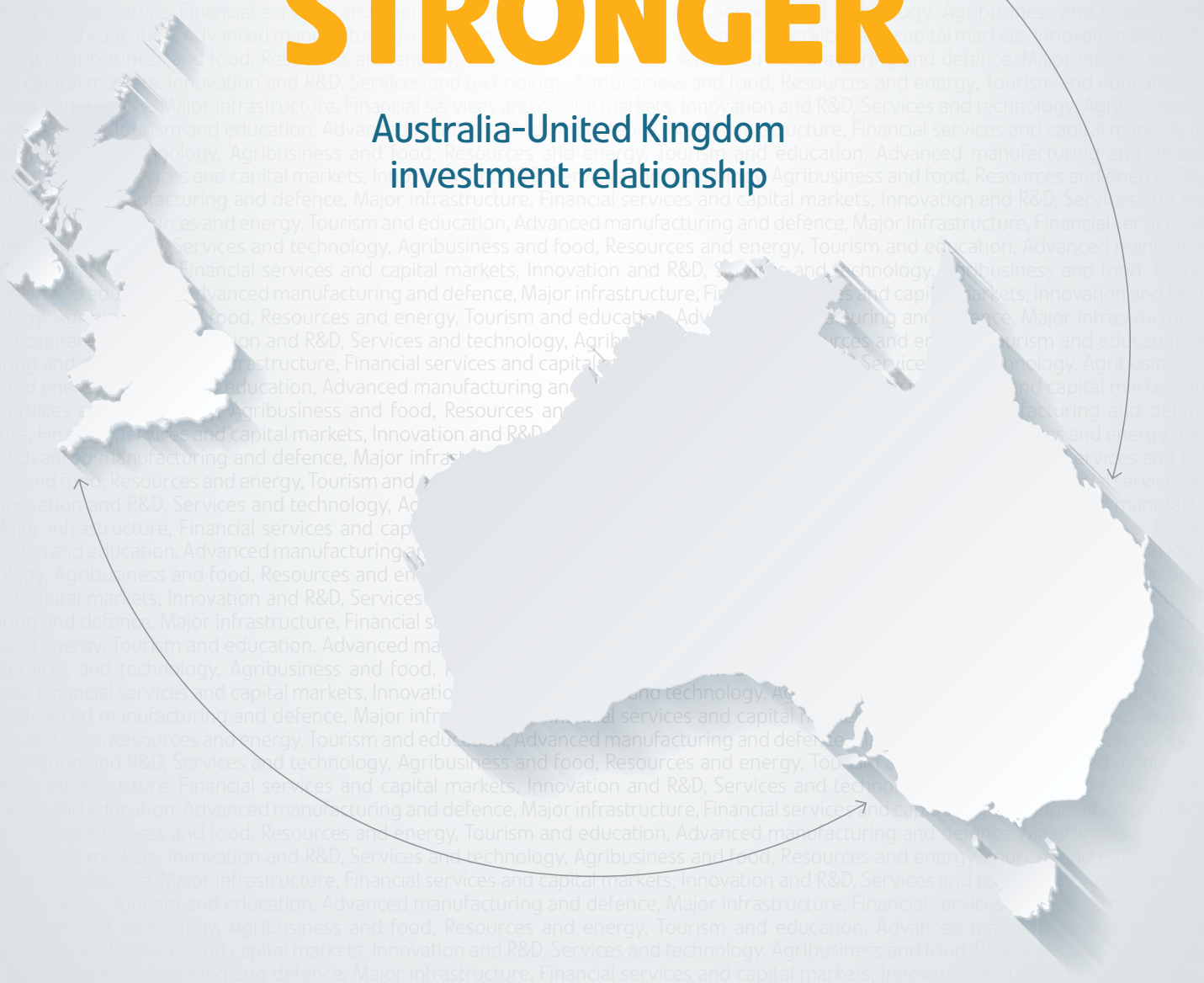


# STRONG TIES GROWING STRONGER

Australia-United Kingdom  
investment relationship



HM Government



Australian Government  
Australian Trade and Investment Commission



AUSTRALIAN  
BRITISH  
CHAMBER  
of COMMERCE



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# FOREWORD



The vibrant relationship between the UK and Australia is rooted in our history, and our strong foundations – democracy, the rule of law, sport and culture reflecting our shared heritage.

This is a partnership, which already strengthens both our countries. As the UK leaves the EU we have the opportunity to strengthen it still further, including in terms of our economic partnership, trade and investment.

The UK and Australia are close trading partners and investors in each other’s economic success. In 2017, the UK was Australia’s second-largest source of foreign investment and second-largest foreign investment destination. Such investment drives economies. Australia’s new FDI projects in 2016-17 created over 1,750 British jobs.

This is not just about the numbers – the UK and Australia are natural partners. Business-friendly regulatory environments, trusted legal systems, and highly skilled workforces underpin this vibrant partnership. Our interconnectedness has facilitated institutional funds to invest in major projects in each other’s countries, such as AustralianSuper investing £1 billion into the Kings Cross development project in London, one of the most significant regenerations in Europe.

Similarly, the UK-owned Liberty House Group acquisition of the Arrium Steelworks in Whyalla, has demonstrated confidence in Australian manufacturing. This open and successful mutual investment story has been replicated in companies like BP, Macquarie Bank and GlaxoSmithKline becoming household names in each other’s countries.

There remains a vast amount of untapped potential between Australia and the UK. Nowhere is this more evident than in the digital space. As the technology capital of Europe, we are a hub of research and innovation. Since 2011, the UK tech sector has attracted more investment than Germany, France and the Netherlands put together. BT for example has already committed millions to launching a cybersecurity research and development facility in Sydney, their first outside the UK. This combined with the potential of other industries, such as the £60 billion Australian Infrastructure Pipeline, or the Fintech Bridge announced earlier this year provides a clear vision of the range and scale of the opportunities we share.

Our Governments are working together to support businesses take advantage of these opportunities. We are committed to pursuing an ambitious and comprehensive Free Trade Agreement following the UK’s departure from the EU. This will leverage our compatible economies and strong links for the benefit of both countries.

This report exemplifies our mutual ambitions to strengthen our bilateral economic relationship and provide a strong foundation for our future relationship.



**The Rt Hon Liam Fox MP**  
**UK Secretary of State for International Trade and President of the Board of Trade**

## Australia-United Kingdom Chamber of Commerce

The Australia-United Kingdom Chamber of Commerce is delighted that this report is shining a spotlight on the strength of the bilateral investment relationship between our two countries. The \$800 billion invested by companies across sectors such as defence, education, technology and finance is driving economic growth and prosperity

and as Australia and the UK look towards a future trading relationship, provides the best possible basis for a comprehensive and ambitious bilateral free trade agreement.

**Elizabeth Ames**  
Executive Director



Australia and the United Kingdom (UK) share deep family, cultural, and historic linkages. More than 130,000 Australian citizens live in the UK and over one million UK citizens live in Australia.

Much of Australia's history, including our trade and investment relationship with the UK, can be traced back to the start of European settlement in Australia. The UK has been the leading source of foreign investment in Australia, from the gold-mining era to the relocation of the international wool market from London to Sydney at the turn of the 20th Century; and more recently during Australia's record mining boom. Today it is second only to the United States.

Australia and the UK have managed to forge an exemplary trade and investment relationship. We both share a commitment to protect and shape the rules essential to economic growth and prosperity.

The UK has around \$500 billion dollars of investment in Australia and we have more than \$300 billion invested in the UK. Across industries as diverse as defence, education, technology and infrastructure, we continue to invest in ways that grow prosperity in both countries. UK advanced manufacturing companies such as BAE Systems and AstraZeneca are providing opportunities for Australian companies in their global supply chains. Similarly, Australian superannuation savings are funding the transformation of central London, creating new homes, workplaces and green space for more than 30,000 people.

Australia is now in its 27th consecutive year of economic growth. Open trade and investment settings underpin our success story. The Australian Government's Foreign Policy White Paper was released in 2017 and outlines our plans to boost Australia's competitiveness and resilience and strongly advocate for an open global economy.

In 2016, Australia and the UK agreed to negotiate a comprehensive and ambitious free trade agreement. This will stimulate a new wave of trade and investment between our countries.

I thank the UK Government and the Australian-British Chamber of Commerce for their contribution in delivering this important report and look forward to working more closely together to forge fresh opportunities.



**The Hon Steven Ciobo MP**  
Australian Minister for Trade,  
Tourism and Investment

### Australian-British Chamber of Commerce

We are delighted to be able to partner with Austrade, the UK's Department for International Trade, the Australia-UK Chamber of Commerce and PwC to produce this investment report.

The report highlights the unheralded strength of the shared and growing investment relationship between Australia and the UK, in which the UK is the second largest inward investor into Australia and

the UK is the second largest destination for Australia's investment. This relationship underpins the shared opportunity for future trade and investment relationships, both between us and in third markets.

**David McCredie**  
Chief Executive Officer

# INTRODUCTION

The United Kingdom and Australia have long been important trading and investment partners. Assured by a common language, similarities in culture, legal frameworks and business 'norms', UK and Australian companies continue to see the other country as an attractive place to invest in and expand their international operations.

Similarities in business environments reduce risks for investors and allow them instead to focus on the strength of market opportunities. Both countries offer large, open and flexible economies as well as an ideal location from which to access other opportunities in their regions, such as Europe and Asia.

The Australian Government's 2017 *Foreign Policy White Paper* underlines the importance of a flexible and competitive economy to Australia's prosperity. The *Foreign Policy White Paper's* international agenda will be built on domestic and international policies that increase the competitiveness and resilience of our economy and that ensure Australia maximises the gains from economic openness.

The UK Government's 2015 *National Security Strategy and Strategic Defence and Security Review* stressed in a similar fashion the importance of the investment in global alliances, such as that with Australia, to secure the nation's security and prosperity.

Foreign direct investment (FDI) is an important stimulant for economic growth. By bringing new capital into a market it creates new jobs, often bringing new innovation and ways of working, and deepens global relations.

The UK remains one of the top locations for Australian investment; there are over 500 Australian companies operating there as of 2015 and it is the second largest destination for Australian FDI.<sup>1,2</sup>

Similarly, there are over 1,200 UK companies operating in Australia who employ nearly 95,000 people.<sup>3</sup> Australia is the ninth largest destination for FDI from the UK.<sup>4</sup>

Between 2016 and 2017 FDI stock from the UK into Australia increased by 11 per cent and FDI from Australia to the UK increased by 14 per cent. Portfolio investment between the two countries is also significant and growing. Australian portfolio investment in the UK increased by 26 per cent to \$92 billion.<sup>5</sup>

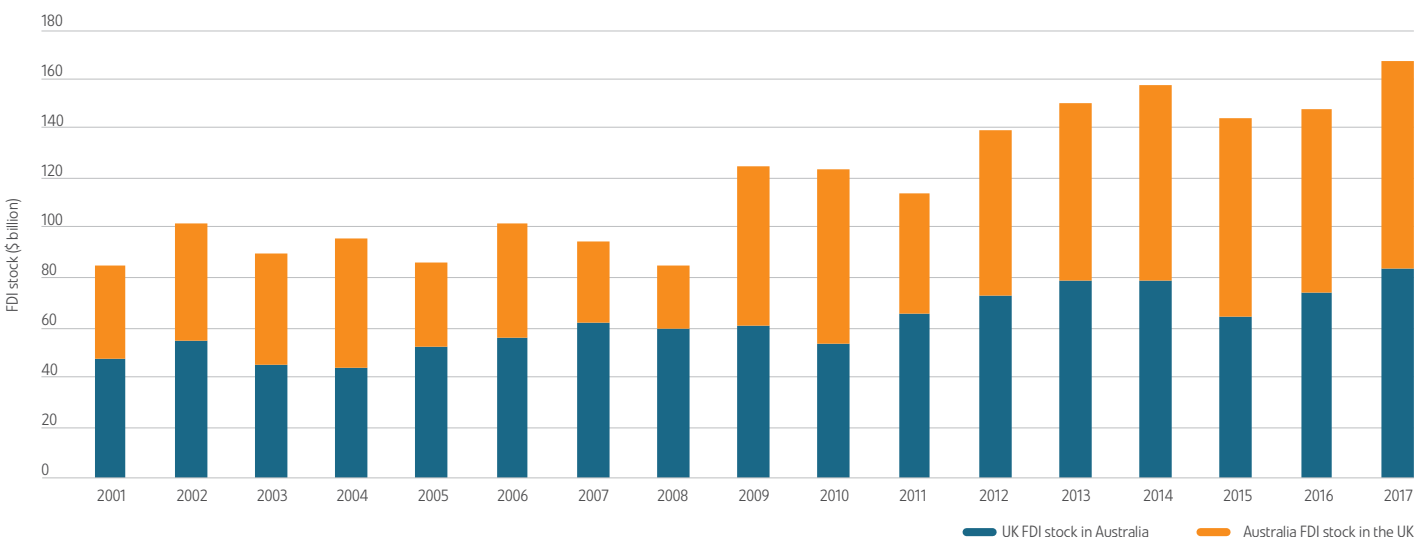
These firms – across industries as diverse as defence, infrastructure, training and technology – continue to invest in ways that are transforming markets and providing economic sustainability to communities in both countries.

From 2010 to 2017, total two-way investment grew by 22 per cent in nominal terms to reach \$815 billion, of which \$167 billion is foreign direct investment (FDI).<sup>6</sup>

This report profiles 18 Australian and UK firms – from small startups to international conglomerates – that have successfully expanded to either country. Factors shaping these cross-country investments include:

- **New business models** in which government and business are cooperating to solve complex problems. Australian and UK firms are operating across borders in areas such as large-scale defence procurement, infrastructure provision and urban renewal.
- The opportunity to leverage and participate in **global supply chains**. With more complex global operations, there are new opportunities for small and medium-sized enterprises to leverage particular expertise into global supply chains. Defence, advanced manufacturing (such as pharmaceuticals) and even global services like tourism and financial services are areas of particular traction.
- **Digital transformation** and associated innovation allows companies to access new opportunities that may not exist in home markets.
- The desire to leverage the **geographic position** of the two markets. With the UK as a launch-pad into Europe and Australia into Asia, the position of the two countries allows close to 24-hour global coverage of markets.

## Australian two-way direct investment stock with the UK, 2001-2017



Source: Australian Bureau of Statistics, Cat. No. 5352.0 - International Investment Position, Australia: Supplementary Statistics, 2017, (released 9 May 2018).

## Australian investors in the UK

Since 2010, the stock of Australian FDI into the UK has grown by 19 per cent in nominal terms to reach \$84 billion at the end of 2017.<sup>7</sup>

The UK continues to be seen as a significant market by Australian firms. London specifically is the European headquarters for 65 per cent of all Fortune 500 companies. There is a clear attraction as a familiar but larger market for new and emerging Australian businesses.

In addition to its strength as a developed market, many of the Australian companies profiled in this report identify the UK as a logical base for further expansion to Europe, even post-Brexit.

Australia is expected to become a greater component of foreign investment in the UK going forward. A large part of this growth will be driven by Australia's growing asset management sector, with fund managers increasingly in search of overseas investment opportunities to direct more of Australia's current \$3.4 trillion pool of managed funds.<sup>8</sup>

Beyond traditional equity investments, funds are increasingly being directly invested in physical assets such as infrastructure and property. A number of high-profile investments have been led by AustralianSuper and Macquarie Bank.

## UK investors in Australia

Since 2010, the stock of UK FDI into Australia has grown by 55 per cent in nominal terms to reach \$83 billion at the end of 2017.<sup>9</sup>

Australia provides UK firms with prospects emerging from its growing population, multilingual and well-educated workforce, similar consumer drivers and sophisticated market environment.

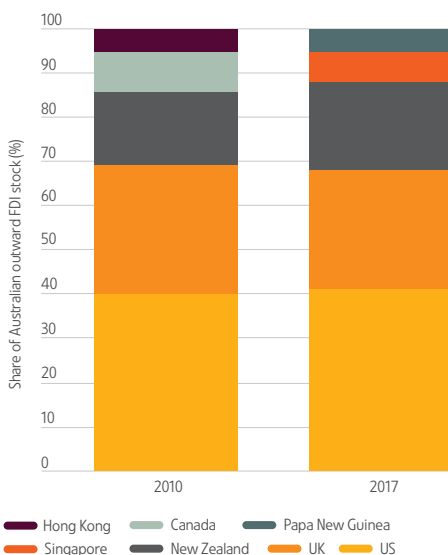
Complementing investments in traditional industries – infrastructure, resources and agriculture – there are new and exciting opportunities in services, technology and advanced manufacturing. Of particular note is major government investment in innovation and new defence capabilities, as well as the contracting out of managed services that were previously delivered by government.

Beyond Australia as a market itself, Australia's location provides opportunities for many UK firms:

- Australian operations offer a 'platform for expansion into Asia', with Australia as a base for regional headquarters from which to target Asian markets.

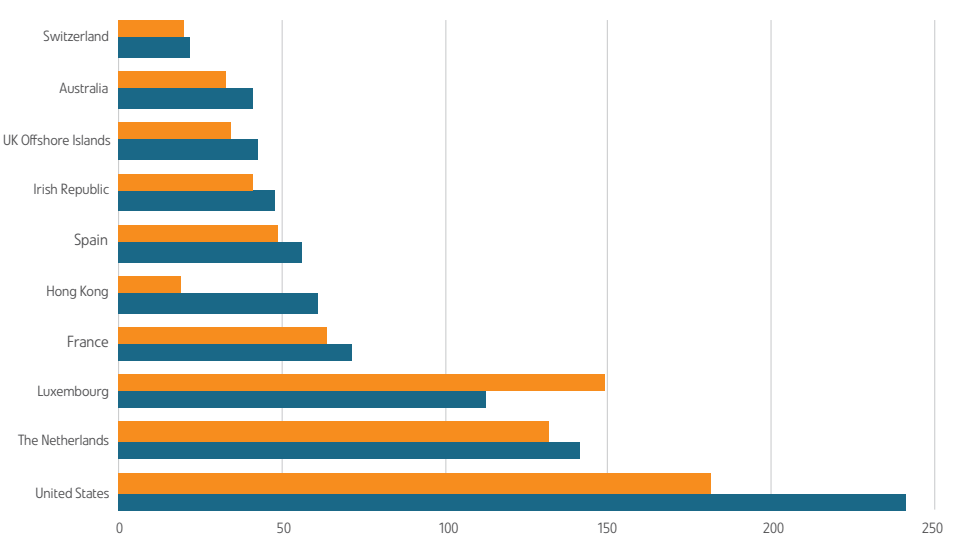
- Local subsidiaries provide UK firms with the opportunity to utilise Australian free trade agreements (FTAs), particularly with North Asian countries, complementing core business.<sup>10</sup>
- A UK firm with a base in Australia can provide near 24-hour global coverage as a support base for global operations by UK firms.

## Composition of Australia's outward FDI stock (share of top five), 2010–17



**Source:** Australian Bureau of Statistics, Cat. No. 5352.0 – International Investment Position, Australia: Supplementary Statistics, 2017, (released 9 May 2018).

## UK's top ten FDI destination countries (stocks), 2010–16 (£ billion and 2016 ranked)



FDI stock from the UK (£ billion)

**Source:** Office of National Statistics, Foreign direct investment involving UK companies, 2016, released 1 December 2017.

# STRONG TIES, GROWING STRONGER



↗  
**Two-way investment**  
 From 2010–17, total two-way investment (FDI, portfolio and other investment) grew by 22% to reach **\$815bn**

↖  
**Two-way trade**  
 Two-way trade was **\$26.6bn** in 2017. The UK is Australia's **7th largest** two-way trading partner and its **3rd largest** two-way services trading partner

## AU to UK



### Foreign direct investment

From 2010–17, AU FDI stock grew by 19% to reach

**\$84bn**

The UK is Australia's **2nd largest** FDI destination



### Firms and subsidiaries

Over **500**

Australian majority-owned affiliates in the UK



### Tourism

In 2016 there were 982,000 visitors to the UK

Visitor nights: **12,912,000**

Visitor spend: **\$1.91bn**

# UK to AU



## Foreign direct investment

From 2010–17, UK FDI stock in Australia grew by 55% to reach

**\$83bn**

The UK is Australia's **3rd largest** FDI source



## Firms and subsidiaries

**1,200+**

UK majority-owned affiliates Australia

The UK is the largest foreign investor in agricultural land in Australia



## Employees

**95,000**

employed by UK companies in Australia



## Tourism

In 2017 there were 731,900 visitors to Australia

**Visitor nights:**

**23,707,000**

**Visitor spend:**

**\$3.5bn**

(UK to AU figures) FDI: Australian Bureau of Statistics, Cat. No. 5352.0 - *International Investment Position, Australia: Supplementary Statistics, 2017*, (released 9 May 2018). Firms and Subsidiaries, and Employment: Eurostat Database, *Foreign affiliates of EU enterprises – outward FATS*, released 21 February 2018; Australian Taxation Office, *Register of Foreign Ownership of Agricultural Land: Report of registrations as at 30 June 2017*, released 29 September 2017. Tourism: Austrade and Tourism Research Australia, *2017 International Visitor Survey, Estimates for the Year Ending December 2017*; Australian Bureau of Statistics, *Overseas Arrivals and Departures, Cat. No. 3401.0, Dec 2017* (released 19 February 2018).

(AU to UK figures) FDI: Australian Bureau of Statistics, Cat. No. 5352.0 - *International Investment Position, Australia: Supplementary Statistics, 2017*, (released 9 May 2018). Firms and Subsidiaries: Eurostat Database, *Foreign-Controlled EU Enterprises – inward FATS*, released 24 May 2018. Tourism: VisitBritain, *Inbound nation, region & county data, 2016*, <https://www.visitbritain.org/nation-region-county-data>, accessed 30 May 2018.

Relationship Figures: Two-Way Investment: Australian Bureau of Statistics, Cat. No. 5352.0 - *International Investment Position, Australia: Supplementary Statistics, 2017*, (released 9 May 2018). Trade: Department of Foreign Affairs and Trade, *Australia's trade in goods and services 2017*, released May 2018. *Composition of Trade 2017*, released June 2018.

# FINANCIAL SERVICES AND CAPITAL MARKETS

The *Global Financial Centres Index* ranks London as the world's top financial centre.<sup>11</sup> It is Europe's largest insurance market; almost 300 international banks have a presence in London and it is home to a wealth of specialist advisers.

This expertise is reflected in: a globally respected stock exchange; flexible markets that can accept a variety of securities; multi-currency and multi-jurisdictional trading and reporting.

Combined, these drivers create deep pools of capital, with institutional funds managed in the UK having almost doubled in ten years, three-quarters of Europe's hedge funds managed in London, and 25 per cent of funds managed in the UK originating from overseas.

In Australia, financial and insurance services are the largest single contributor to gross domestic product (GDP) representing 9.4 per cent of value added. Its financial and insurance services market is considered highly sophisticated, with US\$121 billion of over-the-counter (OTC) foreign exchange turned over daily.<sup>12</sup> The market is considered one of the world's largest, most robust and competitive financial sectors in the world. The *Global Financial Centres Index* ranks Sydney as the ninth most competitive financial centre in the world.<sup>13</sup>

## Fintech collaboration

London's concentration of financial services and technology companies, in such close proximity, has helped foster its leading fintech sector. The UK Government has further encouraged its development by reducing regulatory restraints and implementing initiatives to increase innovation in finance.

On 22 March 2018, Australia and the UK signed a 'FinTech Bridge' agreement, the central components of which are designed to foster relationships between the governments, regulators and businesses, as well as drive trade and investment between the nations.<sup>14</sup> This has a tangible impact upon firms primarily through mechanisms that harmonise rules. For example, entry into each nation's regulatory sandboxes will be facilitated to enable faster expansion and international experimentation for qualifying companies. Trade and investment promotion authorities will be used to enable the promotion of fintech businesses internationally. Regulatory expertise will also be shared as opportunities to fast-track license applications for businesses already licensed in the other nation.

The Commonwealth Bank of Australia (CBA) and Austrade signed an agreement in March 2017 to support innovation exchange and investment between Australia and the UK. The agreement through Austrade's trade promotion capabilities and CBA's London Innovation Lab is designed to target and attract fintech investment to Australia and assist Australian fintech companies to access the UK market.

Another display of international collaboration on fintech was a pilot project by ING UK and CBA. In 2017, these banks carried out a regulatory technology (regtech) pilot to simplify the processing of information and implementation of regulations. The UK's Financial Conduct Authority participated as an observer in the project. The project demonstrated the potential of artificial intelligence (AI) and natural-language processing to save hundreds of hours of manual processing. It also assisted both firms in meeting their 2018 compliance requirements.<sup>15</sup>

A large majority of global banks, insurers and investment managers intend to increase their partnerships with fintech companies to maintain a competitive advantage.<sup>16</sup> HSBC's partnerships with Moneycatcha is one example.

## HSBC and Moneycatcha

In early 2018, HSBC Australia announced its partnership with Australian fintech startup Moneycatcha. HSBC is using Regchain, Moneycatcha's blockchain-based compliance tool, to overhaul HSBC's regulatory reporting capabilities and its ability to review and approve mortgage applications. Blockchain technology is expected to significantly reduce processing times from 42 days to five days.<sup>17</sup>



**Fintech:** computer programs and other technology used to support or enable banking and financial services.



**Regulatory sandbox:** a 'safe space' in which businesses can test innovative products, services, business models and delivery mechanisms without immediately incurring all the normal regulatory consequences of engaging in the activity in question.



**Regtech:** use of technology to help businesses comply with regulations efficiently and inexpensively.



## Bringing competition into currency exchange for Australian customers

### TransferWise (UK)

Australians are fast taking up the international money transfer services of TransferWise.

A significant portion of Australian residents have international links, providing TransferWise with a large and growing base of customers with a need for their services. For example, Australia's large migrant and expatriate population means many people have personal or business ties to other countries. Many Australians also live, work and travel overseas.

TransferWise is able to offer a lower cost service than traditional bank providers as it has built a network of local bank accounts all around the world. This means that, most of the time, money doesn't have to cross borders, cutting down fees for customers.

**TransferWise is a UK-based international money transfer company. It supports more than 300 currency routes across the world.**

## Australian superannuation funds heading for the UK

With around \$3.4 trillion in funds under management, Australia's funds management industry is the largest in the Asia-Pacific region and the sixth largest in the world.<sup>18,19</sup> Australia's funds management industry is characterised by:

- **universal and mandatory retirement income:** the Compulsory Superannuation Guarantee comprises around three-quarters of total managed funds.
- **a sophisticated investor base:** Australia has one of the world's highest percentages of individuals with direct or indirect exposure to the stock market. Approximately 37 per cent of Australia's adult population own shares (either directly or via managed investment funds outside of their institutional superannuation), compared to 15 per cent in the UK with stocks or funds.<sup>21</sup>

Australia's superannuation assets are expected to top \$3 trillion by 2021 and reach \$4 trillion by 2025 and \$9.5 trillion in 2035.<sup>20</sup>

Australia's growing managed funds pool is increasingly outgrowing domestic investment opportunities and a larger share is being directed overseas.

The size and growth of Australia's superannuation system is of interest to the UK Government.

## Australian investment transforming central London

### AustralianSuper (AU)

Managing around \$140 billion in members' assets, AustralianSuper directs a substantial portion of these funds into overseas markets, including the UK.

AustralianSuper's push into the UK includes its majority stake in the \$2 billion, 67-hectare King's Cross redevelopment in central London – one of Europe's largest urban regeneration projects.

When completed in 2021, the development will combine historical and new buildings and include high-quality commercial space, retail, hotels, more than 2,000 new homes and 26 acres of green space. It will be home to approximately 7,000 residents and 30,000 workers.

*'Our participation in the King's Cross regeneration project exemplifies our philosophy of investing in sustainable and productive places and infrastructure, which benefit local communities whilst providing attractive long-term investment returns for our members.'*

**Jason Peasley,**  
Head of Mid-Risk, AustralianSuper

The development is expected to promote significant community benefits. For example, a large portion of new homes will be designated as affordable housing. There is also an on-site recruitment agency and construction skills centre, which connects local people with jobs and opportunities created by the development.

Following the acquisition of the King's Cross redevelopment project, AustralianSuper established an office in London, recognising it needed a greater physical presence in the region as it expands its investments in the UK and across Europe.

AustralianSuper currently has 4 per cent of assets under management in UK investments. Its total investment is expected to grow due to its fast-growing asset base.

**AustralianSuper is the largest superannuation fund in Australia with over 2 million members. It currently has over \$140 billion in assets under management.**



The buildings of Pancras Square, Waitrose and Arthouse at the King's Cross redevelopment project in London

# INNOVATION AND R&D

Innovation and R&D are important to Australian and UK businesses, and to the broader economies within which they operate.

Commitment to innovation and R&D has encouraged over 450 partnerships and collaboration agreements between Australia and the UK, in the form of joint research, clinical trials and co-authored publications. 8.4 per cent of Australia's research output involved collaboration with UK-based authors, making Australia one of the UK's leading research partners.<sup>22</sup>

An example of this collaboration is the UK's Science Innovation Network (SIN), which works to 'encourage high-level science co-operation between Australia and the UK' by connecting universities, research institutions and businesses. SIN's activity in Australia focuses on industries including manufacturing, health and life sciences.<sup>23</sup>

Factors enabling collaboration include the existence of a skilled workforce, strong IP regimes and the mobility of labour between countries. A bilateral FTA in the future may allow for even greater collaboration by lowering or removing tariffs and increasing productivity.

## World-leading R&D keeps us healthy

### CSL (AU)

Through its subsidiary Seqirus, CSL's UK operations focus on the production and supply of the influenza vaccine and supporting government with pandemic preparedness. It runs a high-tech facility in Liverpool, which is one of the largest biotechnology sites in Europe and a centre of excellence for the development and manufacture of enhanced influenza vaccines.

Since taking ownership of the Liverpool site in 2015, the company has committed investments of over £60 million to expand its production, warehousing and filling lines. Through the site, the company engages in significant training programs related to advanced technologies and manufacturing, through its relationships with local universities.

The reach of its operations also extends to local suppliers. For example, the company draws heavily on local agricultural products like chicken eggs (used to grow large quantities of influenza virus for vaccine production), which it sources from across 20 farms. CSL operates a global R&D program out of its other UK site in Maidenhead, employing a team of 30, and has also rolled out a pilot technical development program in Liverpool to further drive innovation in manufacturing, which is supporting an additional 40 jobs.

**CSL Limited (a top-10 ASX listed company) has global operations, including in the UK.**

## Boosting production of life-saving medicines

### AstraZeneca (UK)

AstraZeneca's (AZ) Australian operations cover manufacturing and sales. The biopharmaceutical company operates in Australia and exports its products to 19 countries, including in Asia where Australian-made products are regarded as being of high quality and integrity.

As a multinational company, AZ's supply chains wrap around the world. The Australian firm utilises many raw materials, which are largely sourced from the UK and Europe.

In addition to its day-to-day operations in Australia, AZ invests heavily in R&D, covering medicinal research as well as innovations in manufacturing. For example, in 2017 AZ announced a \$100 million investment in expanding its North Ryde manufacturing facility with smart manufacturing processes (in other words, robotics), which will create 60 additional jobs. This is expected to drive exports to \$2.4 billion over the next four years. The investment will produce an additional 70 million units of asthma medication annually. This is another example of leveraging Australia as a launch-pad into Asia, as some of these units will be exported to other countries such as China.

*'AstraZeneca Australia has increased productivity by 134 per cent in the last six years, which is primarily related to local smart manufacturing. It is this competitive edge that has made Australia such an attractive place to invest.'*

**Kieran Schneemann,  
Director Government Affairs,  
AstraZeneca**

AZ has also partnered with doctors and university researchers in Australia to develop new medicines in oncology, respiratory illness, auto-immunity, infectious disease and neuroscience.

Over the last decade, AZ has been involved in more than 55 clinical trials in Australia, involving around \$250 million in R&D investment.

**AstraZeneca PLC is a UK biopharmaceutical company that develops, manufactures and commercialises prescription medicines worldwide. The company started operating in Australia in 1957 and now employs around 900 people in Australia.**



AstraZeneca's manufacturing facility in Sydney

# SERVICES AND TECHNOLOGY

Business services, communications and digital technology companies have become critical to the success of domestic and multinational firms as businesses operations become more complex and enabled by digital technology.

The UK and Australia have comparatively similar business services cultures. Both countries share attitudes towards the risks and rewards associated with technology and its current and potential applications. As such, it makes sense for firms in these sectors to enter either market as a means to increase scale and innovate further.

## Digital competitiveness

*The UK and Australia share similarities in their digital capabilities, with the UK ranking 11th place in the 2017 IMD World Digital Competitiveness Rankings and Australia coming in at 15th place. The rankings compare countries' knowledge and future readiness in the digital arena.<sup>24</sup>*

The UK and Australia are already working together in areas of common concern such as cyber security. In 2017, both governments announced a joint commitment to promoting an international stability framework for cyberspace. Common approaches to managing such threats should further support the access and adaptability of high-calibre firms in this field to enter the other market.

## Safeguarding companies and government against cyber threats

### BT Group (UK)

From Australia, BT provides telecommunications and other digital support services across a range of industries, particularly servicing financial institutions and government organisations. BT sees large growth opportunities in Australia – particularly given the need for public and private organisations to tightly manage cyber security threats.

The company established an Australian Centre of Excellence in North Sydney – the first BT cyber security R&D facility outside of the UK. Currently, BT has more than 80 people dedicated to cyber security in Australia.

An additional 170 jobs are expected to be created over the next five years through the facility, with the NSW Government investing \$1.67 million to support its activities. BT also agreed to make a \$2 million investment in capital infrastructure, and a further multi-million investment to employ cyber security specialists.

*'This facility [in North Sydney] will be a cornerstone of our global cyber security capabilities and help us stay ahead in this fast moving space.'*

### Mark Hughes, CEO, BT Security

BT Group Plc (BT) is a leading UK telecommunications company, servicing customers in the UK and in more than 180 countries. It has been operating in Australia for over 30 years, employing around 250 people.

## Airtasker: building the UK's gig economy

### Airtasker (AU)

UK customers have similar attitudes to Australians when it comes to trust in the community and 'getting jobs done'. That was the finding of Australian company Airtasker when it was considering where to set up its first international operation. London's large population and high urban density further enhanced the case to expand to the UK.

Airtasker was founded in Sydney in 2011, offering an online platform to connect people looking for affordable and convenient services and those offering their flexible services. This is a prime example of the networked gig economy. Today, Airtasker's marketplace consists of around 2 million users. It has been able to unlock employment and income opportunities, with individuals completing tasks worth over a \$100 million dollars in transactions annually.

Five years after starting in Sydney, the company was able to raise \$33 million in venture capital to launch in the UK. While 'gig' services such as Uber and Airbnb are now prominent in the UK, Airtasker is fairly distinctive in the market. Its model is one that empowers workers who are able to nominate their price and opt-in to provide a service.

**Airtasker is an Australian platform that enables individuals to outsource tasks to others. Over 1.6 million people use the platform.**



**Gig economy:** a labour market characterised by short-term contracts or freelance work rather than permanent jobs.



# AGRIBUSINESS AND FOOD

The UK and Australia have strong track records in agriculture and food manufacturing, and both are home to globally recognised brands.

Although Australia accounts for less than two per cent of global food trade<sup>25</sup>, its advanced agricultural sector produces a healthy surplus and over two-thirds of commodities are exported on average each year.<sup>26</sup>

Opportunities in Australia are increasing due to its proximity to fast-growing consumer markets in Asia where there is rising demand for healthy, premium and convenient food products. This is driving a shift towards greater exports of high-margin food products such as dairy, packaged meat and seafood, and wine.

Australia is expected to benefit significantly from the forecast growth in the number of the Asia-Pacific region's middle class consumers, which is expected to grow from 525 million in 2009 to 3,228 million by 2030.<sup>27</sup> Australia is also unique in the number of FTAs it has with the region including agreements with the Association of Southeast Asian Nations (ASEAN), China, Japan, Korea, Malaysia, Singapore and Thailand.

### Agribusiness is booming in Australia

- Farm exports increased by \$4.2 billion in FY17 to \$49 billion
- Gross value of farm production increased by 10 per cent in FY17 to \$62.3 billion
- Australian agricultural production is expected to increase by 12.4 per cent in nominal terms between 2016-17 and 2022-23
- The estimated value of Australian gross agriculture production is \$68 billion in 2016-17
- The Australian Government provided \$252 million to rural research programs in 2015-16 in the form of R&D support

28

Recent years have seen more foreign investors looking to capitalise on Australia's existing sector strengths, as well as its proximity and established connections with Asia.

Reflecting this opportunity, UK companies have established a significant presence in Australia's agribusiness sector and remain the largest foreign holder of Australian agricultural land. This stake represents 2.6 per cent of all agricultural land. In 2017, 13.6 per cent of Australian agricultural land had some level of foreign ownership.<sup>29</sup>

## UK and Australian agribusiness firms

### UK companies in Australia



Sundrop Farms is a UK company engaging in high-tech production of fruit and vegetables. It operates a farm in South Australia that innovatively draws on seawater and solar power.



Carlton & United Breweries is Australia's second largest brewer and was acquired by Anglo-South African firm, SABMiller, in 2011.<sup>31</sup>



Unilever Australia's portfolio of brands includes Flora, Continental, Bertolli, Streets, Lipton and Bushells. In 2013 it acquired T2, an Australian tea retailer.

<sup>31</sup>SABMiller was acquired by Anheuser-Busch InBev SA/NV in 2016.

### Australian companies in UK



The A2 Milk Company is a leading fresh milk brand in Australia and has a growing presence in the UK.



Boost Juice is an international chain of fruit juice and smoothie retailers that has been operating in the UK since 2007, where it has 29 stores.



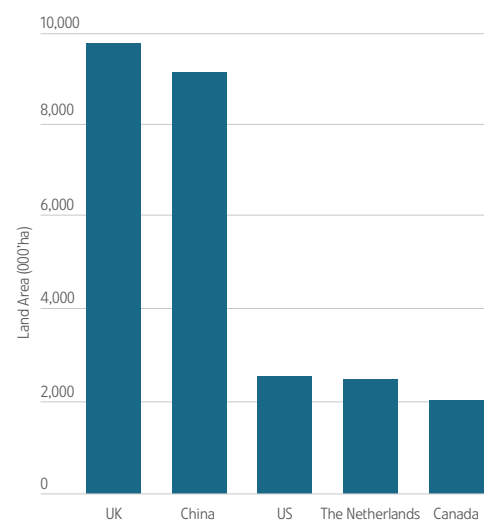
Accolade Wines is the world's fifth largest wine company by volume. It sells over 35 million cases to 140 countries annually including Australia, UK, Europe, US, Canada, Japan and China.

Merger and acquisition activity in the sector is also seeing growing industry consolidation, disintermediation of supply chains and innovation, increasing economies of scale and global competitiveness. Hilton Food Group's joint venture with Woolworths is a prime example of the contribution of a foreign company to enhancing the efficiency of food supply chains in Australia.

The investment relationship in this industry has been fruitful for companies in both geographies, with a number of Australian companies finding success in the UK market. Australian wine, for example, has been a market leader in the UK for over a decade.

One in five bottles of wine consumed in the UK is from Australia.<sup>30</sup>

### Foreign-held portion of Australian agricultural land (as at 30 June 2017)



Source: Australian Taxation Office, Register of Foreign Ownership of Agricultural Land, 2017.

## Over 50 years nourishing Aussie families and supporting regional Australia

### George Weston Foods (UK)

George Weston Foods (GWF), a subsidiary of Associated British Foods, has been operating in Australia for over 50 years. Across 58 sites, it manufactures and distributes many of Australia's popular food brands, including Tip Top and Don KRC.

GWF has a long history in Australia and an even longer-term view of its future in the country. In the last ten years it has invested around \$800 million in capital into its operations. GWF is actively looking to expand its operations, through organic growth and through investment in other agribusiness processes. It anticipates plenty of further growth opportunities in the Australian domestic market, with more Australians placing value on locally produced food.

GWF is committed to supporting local employment, working closely with state governments and unions to provide training so local people are equipped to take on jobs. This has had a significant impact on employment, particularly in regional areas. For example, the company employs around 1,500 people in rural Victoria alone.

GWF also supports initiatives that aim to provide employment opportunities to refugees in Australia.

**GWF is one of Australia and New Zealand's largest food manufacturers. It is a wholly owned subsidiary of Associated British Foods. It employs over 6,000 people nationally.**

### Supporting refugees

GWF's Tip Top business is a partner in the Bread and Butter Project, which provides refugees with traineeships to assist them in attaining a Certificate 2 in Food Processing within Australia.

## Assisting agribusiness in Australia and the UK to take on global players – and win

### Nufarm (AU)

Nufarm began operations in the UK in the mid-1990s but achieved significant scale when it acquired an agrochemical manufacturing facility in Wyke, near Bradford in Northern England. Since then Nufarm has made significant investments in the plant, and it is now the world's largest manufacturer of several important agricultural phenoxy herbicides. The company has grown to become one of the top suppliers of such products in the UK with its manufacturing base in Wyke providing an important point from which to service the UK market, as well as export its products around the world.

**Nufarm is one of the world's largest manufacturers and distributors of crop protection products, with a marketing presence in 30 countries worldwide. The company has a 100-year history of production in Australia and New Zealand. Over the last few decades it has expanded its operations across most continents, largely through acquisitions.**

## Entering Australia in partnership with Woolworths

### Hilton Food Group plc (UK)

For UK company Hilton Food Group plc (Hilton), the opportunity to partner with Woolworths – one of Australia's major supermarket chains – prompted its expansion to its first overseas location outside of Europe.

Woolworths sought Hilton's expertise as a recognised leader in meat product packing and supply, and a company that could improve innovation, efficiency, increase selling time and minimise food waste.

The two companies entered into a joint venture in 2013 and Hilton has since announced it will set up and operate three meat processing facilities in Australia, which will supply a significant proportion of Woolworth's meat products. Their total investment will amount to around \$200 million and they will employ over 1,000 Australian staff members by 2020.

Hilton noted Australia's high demand for fresh, good quality meat in its assessment of the market, and the availability of high-quality raw product (supported by Australia's strong food biosecurity and food safety regulations) that it would be able to access. It also sees a lot of potential for innovation when it comes to offering consumers a greater range of product options.

**Hilton Food Group is an English food packing and processing company. It operates across Europe and the Asia-Pacific region.**



Nufarm's manufacturing facility in Wyke

# RESOURCES AND ENERGY

Australian and UK firms are at the forefront of supporting the global economy's growing demand for resources and energy.

Australia's vast mineral, oil and gas resources, and its innovative mining equipment, technology and services sector, underpin its status as a global leader in the resources and energy sector.

Minerals and fuels comprise around 46 per cent of total exports, valued at around \$178 billion in 2017.<sup>31</sup>

Australia attracted 13 per cent of total global mining exploration; the second largest in the world and significantly larger than the 5 per cent attracted by all of Europe.<sup>32</sup>

These factors, combined with Australia's proximity to the energy-hungry markets of Asia, its rich intellectual capital and supportive governments, make Australia attractive to investors and new market entrants seeking sustainable, long-term returns.

Not surprisingly, therefore, UK and Anglo-Australian firms such as BP, BHP and Rio Tinto are among the investment leaders in this sector.

## Australia's booming renewables sector attracting foreign investment

Rising power prices and a commitment to a less carbon-intensive economy mean there is also significant demand for renewables and energy-efficient technologies targeting commercial and domestic-scale applications.

Australia's renewable energy sector is experiencing unprecedented activity, with at least 52 projects under construction, committed or completed since the beginning of 2017.

These projects will deliver over \$10 billion in investment and 5,206MW of new renewable energy capacity.<sup>33</sup>

Land availability and the potential for large-scale development is attractive to foreign investors, with greenfield development opportunities in mature markets becoming scarcer. Recent amendments to Australia's foreign investment rules provide greater flexibility to foreign investment in renewables projects, reflecting the Australian Government's desire to encourage further growth in this rapidly developing sector.

## Australian firms capitalising on the UK's low-carbon transition

The UK is a leader in renewable energy development and is strongly outperforming its peers in the G20 with the highest decarbonisation rate since 2000. The country's plans to close all coal power stations by 2025 are already underway with the last deep coal mine closing in December 2015. Reliance on coal and other fossil fuels is quickly being replaced by renewable electricity generation, with solar generation increasing by 35 per cent in 2016.

The UK's supportive regulatory environment has made its renewable energy sector attractive for foreign investors, including Australia's Macquarie Group, which purchased the UK Government's Green Investment Bank in 2017. The deal lifted Macquarie's significant stakes in 48 per cent of offshore wind assets in Britain.<sup>34</sup>

In 2016, Macquarie Group purchased a stake of the Race Bank Wind Farm, located off the coast of Norfolk, in a US\$1.6 billion deal that saw Macquarie take on part of the project's construction risk.<sup>35</sup> The farm recently began operating at full power, enabling it to produce enough green energy to power over 500,000 UK homes.<sup>36</sup>

### UK firms investing in Australian renewables

- UK investment firm **Foresight Group** has one of the largest portfolios of renewable energy projects in Australia and is helping to invest in underdeveloped segments such as bio-energy
- Palisade Investment Partners concluded a deal with British developer **ESCO Pacific** to develop the Ross River solar farm in Queensland in early 2017
- **GFG Alliance** acquired South Australian retail solar energy provider Zen Energy in late 2017
- In 2017, **Royal Dutch Shell** obtained planning approval for a 250MW solar plant in Queensland



A subsea glider by Blue Ocean Monitoring

## Developing Australia's renewable energy sector

### Foresight Group (UK)

Foresight Group established its Australian operations in 2015, when Australia's Clean Energy Finance Corporation (CEFC) commissioned it to set up and manage the Australian Bio-Energy Fund. Its role was initially directing the CEFC's funds into a range of projects producing clean energy from a variety of waste streams.

Foresight Group has since established additional investment vehicles to support growth in Australia's renewables sector. It has acquired five large-scale solar projects, enabling their construction and/or ongoing operation.

The group is actively seeking further investment in Australia's renewable energy sector, seeing strong prospects for new greenfield projects across a range of technologies.

In particular, Foresight Group is looking to leverage its UK expertise in bioenergy to support projects in Australia. Energy production from biological sources (such as waste or biomass) still represents a small portion of renewable energy production in Australia, despite the enabling technology being relatively mature.

Foresight Group is seeing strong investor interest in the sector. From its base in Sydney, the company has been able to mobilise investment from a range of sources, including local investors as well as those in Europe and Asia.

**Foresight Group is a leading UK infrastructure and private equity investment manager with around £2.8 billion of assets under management.**



Foresight Group's 25MW solar farm at Barcaldine, Queensland

## Reducing risk and cost in ocean operations

### Blue Ocean Monitoring (AU)

Blue Ocean Monitoring is a global ocean survey company committed to the adoption and development of new innovative technologies to provide value focused solutions to offshore industries. In the oil and gas sector, it supports many companies such as BP, Chevron, Woodside Petroleum and ExxonMobil, with a focus on reducing project costs, lowering health, safety and environmental risks, while increasing the volume and accessibility of offshore data.

Blue Ocean Monitoring is one of the world's leading operators of unmanned (autonomous) ocean surveying systems, and is currently the world's largest commercial owner and operator of subsea gliders, which can be deployed globally and managed remotely from its land-based control rooms.

By communicating high resolution spatial data in near real-time, its systems allow companies to gain a much clearer understanding of the environmental and oceanographic impacts and risks during all stages of a project's lifecycle. For example, its subsea gliders can be used to assess marine mammal populations during oilfield site appraisal and investigation stages. During construction, they can be used to assess water quality and monitor for pollution events (such as oil spills or leaks).

From the outset, the company intended to be a global one; shortly after establishing its headquarters in Perth, Australia in 2014, it opened offices in Southampton, UK and then Houma, US. This global footprint allows the company to provide a follow-the-sun 24-hour service to manage its autonomous fleets easily and effectively through each of its control rooms.

**Blue Ocean Monitoring is a global ocean survey company, offering real-time ocean data solutions to a range of industries. It is one of the world's leading operators of unmanned systems.**

# TOURISM AND EDUCATION

As the UK and Australia have evolved into service-oriented economies, tourism and education are driving service exports.

## Tourism

In 2017, Australia welcomed a total of almost 8.8 million international visitors, a 6.5 per cent increase from the previous year. UK visitors represented 8.3 per cent (731,900 visitors) of total international visitors in that year.<sup>37</sup>

Spending approximately \$3.5 billion on their trips, UK visitors are the third most significant visitor group into Australia in terms of expenditure (preceded by China and the US).<sup>38</sup>

The UK is also a popular destination for Australians, with 982,000 Australians travelling to the UK in 2016, spending approximately \$1.9 billion.<sup>39</sup>

Numerous participant types now make up the Australian-UK tourism relationship. This reflects the wide reach of the industry, which includes hotels, resorts, travel agencies and entertainment companies. The international reach of some UK service firms is providing opportunities for Australian subsidiaries to benefit from their international networks. For example, Merlin Entertainments is able to provide upstream links to booking agents in other countries.

## UK and Australian tourists<sup>46</sup>



982,000 Australian visitors went to the UK in 2016 and spent \$1.9bn



Australian visitors stay in the UK for an average of 13 nights



46% of UK visitors and 35% of Australian visitors come to visit friends and relatives



UK visitors stay in Australia for an average of 34 nights



731,900 UK visitors went to Australia in 2017 and spent \$3.5bn

## Education

Following iron ore and coal, education is Australia's third largest export and attracted \$30.3 billion to the Australian economy in 2017.<sup>40</sup> Visiting students originate largely from China and other middle-income countries in the Asia-Pacific region. A smaller number of UK students are studying in Australia, with 6,704 students in 2017, ranking the UK as the 20th largest source for the country.<sup>41</sup> However, Australia still ranked as the fifth most popular destination for UK tertiary students.<sup>42</sup> Both nations attract significant numbers of international students, particularly to their tertiary institutions.

Despite smaller flows of international student exchange, leading Australian and UK universities are working together and secured ongoing partnerships to facilitate collaboration. Australia's Regional Universities Network (RUN) and the UK's Association for Modern Universities (MillionPlus) have signed a memorandum of understanding to collaborate on strategy and policy development in higher education, research, innovation, and regional development.<sup>43</sup> These partnerships reflect the depth of the relationship between the two nations and show that it extends beyond the large cities and industries.

Between 2011 and 2015, UK and Australian tertiary education institutions co-authored 34,263 research papers. This represents Australia's second largest academic relationship and UK's sixth largest.<sup>44</sup>

Given its international reputation, online education and edtech are attractive industries for investment in Australia, with more than 1,000 online education providers in Australia generating \$3.3 billion in 2016-17.<sup>45</sup>

## Helping Australia share its story with the world

### Merlin Entertainments (UK)

Chinese tourists make up 45 per cent of visitors to the 13 attractions owned and operated by Merlin Entertainments (Merlin). These include LEGOLAND Discovery Centre, SEA LIFE, WILD LIFE and Madame Tussauds. Indeed, increased visitation rates from a number of Asian markets, such as Korea and Indonesia, is boosting growth in its operations.

Merlin is actively building relationships and working with retail agents and guides in Asia to help support this growth and attract more tourists to its attractions. Part of its strategy is to secure itinerary inclusions – so Merlin products are included pre-departure when most of the planning takes place for the Chinese group market.

*'Our attractions have recently seen a significant increase in the number of visitors from Indonesia, especially since the opening of Madame Tussauds in Sydney.'*

**Shannon Bailey,**  
Head of Trade Sales, Merlin Entertainments

Leveraging Australian local content and natural attractions has been an important strategy for Merlin in attracting local and international visitors.

Each Merlin attraction showcases a unique aspect of what Australia has to offer, from ski fields to tree tops, marine life to native Australian animals. Where possible, its attractions are built on local stories that will be interesting to local and international visitors. For example, exhibitions at Sydney SEA LIFE are built around a 'river-to-ocean' story that ties in narratives about Darling Harbour and the Great Barrier Reef.

**Merlin Entertainments is a UK entertainment and attraction company, with operations in 22 countries across Europe, North America and the Asia-Pacific region.**

### Merlin Entertainments: investing in communities

#### SEA LIFE Trust

SEA LIFE Trust funds multiple projects focused on the conservation of a particular marine species or environment, as well as promoting awareness of practices that can endanger marine and freshwater species.

One example is Turtle Watch – a tracking website project that enables the public to follow turtles that SEA LIFE in Australia and New Zealand have rescued, rehabilitated and released back into the wild.

#### Merlin's Magic Wand

Merlin's Magic Wand helps children facing the challenges of serious illness, disability or adversity to 'smile, giggle and laugh' by providing them and their families with days out to Merlin attractions. Over 10 years, Merlin's Magic Wand has supported almost 500,000 children.

### Igniting young minds with technology and innovation in Australian classrooms

#### Firefly Learning (UK)

In 2014, Firefly Learning, a UK edtech company, decided Australia would be the location of its first international operation.

The company determined that Australia not only offered a large market in itself, but also provided a convenient location in the Asia-Pacific region to establish a support hub for its growing customer base in the region. Between the UK and Australia, Firefly is able to provide 21 hours of service coverage to schools wherever they may be in the world. This round-the-clock service is highly valued by teachers who are often setting and marking assignments late into the evening.

*'We chose Australia as a first step abroad because it's a great market for new software and we knew there would be few, if any, cultural barriers.'*

#### Moray Souter, Head of Marketing, Firefly Learning

In Australia, Firefly currently services many independent primary and secondary schools that are looking for new and innovative learning solutions. Although edtech has been

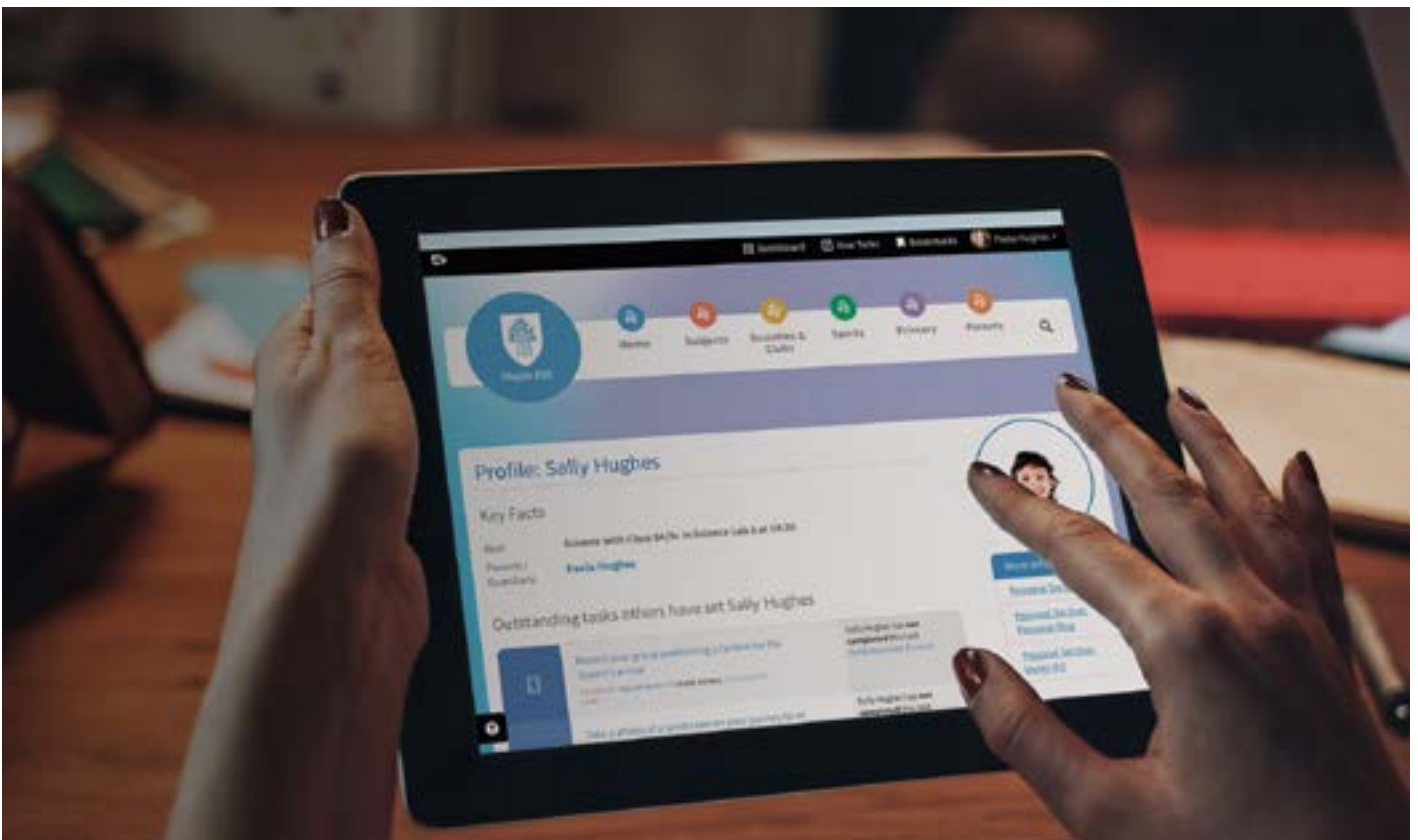
slower to take off in Australia, compared to the UK for example, schools are now fast embracing new technology and its transformative impact on the way learning is delivered.

*'From day one [Firefly] opened the door to autonomous learning, 24-hour access to resources and greater collaboration across the school.'*

#### Matthew Wood, Director of Learning Innovation, Billanook College, Australia

Firefly is supporting innovation in schools by exploring how its programs can enable collaboration and the sharing of resources between schools.

Firefly Learning is an edtech company founded in the UK in 2005. The company creates online learning software and programs, which can be used by teachers, students and parents in and outside of the classroom. The programs enable the creation of online teaching resources, the assignment and completion of tasks, and tracking of student progress – easing and personalising the teaching and learning experience for all involved.



A parent tracks learning progress at home on the Firefly Learning platform

# ADVANCED MANUFACTURING AND DEFENCE

The defence and aerospace industries are driving innovation and growth in advanced manufacturing across Australia and the UK, offering significant partnership opportunities. Such investments have sought to apply advanced techniques to commercialise new innovations and achieve the scale to reduce unit costs in manufacturing.

The Australian Government's Defence Industry Policy statement notes the potential for collaboration between the two countries. For example, the UK's BAE Systems is one of the seven prime contractors in the Australian Defence Global Supply Chain Program. The policy advocates for the continuation of significant defence expenditure as it moves to a more self-reliant and regional defence model.<sup>47</sup>

Large once-in-a-generation public procurement processes for defence (land, naval and aerospace) equipment are providing new investment opportunities in acquisition and sustainment for:

- large global companies able to deliver the overarching project or deliver critical systems/components
- a range of smaller firms looking to participate in the global supply chains managed by the larger firms.

Australian and UK firms are looking for long-term investment opportunities in both countries.

The advantage of these large procurement processes is they provide committed intergenerational sales that transcend the short-term global economic cycle.

## Fusing international and local expertise to keep Australia safe

### Babcock International Group (UK)

More than 600 employees support Babcock International's vast Australian operations. These span the maintenance of navy ships and the asset management of defence ground support equipment, as well as delivering Australia's leading aviation services business, responding to over 6,000 missions each year.

Babcock has become the Australian Submarine Corporation's largest supplier, having been contracted to undertake ongoing sustainment work on the Navy's Collins Class submarines.

Within the Aviation sector, the company is one of Australia's largest independent rotary-wing operators working across onshore and offshore services, delivering complex and critical support services in security, emergency medical services, police, search and rescue, marine pilot transfer, and oil and gas support services.

On land, Babcock provides asset management of ground support services for Qantas, working across 59 Australian locations; it also provides the same service to the Australian Defence Force.

The IP and know-how leveraged from its international operations is deployed across hundreds of Australian SMEs, delivering leading-edge engineering support services across all sectors.

**Babcock is a global engineering support services company incorporating assets and expertise across industries including defence, emergency services, oil and gas and commercial entities, to name a few. In Australia, Babcock operates in almost all states and territories.**

## Cutting-edge technology supporting Australian defence

### BAE Systems (UK)

Having been in Australia for 65 years, BAE Systems is the longest-operating overseas private defence contractor in Australia. Today it employs around 3,500 people across over 15 sites, and works closely with over 1,600 Australian suppliers to support the capability required by the Australian Defence Force across air, land, sea and electronic domains.

BAE Systems currently works across more than 200 programs for the Australian Defence Force. Two major programs are:

- the **F-35 Joint Strike Fighter (JSF) program:** Australia is one of only four countries outside the US to be assigned part of the initial tranche of global F-35 component maintenance, repair, overhaul and upgrade (MRO&U). BAE has been assigned MRO&U responsibilities for the JSF airframe for all countries operating the JSF in the Asia-Pacific region, to be undertaken at Williamstown (Newcastle).
- the **ANZAC Frigates upgrade:** this is a \$2 billion eight-year agreement, which will underpin a \$5 million upgrade to BAE's Henderson facilities, with BAE to build a new five-level tower at its existing dry-berths.

The Australian Government recently announced its selection of BAE Systems as the preferred tenderer for the SEA 5000 program to deliver nine Future Frigates for the Royal Australian Navy. The overall program is expected to be in the region of \$35 billion for the design, build and support of the ships.

These programs involve bringing cutting-edge technology into Australia for the first time. To support this, BAE has brought significant expertise from the UK, helping to train local employees and ensure the latest technology and know-how is brought into the country, facilitating significant innovation. An example of this is the aerospace facility in Williamstown, which was originally set up by staff from the UK, but is now wholly run by Australian employees.

In June 2017, BAE entered into a Global Supply Chain Agreement with the Australian Government, which ensures Australian businesses in its supply chain, of which there are around 1,600, are able to benefit from access to other commercial and defence contracts within BAE Systems' international business. Over 100 companies have taken advantage of the program so far.

**BAE Systems Australia is the wholly owned subsidiary of the UK-based BAE Systems Plc. Its Australian operations develop, manufacture and supply defence machinery and equipment. It is the fourth largest BAE Systems operation in the world, generating just over \$1 billion in revenue in 2016.**

## Bold acquisition backing Australian mining and manufacturing

### GFG Alliance (UK)

In September 2017, GFG Alliance (GFG) completed the acquisition of ex-Arrium assets, following one of the largest and longest administrations in Australian history. GFG Alliance could see the potential of building a new business, resistant to business cycles, and with attractive growth prospects.

In Australia, the company also saw fundamental competitive advantages: the resilience of the Australian economy – now in its 27th consecutive year of growth, the country's resource reserves, renewable energy advantages, strong domestic steel demand and an educated workforce.

The acquisition breathed new life into South Australia's iconic Whyalla Steelworks, as well as Arrium's other mining, manufacturing, recycling and distribution businesses. With the company's policy of 'no hard redundancies' the deal secured the future of more than 6,000 workers and their communities.

*'The GFG Alliance has an inspiring vision to deliver a smarter, more sustainable and viable future for Australian industry and society. It is a vision that will ensure we continue to push the boundaries and deliver for many decades to come.'*

**Sanjeev Gupta,**  
Founder of Liberty House Group

Within 100 days, GFG undertook a far-reaching plan to restructure the existing organisation and operations, realign strategy to bring it into line with wider GFG goals, and agree upon a structured program of investment to complete the turnaround and support growth based on the group's highly efficient 'de-coupled integration' model.

This model typically creates value through de-coupled integration of natural resources, industry and financial services, supported by investment in renewable long-term sources of power. For instance, at the Whyalla Steelworks, GFG has already begun optimising the facility's energy generation and consumption mechanisms.

Following GFG's more recent acquisition of SIMEC ZEN Energy, the company has embarked on development of up to 680MW of solar generation capacity, co-generation of power at the steelworks, pumped hydropower storage and development of the world's largest battery to store renewable energy in South Australia.

**GFG Alliance is the umbrella alliance of an international group of businesses including Liberty House Group, established by the British Gupta family. The group of businesses encompasses mining, energy, metals and engineering, supported by financial services, trading, infrastructure and property businesses.**



The Whyalla Steelworks in South Australia

# MAJOR INFRASTRUCTURE

New infrastructure expenditure provides significant opportunities for infrastructure providers in Australia and the UK.

The Global Infrastructure Hub, a G20 initiative, estimates that through to 2040 in telecommunications, transport and water:

- the UK will invest in US\$1.7 trillion of infrastructure, with an additional US\$148 billion needed
- Australia will invest in US\$1.5 trillion of infrastructure, with an additional US\$158 billion needed.<sup>48</sup>

Such investments are proving to be an increasingly attractive asset class, both in Australia and the UK, as investors (and particularly superannuation/pension funds) seek stable long-term returns with reduced risk from global volatility, market corrections, inflation and interest rates.

The UK has seen unprecedented growth in renewable energy and infrastructure investment over the last five years. This trend is expected to continue for the foreseeable future. Much of this investment is from UK-listed renewable energy and infrastructure investment companies. Australian companies are also investing in the UK using experience gained within Australia.

The use of public-private partnerships (PPPs) in the UK and Australia is also set to continue. UK firms and investors (such as InfraRed, John Laing Investments and Lloyd Bank) have been key consortia members in some of Australia's largest PPPs including the New Royal Adelaide Hospital (a \$1.85 billion design, build, operate and finance PPP) and the Gold Coast Light Rail project, a 20-kilometre light rail public transport system.

Investors are also upbeat about investment in renewables in both countries in the next few years, especially in the short term, with significant activity expected.

## Partnering with the UK Government to build communities

### Lendlease (AU)

Lendlease entered the UK market through its development of the BlueWater shopping centre in Kent, which it completed in 1999. While Lendlease provided construction management for that project, its business activities now include asset management and other engineering services. Projects include the development of new Google headquarters in London, as well as maintenance of Elizabeth Tower at the Houses of Parliament, known as 'Big Ben'.

In recent years Lendlease has become a trusted partner for both central and local government. Examples include being the master developer of Euston Station, as well as refurbishing Camden Council Town Hall. Growth in these areas is helping Lendlease to double its employees over the next few years to around 2,500, up from 1,300 currently.

*'Our European HQ is based in London, which reflects our view of it as a global gateway city.'*

### Jonathan Emery, Managing Director, Property, Europe, Lendlease

Leveraging Australian and global expertise from within the organisation, including its strict standards on risk and safety, is a key strategy for Lendlease. This means world-class solutions, assisted by Australian employees, are brought to the UK, leading to the training and development of local staff.

**Lendlease is an Australian property and infrastructure group, with operations in Australia, Asia, Europe and the Americas, employing 12,741 employees internationally, including 1,300 in Australia.**

### Helping ex-offenders to reintegrate into society

In the UK, Lendlease has a community-based training and employment program called Be Onsite. Based primarily around its construction sites, it has helped around 2,000 ex-offenders to date to get back into employment.

## PPPs enabling social and economic infrastructure

### Aberdeen Standard Investments (UK)

In Australia, Aberdeen Standard Investments' infrastructure arm raises funds (both regionally and globally) for investment into PPP projects. Its investments focus on government concession-based infrastructure, such as in health, transport and education.

An example of a recent PPP investment is Canberra Light Rail, a 12-kilometre light rail route between Gungahlin and the CBD, that includes 13 stations. Aberdeen was part of a consortium to design, construct, operate, finance and maintain it over a 20-year period. Other greenfield PPP investments include the new Royal Adelaide Hospital, the new Perth Stadium and the Australian Capital Territory Law Courts.

*'Australia is a place that has similar PPP legislation, similar culture towards investing in its infrastructure needs and has a number of complementary skills on the ground relevant to our experience in the UK.'*

### Bill Haughey, Head of Infrastructure Funds, Aberdeen Asset Management

**Aberdeen Standard Investments is a UK asset management company that has been in Australia since 1999. The merger between Aberdeen Asset Management PLC and Standard Life means the combined entity has over 1,000 investment professionals and \$988 billion in assets under management.**



# LOOKING FORWARD

Familiarity provides a bedrock upon which Australian and UK businesses can thrive in each other's traditional home.

Not surprisingly, the companies profiled in this report see exciting opportunities from the UK-Australia relationship. It is driven by shared culture, language and legal history, which underpins the ease of doing business across both countries. In turn, the investment relationship has resulted in a flow of employees across borders:

- an estimated 138,000 people born in Australia were living in the UK in 2017<sup>49</sup>
- an estimated 1,198,000 people born in the UK were living in Australia in 2016<sup>50</sup>
- of the UK citizens becoming permanent residents in Australia in 2015, 77 per cent were issued with skilled visas as opposed to other types of visas.

It is this direct personal interaction that underpins much of the transfer of knowledge. It also provides improved innovation outcomes for both countries.

Their stories also highlight the importance of open labour markets and visa availability. Firms are leveraging and relying on high-quality local labour where they can. However, skills that are in short supply may need to be supplemented by international labour across borders.

## Working together to further investment

Although there are still some investment and ease-of-doing-business issues to overcome, the overwhelming message from businesses in the UK and Australia is that they continue to see the other country as a significant market growth opportunity.

This message was reflected in the 2018 *PwC CEO Survey*, which asked CEOs which countries are most important for their organisation's overall growth prospects over the next 12 months. The results show that Australian and UK CEOs see the immediate importance of trade and investment between the two countries.<sup>51</sup>

Cross-country industry and government collaboration is a clear signal of the potential for mutual benefit in areas such as:

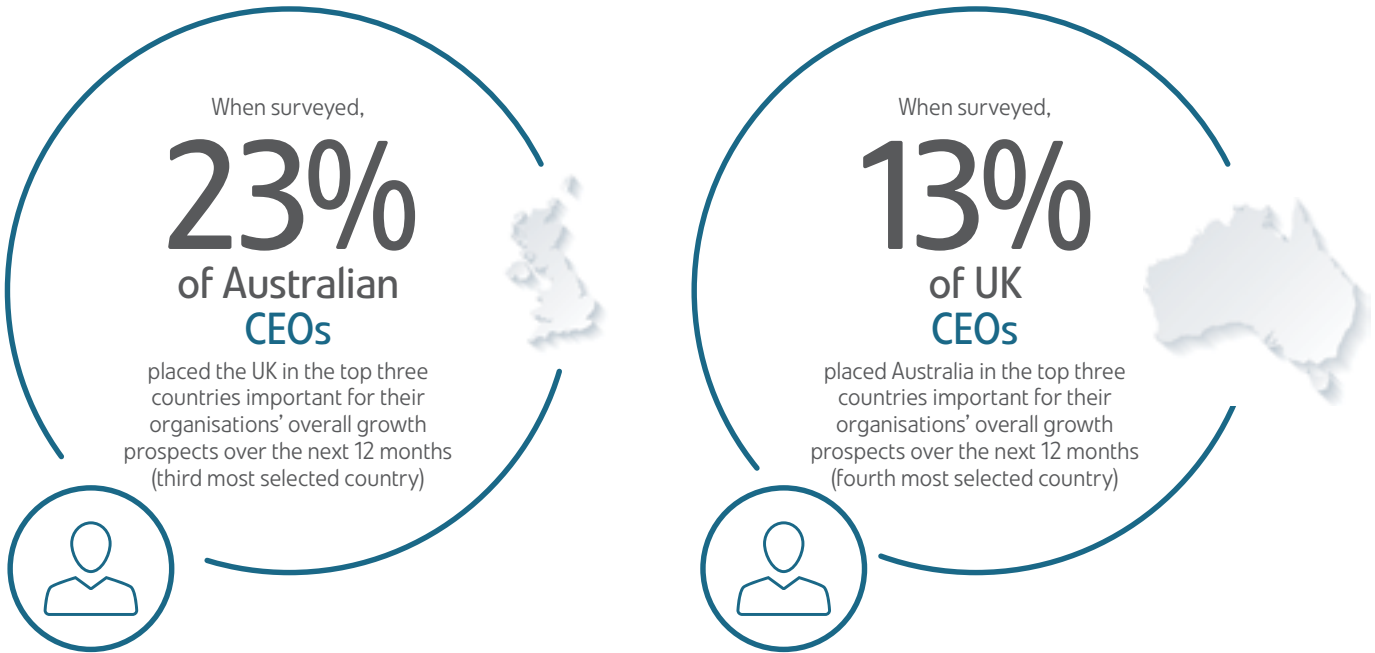
- **defence and intelligence sharing:** for example, the Australian Government's *Defence White Paper*, released in 2016, noted the cooperation with the UK during the search for the MH370 aircraft and the continued operation of the Five-Eyes intelligence community. This collaboration reflects a conviction that, as the global environment continues to evolve, it is of paramount importance to work with like-minded partners who support strong rules and institutions.
- **provision of best-practice government services:** the UK's Government Digital Service and Australia's Digital Transformation Office signed a memorandum of understanding in 2016 regarding the provision of public services in more digitised modalities. This enables the two nations to share their experience and solve problems together as they work towards common goals.
- **higher education and research:** Australia's Regional Universities Network (RUN) and the UK's Association for Modern Universities (MillionPlus) have signed a memorandum of understanding to collaborate on strategy and policy development in higher education, research, innovation, and regional development. This reflects the depth of the relationship between the two nations and that it extends beyond the large cities and industries.

Other examples of government collaboration are documented in this report: the Australia and UK FinTech Bridge agreement; the joint commitment on cyberspace; and the Science and Innovation Network.

While the UK's planned withdrawal from the EU may pose challenges for some Australian firms seeking to use the UK as their launch-pad into Europe, other Australian businesses see opportunities. For example, there may be investment opportunities that become more accessible to Australian businesses if the flow of EU FDI into the UK (currently comprising 45 per cent of the UK's FDI stock) is disrupted.<sup>52</sup>

Australia and the UK have committed to negotiate a bilateral FTA following the UK's departure from the EU. In September 2016, the respective governments established a joint trade working group to discuss potential parameters of a future FTA and exchange views on global trade and investment policy issues. This should provide a springboard for a new wave of trade and investment between Australia and the UK.

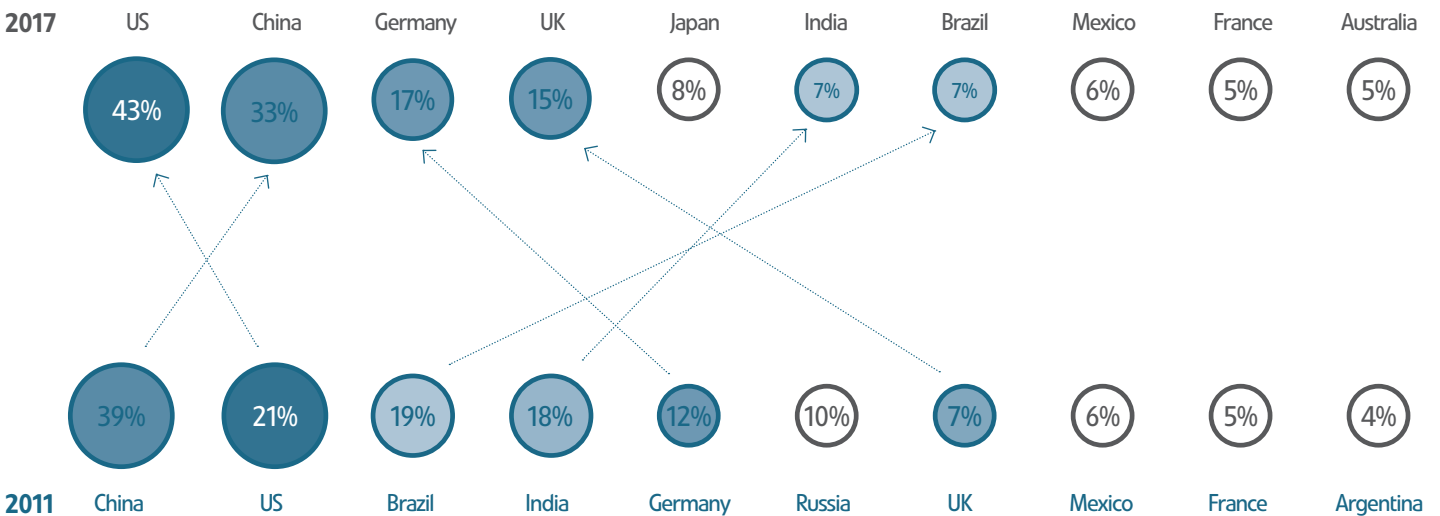
CEO Outlook



Source: PwC 21st CEO Survey, 2018.

Australia and the UK will be more important investment destinations

CEOs were asked: which three countries do you consider most important for your organisation's overall growth prospects over the next 12 months?



Source: PwC 20th CEO Survey, 2017.

# ABOUT US



Australian Government

Australian Trade and Investment Commission



Department for  
International Trade



AUSTRALIAN  
BRITISH  
CHAMBER  
of COMMERCE

## Australia—United Kingdom Chamber of Commerce

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### Austrade

The Australian Trade and Investment Commission (Austrade) delivers quality trade and investment services to businesses to grow Australia's prosperity.

Austrade helps companies around the world to identify and take up investment opportunities in Australia as well as to source Australian goods and services.

Our assistance includes:

- providing insight on Australian capabilities
- identifying potential investment projects and strategic alliance partners
- helping international companies identify and contact Australian suppliers.

**W** [austrade.gov.au](http://austrade.gov.au)

**E** [info@austrade.gov.au](mailto:info@austrade.gov.au)

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### UK Department for International Trade

The UK's Department for International Trade (DIT) is responsible for promoting UK trade across the world and attracting foreign investment to our economy. We are a specialised government department with responsibility for negotiating international trade policy, supporting business as well as delivering an outward-looking trade diplomacy strategy.

Our team in Australia, located in Sydney, Canberra, Melbourne, Brisbane and Perth helps companies in Britain increase their competitiveness through overseas trade in Australia. We also offer professional, authoritative and personalised assistance to help companies in Australia locate and expand in the UK.

**W** [gov.uk/dit](http://gov.uk/dit)

**E** [DIT.Australia@mobile.trade.gov.uk](mailto:DIT.Australia@mobile.trade.gov.uk)

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### Australian-British Chamber of Commerce

The Australian British Chamber of Commerce is the leading independent organisation in Australia promoting, fostering and furthering trade and investment between Australia and the United Kingdom. Our programme of events, public policy contributions and network of decision-makers, allows our Members access to connect, influence and engage with leaders and key decision-makers from sectors they need to advance their business whether public or private.

We invite you to join our group of over 21,000 connections, at over 130 events with over 6,300 attendees annually and our bilateral programme of delegations.

**W** [britishchamber.com](http://britishchamber.com)

**E** [abcc@britishchamber.com](mailto:abcc@britishchamber.com)

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### Australia-United Kingdom Chamber of Commerce

The Australia-United Kingdom Chamber of Commerce is the independent UK-based membership organisation connecting the business community and professionals with interests in both Australia and the United Kingdom. With a diverse membership and network as well as trusted partnerships across the Australian and British Governments, we are the platform for industry to access and influence Australian-UK business intelligence, audiences and trade opportunities. By delivering a range of events, membership services and strategic initiatives we connect our members and partners to decision-makers, smart ideas and fresh opportunities.

**W** [australiachamber.co.uk](http://australiachamber.co.uk)

**E** [hello@australiachamber.co.uk](mailto:hello@australiachamber.co.uk)

## Acknowledgements

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