

# Impact of CER on Beca - A Services Company Perspective

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# Brief Background on Beca

- Asia-Pacific focused, employee owned, engineering design and related services company
- Established in New Zealand in 1918
- Started expanding internationally in the 1970s
- Currently around 2,700 employees

# Geographical Focus



# Beca's Drivers for Expanding Offshore

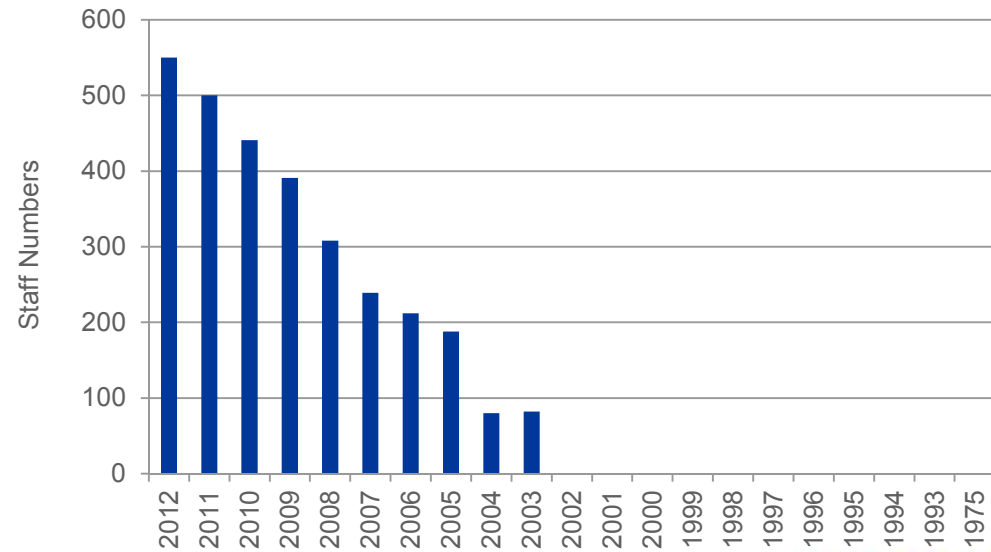
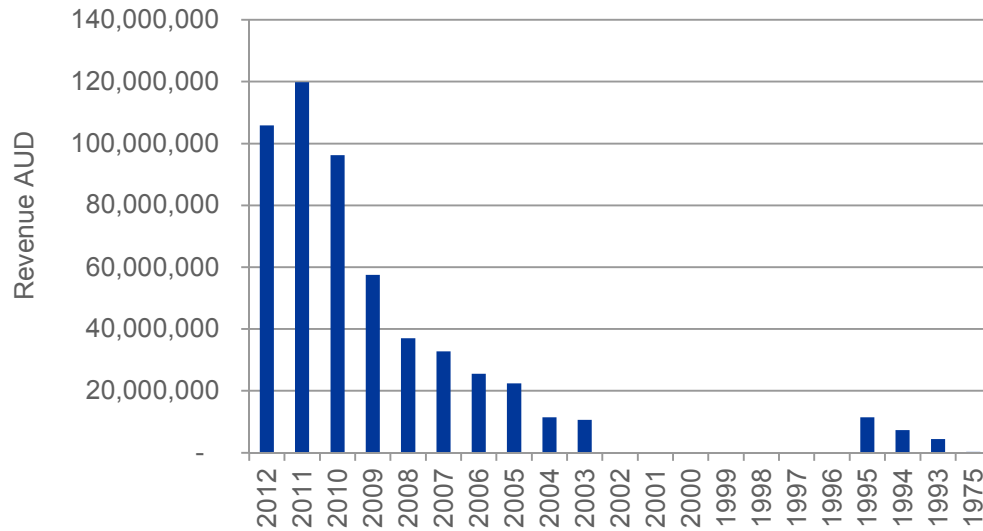
- Both an offensive and defensive strategy – increasingly global world innovating at an ever faster rate
- Aimed at providing
  - Diversity of revenue sources (in terms of clients and countries)
  - Enhanced technical opportunities and thereby strength plus
  - Reduced risk of being “left behind” technologically
- Enables retention of technical experts in smaller markets
- Satisfied our employees' desire to travel

Also worth repeating at this time that the comments herein are largely those from a services company perspective

# Perceived Role of FTAs / CER

- Provide a framework that facilitates business growth and opportunities, as opposed to personally delivering growth
- Achieves this by
  - Providing greater certainty / transparency about legislative and professional framework within offshore countries
  - Facilitating staff and knowledge transfer
- Expanding internationally will always be more expensive than remaining in-country
- FTAs / CER helps to reduce the costs and barriers providing a more level but not necessarily equal playing field

# Beca's Australian Growth



# Considered Advantages of CER

- Encouraged our clients (as well as other services firms) to expand offshore
- Provided increased comfort around investing offshore
- Provided much broader project / work opportunities
- Increased competition within New Zealand

# Impact on Beca's New Zealand Market - Concerns versus Reality

- Introduced more international competitors to New Zealand
- Required Beca to raise its service offering
- Brought international clients to New Zealand (providing offshore opportunities plus capital and technology injection locally)
- Enhanced teaming opportunities with international colleagues and competition (providing technology transfer into NZ as well as international opportunities)



# Advantages wrt the Australian Market

- Invariably more costly and risky to expand offshore
- *“CER Investment Protocol ensures New Zealand investors receive most advantageous treatment offered to any foreign investors in Australia and vice versa”*
- Provides greater comfort around investing in Australia
- Helps to overcome the inertia to expand internationally (in effect a “softer” entry to international growth)

# Other “Australian” Market Advantages

- New Zealand based clients expanded into Australia providing work opportunities
- Enhanced sustainability particularly of niche areas (due to more sustainable scale of opportunities)
- Diversity of revenue source – improved sustainability
- Enhancing key technical skills and track record
- Greater leverage of key New Zealand skills, and vice versa

# Other Specific CER Actions / Benefits

- Common technical standards
- Mutual recognition of professional qualifications
- Ease of transferring staff

# Some Practical Examples

- Lion Breweries (servicing a client globally)
- Heineken (impact of FTAs on country to country relationships)
- Victorian Desalination Project (sharing resources, economies of scale, applying Best of Beca)
- Bluescope Steel (leveraging New Zealand relationships and track record into Australia)
- Woolworths (leveraging Australian relationships and experience into New Zealand)
- Westpac (global support companies, other examples auditing, insurance, etc)

# Initial Concerns re “Loss of Work”

- Loss of work to offshore conglomerates
  - Not really relevant to services companies
  - Will always require in-country resource, e.g. local knowledge, project workshops, construction observation etc.
  - Personal relationships still underpin business, yet another driver requiring a local resource
  - In lower cost economies, there is an even greater driver for work to be performed locally

# Fears around “Loss of Talent”

- Risk exists irrespective of CER
- As you expand offshore, greater opportunity for talented people to gain international experience and remain with business
- Ability to undertake landmark international projects while remaining in-country

# Current Significant Challenges

- Superannuation
- Imputation Credits

# In Summary – The Impact on Beca

- Provided greater opportunities within New Zealand and offshore
- Enhanced our New Zealand service offering
- Enabled leveraging of key resources across multiple markets
- Keep current with international practice – technology transfer
- Aided staff retention
- Facilitated the growth of successful “local” businesses