

BULLISH INVESTORS

HOW THEY ARE FINDING OPPORTUNITY IN ADVERSITY

“Poor sentiment is holding Mackay back at the moment, but we need to understand that there are always opportunities for growth, and the best time to grow and get your business stronger is in a downturn.”

Peter Woolcock, local investor and retail business owner

Often boom times lead to a level of complacency. Companies fall into the trap of doing what has always worked rather than actively exploring opportunities for growth. In these situations, most companies can enjoy a level of success without being particularly smart in their business choices.

But tough market conditions prove the true business leaders. The visionaries who understand how to find opportunity in adversity.

In this special report, *Industry Hub* discovers some mining and industrial sector success stories, all of which share common themes about what businesses can do to succeed in tough economic times.

KOMATSU AUSTRALIA

Komatsu Australia has underscored its commitment to Central Queensland with the opening of a new Mackay support facility demonstrating its confidence in the long-term future of the region.

The new facility, at Bosso Street, Paget, was part of a nationwide expansion program currently being undertaken by Komatsu, designed to increase capacity and capability at the global mining and earthmoving equipment manufacturer's sites around Australia.

Komatsu's new Mackay customer support centre, which includes a total

covered area of 1800sqm, features are a parts warehouse that is close to double the size of its existing Mackay facility, greatly expanding parts-holding capacity.

It also boasts a service workshop capable of handling the service requirements of ultra-class mining and construction class equipment

Equipment being serviced out of this new site includes Komatsu 960E ultra-class dump trucks – of which Central Queensland has the largest population in the world, according to Dean Gaedtke, Komatsu Australia's Queensland General Manager.

It also services and supports WA900 and WA1200 wheel loaders, and up to PC8000 mining shovels – as well as all other sizes of Komatsu mining and construction equipment.

“Our new Paget customer support facility is a major investment in our ability to better service our mining and construction industry customers throughout Central and North Queensland,” Mr Gaedtke said.

“As far as we are concerned, it's a real vote of confidence in the Central Queensland mining industry, and indicates that we believe there is a long-term, stable future for the region.”

Sean Taylor, Komatsu Australia's Managing Director and CEO, said that over the past two years, Komatsu's customer support capabilities have been significantly increased.

“This regional expansion program allows us to provide the highest levels of support and service for our mining and construction customers into the future – not only for Queensland, but right across Australia and New Zealand,” he said.

THE WINSTON GROUP

Clinton Arentz, owner of the Winston Group, believes that companies with good business models should do well in both good and bad times.

“You should be able to find opportunity at any stage of a market cycle,” Mr Arentz says.

“I started my first project in the 1990 downturn when interest rates were 18%, and this level of contrariness has been good for the Winston Group. It is a good time to invest when prices are low.”

He goes on to say that the recent downturn has Mackay a bit gobsmailed, but it should not have come as a surprise. “It (the downturn) provides local industry an opportunity to tighten business models.”

“The mines are focusing on improving productivity and efficiency, and suppliers to the mining industry need to do the same. In fact, every business in Mackay should be looking at ways of delivering more benefits for the same, if not lower cost. Local industry that is adapting to this new world order will do well in this economic climate.”

This is the philosophy of the Evo Business Centre, a Winston Group initiative. The Evo Business Centre is offering state-of-the-art industrial suites, the likes of which Mackay businesses have never seen. And at a lower cost than most businesses are paying now.

Mr Arentz explains that 50% of Paget businesses are on leases of 3 to 5 years in duration, and many

signed these leases when prices were artificially high. Companies whose leases are coming up for renewal should be considering new options, and Evo Business Centre is uniquely placed to deliver the best solution.

“Essentially, we are delivering the most competitive solution in the 500-800 square metre industrial unit leasing space. We are offering so much more than traditional units, and our customers will end up saving money, while also improving productivity.”

“Sometimes doing nothing can be the most expensive option.”

The Evo Business centre units offer: truck access with multiple roller doors; 8m roof heights – higher than other units available, enabling more efficient storage capacity; 10 tonne Eilbeck crane install packages, catering for heavy industry; unparalleled safety features; direct exposure from the busy Maggiolo Drive; high quality office space with natural light and ducted air-conditioning, as well as Cat 6 data cabling and generous parking.

The Evo Business Centre will be completed in July/August 2014.

The next project for the Winston Group is the planned Evolution Industrial Park, a 10 hectare land subdivision project offering companies that need more than 1000sqm of industrial space, a customised and cost-effective solution.

The company is very positive about the future of the region.

“We're bullish about Mackay,” Mr Arentz said. “Interest rates are low and look set to stay that way. Capital is readily available, and that should not be underestimated! This is a very different situation to the GFC. There is growth in US markets, China is steady and stable with pro-business leadership. We have a pro-growth political environment. When considering all these factors, things are looking good, and Mackay is very well

placed to take advantage of these local and global opportunities.”

The Winston Group's projects are funded by local investors and use local suppliers of services. Mr Arentz believes that local prices have calibrated to national standards. “I would argue that local quality is better than national standards, with the fly-by-night suppliers having left town.”

Mackay is being recognised for having affordable and excellent skills, and with the housing sector opening up, it is becoming more attractive to investors who wish to relocate to the region.

Peter Woolcock, project investor and local retail business owner, is confident the market is turning. Peter was the foundation investor for Evo Business Centre and the Evolution Industrial Park. He has been responsible for raising local capital from local businessmen.

Woolcock explains that their investors understand the cyclical nature of local industry, and have confidence in Mackay's economic future.

He goes on to say that poor sentiment is holding Mackay back at the moment.

“The community needs to understand that there are always opportunities for growth, and the best time to grow and get your business stronger is in a downturn.”

“The mining sector transitioning into the production phase and quite suddenly cutting back on necessary maintenance activity, has hurt Mackay businesses. But the mines cannot avoid maintenance forever, and maintenance activity could come back as quickly as it left. We need to be ready when the spending starts again.”

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Dean Gaedtke
Komatsu Australia Queensland General Manager



From left, Sean Taylor, Komatsu Australia's Managing Director and CEO, Mackay Mayor Deirdre Comerford and Dean Gaedtke, Regional Manager Qld plant a small pine tree at the new Komatsu Customer Support branch in Bosso Street, Paget, Mackay during the official branch opening recently.

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Clinton Arentz
Owner – Winston Group





"After a year of internal cost cutting, we are now in a growth phase again."

Brendan Norman –
Bullivants Area Manager
Northern Queensland and Northern Territory



The Bullivants Mackay testing facility

"We are big believers in active engagement with the local community and businesses, to capitalise on opportunities, and build a better economy and living environment for all."

Rob Porter
General Manager – Mackay Airport



SHIFTING FOCUS

BENEFITS TO LEVERAGING EXISTING CLIENT RELATIONSHIPS

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BULLIVANTS

Bullivants is an example of a company that has reinvented itself in the face of challenging market conditions. During the mining industry construction phase, Bullivants' primary business focus was on service delivery, and product quality and reliability. The company built good relationships with its clients and orders flowed in. However, when the mining industry moved into the production phase of its lifecycle, orders slowed and this freed resources to focus on other areas.

Bullivants did two key things – it explored new markets for its existing products, and invested heavily in Research and Development (R&D) to find new applications for existing products, as well as develop new products.

"After a year of internal cost cutting, we are now in a growth phase again", Brendan Norman, Area Manager – Northern Queensland & Northern Territory, said.

"We are currently trialling a product we have been developing for two years, in collaboration with an existing client. We hope to be ready to launch it to the market at the QME in July this year. It is essentially a new application for an existing product, which will change the scope of open-cut operations. The solution will achieve cost savings for clients over time, as well as improve productivity and safety."

This is an example of how Bullivants has leveraged existing client relationships to develop new product solutions that meet both companies' objectives – achieve cost savings for the client and create a new market for Bullivants.

Bullivants also explored new

markets for existing products and now stocks and supports a number of products for the manufacturing sector, including marine rope and height safety equipment. The company has also created a business development capability to focus on this growing new market.

The same applies to their new focus on the construction industry, where they have developed a business development capability to market their products into that sector.

Mr Norman said that sales to the construction industry were in the region of 7% twelve months ago, and are now close to 30%. "We hope to grow this even further to approximately 48% of our business."

Bullivants has invested in R&D for a new product for the marine construction industry. This is also in the trial phase and should be ready for market shortly.

Norman believes that "companies have to evolve to changing market conditions. Our focus on service delivery and product quality during the good times, has paid off in these more challenging times. Our clients have been happy to work with us on R&D initiatives that could potentially save them money, and the upside is that we develop new solutions that we can take to the broader market."

MACKAY AIRPORT

Mackay Airport is set to benefit from an investment of more than \$900m from North Queensland Airports (NQA).

This expansion is part of a submission from NQA to the Joint Select Committee on Northern Australia. The submission explains the expansion plans for the Mackay Airport that will generate 2100 full time equivalent jobs on-site, and up to 3100 full time equivalent jobs in Mackay.

North Queensland Airports are

committed to, and are funding the expansion. Rob Porter, General Manager at Mackay Airport, explains that the submission was essentially intended to help secure Federal, State and Regional support for the expansion, and potentially reduce the red tape associated with the relevant projects involved.

The first project that is receiving funding as part of this expansion plan, is a hotel.

"There are 10 to 15 buildings in the conceptual plan, including office accommodation, retail and undercover parking. The order that the buildings will be constructed will be based on market demand and opportunity," Mr Porter said.

"Our vision is for Mackay Airport to become a Multimodal Integrated Transport Hub, connecting air passengers and freight to all ground transport solutions, from buses, taxis to rail etc. The airport will be the hub from which passengers and goods can be dispersed to the broader region, whether it be for leisure or work."

Mr Porter says that 50% of Mackay Airport passengers are business travellers, 40% are visiting friends and family and the remainder are general leisure travellers.

"We plan to grow all these markets, as well as the locations we travel to and from. New direct routes in our sights include Cairns, the Sunshine Coast, Newcastle and Auckland."

"In the recent tougher economic times we have all taken a haircut, and are now leaner, fitter and ready to capitalise on market growth as it occurs."

When asked what Mackay Airport has done during these tough times to prepare for future growth, Porter said that the company had focused on listening to their customers, investing in staff training, and improving the airport.

"All our ground staff have been tasked, as part of their KPIs, to ask customers questions every day. We use this feedback to inform our future plans. From little things like stocking the right food and beverage choices in the coffee shops and bars, to providing covered parking and walkways to protect customers from rain and sun."

Mackay Airport has invested in improving their customers' experience of the airport, making improvements to the actual airport building, as well as investing in a new landing system. Mr Porter said that "feedback from airlines using Mackay Airport has been used to ensure that our landing systems are best in class."

"As well as through our own growth plans, Mackay Airport supports regional development through funding for organisations such as Mackay Tourism and the Mackay Whitsunday Regional Economic Development Corporation, and our commitment to local business in our expansion construction projects."

Mr Porter concludes that "we are big believers in active engagement with the local community and businesses, to capitalise on opportunities, and build a better economy and living environment for all."

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Rob Porter
General Manager – Mackay Airport

POSITIONING FOR GROWTH

Over and above the Winston Group's success and confidence in the region, the opportunities that Bullivants have opened up for themselves, and Mackay Airports expansion plans, there are a number of other developments that bode well for local industry. These projects demonstrate confidence in the sustainability of the resources sector in Central Queensland going forward.

The recently approved Baralaba mine expansion worth \$313 million, will enable Cockatoo Coal to expand coal production from about 700,000 tonnes a year to approximately 1 million tonnes of metallurgical coal a year, and will create 200 new jobs.

In addition, the Queensland Coordinator General has approved the proposed \$16.5 billion Carmichael Coal Mine and Rail project north-west of Clermont. Should this mine proceed, it will play a vital role in opening up the resource-rich Galilee Basin.

The Carmichael Coal Mine and Rail project has the potential to create 2500 construction and 3900 operational jobs, which would be a huge boost to the regional economy.

It is encouraging to see local companies positioning themselves well for this anticipated growth.

All in all, there is a lot to be optimistic about, and certainly opportunities for companies willing to explore them.