerged as a major investor in Australian tourism infrastructure, covering assets across Queensland and Victoria. Their most significant investment of late was the Sheraton Mirage at Port Douglas. As part of a wider \$2.4 billion investment into Australian tourism, this project alone will involve \$200 million of upgrades and refurbishments. Austrade's relationship and work with Fullshare dates back to 2009, with Austrade providing introductions to government bodies (Tourism

¹⁴ China: ODI from the Middle Kingdom: What's next after the big turnaround, BBVA 2018, https://www.bbvaresearch.com/wp-content/uploads/2018/02/201802_ChinaWatch_China-Outward-Investment_EDI.pdf

¹⁵ International Investment in Australia 2017, Department of Foreign Affairs and Trade (DFAT), 2018 <https://dfat.gov.au/about-us/publications/Documents/international-investment-australia-2017.pdf>



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Queensland) and trade officials, advice on regulatory settings, as well as including representatives in investment roundtable discussions and trade and investment roadshows.

ASEAN:

Investors across many ASEAN nations rate Australia highly as an investment destination due to its geographic proximity, ease of access to the marketplace, transparent and well-regulated business environment, generally low-risk and similar environmental characteristics, reputation for quality, safe and clean products, and in some cases shared culture and history.

For example, Singapore has grown to be the 7th largest holder of FDI stock in Australia, valued at \$26.3 billion in 2017, an increase of 12.6 per cent on 2016 levels¹⁰. This increase is not isolated to just Singapore. Many ASEAN nations such as Thailand, Malaysia and the Philippines are now looking to Australia to diversify their assets and are seeking access to Australian technology, innovation, and input into their regional supply chains.

For these reasons Austrade has increased its investment work in this region, doubling the number of investment outcomes since 2013.

- *Wee Hur (Singapore)*
[SOUTH AUSTRALIA, International Education]
On the back of a burgeoning international student market in Australia, Wee Hur has invested \$6 million in purchasing and redeveloping student accommodation in South Australia. This will assist the state in accommodating its 36,000 international student enrolments and growing its \$1.54 billion international education export income. Austrade Singapore and the South Australian Government worked with Wee Hur to identify accommodation options and progress its student lodging vision, with development approvals reached in November 2017.

India:

Indian FDI in Australia totalled \$880 million in 2017¹⁶. This amount has been steadily growing over the last five to ten years, with the majority of investment and jobs being directed towards the software and technology services (see ANI case study that follows).

Austrade is growing its activity in this market as a result of the increasing interest in the Australian economy by Indian Investors. In the last five years, Austrade's India network has processed 21 investment outcomes, with 33 Investor Requests serviced in the last financial year.

The potential for large-scale Indian direct investment in Australia is real. Taking into account India's economic growth imperative, Austrade's market strategy retains India's investment interests in the resources and energy sector, but notes significant opportunities in technology

¹⁶ International Investment Position, ABS Cat. No. 5352, 2017 <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5352.02016?OpenDocument>



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(refer ANI case study that follows) and agribusiness, especially in the pulse and cotton operations of northern Australia.

- *ANI Technologies Pvt Ltd (OLA Cabs)*
[NEW SOUTH WALES, Technology and Services]
ANI Technologies (Bangalore), India's largest cab hailing firm, entered the Australian market in 2018. It has recruited 45 employees, with a temporary base in Sydney. OLA is being assisted to establish its Australian head office and a second site focused on research and development for internal operations. The company is in the process of recruiting approximately 50 more staff and increasing its capital investment from \$20 million to \$100 million over the next 12 months, with a focus on innovation and expanding consumer choice.

Middle East and North Africa (MENA):

Austrade's MENA region covers the Middle East, Turkey, Iran, Egypt, Morocco, Sub-Saharan Africa, and the Gulf Corporation Countries.

Industry sectors of interest to investors from the region include major infrastructure, tourism infrastructure, resources and energy, and agriculture and food. With many Australian state wide asset recycling programs concluding and infrastructure opportunities evolving, investors are now looking towards renewable energy and technology platform opportunities.

These interests are expected to continue as current geopolitical tensions encourage investors to establish safety nets outside the Middle East. Traditionally, this safety net has been in Europe and the US. However, investors are now looking to Australia for its stable political environment and strong economy. For that reason, Austrade looks to maintain its presence in the market and continue capturing opportunities from Middle Eastern investors.

Specifically, the Abu Dhabi Investment Authority and Kuwait Investment Authority have looked to Austrade for updates on Australia's investment landscape and we continue to promote northern Australia as a destination for investment.

AUSTRADE'S ROLE WITH GOVERNMENT

Federal Government

Austrade has a unique role in contributing its commercial expertise and the experience of its clients to policy reform. In offering commercial insights and tangible examples to policy makers and regulators, Austrade influences policy change to facilitate greater investment outcomes for Australia. This is evident in our regulatory reform work in areas such as tourism infrastructure assets planning approval requirements, and addressing access issues for international tourists. This work has resulted in a number of policy and industry improvements. For example, Austrade is a member of the Australian Government air services agreement negotiating team. There have been a number of aviation liberalisation



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improvements that have benefited the Australian tourism industry and thus made the industry a more compelling investment opportunity.

Austrade also identifies policy and regulatory impediments to investment. This is particularly important where investor experiences or recent decisions by government could impact investor perceptions of Australia's openness to foreign investment. Examples of our work include advising on regulatory reform in the tourism industry, collaborating with DFAT on the Impediments to Business Investment Submission to the House of Representatives, and the advisory role we play with the Foreign Investment Review Board (FIRB) Secretariat within The Treasury. With DFAT, we collectively gather insights and feedback from overseas on Australia's attractiveness as an investment destination and work closely together on implementing the new Economic and Commercial Diplomacy Agenda as outlined in the 2017 Foreign Policy White Paper.

Austrade also engages with the Department of Industry, Innovation and Science on national initiatives, such as the Resources 2030 Taskforce paper, and with the Critical Infrastructure Centre within the Department of Home Affairs, where our cooperation includes the secondment of staff. Austrade also contributes to the FDI process by assisting with introductions to investment decision-makers in both the private and public sectors.

Austrade often assists the Government to shape and deliver new investment priorities and programs. For instance, Austrade is helping develop northern Australia through our capacity to attract FDI. As part of our investment agenda, Austrade is working with key government agencies including the Office for Northern Australia, state and territory businesses and communities to identify high-potential investment opportunities in northern Australia and connect them with prospective investors through our offshore network.

- *Northern Australia policy case study*

Austrade has actively supported and driven key components of the Government's vision for northern Australia. In addition to seconding staff to the Northern Australia Taskforce, Austrade subsequently appointed a senior officer to oversee investment in northern Australia; delivered two Northern Australia Investment Forums (Darwin - 2015 and Cairns - 2017) which brought together more than 400 investors, project proponents and officials to interact directly; delivered over \$1 million in grants through the Australian Tropical Medicine Commercialisation Grants Program; and developed and launched a Northern Australia Mapping tool (which has subsequently been extended to encompass the nation) to provide investors with data on population, land and tenure information, zoning regulations, supporting infrastructure, and climatic conditions¹⁷. Austrade's Agribusiness and Food team are also working with industry and government agencies to develop opportunities in the agriculture sector of Northern Australia through land diversification and intensification of the cattle industry to attract productive FDI.

¹⁷ Austrade Investor Map, <https://www.nationalmap.gov.au/investormap/>



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Austrade also engages with federal industry bodies. Alongside the New Zealand Department of Treasury, Austrade sponsors the Australia New Zealand Infrastructure Pipeline (ANZIP), operated by Infrastructure Partnerships Australia. ANZIP provides infrastructure investors, contractors and jurisdictions with a clear picture of likely and confirmed infrastructure activity across the two countries to inform investors of opportunities in the infrastructure sector.

States and Territories

The Commonwealth and state and territory governments together set investment priorities, facilitate investment opportunities, and identify and address investment impediments to retain Australia's attractiveness as an investment destination. This work is overseen by the Trade and Investment Ministers' Meeting, which meets biannually and is chaired by the Commonwealth Government Minister for Trade, Tourism and Investment. This forum is supported by the Senior Officials' Trade and Investment Group (SOTIG) and the National Investment Advisory Board (NIAB). Austrade solely chairs NIAB and co-chairs SOTIG with DFAT.

By working with states and territories, Austrade and its counterparts are committed to a harmonised approach to attracting FDI. Through collaboration and co-design of investment protocols and priorities, Austrade and the states and territory governments are able to present 'Team Australia' to prospective investors offshore. Austrade also works with the states and territories to identify and advocate for improvements in state based investment regulations.

Given jurisdictions' limited offshore resources, Austrade has a role in providing the states and territories with foreign investment information, as it relates to trends, growth, and market and sector interest. For this reason, Austrade has been active in sourcing and funding research and data tools. This includes the ABS Economic Activity of Foreign Businesses statistics, data from Austrade's Tourism Research Australia and producing an Investor Map with Data61 and Geoscience Australia, while simultaneously publishing our investor, exporter and country updates. In providing this information, Austrade equips the state and territory governments to develop their own investment strategies and prepare a more targeted approach to FDI.

The major operational engagement on investment between Austrade and the states and territories relates to Investor Requests. Potential investors are identified and qualified offshore, with Austrade posts submitting specific investor interests to Austrade's sector teams onshore. The relevant sector team then seeks multi-jurisdictional input, with states and territories contributing to the national response by profiling their local investment opportunities. This information is then combined and delivered as a bespoke service to potential investors, relevant to their investment agendas as a way of attracting the most productive investment into Australia.

Key to Austrade's ability to attract foreign investment into the future is the sharing of information and the presentation of a consistent, national message. For this reason Austrade



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delivers formal training to government colleagues (and partners and stakeholders) through, for example, the *Winning Investment for Australia* course. The training ensures the investor remains at the centre of our business at all times, while being particularly successful in developing the core knowledge and skills to deliver a 'Team Australia' approach to investment attraction. Participants come away with knowledge of Australia's investment proposition, an understanding of the importance of FDI, consultative selling skills, presentation skills, client relationship management skills, investment facilitation skills, and an understanding of Austrade's investment business practices and systems.

Local government

Austrade has engaged with Regional Development Australia (RDA) Committees in the promotion of productive FDI across regional Australia. For example, in August 2018, Austrade hosted an investment facilitation workshop at the RDA National Forum. At the workshop Austrade's CEO opened the session and outlined the importance of collaboration and partnering for success to increase foreign investment in regional Australia.

Similar to its role with the state and territories, Austrade plays a lead role in providing local governments and RDAs with information on the level of foreign investment Australia is attracting, the industries receiving it, and the opportunities available. Important common messaging, data and analytics are contained in Austrade publications such as the "*Why Australia; Benchmark Report*" and "*Tourism Investment Monitor*", which allow local governments to identify particular sectors which play to their local advantage and ascertain the investment opportunities available.

MOVING FORWARD

Austrade has long been recognised for our expertise, flexibility and capacity to adapt and respond to change. Continuing to add value for our current and future clients, investors and stakeholders, involves a readiness to respond to the global factors changing the nature of international business.

This includes an adaptability to market changes and changes in investor priorities. As such Austrade continues to refine and refocus our activities to accommodate global and national changes to FDI. For example, in addition to the traditional investment priority sectors, work is also taking place in emerging areas such as ag-tech, fin-tech, med-tech, Blockchain, e-commerce and cyber security technology.

Austrade sees future benefits for the business community in attracting investment into cluster sites. Key priority areas like the Western Sydney Aerotropolis and Victoria's Fisherman's Bend provide opportunities to bring together investors, researchers and business knowledge and expertise within a shared ecosystem. The clustering together of



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technology, skills and people has the potential to drive innovation, collaboration, research and development and additional investment, collectively generating economic benefits.

In regards to government partnerships, Austrade will seek further opportunities for collaboration and knowledge sharing with federal agencies and state governments. For example, in the last month Austrade has conducted sectoral deep dives for all eight sectors with all state and territory stakeholders. Our sector plans have been shared in their entirety with state and territory governments, along with DIIS and DFAT. We have also shared our client journey mapping and reinvigorated how states and territories can work with us offshore, including by embedding their staff in our international network.

More broadly, Austrade will continually work to improve its services delivery, operations and staff capabilities. This is why in 2017, Austrade commissioned an Organisational Capability Assessment (OCA) to assess our ability to operate successfully into the future and continue to deliver for Australia and our clients. The OCA is roadmap for Austrade's continuous improvement out to 2022. The independent report identified and confirmed our strong performance to date, such as our high quality service delivery and the valuable information and insights we produce, including our ability to convert these into opportunities for business. It further highlighted the strength of our unique networks onshore and offshore and the calibre and talent of our staff.

To take Austrade into the future, the OCA recommended eight key areas of focus:

- Strengthening client and investor service delivery; partnering for success; promoting Australia and its capability internationally; enhancing our commercial intelligence capability; expanding our policy influence; developing talent; embracing digital first; and operating with agility.

All recommendations were accepted by the Austrade executive and implementation is well underway, including:

- › Conducting an International Network Review, involving a scan of Austrade's operating environment and the global investment landscape to determine the need for refinement of its investor services and sector focus;
- › Analysing existing service offerings, identifying potential new services and developing and implementing a universal service offering for all clients and investors;
- › Integrating onshore trade, investment, tourism and education functions into industry lead teams to enable a sector focused, client centric service delivery;
- › Working closer with key government partners, such as Department of Industry, Innovation and Science, to provide integrated assistance for businesses as they pursue growth strategies in the domestic and international markets;
- › Establishing offshore regional teams to enable a coordinated approach, more efficient operation and improved engagement across our onshore and offshore networks;
- › Developing digital and data strategies; and
- › Developing and implementing new talent management and resource allocation frameworks.



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Austrade will continue to measure, review and assess these actions as they are rolled out. We will continue to actively seek feedback from clients, stakeholders and partners to ensure the organisation remains fit for purpose and effective in attracting productive FDI into Australia.