EXECUTIVE SUMMARY

This report re-examines a series of earlier industry research studies sponsored by the Australian Stock Exchange plus a study of the Australian wine industry by the Australian Business Foundation. The objective was to develop a synthesis of learnings and fresh insights into those studies, probing beyond the first level of discovery achieved in the original work.

Each of the studies investigated the factors contributing to the success of certain major Australian industries. The industries studied were selected because each had, in a relatively short period of time, been transformed from being modestly successful and domestically based, to being world class, globally competitive and export based. They have all become major contributors to the Australian economy and a significant component of Australian capital markets.

The Australian Stock Exchange sponsored these research studies to identify, from a capital markets perspective, steps that are critical for successful industry development. The purpose of this is to be able to formulate some necessary steps or ingredients that must be present, or encouraged to form, in proactively fostering industry and its participation in capital markets.

The Australian Business Foundation is an independent business research organisation that advances knowledge and new thinking on Australia’s business competitiveness, innovation and jobs, and has commissioned research relevant to this purpose.

Through the research series, a number of industry characteristics were identified as being attributes required to make successful fostering likely. These include that:

- the industry has inherent characteristics suited to Australian conditions;
- the industry is cyclical;
- it is of appropriate size (small enough to shape; big enough to matter);
- there are both domestic and export opportunities;
- there are multiple products; and
- the industry and its products are attractive to investors.

As well as important industry characteristics, it was observed that a number of events had occurred, either because they evolved naturally or because of direct actions by industry players. These events served to transform the industry and to set it on a path to success that was able to be sustained, even in the face of crises or downturns:

- A seminal document was written, giving focus and direction.
- Networking was very strong and widespread between diverse interests.
• There emerged a positive and cooperative regulatory environment.
• The Australian Stock Exchange facilitated development of acceptable forms of investment.
• Professional service advisers became closely involved.
• Research and training, in academia and the investment community, was prominent and well developed.

The result of these developments in an industry with the right starting attributes was identified as being an “ecosystem” that was highly self-supportive and with a structure and culture that were strongly oriented towards growth and success. Apparent at this stage were characteristics such as:
• a competition mindset;
• an innovation mindset;
• a skilled professional base;
• clustering and collaborative integration;
• a devolved regulatory regime;
• prominent and active industry and professional associations; and
• effective and liquid financial and investment markets.

The research studies went on to provide a broad description of a successful outcome and the characteristics of an industry that is globally successful. It is believed from the research that it is possible to proactively influence and help stimulate many of the levers that will assist industry transformation and the creation of globally competitive, export based, world class industries.

From the present research, it is concluded that there is scope and opportunity to foster and sustain selected industries. Criteria have been determined that assist in identifying appropriate target industries. In addition, there was also identified a number of key formative events that appear to commonly occur when industries do transform successfully. These have been described.

It is not critical that every one of these events or influences does happen, nor that they eventuate in the same manner. This is not a formula prescription, rather a series of powerful observations that can be applied as a template for possible success.

The formative steps, or “levers” that can help transform an industry, are to a large degree based on criteria that make the industry and its components attractive to investors and investment markets. This is what is described as the “capital markets perspective” – creating the environment where investors understand the industry and are attracted to invest. Another way of expressing this is to see the characteristics and levers as factors that serve to lower the cost of capital for the industry. This in turn provides a more compelling investment case to investors. When this happens there is a natural, and somewhat unstoppable, process of

This is a series of powerful observations that can be applied as a template for possible success.
evolution that leads to self-sustainability of industry.

Underlying all of the research was the question: “Can we learn ‘lessons’ from what has happened so as to apply some levers to foster target industries”? The conclusion of the research is positive; that it is possible to do this, subject to the qualifications described. Clearly, support from within the industry and industry leadership is essential. With this in place there is great scope for government and industry leaders to transform a target industry.
AUTHORS’ NOTES

METHODS AND APPROACH

This is a series of desk studies. We have reviewed literature, drawn on the experience of industry participants through interviews, and incorporated our own experience and deductions. We seek to demonstrate (frequently by example or illustration) the interrelationships and effects of the different parts of the “ecosystem” that operates to support successful growth industries.

LIMITATIONS

This is, necessarily to some extent, a subjective approach and is exploratory rather than exhaustive, academic, or quantitatively analytical. The papers are essays that survey a sample of key sources and seek to collate conclusions and ideas drawn from them with the purpose of identifying and comparing the main success factors. Though we hope that we have found the key sources, we do not claim or seek to be comprehensive, academically rigorous, or finally definitive. The style is deliberately informal and we make no apology for incorporating our own opinions where we feel it appropriate. We do not claim to be knowledgeable about the wine or listed property trust industries, but we have a long involvement with various aspects of the mining industry. If we have tapped the key sources and identified the key areas for later rigorous analysis, we have fulfilled our brief.

SOURCES AND ACKNOWLEDGMENTS

We acknowledge that many of the ideas presented here originated from others. Written and conversational sources have been set out in our previous papers and these have been drawn on throughout this report. We again thank the many who have contributed, and we acknowledge the many sources of information including documents and submissions from professional associations and government committees of inquiry, as well as ABF research studies.

The ASX studies were funded through the Financial Industry Development Account of the National Guarantee Fund and grateful acknowledgement is made of this support.
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CHAPTER 1 - BACKGROUND

PREAMBLE

The landscape of Australian industry, both listed and unlisted, is blessed with highly successful growth industries (such as mining, wine, and property trusts), but littered also with the carcasses of unsuccessful ones (notably those in the “tech wreck” of the late 1990s).

Is it possible to distil the causal factors so as to understand what makes some successful while others fail? Is it possible to learn from experience how to foster new industries? How can a new industry be sustained when the inevitable downturns come? What role, if any, is there for public policy intervention?

The Australian Stock Exchange Limited (ASX) and the Australian Business Foundation (ABF) have been pursuing research relating to these questions. Relevant previous studies are:

- The ASX initiated a study on market multiples by Professor George Foster, entitled “The Pricing of Technology Stocks: A Global Perspective on Australian Stocks”\(^1\). The purpose was to determine whether there were systemic differences between company valuations in different markets.

- The ASX commissioned three studies by Dr Colin Ramsay to analyse the Australian mining industry as a mature former growth industry to determine what lessons might be learned from its success. The first of these was entitled “Lessons from the Mining Industry”\(^2\) and this was the seminal study. It was followed by a second study entitled “Fostering Native Growth Industries”\(^3\). This was largely a scoping study that set the scene for subsequent research and in doing this, reviewed the evolution of thought on the research theme.

- The third study by Dr Ramsay was entitled “The ‘JORC Ecosystem’ – A Case History”\(^4\). This study specifically examined the regulatory environment that had evolved around the mining industry, and the findings of this study were critical for the development of subsequent research.

- The ABF meantime commissioned a study of success factors in the Australian wine industry by Professor Ian Marsh and Brendan Shaw\(^5\), entitled “Australia’s Wine Industry: Collaboration and Learning as Causes of Competitive Success”.

- Colin Ramsay prepared a further study for the ASX comparing success factors in the mining and wine industries. The study, entitled “Success Factors in the Australian Mining and Wine Industries - A Comparative Study To Identify Levers For Fostering and Sustaining Growth Industries”\(^6\), was undertaken to determine whether commonalities exist between disparate industries and what they might be.

- In 2003, Stuart Gleeson examined a third industry, listed property trusts, from the same perspective. This study was entitled “Understanding the Success of the Listed Property Trust Sector”\(^7\). Like the study comparing the mining and wine industries, this research largely confirmed the previous analysis, cross-checking the findings with a new industry.
This suite of studies, in particular those undertaken by the ASX on the mining industry, provided the platform for the subsequent comparisons with the wine and listed property trust industries. Of seminal importance were the studies entitled “Lessons from the Mining Industry” and “The JORC Ecosystem - A Case History”. These studies highlight the original findings of the stream of research. They are described in more detail in the following chapter due to their significance in highlighting the critical success factors for a high performing Australian growth industry. They were therefore the baseline for further investigation.

PURPOSE OF THE STUDY

The ultimate objective of this work is to provide insights into the success of selected industries in Australia, and draw parallels that might be replicated in other industries to assist their growth and capitalisation for the good of Australian capital markets in particular and the national economy in general. That is, to determine:

- the factors which fostered the successes of the mining, wine and listed property trust industries in Australia and whether they could be replicated in other sectors;

- how these factors might assist in fostering and sustaining growth industries (such as communications technology, biotechnology, conservation or innovative agriculture) in Australia; and

- how ASX/Australia could become global leaders in initiating, supporting and funding the growth of particular industries, particularly through initiatives and the perspective of capital markets.

To achieve these outcomes, the activities involved in this study were to:

- collate findings from several previous studies on “success factors”, in order to identify commonalities between three disparate industries in Australia at different stages of development, namely:
  - mining
  - wine, and
  - listed property trusts;

- understand these success factors and their effects; and

- seek the means of applying lessons learned in these successes to other industries - “levers” by which to foster and sustain new and more successful industries.
CHAPTER 2 - REPRISING THE EARLIER RESEARCH

THE FOSTER STUDY ON MARKET MULTIPLES

In 1999, Professor George Foster (of Stanford University in the USA) was commissioned to analyse technology companies and undertake a comparative study of their share price multiples in different markets.

The objectives of the project were to seek to understand the market valuation of Australian companies in a global context; and to provide analysis that leads to a reliable understanding of issues that impact valuations. The specific questions asked were:

- Is there a difference in valuations of like companies across markets?

- If so, what are the reasons for this?

In essence, the project was to examine whether the Australian market undervalues companies and why this would be so.

The principal methodology was an empirical analysis of an originally created database, to determine company valuations as measured by various pricing multiples.

Although these were the primary objectives, there was a parallel aim of seeking to identify and understand the issues that impact valuations, particularly where they are capable of being influenced to change outcomes for the better. Such matters of importance might come into play at the company, industry or country level, and may be influenced by national policies. Understanding these factors could be a positive contribution for capital market efficiency and for public policy outcomes.

Professor Foster demonstrated that the constraints on growth of businesses in Australia are not intrinsic to this market but are business-related – notably a lack of alliances and supporting ‘infrastructure’. Consequently, growth can be stimulated by appropriate action at a business level, particularly actions to provide and improve the ‘infrastructure’ in which they operate. Much of what is required to build such infrastructure is within the ambit and influence of ASX (and, by inference, other organisations).

The project was undertaken because it was recognised that market participants did not have a full understanding of the reasons impacting the valuation of companies. Although there were many strongly held opinions, there was no empirical analysis to back up any of these.

The conclusion was that many companies sought to access capital from international markets, strictly unaware of whether or not this was optimal. Another consequence was that it potentially might have inhibited the growth of a domestic capital market. Therefore the purpose of the project was to provide an empirical and academically robust platform to provide this basis of knowledge.

The conclusions supported the view that the Australian market is globally competitive. Any apparent discount in valuation of Australian technology companies was almost totally explicable by factors relating to the company, and very little, if any, discount was created because of circumstances of geography or jurisdiction.
The conclusions supported the view that the Australian market is globally competitive. Any apparent discount in valuation of Australian technology companies was almost totally explicable by factors relating to the company, and very little, if any, discount was created because of circumstances of geography or jurisdiction.

In seeking to identify and understand these reasons, the following factors were highlighted:

- the profitability of the firms and the industry;
- the firm size, (limits of the domestic economy and opportunities for growth);
- scale (share of market and size of total market);
- achieving growth on a continuing basis; and
- the importance of supporting infrastructure.

The study concluded that Australian companies are valued in a global context, but are then discounted relative to an international peer group because of limitations in their business prospects that relate to market factors and the management of the company.

The study was also extended, via a series of case studies, to provide some "lessons to be learned", that is, some models for success for those seeking to learn and prosper.

In summarising his project, Professor Foster recommended that the research focus should shift away from empirical analysis towards a more case study oriented examination of the issues that impact the success or otherwise of growth oriented companies.

He also recommended that this be done in part by looking at other fields of success (not where there is a perception of some failing as was the case with technology companies), and attempting to draw parallels to the analysis his team undertook.

### MINING INDUSTRY - IDENTIFYING THE BASIC CONCEPTS

#### SUCCESS FACTORS

The mining industry contributes a substantial percentage of Australia’s export earnings, underpins many regional communities, and is globally recognised as an area where Australia has outstanding expertise. It is a common fallacy to believe that this has resulted simply from a rich and fortuitous in-ground resource base – many countries are similarly endowed but have failed to develop a sustainable industry; others have destroyed or restricted their industries. Rather, the Australian industry was developed, through a series of cycles over many years, by application of public risk capital to the development of these resources. Why did this happen? What factors made it possible? Why were investors happy to invest such large sums in high-risk ventures repeatedly over so many years? Could those factors be replicated in other sectors for the benefit of ASX, investors and the country?"

*Introduction to “Lessons from the Mining Industry”*"
The factors considered significant for successful industry development were first analysed in our study which sought to identify the success factors that have aided the successful funding and development of the mining industry. After further consideration in another study, we refined the list of factors identified as contributors to the success of the mining industry and hypothesised that they might be replicated in other industries.

The refined list of factors identified is as follows:

- Rules and regulation are supportive:
  - the “JORC model” (external and internal regulators cooperated);
  - language and standards (“culture”); and
  - familiarity, understanding by regulators.

- Can survive repeated industry and market cycles:
  - number of cycles survived;
  - coming out of, or having been through, crisis; and
  - provides volatility and leverage to compensate high risk.

- Suitable for “capital mining”:
  - attractive to ‘entrepreneurs’ and big businesses; and
  - attractive to both small investors and institutional investors.

- An observable “ecosystem” exists:
  - industry-wide leadership, cooperation and competition;
  - supporting infrastructure;
  - education and academia;
  - professional services; and
  - industry associations and/or professional institutes.

- Industry characteristics:
  - ‘native’;
  - large enough;
  - small enough;
  - exportable;
  - segmented (eg. explorers vs developers); and
  - potential to grow.

**TARGET INDUSTRIES & LEVERS**

The articulation of this refined list of success factors led to the concept of “target industries”. That is, this formula for success could be replicated in other, selected industry groups and that various authorities, would be in a strong position to influence parts of the process. ASX, with its interest in reducing the cost of capital for its listed customers, is one obvious candidate for this policy role, and there are many others. The challenge would be to identify industries that would respond to fostering and then to catalyse their growth.
In this context, each industry would have its own special set of leverage points (“levers”) and these target industries must be carefully identified on an individual industry basis before an effective approach can be adopted.

We also hypothesised that it is possible to filter potential “target” industries to select the ones which should best respond to influence and encouragement by ASX and others. The following list of potential selection criteria was identified:

- **“Native” to Australia:**
  - with existing experience and skills,
  - “captive” or peculiar to Australia, and
  - competitive advantage.

- **Stage of industry cycle and market cycle:**
  - number of cycles the industry survived, and
  - coming out of, or having been through, crises.

- **Size and substance:**
  - large enough to matter,
  - small enough to grow,
  - deemed to have growth potential, and
  - able to export or compete globally.

- **Attractive to a variety of investors.**

- **Regulation:**
  - potential to self regulate, and
  - amenable to constructive external regulation.

**MINING INDUSTRY - THE JORC ECOSYSTEM: A CASE STUDY**

The results of the mining study suggested the need to test in more depth its key hypotheses. The work showed that the success of the Australian mining industry has been facilitated by a matrix of interactions and relationships between organisations, regulations, language, and culture within the industry, that in turn has provided an effective interface between the mining and financing industries.

That matrix has assisted, through several decades and economic cycles, the funding of high-risk mining ventures and their subsequent growth, and has helped to establish one of the leading mining industries in the world.

Notable amongst the variety of influences that had over several decades crafted a favourable and supportive environment to ‘foster’ the mining industry, the Australasian Joint Ore Reserves Committee (“JORC”) had a profound impact.
A specific example of the impact is the “JORC Code” for Reporting Mineral Resources and Ore Reserves. Though conceived and applied as a technical and professional code for use by mining industry professionals, the role of the Code was extended and magnified by its incorporation in the Listing Rules of the ASX. As a result, the Code has become a catalytic and definitive factor in shaping the diverse and interactive environment that has stimulated the mining industry. In recognition, this web of influences was dubbed in the report the “JORC Ecosystem”.

The JORC case history examined the nature and evolution of this “ecosystem” and the inter-related factors that comprise it, including the development and role of the JORC Code itself, related regulations, and the entities that support it. It analysed the ways in which these interact to provide the environment in which Australian listed mining companies raise capital and manage their relationships with investors and lenders. It was noted that the JORC Code itself, and the environment of interactions dubbed an “ecosystem”, continued to evolve over time. It was a dynamic environment that “kept up” with the underlying problems and needs it addressed.

Thus the JORC Code became the catalytic factor in shaping the diverse and interactive environment that stimulated the mining industry. Although it is only one element of that matrix, it has had a crucial impact and has provided the keystone in the arch of confidence that is essential to capital-raising.

Modern fund-raising requires confidence and an assessment of risk. The fundamental problem in funding mines is that the valuable minerals that are to be extracted are unseen, underground and intrinsically difficult to quantify. This is a situation that has been exploited for centuries by unscrupulous promoters, with consequent damage to confidence. The essence of the JORC Ecosystem was that:

- Professional associations took an active role representing mining industry participants - notably the Australasian Institute of Mining and Metallurgy (AusIMM), the Minerals Council of Australia (MCA), the Australian Industry Group (AIG), and the Mineral Industry Consultants Association (MICA).

- These associations cooperated with those in the financing industry - in particular the ASX and the Securities Institute of Australia (SIA) - to introduce a code that defined and enforced standards and language for the description of those valuable mineral reserves and resources.

- This principle continues to this day and those standards and language are universally accepted in Australia and are being copied elsewhere.

While the JORC initiative has been catalytic, the other components of the ecosystem are diverse and well known. Apart from the professional organisations mentioned above, the institutions (including the State and Federal Governments and academia), service providers (brokers/analysts/underwriters, lawyers, accountants, independent experts and feasibility engineers), and stock exchanges all play essential roles.

The inter-action of these components is depicted in Appendix 1.
The key ways in which the JORC ecosystem helped to foster the mining industry can be summarised as follows:

- The mining and funding industries identified the underlying issue in raising capital as the uncertainty and corruptibility of statements on the value of unseen, in-ground resources and, through JORC, it set about alleviating this problem in a practical and commonsense way.

- It accommodates the problem of periodic crises of confidence and funding, though the mining industry itself was robust, energetic, expert, profitable, substantial in scale and duration, deeply embedded in the Australian consciousness, and well supported by infrastructure. In other words, it was an industry intrinsically amenable to “fostering” mechanisms to alleviate those funding difficulties.

- The opportunity to address the problem was presented by severe market downturns - notably in the late 1960s and late 1980s - when action by authorities ensured that the industry moved to improve its performance. Cyclical down-turns provided the environment in which the industry was most responsive to fostering action.

- The JORC Committee was premised upon industry commitment and involvement, ensuring a commonsense solution that achieved broad support. It recognised, for example, the principle that responsibility should rest with those who evaluated and described the resources and it formalised the “Competent Person” concept to enshrine this.

- The evolution of JORC was a slow, iterative and evolutionary process that spanned several industry cycles. Sustained efforts by key people over many years were essential, though these efforts were often unrecognised and unappreciated.

- Both ASX and SIA “rolled up their sleeves” and became involved in the problems and language of the industry, eventually allowing the incorporation of the JORC Code into the ASX Listing Rules.

- Its status as part of those Listing Rules ensured that the JORC Code was embedded in the formal regulatory framework and reinforced by it. An initial peer-group discipline process is therefore backed up by the legal framework.

SUCCESS FACTORS IN THE WINE INDUSTRY

In 2000, Marsh & Shaw11 reported on an analysis sponsored by the Australian Business Foundation that identified the drivers in the wine industry, the key conclusions of which are highlighted below.

Industry leaders acted as “entrepreneurial champions” to transform a pessimistic, fragmented and domestically focused wine industry by a “top-down” shake-up. They operated within the framework

The key conclusions commented on the importance of “entrepreneurial champions”, the role of industry associations, and the impact of strategic collaborations, as well as the roles of - and interactions between - producers, investors, government and researchers.
of the wine industry associations to translate their visions into practical programs.

There was progressive development of nine wine industry national associations:

- Winemakers Federation of Australia (WFA) (represents producers).
- Wine Grape Growers Council of Australia (represents growers).
- Australian Wine and Brandy Corporation (AWBC) (statutory, regulation, export promotion).
- Grape and Wine R & D Corporation (statutory role, determines and funds research and development).
- Australian Society for Wine Education (domestic education/promotion).
- Australian Wine Research Institute (research and development).
- Co-operative Research Centre for Viticulture (research and development).
- Wine Industry Education and Training Group (coordinates industry training and education).
- Wine Australia (raising visibility - stages expos and similar).

The industry associations provided the context in which collaboration germinated, produced a coordinated vision for the future and were critical agents for change. Funding of their initial efforts was crucial and was provided by industry levies. The Winemakers Federation “catalysed” the long-term vision through the seminal document, “Strategy 2025”12. This set benchmarks and targets and nominated innovation and product quality as ‘core industry values’. WFA derived a 5-year plan of operational strategies and the AWBC and AWEC (the latter now being the Market Development section of the AWBC) adopted Strategy 2025 as the framework for export expansion.

The wine industry’s efforts in strategic collaboration were the cornerstone of its remarkable business growth and export achievements. In the 1980s the industry was divided and fragmented: large and small producers, growers and producers, and a “plethora of national and state associations” were separate, different, and uncoordinated. Many such relationships were “mutually antagonistic”. But collaboration did not happen spontaneously - it required joint action in relation to strategy, innovation and exporting, and occurred partly under pressure from government, notably via industry levies and an export authority that were legislated. A combination of collaboration and competition will give better performance than competition alone. Success requires an industry-level strategy that fosters cluster relationships and capabilities, with an emphasis not just on the cluster structure but also on the means and methods of collaboration that facilitate cooperation and collaboration.

Industry planning achieved a producer focus shift from domestic to international markets, and a shift to high-integrity modern labelling. The shift to higher value products was established and reinforced.

Research and development was stimulated by several research and teaching organisations, funded by levies from the industry. Funded by the industry via levies, it led to large numbers of technological innovations and improvements.

A high level of ‘socialisation’ and training was ensured by educational institutions. There was a high level of meetings, shows, magazines, web-sites, and communication in general.
Investors drew confidence from the existence of a coordinated strategy that gave focus to companies and confidence to investors, resulting in an increased flow of funds into the industry. Wine company share floats performed well and there has been extensive merger activity.

Government played an essential catalytic role. Development of industry associations occurred progressively, under stimulus of government initiatives. For example, government established the AWBC in 1981 and gave it responsibility for export marketing and the power to levy growers and producers.

LOOKING FOR COMMONALITIES BETWEEN MINE & WINE INDUSTRIES

Following these single-industry studies, the ASX and the ABF collaborated to extend their work in this area to seek to determine the commonalities and differences between the mining and wine sectors, so as to distil and identify some common success factors. The results of this work are outlined below.

THE SUCCESS FACTORS

Thirty common success factors were identified in this study, which fell naturally into eight categories. These are listed in the table below, with some elaboration as to the nature and role of these success factors following the table.

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Industry Characteristics

The cyclicality of both mining and wine industries has imposed alternating phases of equity-funded growth and equity-starved rationalisation and consolidation. Both industries have characteristics, inherently suited to Australian conditions, that have ensured familiarity and support, particularly in boom times. They are distinguished by highly developed clustering, integration and cooperation between disparate facets and produce multiple products which, though intrinsically basic commodities, have “value-added” potential. Each industry had appropriate size at the outset (“large enough to matter; small enough to grow.”) and an
export/domestic balance skewed to large export markets but supported sporadically by a relatively small domestic market. Contrary to conventional wisdom (which sees value-adding as the key), each has succeeded by pursuing highly targeted market opportunities within generic global commodity markets.

Cultural Success Factors

Each industry has been enormously influenced by entrepreneurial champions who often operate through the medium of a seminal or iconic document that addresses a keystone issue, usually at a time of crisis. The industry cultures are dominated by a competition mindset and a “quality for price” mindset. Networks of individuals are fundamental to how the businesses operate.

Research and Training

Each industry has been blessed for decades with institutions that provide specialist diplomas and degrees for the industry. Research is extensive and of global standard and Information bases are comprehensive.

Sources of Capital

Massive up-front capital requirements, long lead times to cash flow, and high working capital demands mean that both industries are well suited to equity investors (both speculators and “patient” capital). The investors’ repeated participation and the periodic catharsis of the industry are facilitated by use of the conventional company ownership structure. Inter alia, this means that phalanxes of competent financial infrastructure professionals are always available to assist and the ASX markets can provide liquidity to encourage investors.

Professional Industry Associations

Networks of typically low-profile professional industry associations have lobbied, cajoled, networked, disciplined, certified, educated and coordinated both industries. Typically unappreciated, these roles are crucial to fostering and sustaining, and the professional associations are a key element in this process.

Regulatory Regime

Both industries are governed by a responsible regulatory blend of external and internal rules. The ASX plays a major role through its listing rules and has been particularly pro-active in the mining industry.

Innovation

Both industries are highly innovative with an explicit innovation strategy. Small companies are frequently the innovators with large company research and development commonly providing further developments. Good science and technology are both essential. Innovative branding has been a feature of the wine industry and, to some extent, operates in the mining industry.

Role of Government

Government has allowed a sensible regulatory regime with a major industry responsibility. It has not generally provided favourable tax regimes but has effectively deployed its power to create an appropriate array of professional associations and to exact levies. Its greatest contribution in the wine industry was a catalytic role to re-invigorate the sector.
LEVERS

From this list, it appeared that the relative impact of each success factor will vary from industry to industry, and that some peculiar combination or subset will be important to any particular industry. In a specific industry where fostering or sustaining is desirable, it should be possible to identify a short list of key factors that are essential to success and to contrast these to the actual situation. Where essential factors are missing (or negative factors are present), an intervening agency will have a potentially powerful ‘lever’ to use in rectifying the situation. If for example, an effective network of professional associations does not exist or does not satisfy the broad needs of the industry (as defined in this study's focus), then they can be created - as government did in the wine industry.

PUBLIC POLICY IMPLICATIONS

Some of the success factors are beyond the ambit of public policy, but equally some very important levers can be applied effectively by government and other entities. These can serve to act as catalysts and may not involve huge sums of money. Most probably, any actions will seek to ensure the adequate existence of:

- clustering, cooperation and integration;
- degrees and diplomas;
- research and information;
- professional industry associations;
- regulatory regime, and
- know-how and innovation.

The comparison of success in the mining and wine industries concluded that the appropriate application of some or all of the factors identified as ‘levers’ can help foster new growth industries. The study also concluded that some of these ‘levers’ are also particularly relevant in sustaining or reinvigorating such industries that have already seen some success, once they lose momentum and begin to decay.

BROADENING THE NET - LISTED PROPERTY TRUSTS

In 2003 Stuart Gleeson, assisted by Robert Bladier, extended the work done in the studies described above to the listed property trust (LPT) sector, another very successful industry that appeared to demonstrate some distinct characteristics. The purpose of the study was to research the LPT industry to determine the underlying reasons for its successful growth and development and in doing so, draw comparisons to the factors of success previously identified in the mining industry.
Property ownership and property investment are important and powerful aspirations in the community.

It is commonly believed that the property industry in Australia has always been very successful. It is less well understood that the modern form of the industry is still very young and in fact grew out of a period of crisis less than fifteen years ago.

This transformation is a remarkable achievement, and many of the factors that contributed to this success bear a strong parallel with the success factors identified in the mining and wine industries.

The idea of a property trust as a means for investment is itself a relatively recent creation, beginning only in the 1970s. It was then that Dick Dusseldorp, as head of Lend Lease, a major property developer, sought to mitigate some of the risks inherent in using the balance sheet and borrowings to finance expensive major office complexes.

The solution was to create General Property Trust, GPT. GPT was financed by the sale of units – the unit trust – with only some borrowings. Once Lend Lease had finished a development, GPT would acquire it and become the owner and manager. The first public offer was massively oversubscribed and this proved to be exceptionally popular.

In the 1970s property downturn, many property developers hit the wall but Lend Lease remained immune. The unit trust structure, which is not unique to the sector, became pervasive in the property (investment) industry. Property trusts rapidly grew in number and popularity, based on the regular and reliable yield paid to investors.

In the property downturn of the late 1980s, however, investors found that unit prices had declined significantly, but the unlisted property trusts, under-funded in a downturn, were unable to redeem units. There was a liquidity crisis. The response to this (after a period of time), was to list these entities so that the market could determine a price and assist liquidity. From this grew the Listed Property Trust sector that continues today and has proven to be hugely successful.

Up until this period, the major investors in property trusts had been institutional fund managers and life insurance companies, despite the attraction of the GPT offer to retail investors. Throughout the 1990s, property values returned to previous levels and continued to significantly increase beyond that. Property investment was fashionable and keenly pursued by retail investors. At the same time, financial planning emerged as a newly growing industry and an important source of investment funds.

This led to the emergence of “property securities funds” – investment structures that were unlisted, also based on the unit trust structure, and with the mandate to invest in listed property securities. They were the means by which financial planners could effectively manage their clients’ investment funds and invest in property other than direct property holdings. With the combined effects of increasing property values and growth in the financial planning distribution networks, this fuelled the growth and the attractiveness of the listed property trust sector. This continues to this day and the listed property trusts, backed predominantly by retail investment, overshadows in size the direct investments held by institutional investors – a turnabout in less than twenty years.
These outstanding changes were facilitated by the market structure that evolved during this period of change and growth. It is this that was contrasted to the mining industry, seeking comparisons and common factors of success. These are described below.

PARALLELS WITH OTHER INDUSTRIES

Within the success story described above are a number of ingredients that bear a strong resemblance to circumstances in the mining and wine industries. Some of these are:

- An entrepreneurial champion emerged to lead change in the industry. That the motivation may have been the commercial success of his business versus competitors is not important – there was a figurehead who saw a vision of the future industry.

- Reform grew out of crisis – the serious downturns of the 1970s and 1980s.

- The industry, rallied to action, worked cooperatively to address problems arising from a lack of confidence. At the same time it was, and still is, highly competitive.

- There are industry associations that play an active and positive role representing the interests of the industry as a whole, with consequential benefits that flow to investment markets.

- There was a market-based solution, so that investors could have confidence. This in no way diminishes investment and business risks, but does mean that there is transparency, accountability and standards.

- This investment model was developed in consultation with ASX. Importantly, there emerged a standard investment structure with which investors quickly became confident and easily understood.

- There has grown up around this a very deep pool of knowledge on property investment, with extensive investment analysis.

- Based on this history, expertise and depth of knowledge, the listed property trust industry is turning to outside of Australia. While the underlying product – land and buildings – cannot be exported, nevertheless the major investment funds are setting up internationally. The skills and expertise are world class and effectively are being exported to the rest of the world.
SUCCESS FACTORS IDENTIFIED

Synthesizing this research, it is apparent that the success factors for these three industries fall into three categories that are interdependent. These are:

- **Intrinsic attributes** - Some industries seem inherently suitable for growth in Australia by virtue of geography, climate, space, character and aptitudes of people, language, and so on. Clearly, there is little that can be done about altering these intrinsic attributes. However, it is important to recognise whether they exist or are absent, as successfully fostering an industry where they are absent appears unlikely to our observation.

- **Actions that foster and sustain** - Even if the intrinsic attributes exist, it is necessary for specific, identifiable actions to be taken by some individuals or organisations for the industry to prosper and to be sustained over time.

- **Attributes of the resulting “ecosystem”** - Other success factors are observable features of mature, successful industry ecosystems. Their development and proper functioning seem to be prerequisite to success.

Distilling the findings of the relevant previous studies led to a categorised set of success factors. This is summarised in the table overleaf.

<table>
<thead>
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<th>Three interdependent categories of success factors were found:</th>
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<td>- Intrinsic attributes of the industry.</td>
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<td>- Actions that foster successful operations of an industry and sustain it over time and economic cycles.</td>
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<td>- Attributes of the resulting “ecosystem” of relationships and interdependencies.</td>
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**SUCCESS FACTORS IN MINING, WINE & LISTED PROPERTY TRUSTS**

Appendix 2 contains a table which collates and compares the identified success factors in the mining, wine and LPT industries, as determined in the studies referenced above. There is a remarkably close parallel between the success structure of the three industries.

This seems to imply that a success factor that is common to these industries may well be applicable to a broader range of industries. In each industry, any specific factor will have different impact and priority, but should still be generically recognisable and translatable to the new industry.

It seems probable that priorities or weighting of these common success factors will differ from industry to industry.

Note that the table at Appendix 2 does not attempt to assign priorities to the success factors – only to group and collate them. In some cases, a potential success factor may simply not be important, or may not have been recognised as such - it is noteworthy that none of the sources we used had identified all the factors. Only when the views of the different sources were merged did it become apparent that there was close similarity between the industries.

The three categories of success factors are discussed further below.

**INTRINSIC INDUSTRY CHARACTERISTICS**

**INHERENTLY SUITED TO ‘AUSTRALIAN’ CONDITIONS**

All three industries are underpinned by a number of intrinsic attributes that makes them suitable for Australian conditions. The country has the physical prerequisites (resources, land, climate, accessibility, metropolitan conurbations, etc) and the people have the natural...
aptitudes and skills that are essential for industry success. For example, Australian people commonly live at the urban/rural interface, physically and in attitude; are innovative, practical, technological, and well trained; commercially minded and not daunted by competition; familiar with low-labour, capital-intensive industry; and multicultural enough to service global consumers. Wine, mining and property are deeply embedded in Australian thinking, history, folk-lore and language, resulting in an innate familiarity and a lowering of barriers. As a result, for example, investors are aware, almost without being told, of the volatility, risk/reward, and 'patient capital' nature of their investments.

The presence or absence of these characteristics will affect how easy or difficult it is to ‘foster’ a new industry at the start and to ‘sustain’ it through the downturns.

CYCLICALITY

An intrinsic characteristic of mining, wine and property industries is that they are cyclical, ‘boom and bust' industries, which never reach equilibrium but are in constant change – a phase of growth being followed by a phase of decline tending to crisis. Each growth phase is driven by different circumstances, and each decline phase occurs in response to different inhibitors.

While this cyclicality may seem obvious, its effects are more far-reaching than is generally appreciated and must be accommodated in any discussion of success factors or fostering. It also impacts on the sustainability of new industries, as discussed below.

APPROPRIATE SIZE AND EXPORT/DOMESTIC BALANCE

It is axiomatic that the market for a successful growth industry must be sufficiently large to sustain that growth. At the same time, a growth industry must, by definition, be relatively small in the initial stages. This combination (“large enough to matter, small enough to grow”) is prerequisite in selecting an industry for fostering.

The small size of the domestic market for both mining and wine products relative to the global market determined that both industries would ultimately be export driven. But in each case, that small domestic market served to support initial growth by buying part of the product range (e.g. domestic steel, domestic coal, chardonnay). The small size of the domestic market had the advantage of allowing development of the industry to the point where it could be adapted to tackle the large export market. The situation for the property market is different in that the underlying “product”, land and buildings, cannot be exported. However the investment skills and expertise have grown, and the industry as a whole has grown from very small to very large, and now these investment skills are being exported. Major industry players such as Westfield have established international operations and others are looking offshore as well.
MULTIPLE PRODUCTS AND VALUE-ADDED POTENTIAL

Each of these industries produces a variety of different products with a range of ‘value added’ content, ranging from basic ‘commodity’ items to intensely upgraded product. This diversity provides depth and strength and an ability to adapt to changing market conditions as the cycles wax and wane with different products reacting differently in any particular cycle. One particular mining boom may be a ‘gold boom’, the next a ‘coal boom’ – the basic skills and disciplines required for the first are transferable to the second. Domestic demand for ‘rather basic’ wines fuelled the first wine boom; export demand for ‘good-value-for-money’ branded wines drove the fifth boom.

It is an incessant mantra in both the mining and wine industries that a ‘value-added’ product is preferable to a basic commodity. The mining industry has made many attempts to ‘add value’ to its basic iron ore commodity and there is now a push towards premium wines rather than basic commodity wines. Despite the mantra, reality has not changed much over the years – most export revenues are earned from basic commodities with a limited degree of ‘value-added’. It seems that it is, in practice, very difficult to convert basic commodities to high-end products in Australia. There is not a direct parallel in listed property trusts, although it is relevant to observe that the nature of the assets under management in property investment has diversified remarkably. Once it was only office and commercial developments. Now one can find a range of investable property assets, including including parking lots and child care centres.

FOCUSED MARKET OPPORTUNITIES

It is a striking similarity between the mining and wine industries that, despite their ‘basic commodity’ characteristics, major breakthroughs were made in response to specifically targeted opportunities, with the resulting enterprises then extending beyond those opportunities. The export coal mining industry in Queensland and NSW, now one of the world’s major coal exporters, was developed in the 1980s as a specific response to the 1970s energy crisis and consequent panic demand for energy in Japan. The success of Australian wine exports to Britain occurred as a specific response to new demand from British supermarkets when changed regulations allowed wines to appear on supermarket shelves. LPTs became popular in the 1990s partly in response to a need for liquidating and trading troublesome properties from the 1989 property boom. In each case, Australian entrepreneurs saw (and acted decisively upon) an opportunity to supply large volumes of quality product at attractive prices into previously untapped markets. Whilst the commodity was fairly ‘basic’, its success was achieved by a determination to seize a market niche and to supply it reliably with good product at an affordable price.

SUITABLE FOR INVESTORS, SPECULATORS AND PATIENT EQUITY

None of these three industry successes could have been achieved if it had not been for repeated and massive financial support from private and institutional investors. Cycle after
cycle, once the possibility of good performance returns to the mining industry, the investors will support the entrepreneurs. In the latest wine boom, investors provided almost unlimited support once it was demonstrated that there was a plausible strategy in place, a reasonable business proposition, and some excitement to be enjoyed. In the property industry, the same cyclical nature of investor behaviour is found. If anything, it is magnified because, in investors’ minds, property is represented not only through listed entities (the LPTs) but also through direct ownership of the family home and like investment properties.

Each of these industries is characterised by large initial capital requirements (to construct mines, develop vineyards or build major buildings) followed by long delays before cash flow grows and stabilises. They also have massive requirements for working capital, particularly if projects are to be expanded. This situation is not attractive to many forms of funding, but is well suited to the equity speculator and the patient equity investor.

In addition to providing fund-raising capability, equity ownership combined with stock exchange listing provides an important safety valve for a developing industry. As business cycles and companies wax and wane, the well-established corporate mechanisms of takeover, acquisition, liquidation and ownership change permit constant cleansing and consolidation of the participants. As a result, the better companies tend to grow and consolidate in the difficult times in preparation for better times ahead.

**ACTIONS THAT FOSTER & SUSTAIN**

**SEEDING**

*Entrepreneurial Champions*

Mining history is full of entrepreneurs, heroes, villains and champions. Though knowledge of their influence tends to have been lost over time, there is no doubt of the crucial role they have played. Some have been captains of industry, some simply prospectors, some entrepreneurial villains who have ended in disgrace, and some scientists. All contributed to the energy, culture and coherence of the industry. In the wine industry’s recent boom, it is clear that little would have happened without the dedicated, persistent and passionate activity of a small number of individuals over many years. The business executives interviewed for our wine study made it plain that it is commitment, rather than the more obvious formal and business attributes, which is effective here. Persistence and vision are everything, and those virtues are impossible without passion and emotional commitment. The LPT industry has been championed in a similar fashion, first through the leadership of Dick Dusseldorp at Lend Lease and subsequently through the many industry leaders, some of whom have been guiding their investment trusts for more than two decades.

*Government as Catalyst for Change*

There are several public policy areas that can be successfully targeted by government for a catalytic effect without spending large amounts of money, and these are particularly effective if deployed in times of industry crisis. (The areas where government may be effective are discussed further under ‘Public Policy Implications’ below.)

When asked “Did government do anything to help?” industry participants in both mining and wine industries typically answer “Very little – I wish they would get out of our way and tax us
less.” But a broader perspective supports the view that, while large-scale support direct to
the industry by funding or subsidy is not necessary, more subtle activity by government is
essential in several areas. These include, most importantly, the establishment of a sensible
and balanced regulatory framework with a high component of self-regulation; continued
support for education and research; introduction of an effective levy system; and ensuring
(catalysing or creating if necessary) an effective array of professional associations.

**Seminal/Iconic Document**

It is notable that both the mining and wine industries have been greatly influenced by single
documents in the past 10 to 20 years. (We did not learn of any like document in the property
industry, although the nature of the “seminal event” predicated around crisis was evident).
As described in our earlier studies, the “JORC Code” has been the keystone in building
confidence between investors and miners, and “Strategy 2025” is acknowledged as being
fundamental to the resurgence of the wine industry and its re-orientation to export markets.
Each of these documents addressed a different issue – the mining industry was suffering a
crisis of investor confidence, largely as a result of discipline and language difficulties. The
wine industry needed a coherent vision and access to reliable technical and market
information. Nonetheless, each document served to remove major obstacles to progress and
promote cooperation within its cluster.

The ‘seminal/iconic document’ is important for two main reasons. Once formulated, it serves
as a symbolic ‘flag’ or central focal point for disparate forces, sets a simple agenda for action,
conveys embedded messages of leadership, confidence and direction.

The timing of both these documents was similar. Each was conceived and initiated in a time
of deep crisis, with its industry threatened by imminent extinction. Probably, like any ‘flag’,
participants will only ‘rally to the flag’ when all seems lost. Conversely, the person who
wishes to raise the flag is wise to do so only at such a time, or he will have little impact.

**NETWORKING**

*Creating the Associations*

Marsh et al, in particular, have focussed on the nature, development and function of the
professional associations in the wine industry and ASX has done so in earlier papers for the
mining industry. It is clear that the existence and activities of the professional industry
associations have been fundamental to the success of both the mining and wine industries.

In each case, different associations representing different facets of the industry form part of
the industry cluster. In mining, four key associations represent the main professional groups;
in wine, two are statutory bodies, one represents growers, one represents producers and the
others are involved in research, education and promotion. They variously contribute to
networking, certification, research, education, and the development of common and reliable
language. They provide a forum for discussion and lobbying with government, and a vehicle
that government and/or the champion entrepreneurs can use to reanimate moribund
industries. They provide a low-profile leadership role focussed on very practical outcomes of
immediate relevance to their members.

Almost certainly, the process of preparing the documents is just as important as the
document itself, serving to bring together key enthusiasts to provide a forum for
exchange of views on the crucial issues.
REGULATION

Regulatory Blend

Each of these industries is regulated by a blend of external government regulation and internal self-regulation devolved to the professional associations. Because each uses listed entities as their basic ownership structure, an additional element of regulation is applied through the ASX via its listing rules. The mining industry has benefited particularly through a special arrangement in which the industry’s core JORC code was developed in conjunction with the ASX and incorporated into its listing rules. No such treatment is evident in the wine industry, and LPTs also derive benefit from their underlying unit trust structure, that carries with it a degree of accountability under taxation laws.

ASX Shapes Funding Structure

The ASX has played a major role in the success of the mining and LPT industries by taking a special interest in mining companies and property trusts and providing a special regulatory environment with special listing rules to accommodate their peculiar characteristics. This special treatment is particularly evident in the incorporation of the mining industry’s JORC code into the ASX listing rules. While there are other examples of special rules that relate to particular industries (such as cash reporting requirements that impact on high-tech companies), they have never been applied as extensively as in the mining industry. No special rules were applied to the wine companies.

PROFESSIONAL SERVICES

Advisers and Intermediaries

In all three industries, it is evident that there is a depth of professional advisers that have advanced skills relevant to the industry. This expertise, whether it be legal, accounting, corporate finance or broking distribution, all adds to the success of the industry.

For each of the industries, one can find a depth of knowledge and analysis that extends well beyond simple generic professional services, and these contribute towards the global competitiveness of each industry.

RESEARCH & TRAINING

Institutions - Degrees and Diplomas

For decades, Australian universities and colleges have provided specialist tertiary courses that ensured these industries were staffed by people with the highest calibre of qualification. Australian graduates with mining- or wine-related qualifications are amongst the best in the world. Perhaps equally important is the establishment, during tertiary education, of the human contacts that later are fused into the “network”.

Research and Information Bases

The mining industry has always benefited from extensive research coverage conducted by universities, government agencies, specialist research centres and the mining companies...
themselves. The importance of this has been confirmed more recently in the wine industry, where there has been a heavy investment in research and innovation from much the same array of groups. In particular, Anderson et al\textsuperscript{15} describe the use of the “FEDSA-WINE model”, an economic model used to understand economic impacts of future supply on both grape growers and wine makers and to help plan future scenarios for the industry. This is a tool that would not have been available to the nascent mining industry. (This aspect was not investigated for LPTs.)

**INNOVATION**

*Innovation Strategies*

The mining industry has a long-standing strategy of enhancing know-how and innovation by conducting its own research and development programs and funding or cooperating with research in universities and other institutions. Over decades, this strategy has kept the industry at the forefront of technological and other skills. The record in regard to the wine industry illustrates that such a strategy can be (in fact must be) premeditated and planned – a broad commitment to innovation was contained in “Strategy 2025”\textsuperscript{16} and the mechanisms for industry contribution to funding were put in place via the levy system. As a result of these steps, and of persistent government support of training and R&D, the wine industry has made dramatic progress through innovation. No like formal structure was observed in the property industry.

The key area for innovation in any particular industry will differ from the others. In some it will be scientific, in others technological or marketing. In the mining industry, it tends to be technological (engineering, extractive metallurgy, geology or environment). In the wine industry, it has been mostly technological (improvements to growing and wine-making techniques) and marketing (notably market opportunities, distribution and branding). For property investment, the parallel is probably product development and innovation in financial structuring.

*Small Company Innovation*

In all these industries, small companies and individuals are frequently the source of innovative break-throughs. Projects and ideas typically originate, and are risk-funded, at this level and are then acquired for further development by the larger companies through the acquisition or joint venture process. In all it is possible to start small and grow, without threatening the ecosystem of large, and small, enterprises.

**THE RESULTING ECOSYSTEM**

The resulting ecosystem that prevails in each of these three industries is generated by the success factors given earlier. This is elaborated upon below.

**CULTURAL CHARACTERISTICS**

*The ‘Competition’ Mind-Set*

It is taken for granted, as a basic tenet in these industries, that competition between Australian entities and with overseas entities will be brutal. This seems inevitable and essential in any industry that has a small domestic market, a large global market, and little or no protection from government.
In counterpoint, Marsh and colleagues emphasise that collaboration (specifically a blend of collaboration and competition) between elements of the wine cluster was a key factor in its resurgence, following the emergence of a “comprehensive collaborative structure unique in Australia”. It may indeed be a unique structure, but the mining industry is at least equally collaborative and competitive. Amongst many examples which could be quoted, perhaps the most obvious are the common ‘joint venture’ and cross-shareholding structures which are typically used to house collaborative commercial efforts.

The ‘Quality for Price’ Mind-Set

In the course of conducting these studies, the point was proferred repeatedly that consistently producing ‘quality wines for the right price’ was the key to the success of wine exports. Similarly, consistent quality, reliable supply and low costs are themes that are drummed into every participant of the mining industry from a very early age, and it is a ‘mind-set’ that leads to global competitiveness. The watchwords are scale and stringent process control, both technological and financial. The property trust industry works by the same principles.

In view of our remarks above on value-added strategies, note that the ‘quality for price’ mindset is born of a low-margin, basic commodity discipline. It is very different to the high-margin approach of, say, French premium wine-makers or the stud breeding livestock industry.

The ‘Innovation’ Mindset

There is generally across each industry, and more so in a few industry leaders, a mindset of product development, customer understanding and innovation. Advances came from creating new markets, inventing new ways of doing business, and identifying and servicing needs that previously had gone unidentified.

Innovation is not unique to these industries, or to an industry going through massive transformation. However innovation is critical, and a precursor to, the sorts of industry development we describe. Helping create the environment for innovation to occur is an important part of industry fostering. The “industry ecosystems” described in our reports facilitate this.

The Networking Habit

Both the mining and wine industries are dominated by highly developed, effective networks of people and organisations. These pervade every facet of the business - contacts, discipline, language, finance and culture. They serve to provide business opportunities, personnel flows, and visions, and are fostered in universities, meetings, “nurseries”, “coffee shops”, exhibitions, magazines and web-sites. They extend into the international arena. Without these highly developed networks it is likely that neither the mining nor the wine industries would have thrived. One can cite the failure of numerous recently imported chief executives as an example of how difficult it is to operate from outside the network.

Networks, in the Australian idiom at least, are primarily webs of personal relationships – they seldom exist between people trying to relate to each other ‘ex officio’. Those personal relationships are forged most readily at a young age, as students at college, as young professionals in remote mining camps, or as trainees on vineyards. Though they may not see each other for decades, they will instantly trust (or mistrust!) each other when they meet as company chief executives with a transaction to negotiate across a boardroom table. More importantly, one will call the other for an informal discussion if a cooperative venture appears or there is a problem to be resolved between their companies.
INDUSTRY ENVIRONMENT

Clustering, Integration and Cooperation

Marsh and others have described in detail how a ‘cluster’ of vertically and horizontally related businesses can be a powerful driving force once effective integration is achieved. In brief, clustering represents a web of formal and informal linkages that serve to enhance energy, communication, and engagement between people and entities.

In the mining industry, after many decades, the core exploration, mining, metallurgy and marketing arms are typically contained in single corporate entities and are highly integrated and effective. In the wine industry, the parallels are growers, wine-makers, marketers and distributors. It was achieving effective integration and cooperation between these arms of the industry that nurtured cooperation and unlocked its potential in the latest boom.

One unique feature of the integrated structure of the mining industry is the ubiquitous ‘joint venture’, which has apparently not yet been used extensively in the other industries. It provides a flexible and simple corporate structure that allows cooperation through partial ownership of assets. Though it evidently has not been thought necessary in the wine industry, it is a structure that might be effectively applied in other sectors where cooperative efforts are required.

Devolved Regulatory Regime

The importance of a positive regulatory environment is a theme repeated throughout the studies. It is a critical component of industry fostering, often overlooked by those not part of capital markets. Positive regulation helps gives confidence to investors and assists the development of standards and common language. It is an underpinning of an industry supported by investment markets.

In each of these industries, the nature of a positive but accommodating regulatory environment has a different expression. In mining it was an industry led code, developed in conjunction with ASX, but later formally adopted by ASX as part of the listing rules. In LPTs, it was the creation of a new form of investment structure, subject to the ASX listing rules, with transparency and accountability. In wine, early regulatory reform was more oriented towards the industry, via the creation of government mandated industry boards, such as the AWBC, with authority to regulate certain industry practices.

Professional Industry Associations

In all the studies, it was found that industry associations, whether membership, professional or sector based, were very active and made a significant contribution towards the growth and development of that industry.

This is not surprising, because the success of the industry forms part of the reason for the existence of the association. However, given an opportunity to contribute a pro-active positive voice to an industry in transition, the associations fulfilled this role. They did this while still continuing to represent their sectoral interests, that formed the common interest of the group.
INVESTMENT ENVIRONMENT

Familiar Ownership Structures

Companies in each of these industries are typically ‘boot-strapped’ by equity investment and later funded by loan capital and their own cash flows. A prerequisite for investment from equity providers is investment liquidity in a form that they understand. The mining and wine industries have achieved this by using conventional listed company structures; the LPT industry has innovatively used listed trust units, often with a variety of unit classes or ‘stapling’, but their listing and capital-raising processes are conventional.

Effective, Available Financial Services Back-Up

The key result of using familiar corporate structures is that the established cadres of skilled brokers, corporate financiers, accountants and lawyers are readily available to provide their services and transact the necessary business of capital-raising or acquisition. All three industries rely for their capital raising on this established financial services infrastructure. Whilst the availability of these services is an important prerequisite to success, their existence is not dependent on the specific industries. The services are largely generic and can adapt to whichever industry is currently active.

Liquidity and Regulated Market Provided by ASX

Another result of the industries’ reliance on conventional equity structures and funding, is that the role of the ASX is essential to the success of all three industries. Listing provides the mechanism for trading and pricing the shares or units of a company or trust so that capital can be raised, but also provides investors with a degree of confidence in the quality, value and integrity of the entity.

THE CONCEPT OF LEVERS

A “lever” is a device that magnifies the effect of a relatively small, focussed effort and produces a substantially greater result. The practical significance of understanding success factors is that doing so will provide “levers” which will assist in fostering or sustaining an industry and minimise the effort required. From a list of potential success factors (such as those above), it should be possible to identify a sub-set of key factors which will determine the success or failure of a particular industry. If essential factors are missing, or important negative factors are present, then addressing these issues will have a leveraged effect on the industry.

Which success factors continue to operate as an industry matures (or a cycle starts to decay) and can be used as levers to ensure that new industries sustain their performance?

The following success factors are singled out as critical levers in sustaining growth of industries, even in the face of downturns and crises.

If essential factors are missing, or important negative factors are present, then addressing these issues will have a leveraged effect on the industry.

The examples given often relate to the mining and wine industries as they are both well-established sectors, while listed property trusts are a relatively recent development, with those success factors yet to be played out.
CYCLICALITY

An understanding and appreciation of cyclicality is prerequisite to sustaining growth in new industries - as all market participants know, “timing is everything”. The mining industry understands this from long and bitter experience and behaves in different ways at different stages of the cycle. This is also appreciated by the wine industry. But newer industries, such as LPTs or biotechnology, have never seen the decline leg of a cycle and cannot anticipate its effects or the opportunities it presents, except by comparison with other industries. To the extent that the mining and wine industries provide lessons, the decline/crisis part of the cycle must be seen as the time for acquisition, conservation of capital, ‘tidying up’ the excesses of the past boom and generally preparing for the up-swing when it comes. The growth leg is for capital-raising, new ventures and expansion.

This cyclicality is well understood, even welcomed, by equity investors who, intrinsically optimistic, are repeatedly prepared to provide ‘patient’ or ‘speculative’ capital in the hope of high returns. It is used, if not always understood, by regulators who have, during downturns, the chance to control excesses that they do not have during boom times. It provides a constant flux of corporate activity that ensures cleansing, rationalisation and consolidation.

The decline/crisis part of the cycle must be seen as the time for acquisition, conservation of capital, ‘tidying up’ the excesses of the past boom and generally preparing for the up-swing when it comes. The growth leg is for capital-raising, new ventures and expansion.

INHERENT AUSTRALIAN CHARACTERISTICS

The inherently ‘Australian’ character of the mining and wine industries (ie. well-suited to Australian conditions, skills and culture) tells us that a new industry that is ‘Australian’ in this way has a better chance of initial success and sustained growth than one that is not. It will be easier to ‘foster’ at the start, expand in the booms, and ‘sustain’ through the downturns.

CLUSTERING, COOPERATION AND INTEGRATION

Viewing the wine industry as a cyclical sector in terminal crisis in the 1980s, it seems that the encouragement of the cluster philosophy by ‘champion entrepreneurs’ and government led to cooperation and re-vitalisation of the sector. The lesson for those seeking to sustain a failing new industry is that the completion of cluster structures (filling in missing elements or re-invigorating defunct ones) can be a key trigger for injecting new life. Conversely, missing parts of the structure can be fatal if not replaced.

MARKET OPPORTUNITIES

In both these examples, relatively moribund industries have been re-invigorated, re-capitalised, and re-developed into massive, long-standing new enterprises. The skills and traditions existed but needed a new market opportunity to re-emerge. If it is necessary to sustain or re-invigorate an industry in a downturn, this suggests that identification of a highly specific market opportunity may provide the necessary medicine.
ENTREPRENEURIAL CHAMPIONS

In the good times, as is evident in both the mining and wine industries, “everybody is a hero”. But on the down-leg, when the going is tough, the investors are placing their funds elsewhere, all headlines (and all brokers) are negative, and the vision is lost in the chaos of survival, a new industry will be threatened with extinction. It is then that the ‘entrepreneurial champions’ are most effective. They can sense opportunities and their commitment energises other participants, governments and the professional associations. Sustaining a new industry beyond its first growth phase will be doubly difficult if these champions are missing. If they are absent, they must be found and placed in influential roles.

When the going is tough, the vision is lost in the chaos of survival. It is then that the “entrepreneurial champions” are most effective.

SEMINAL/ICONIC DOCUMENT

The impact of the JORC code on the mining industry and Strategy 2025 on the wine industry demonstrates that the concept of a “seminal/iconic document” can be effective in resolving debilitating obstacles in an industry. Two aspects seem important:

- the document must be directed at the fundamental blocking problem; and
- it must be drafted by a very carefully assembled group of people, including the entrepreneurial champions in particular.

The prolonged discussion and drafting process is equally important to the result – it can serve to bring together disparate, even hostile, parts of the industry to discuss common interests.

COLLABORATION AND COMPETITION

The lesson on collaboration is that a new industry is very unlikely to survive in Australia unless there is an effective collaboration structure to complement the accepted high level of competition. In cases where this structure is lacking or failing, it is certainly a ‘sustainability factor’, which will need to be addressed. The most appropriate people to do this are the entrepreneurial champions working in conjunction with government.

NETWORKS

The fundamental, pervasive role of networks in both the mining and wine industries argues that an effective network is essential to growth and survival of a new sector. Any authority concerned about the absence or deterioration of a network in an industry it is considering fostering would be well advised to treat that ‘blockage’ as a priority.

EQUITY INVESTORS AND FINANCIAL INFRASTRUCTURE

We make the point above that both the wine and mining industries rely on conventional company structures (initially private companies which are floated) for their ownership arrangements. This is a familiar and well-proven arrangement for capital raising in Australia. In sustaining a new industry, this may be an essential element for capital raising, and the unfamiliarity of other structures may be prohibitive.
One of the business leaders we interviewed put the view, in contrast, that many SMEs attempt IPOs prematurely, before they are robust enough to withstand the pressures of public funding. This must certainly be true in many cases, and the ideal is obviously to find abundant equity from a single protective parent entity until the business is strong enough to list. In most cases, such a paternalistic investor is impossible to find at a reasonable price, and the public equity investor provides the cheapest (and most controllable) source of funds.

ROLE OF THE ASX

The manner in which special treatment by the ASX was a major factor in creating and sustaining the Australian mining industry was covered earlier. Though this approach has not been as broadly applied in any other sector, it remains a powerful option that could be applied to new industries.

THE PROFESSIONAL INDUSTRY ASSOCIATIONS

Professional associations provide the most potent vehicle for the fostering and sustaining of new industries. In each case, the actual structure of associations will probably be different, but their existence seems crucial. The development and use of the wine industry associations by government and champion entrepreneurs to reinvigorate the industry is documented in detail by Marsh et al. In this instance, new associations were created (including statutory bodies), given the power to fund development by raising levies, and used to derive and promote strategies and medium-term plans. In any particular industry, it should be possible, likewise, to determine the associations that are required, modify any existing ones and create new ones.

KNOW-HOW & INNOVATION

The existence of a well thought out strategy to ensure and fund innovation is very likely to be a key to sustaining a new industry. Such a strategy must be targeted at the key areas of that industry and designed to improve efficiencies and remove obstacles to development. Those areas may be scientific, technological, financial or market-related. Funding for such research and development needs to be arranged and may be very effectively organised jointly between government (education, research institutions, CRC’s, etc) and industry (via levies).

PUBLIC POLICY IMPLICATIONS

Which success factors are relevant to public policy debate? Did government intervene effectively in the mining and wine industries? What role could it play in supporting a new industry?

The findings of this study indicate that government did so, very effectively, in the wine industry without outlaying large amounts of money, diminishing its tax base, or providing industry subsidies. In particular, it continued its support of various educational and research institutions at a time when it was unpopular to do so, and provided a seminal/catalytic role in the re-establishment of the industry cluster.
Both the mining and wine industries, but most recently and most explicitly the wine industry, illustrate that an active intervention by government in certain areas can be a major contribution to sustaining success. The areas in which such intervention may be effective in any particular industry are discussed below. Any party seeking to foster or sustain a growth industry will be well advised to determine whether these areas are functioning properly and ensure that government is taking the necessary steps to make this happen.

CLUSTERING, COOPERATION AND INTEGRATION

Though government activity to foster the mining industry would be long forgotten, it is evident from the wine industry that government policy played a major role in its resurgence. Previously directed at rationalising and closing down a moribund sector, policy changed to support the development of the wine cluster and catalyse its growth, largely through the industry associations. It seems to have been achieved with minimal outlay of government funds, but a very clever allocation of those funds.

DEGREES AND DIPLOMAS

The findings of this study argue strongly for the establishment or continuance of industry-focused specialist tertiary courses. It is hard to accept that similar success would have resulted if the mining and wine industries had been staffed with generalists who then learned their trades ‘on the job’. At the very least, the development of the networks would have been seriously hampered. To the extent that this flows to public policy, it is clearly on the side of specialisation.

Conversely, the establishment of specialist courses, in an industry where such is lacking, is likely to be a slow but effective means of fostering that industry.

RESEARCH AND INFORMATION

Government determination to sustain research into the wine industry by establishing and supporting research facilities has been an important plank in the resurgence of the industry. No doubt it will be equally important in sustaining it through the inevitable downturn, when it comes. Public policy can be directed in this way to support for other new industries.

PROFESSIONAL INDUSTRY ASSOCIATIONS

As demonstrated in the wine industry, government is in a position to ensure the existence and function of an appropriate array of associations for any particular industry. Appropriate public policy can therefore be applied to leverage such industry leadership to foster and sustain new industries.

REGULATORY REGIME

Both mining and wine industries demonstrate the effectiveness of self-regulation (through the professional associations and ASX) supervised ultimately by government.
KNOW-HOW AND INNOVATION

Fostering a new industry, and sustaining it after establishment, can be greatly facilitated by public policy that develops a targeted innovation strategy and organises joint funding of research and development between government and industry, typically through a levy arrangement.
CHAPTER 4 - CONCLUSIONS

This series of research studies has examined a number of industries that seem to have nothing in common, except that they have grown from a modestly successful domestic base to being world-class and export based, on a significantly larger scale. Each has then made a massive contribution to the Australian economy and to domestic capital markets.

The purpose of the studies reported here was to examine and identify the causal factors for success common to the industries. While the studies were not empirically based and it is not claimed that they are exhaustive regarding all that was examined, there nevertheless are some powerful observations about what has contributed to industry growth.

Starting with an initial study into the mining industry, and then following this with further examinations of that industry, the studies extended to the wine and listed property trust industries. A number of important conclusions were formed:

1. A number of **industry characteristics** were identified, as being attributes that should be present in an industry deemed suitable for fostering.
2. In addition to these important industry characteristics, it was observed that a number of common events had occurred, that had contributed to **industry transformation and success**.
3. The successful industries that were the outcomes of this change were noted as operating in an **eco-system** of individuals, organisations and institutions, connected by a web of relationships and knowledge flows that interlock and reinforce the growth and success of these industries. These characteristics were also described.

Taken together, the ASX analysis is noteworthy as it captures the dynamic and ever-changing nature of Australian industries. Whether such industries are success stories very much depends on the timescale and the point at which the industry's evolution is being viewed.

Consequently, the ASX's work recognises that the identification of success factors for current and future growth industries cannot be a standard checklist. Rather it draws out the industry characteristics, transformational events and webs of relationships and knowledge flows in industry ecosystems that commonly seem to occur and to be potent features in the successful global performance of the wine, mining and listed property trust industries examined in this study.

In the volatile and evolving pattern of ups and downs and changing circumstances of most growth industries, it is those indicators of success the provide the "markers" that deft industry leaders, capital markets and public policy makers can capitalise on effectively.

When considered as a collective piece of work, the combined studies provide the conclusion that it is possible to pro-actively foster a qualified target industry, and that there are "lessons" that

**It is possible to pro-actively foster a qualified target industry, and lessons can be learned from previously successful industries regarding what steps and actions are necessary.**
can be learned from previously successful industries regarding what steps and actions are necessary.

While it is important that the impetus for change come from within the industry itself, there are actions that government and other relevant parties can undertake. The outcome is aimed to be an industry predicated on robust investment, that has the capacity to grow to be world-class and export based.
1 “The Pricing of Technology Stocks: A Global Perspective on Australian Stocks” by Professor George Foster and Associate Professor Ron Kasznik (Graduate School of Business, Stanford University), and Associate Professor Baljit Sidhu (Australian Graduate School of Management), March 2002.


3 “Fostering Native Growth Industries – Stimulating the Growth and Capital Market Liquidity of Industries which are Under-Represented on ASX”, by Dr Colin Ramsay, 2002.

4 “The ‘JORC Ecosystem’ – A Case History”, by Dr Colin Ramsay, 2002.


8 Refer Ramsay (2001).

9 Refer Ramsay (2001).

10 Refer Ramsay (2002).

11 Refer Marsh & Shaw (2000).

12 “Strategy 2025 - The Australian Wine Industry”, Winemakers Federation of Australia, 1996. This was a visioning document for the wine industry - for background and a discussion see Marsh & Shaw (2000).

13 Refer Ramsay (2003).


APPENDIX 1 - STRUCTURE OF THE “JORC ECOSYSTEM”

CAPITAL FOR RISK & GROWTH

CONFIDENCE & ENERGY

STOCK EXCHANGES

Representatives

JORC COMMITTEE/CODE

Listing Rules

SERVICE PROVIDERS

Market Inter-actions

Liquidity

Enforceability

Capital

Analysis

Energy

PROFESSIONAL ASSOCIATIONS

Reps

Discipline

Best practice

Competent Persons

Capital

Analysis

Energy

THE “JORC ECOSYSTEM”

Brokers/Analysts

Underwriters

Lawyers

Accountants

Feasibility Engineers

Indep Experts

CULTURE

Networks

Language

Experience

Fun/reward

Status

History

THE INSTITUTIONS

Governments

Academia

CSIRO

Geo Surveys

Depts of Mines

ASIC

AusIMM

MCA

AIG

MICA

SIA

Training

Networks

Conferences
**APPENDIX 2: SUCCESS FACTORS IN THE MINING, WINE AND LISTED PROPERTY TRUST INDUSTRIES**

<table>
<thead>
<tr>
<th>SUCCESS FACTOR</th>
<th>MINING</th>
<th>WINE</th>
<th>PROPERTY TRUSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inherently Australian</td>
<td>Deeply rooted in Australian history; vast experience, but competitive advantage has been built over time</td>
<td>Part of the urban/rural interface, based on a strong tradition and history of agriculture export markets</td>
<td>Ownership of land is a desire that goes back to days of settlement, and remains part of the urban dream</td>
</tr>
<tr>
<td>Cyclical</td>
<td>Cyclical “boom and bust” industry that follows economic cycles</td>
<td>Linked to economic cycles and agricultural peaks and troughs</td>
<td>A cyclical industry, property “crashes” repeat through time</td>
</tr>
<tr>
<td>Appropriate size</td>
<td>Now global companies in a mature industry, it grew from small beginnings, but still has many small players</td>
<td>A mix of large concentrated global exporting companies and small family ventures</td>
<td>Everything from LPTs that are global, through smaller scale entities, to private investment</td>
</tr>
<tr>
<td>Export / domestic balance</td>
<td>Now driven by global demand with a small domestic market</td>
<td>A mix of exports and significant domestic consumption</td>
<td>Domestic focused, but turning to global markets</td>
</tr>
<tr>
<td>Multiple products</td>
<td>Many different commodities and resources</td>
<td>Many different varieties of wine and related products</td>
<td>Increasingly novel adaptation of the LPT investment products to many different underlying assets</td>
</tr>
<tr>
<td>Value added potential</td>
<td>Significant value add generated through commodity processing and via export of “mining services”</td>
<td>A variety of products and premium products to suit varied and niche markets</td>
<td>The LPT investment model is being taken overseas, value adding the local industry</td>
</tr>
<tr>
<td>Focussed market opportunities</td>
<td>Industry quick to respond to changing demand; for example, coal, gold or nickel</td>
<td>Responsive to changes in domestic and overseas consumption patterns</td>
<td>Industry adapts as opportunity and needs emerge; eg. Child care centres as a property investment</td>
</tr>
<tr>
<td>Suitable for investors (speculators and patient capital)</td>
<td>Industry built on large initial investments, speculative capital and patient investment. Large returns for those who succeed.</td>
<td>As for mining</td>
<td>As for mining and wine</td>
</tr>
<tr>
<td>SUCCESS FACTOR</td>
<td>MINING</td>
<td>WINE</td>
<td>PROPERTY TRUSTS</td>
</tr>
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<tr>
<td><strong>Seeding</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entrepreneurial champions</td>
<td>Prominent throughout the history of the mining industry</td>
<td>Clearly identified industry leaders and champions</td>
<td>Prominent innovators and leaders</td>
</tr>
<tr>
<td>Catalyst for change (Government or other)</td>
<td>Government called for change and the industry responded. Government assisted and guided the regulatory environment; continues to support through education and standards</td>
<td>Government pro-actively led creation of strategy and vision, based on industry activism; ongoing support</td>
<td>Less government involvement, but a clear regulatory framework from investment markets down to retail ownership</td>
</tr>
<tr>
<td>Seminal document</td>
<td>The JORC Code was created by the industry</td>
<td>A major strategy review called for change and a new vision</td>
<td>Change ensued from actions of leaders rather than written text</td>
</tr>
<tr>
<td><strong>Networking</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional &amp; industry associations</td>
<td>Industry and professional associations were critical to success. They cooperate for industry common interests but actively represent their sectoral interests</td>
<td>Associations, as in mining, not as obvious – change came from creation of marketing boards and bodies with powers of regulation</td>
<td>Industry association exists, but a smaller industry that collaborates strongly</td>
</tr>
<tr>
<td><strong>Regulation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory blend (industry, ASX and government)</td>
<td>The industry is actively self-regulating. The JORC Code that was critical to the transformation of the industry came from within the industry and later adopted by ASX</td>
<td>As part of the government led vision and strategy, marketing and other boards with degrees of regulatory powers were created.</td>
<td>The industry as a whole is highly regulated and the listed LPT industry complies with the ASX Listing Rules and standards</td>
</tr>
<tr>
<td>SUCCESS FACTOR</td>
<td>MINING</td>
<td>WINE</td>
<td>PROPERTY TRUSTS</td>
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</tr>
<tr>
<td>ASX helps shape funding structure</td>
<td>ASX worked closely with the mining industry to adopt the JORC Code as regulation. Special rules were created to facilitate exploration companies.</td>
<td>No special rules or investment structures were created, but the company structure ensured ASX Listing Rules applied.</td>
<td>The LPT industry was predicated on the unit trust model, but existed independently of any ASX initiative until subsequent listing.</td>
</tr>
<tr>
<td>Professional services</td>
<td>Around mining grew a depth of professional services, with expertise and experience such that globally these skills were sought for transactions.</td>
<td>The Australian wine industry is recognised globally for its professionalism, but the depth of services does not match that found in mining</td>
<td>The professional management of property and the property trust structure is such that Australian enterprises are now taking this model to global markets</td>
</tr>
<tr>
<td>Research and training</td>
<td>A depth of specialist tertiary courses are available to help train those actively involved in mining or providing professional services to the mining industry</td>
<td>Like mining, a variety of high standard training and professional courses support the wine industry</td>
<td>Some courses exist, but not to the same degree and depth as the comparative industries</td>
</tr>
<tr>
<td>Research</td>
<td>There is extensive research in universities and dedicated research centres</td>
<td>There has recently been more investment in research and innovation</td>
<td>No special research facilities were noted</td>
</tr>
</tbody>
</table>
### Innovation

<table>
<thead>
<tr>
<th>SUCCESS FACTOR</th>
<th>MINING</th>
<th>WINE</th>
<th>PROPERTY TRUSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explicit innovation strategy</td>
<td>A long standing practice of enhancing knowledge and innovation through industry and academic R&amp;D programs and through cooperative ventures</td>
<td>Industry research and development has been critical to the evolving success of the wine industry</td>
<td>Innovation comes more from entrepreneurs rather than institutions</td>
</tr>
<tr>
<td>Small companies innovate</td>
<td>Small companies commonly explore and innovate, usually with a much lower marginal cost of operations so as to be able to afford experimentation</td>
<td>Small companies are innovative and provide boutique products. Often they are the front of innovative marketing techniques</td>
<td>Again small companies innovate, not needing a large critical mass to be successful. Often they will define new market segments and segmented sub-asset classes</td>
</tr>
</tbody>
</table>

### THE RESULTING ECOSYSTEM

#### Cultural Characteristics

<table>
<thead>
<tr>
<th>Competition mindset</th>
<th>MINING</th>
<th>WINE</th>
<th>PROPERTY TRUSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A highly competitive industry, export focused, mostly with commodity products. However at the same time highly collaborative (eg. many joint ventures)</td>
<td>A blend of collaboration and competition assisted the resurgence of the wine industry, but it is very competitive domestically and globally, with high price sensitivity</td>
<td>A competitive industry that can act collaboratively but tends to aggressively compete over product</td>
<td></td>
</tr>
<tr>
<td>“Quality-for-price” mindset</td>
<td>Consistent quality, reliable supply and low costs are essential</td>
<td>“Quality wines for the right price” essential to success</td>
<td>Asset quality defines the different price brackets and determines margins</td>
</tr>
<tr>
<td>Network habits</td>
<td>The mining industry was defined in the research as an “ecosystem” based on networking; it is critical to ongoing industry success</td>
<td>The wine industry is also highly networked, particularly in major producing areas throughout the country</td>
<td>The LPT industry is also networked, but not with such interdependence as the two comparative industries</td>
</tr>
<tr>
<td>SUCCESS FACTOR</td>
<td>MINING</td>
<td>WINE</td>
<td>PROPERTY TRUSTS</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Innovation mindset</td>
<td>Innovation and an innovation mindset is paramount and readily apparent</td>
<td>Like mining, there is a strong innovation mindset</td>
<td>Like mining and wine, an innovation mindset is common throughout the LPT industry</td>
</tr>
<tr>
<td>Industry Environment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clustering, integration and cooperation</td>
<td>Strong evidence of clustering although this has evolved as the industry has transformed and prospered – now an &quot;ecosystem&quot;</td>
<td>Planned collaboration was a key ingredient to growing the industry; now many clusters based on regions exist and thrive</td>
<td>Collaboration is more loose and informal</td>
</tr>
<tr>
<td>Sensible regulatory regime (industry responsibility)</td>
<td>The industry, through the professional associations, took a strong lead in developing an appropriate regulatory regime – so successful that it has been copied around the world. Working closely with ASX, this has been a foundation for industry success</td>
<td>Regulatory standards and codes of conduct came via government mandated marketing boards and industry bodies. These then &quot;represented&quot; the industry, with genuine industry support and participation, to provide a collective front to markets</td>
<td>It is not apparent that the industry has been pro-active in developing a specialised regulatory environment</td>
</tr>
<tr>
<td>Professional industry associations</td>
<td>These have been critical to the success of the industry</td>
<td>Formalised associations represent different industry segments</td>
<td>Associations less obvious</td>
</tr>
<tr>
<td>Investment Environment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Familiar ownership structures (eg. company, trust)</td>
<td>Conventional listed entities provide familiarity and comfort to investors. Special Listing Rules support this</td>
<td>Conventional listed investment structures</td>
<td>The LPT industry has pioneered listed unit trusts as an innovation. Now well understood by investors, they provide additional flexibility and benefits</td>
</tr>
<tr>
<td>ASX providing liquidity and regulated market</td>
<td>Regulated markets of integrity assist pricing, trading and capital raising, as well as supporting investor confidence</td>
<td>The same applies for the wine industry, for that portion that is listed</td>
<td>The LPT industry benefited from listing when the industry was in down turn and unlisted markets could not provide a pricing</td>
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<tr>
<td>SUCCESS FACTOR</td>
<td>MINING</td>
<td>WINE</td>
<td>PROPERTY TRUSTS</td>
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<tr>
<td>Supportive financial services industry</td>
<td>Conventional equity structures and markets mean that intermediaries can more easily be active and supportive, and can adapt to new industries</td>
<td>The same applies for the wine industry</td>
<td>mechanism or means for liquidity And for the property industry, where there has emerged many variations of the early more traditional forms of LPT</td>
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