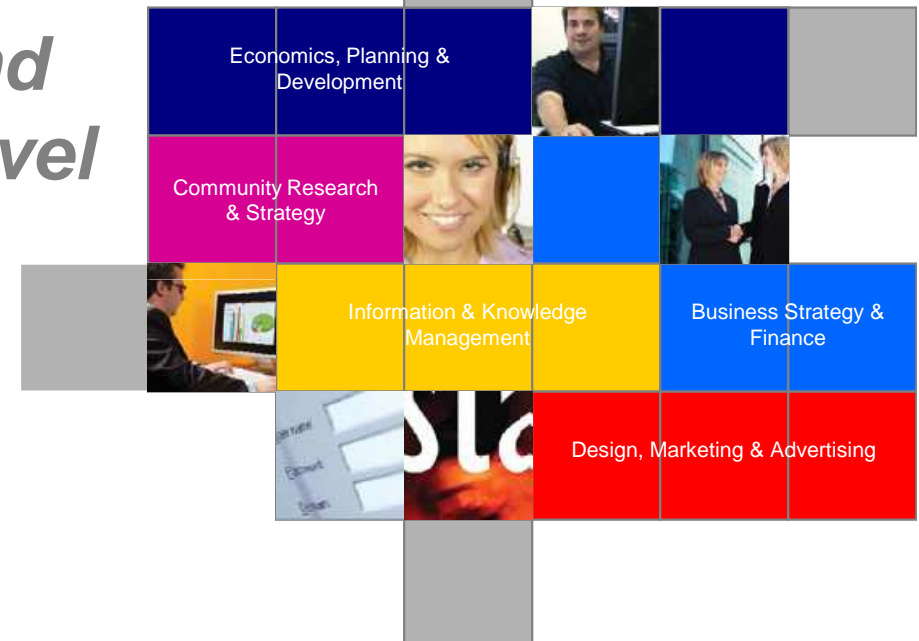


Incentives: *How to entice business and create value at the local level*

Presented by

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What are incentives?



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What are incentives?

- Oxford dictionary: “1) a thing that motivates or encourages someone to do something; 2) a payment or concession to stimulate greater output or investment”
- An incentive is an inducement (either financial or non-financial) to encourage a required activity or achieve a desired result
 - Incentives are investments in specific projects that generate economic and social benefits to a community
- There are numerous different types of incentives:
 - Statutory vs. discretionary
 - Financial vs. non-financial
- Incentives can be broad or very targeted

When the game started

- In 1992, South Carolina recruited BMW to the state using a \$130 million incentives package:
 - 1,900 jobs, \$500 million investment
- Incentive package included:
 - Land
 - Fee-in-lieu
 - Income tax credits
 - Training
 - Industrial revenue bonds
- Benefits:
 - 7,000 direct jobs, over 23,000 total in the state
 - \$5 billion in investment
 - Industry diversification, R&D



BMW in South Carolina



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Good Intentions Gone Wrong

- In South Carolina, a local government was recruiting a headquarters/publishing operation (significant investment, jobs)
- Local government provided roughly \$300,000 as part of an incentive package (through a fee-in-lieu)
- Very little due diligence was conducted
- Sufficient risk mitigation measures were not taken
- Company accepted money and did not invest, no recourse for local government

Competition & Globalisation



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Type of Incentives in Australia

- Payroll Tax Rebates
- Stamp Duty Rebates
- Rates Rebate
- Land Concessions
- Delayed Payment Periods
- Marketing
- Planning Incentives
- Infrastructure
- R&D
- And much more...



Transpacific Industries

The Project:

- TPI manufacturing division
- New consolidated manufacturing facility
- \$2.7 million investment, 136 jobs

The Process:

- Site identification
- Pro-forma modelling

Role of Incentives?



Pacific Beverages

The Project:

- Joint venture between Coca-Cola Amatil and SAB Miller
- New brewery
- \$120 million investment, 110 jobs

The Process:

- Site identification
- Pro-forma modelling

Role of Incentives?



Using Incentives

- **BE CAREFUL!!!**
- Identify clear goal and objective
 - What are you trying to achieve?
- Identify key issues that are preventing the goal or objective from occurring
- Design incentives to manage issue
 - Consider financial and non-financial solutions
- Must have the right tools to implement and manage incentives effectively
 - Implementation is often where bad experiences can happen
- Provide as much risk mitigation as possible

Final Thoughts...



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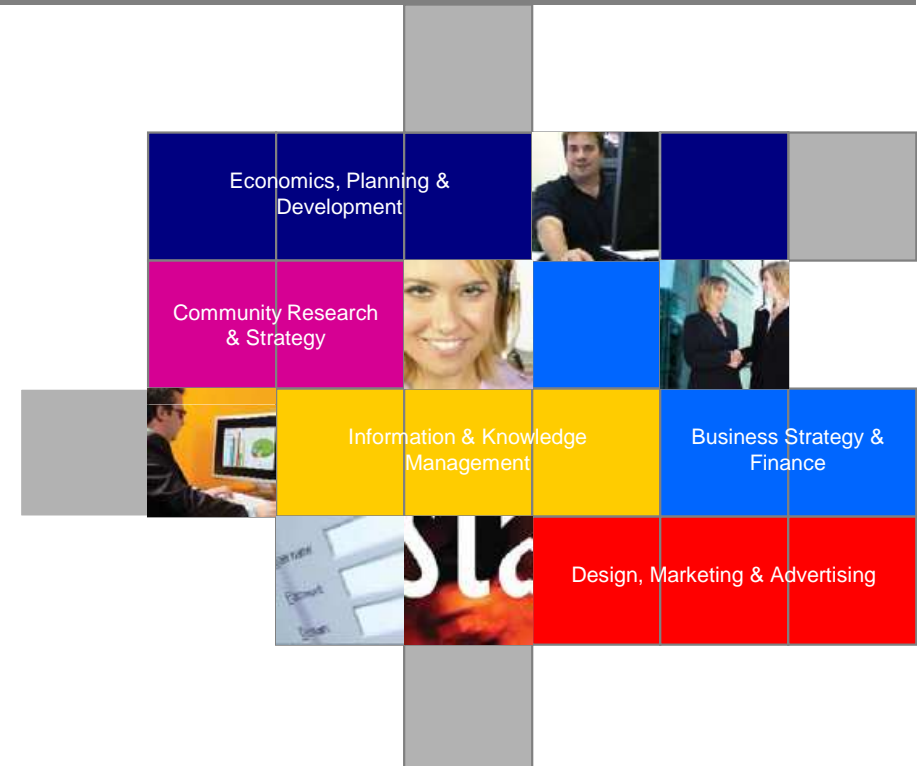
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