

Positioning Newcastle as Australia's Primary Global Health Hub

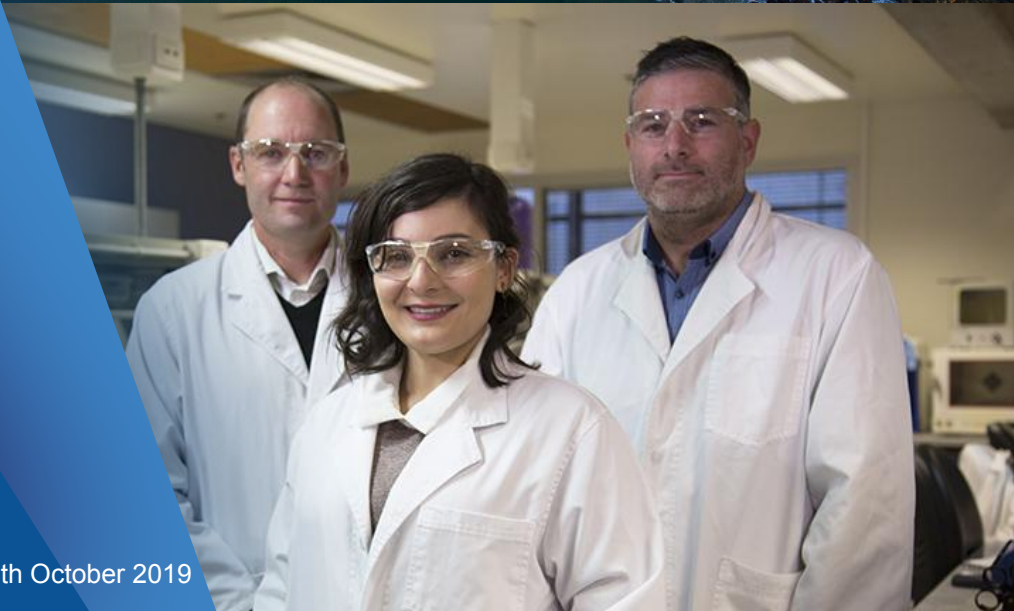


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1. Executive Summary

This report has been commissioned to develop and identify a positioning concept that promotes the Greater Newcastle region as a global city. It is widely recognised Greater Newcastle's brand is still very much associated and strongly linked to its industrial heritage. This report demonstrates there is an opportunity to develop a more definitive global picture of Newcastle by capitalising on primary core brand values which are present and thriving in Newcastle today. These include innovation, sophisticated infrastructure, the city's international profile and the region's compelling lifestyle.

By consideration and analysis of the core brand values, it has been recommended Newcastle reposition itself as a 'health-tech hub'. The region is well positioned to capitalise on existing collaboration and targeted industry clustering which is occurring amongst the regions anchor institutions, specifically John Hunter Hospital and University of Newcastle. It is recommended that three interconnected 'innovation precincts' be established and marketed as Newcastle's **'HealthPort'**, which has been designed for the specific purpose of attracting health and technology companies to Newcastle to promote economic growth, sustainability and diversity. Australian Pharmaceutical Industries (API) has been identified as a target health-tech company to attract to Newcastle as part of this positioning strategy. API has been recommended based upon the existing structure and composition of the company, the opportunity for the company to benefit from Newcastle's HealthPort and the feasibility and viability of the relocation. This report demonstrates a number of economic, employment, education and industry benefits available to API, but more importantly to Newcastle. The relocation of API to Newcastle would validate HealthPort as an innovation health centre and encourage more companies to relocate or co-locate to HealthPort, stimulating further economic growth and diversity and cementing the region as a global city.

2. Introduction

The city of Newcastle has been identified as the focus of this proposed identity and positioning strategy. Newcastle is the hub of the Greater Newcastle metropolitan area. Newcastle's skilled workforce, sophisticated infrastructure, anchor health institutions, and compelling lifestyle provide it with a unique opportunity to emerge as a global gateway and innovation health-tech playground for Australia. In order for Newcastle to take its place on the national and global stage it must develop a clear and compelling identity and strategic positioning. This report will outline a strategy to reposition Newcastle as a global health-tech hub and is divided into two parts. Part 1 of this report will provide an identity and positioning concept for Newcastle, including its brand equity and a proof of concept. Part 2 will provide a strategic plan for the attraction and relocation of Australian Pharmaceutical Industries (API) using the positioning strategy. Parallels are drawn between repositioning Newcastle as a health-tech hub and Cleveland's Health-Tech Corridor with an example of a successful company relocation. The report concludes with a proposed implementation timeline for API and its benefits to Greater Newcastle.

3. Identity and Positioning Statement

3.1. Current State - Perceptions of Greater Newcastle

A primary research survey of 76 non-Newcastle residents confirms anecdotal evidence that people still associate Newcastle with its mining and industrial heritage (See Appendix A). Respondents also articulated strong associations of Newcastle having a compelling coastal city lifestyle. While other cities offer some lifestyle attributes such as coastal location, culture, services, infrastructure or amenities, Newcastle possesses all these attributes. Newcastle's compelling lifestyle is one of its competitive advantages and there is an opportunity to utilise this brand equity in its positioning strategy.

3.1.1. Newcastle's Brand

FutureBrand Country Index (FutureBrand Country Index, 2019) has identified six dimensions which make up a place brand (See Appendix B). This proven model showcases the dimensions to leverage in a positioning strategy. Studies show that the two most powerful dimensions influencing positive brand perceptions and behaviour are the 'quality of life' residents enjoy and the 'products and services' a place produces (FutureBrand Country Index, 2019). Qualitative data reinforces this for Newcastle and the dimensions with the greatest influence on Newcastle's brand are its 'quality of life', 'business potential', and 'products & services' (See Appendix B). This positioning strategy will focus on leveraging Newcastle's brand equity of its compelling lifestyle with its strengths and opportunities in health-tech products, services and innovation.

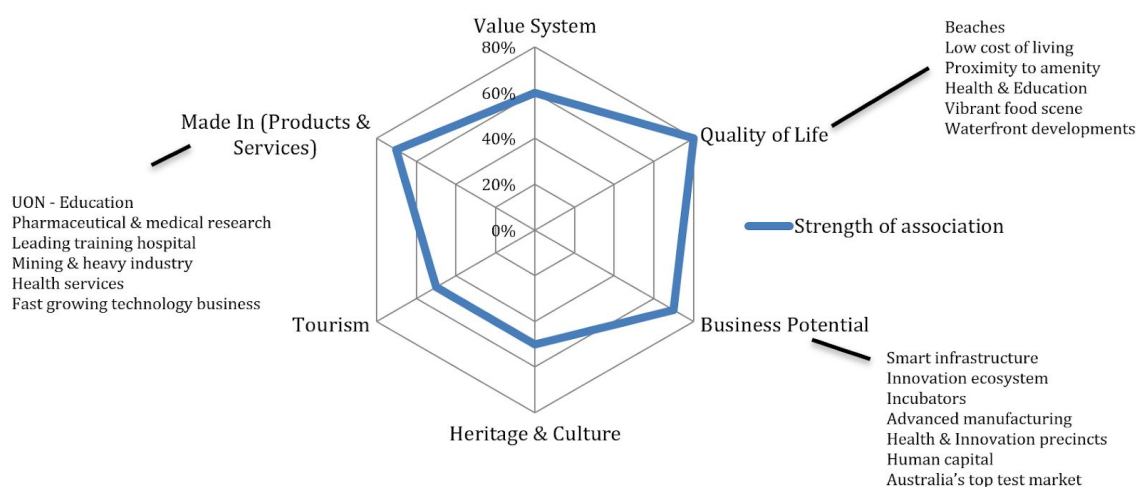


Figure 1

3.1.2. Future State - Identity Concept

It's clear Newcastle's identity is linked to its industrial past (See Appendix A), however, built on the city's industrial heritage is a top ranked university, a world-class health and research precinct, and new competitive advantages in advanced manufacturing, medical technologies and pharmaceuticals (Regional Development Australia Hunter, 2019). By leveraging these strengths, the city's anchor health institutions and its compelling lifestyle, Newcastle has an opportunity to transform its identity into a global health-tech hub.

3.2. Positioning Concept

3.2.1. Positioning Statement

For companies, students, entrepreneurs and investors who value a great lifestyle, Newcastle is an health-tech innovation playground and global gateway that provides world-class infrastructure and attractions to play, live and grow.

3.2.2. Brand Values

There is an opportunity to develop a more robust global picture of Newcastle through core brand values. It is recommended that the following core values be utilised to guide marketing activities in repositioning Newcastle.

Innovation	• An innovation ecosystem of businesses, government, institutions and investors to develop and grow new ideas, start-ups, products and technology.
Global Gateway	• A launching pad to take ideas and health-tech products to the world.
Lifestyle	• A compelling lifestyle to play, live and grow

Figure 2

3.2.3. Target Groups

- Entrepreneurs seeking growth opportunities, and a dynamic innovation ecosystem to develop and test ideas locally and grow globally.
- Health and technology companies seeking co-location and collaboration opportunities in a thriving health-tech innovation hub.

- Students seeking to pursue studies in a dynamic, innovative university town, with a great coastal lifestyle, extensive employment options, and vibrant culture and food scene

3.3. Why is this Achievable?

3.3.1. Innovation Playground

Greater Newcastle is a demographic microcosm of the nation and a test market for new products (Regional Development Australia Hunter, 2007). It is home to more than 50 start-ups, 10 co-working spaces and several national players in industry and research; Including CSIRO's Energy Centre, Cooperative Research Centres, Newcastle Institute for Energy and Resources (NIER), Hunter Medical Research Institute (HRMI) and University of Newcastle (UoN). UoN is the number 1 university in Australia for innovation connections for "industry collaboration" (Newcastle Innovation, 2018). Its new Innovation Hub has been established to facilitate the launch of start-ups and support entrepreneurs.

3.3.2. Sophisticated Infrastructure

Newcastle boasts an expanding international airport and is the only place in regional NSW where the national road and rail trade routes intersect with an international trade port (Newcastle City Council, 2017). Uncongested road arteries and rail are ready to support future economic growth. A digital city centre precinct is planned with high speed fibre broadband, smart lighting, parking and Wifi, and combined with technology-integrated public domain will facilitate a dynamic digital precinct to attract start-ups, companies, and entrepreneurs to cluster and co-locate (Hunter Innovation Project, 2016). In recognition of this Newcastle was named Australia's 2019 top smart city (Regional Development Australia Hunter, 2019).

3.3.3. Global Gateway

Newcastle has an international profile as a major port city and global gateway for the regions resources (Newcastle City Council, 2017). It has recently emerged as a gateway for international education through UoN and the future Nihon University campus. Global links are expanding through Newcastle airport and a growing cruise ship market.

3.3.4. Compelling Lifestyle

An international event city and four-time winner of the World Festival and Events City award, Newcastle hosts diverse sporting and event venues, such as Surfest and the Newcastle 500. Newcastle has great proximity to lifestyle resources including surf beaches, unique waterways and national parks. It offers a high quality of life with a strong economy, low cost of living, great food, arts, sport and a revitalising city centre.

3.3.5. Closing the Gap

Cities that have successfully emerged as global health-tech and innovation hubs include Cleveland's 'Health-Tech Corridor', Manchester's 'Corridor Manchester' and Cambridge's 'Kendall Square Initiative'. Key factors to their success lie in:

1. Harnessing the strength of the cities anchor institutions,
2. Collaboration among the business community, government and institutions, and
3. Targeted industry clustering in a defined location (NSW Innovation and Productivity Council, 2018).

Newcastle is well positioned to capitalise on these three factors. In order to reposition Newcastle as a health-tech hub, it is recommended that three interconnected 'innovation precincts' be established and marketed as Newcastle's 'HealthPort'.



Figure 3

3.3.6. Newcastle City Technology and Innovation Precinct

Focused on technological innovation and start-ups, and supported by smart infrastructure and a network of incubators and institutions. By leveraging the momentum garnered by the Newcastle's Smart City Strategy a central precinct should be created to house health-tech company headquarters with links to the John Hunter Health and Innovation precinct and UoN Education and Innovation Precinct. Co-location can be supported through institutional partnerships, infrastructure, Innovation Hub, incubators, a future digital sandbox and living lab (Newcastle City Council, 2017).

3.3.7. John Hunter Health and Innovation Precinct (JHHIP)

Focused on health innovation, this precinct houses company research and development. By building on the announced JHHIP a globally competitive precinct can be developed for attracting and growing biomedical, pharmaceutical and health businesses. Industry clustering can be encouraged through leveraging established partnerships with UoN, HMRI, John Hunter Hospital (JHH), Hunter New England Health District and the integration of public, private health and research in one location (NSW Government, 2019).

3.3.8. University of Newcastle (UoN) Education and Innovation Precinct

Focused on innovation, industry collaboration and developing human capital and talent to support the city's changing labour requirements. Capitalising on UoN's close proximity to the JHHIP, and availability of land and human capital to develop a precinct where company research and development functions co-locate and partner with UoN to innovate, predict, plan, and respond to changing global consumer needs.

In order to support the growth of these precincts and their integration it is suggested investment be made into key infrastructure improvements including:

- By 2021: A rapid bus transit line to facilitate movement between precincts.
- By 2025: A new light rail line “the innovation line” linking Waratah Station, UoN Callaghan and the JHHIP
- By 2030: A new high speed rail line connecting Newcastle to Newcastle airport.
- A central website developed to rebrand and promote Newcastle's HealthPort.

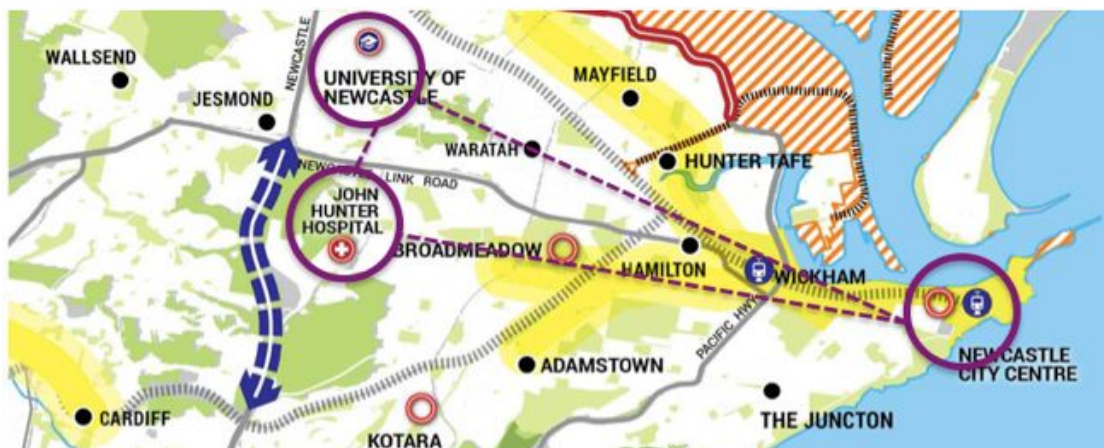


Figure 4

4. Strategic Plan for Australian Pharmaceuticals Industries (API) Limited

This positioning strategy has potential to attract health-tech companies to relocate to Newcastle. Australian Pharmaceutical Industries (API) has been identified as a target company the Committee for the Hunter should consider for relocation.

4.1. The Market

4.1.1. Newcastle Industry Analysis

Historically, Greater Newcastle's economy has been tied to heavy industry. However, there has been a long-term shift from heavy industry to a more diversified service-based economy, with professional services, health and education and sectors becoming the region's largest and fastest growing industries. (MacroPlan Dimasi, 2017a). This transformation has seen Greater Newcastle transition from a 'steel' city to now boast a robust and diverse economy with strong global links (MacroPlan Dimasi, 2017a). The Regional Development Australia's Smart Specialisation Strategy for the Hunter Region identifies medical technologies and pharmaceuticals as one of Newcastle's emerging industries underpinning the region's economy (NSW Department of Planning, Industry and Environment, 2019; MacroPlan Dimasi, 2017a).

4.1.2. Greater Newcastle's Health & Medical Industry Analysis

The healthcare industry is the region's largest employer (17%) and is a key economic driver for Greater Newcastle's economy (The City of Newcastle, 2019). Industry growth has been driven by growing demand for services resulting from a combination of population growth and an aging demographic. As a result, Greater Newcastle has seen significant investment and development in its health sector and is now considered a 'centre for the provision of health, education, and a broad range of services for the Hunter hinterland, the North Coast, and the New England and North-West regions' (MacroPlan Dimasi, 2017b). The health sector is supported by a strong health and innovation ecosystem made up of UoN, JHH, Hunter New England Health and the HMRI, (NSW Government, 2019). The HMRI is NSW's second largest medical research institute and hosts more than 1500 researchers, playing a key role in promoting industry collaboration and research breakthroughs (RDA Hunter, 2019).

4.1.3. Comparing Newcastle's Discovery District and Cleveland's Health-tech Corridor

Comparisons can be drawn between Newcastle's HealthPort and the city of Cleveland's 'Health-tech corridor'. Similarly to Newcastle, Cleveland's economy was significantly impacted when the city lost more than half of its jobs in the 1950's due to the regional slow down of the manufacturing and steel industry. Following this, the city's government and Department of Economic Development focused on repositioning the city to ensure investment and economic growth continued. Cleveland recognised healthcare as an important economic driver, and as a growth export for the United States. As a result, it invested in a city corridor connecting vibrant Cleveland neighbourhoods between the University, midtown and downtown (Correia, 2016a). Cleveland's strategy was to capitalise on the geographic linkage between the university and key areas along the corridor to create a hub for health care and innovation. This attracted new business, investors and entrepreneurs to the area creating Cleveland's 'Health-Tech Corridor'. It is now home to world-class research and clinical institutions for technology, clinical testing and a diverse array of specialised health facilities (City of Cleveland, 2019). Cleveland provides Newcastle with a successful example of how creating a health-tech 'hub' can successfully attract new business, support co-location and promote economic growth and diversity. This demonstrates there is great potential for Newcastle to leverage its existing position as a regional health centre to become a global health-tech and an innovation hub.

4.1.4. Greater Newcastle's healthcare shared industry and specialisation

An important enabler of Cleveland's Health-Tech Corridor was specialisation in knowledge clusters such as cardiac care, cancer research and general healthcare. This enabled Cleveland to differentiate itself from other cities and medical hubs (Correia, 2016b). Greater Newcastle is already following suit with the HMRI leading the industry in specialised research in brain and mental health, cancer, cardiovascular, pregnancy and reproduction, public health and immunisations & vaccines (HMRI, 2019). Specialisation is further supported through a large shared industry network in health care, particularly between JHH, UoN and HMRI. As part of a \$780 million redevelopment of JHH an 'Innovation Precinct' is being built with the strategy of developing a 'health centered' innovation district promoting collaboration among knowledge-intensive sectors and research institutions. It is expected this will attract, retain and develop talent in the health industry and facilitate the development of knowledge clusters and specialisations (Bill, 2018).

A future specialisation under development by UoN is the new 'STEMM' campus. This consists of a \$200 million investment into integrating the 'study areas of science, technology, engineering, mathematics and medicine (STEMM)', with a unique design that blurs traditional boundaries between education and research. A dedicated STEMM campus is expected to enable the university's researchers to make powerful contributions to both emerging and established industries while also reinforcing the university's reputation as a top ranked global university. As demonstrated in Cleveland, by developing 'clusters' and 'specialisation', JHH and UoN through shared industry, will be able to attract and retain key professionals and promote innovation, which will in turn attract new business and economic diversity to the region.

4.1.5. How companies benefit from industry clustering and co-locations

A key pillar of Newcastle's HealthPort is to facilitate and promote industry clustering and co-location of health-tech companies and related institutions. This will result in not only economic benefits for the relevant organisations, but also delivers improved quality of healthcare to the region (Jane Gray, Executive Director Partnerships, Innovation and Research, 2019). An example of a company that has moved to Cleveland specifically for the Health-Tech Corridor is Philips Healthcare - a U.S based global health informatics company. A large component of Philips Healthcare's business is its research and development. The company boasts a \$38.4 million global R&D centre, which it relocated from San Jose to Cleveland in 2011 and brought 100 new jobs to the region at an average salary of \$115,000 (National Research Council, 2013). The company specifically did this to take advantage of the enviable access to world-class research, innovation and facilities offered by the corridor. The Health-Tech corridor has also assisted in retaining growing companies, which is arguably just as important to the economy. During the corridor's infancy in 2011, local business Cleveland HeartLab, who had grown from eight to eighty employees, was considering relocating from Cleveland to accommodate the growing business before discovering the Health-Tech Corridor. The business relocated to the Corridor in order to capitalise on the area being a hub for health, high-tech and research companies (Karin Connelly Rice, 2015).

4.2. Target Company - API

4.2.1. General Profile

API is an ASX listed integrated healthcare services company involved in pharmaceutical distribution, retailing and manufacturing. Recently celebrating its 105th birthday, API has grown from a small co-operative of three pharmacists to a multinational organisation and one of Australia's leading health and beauty companies (API, 2019a). Its operations are divided into Australian and New Zealand segments. The Australian segment is responsible for the distribution of pharmaceutical, medical, health, beauty and lifestyle products to pharmacies across Australia. Currently API's distribution and wholesaling activities include the operation of 15 distribution centres across Australia and the servicing of over 3,000 pharmacy customers. The New Zealand segment houses the company's manufacturing division of pharmaceutical products, where they also consolidate products from overseas suppliers (IBISWorld, 2018a). API employs approximately 3,360 people across Australian and New Zealand (IBISWorld 2018a). The majority are employed through its retail division with the API network boasting more than 420 Priceline Pharmacy stores, 100 Soul Pattinson Chemists and 72 Pharmacist Advice pharmacies (API, 2019a). Their office headquarters are currently based in Camberwell (Melbourne) and the main warehouse facility is in Camellia, Sydney (IBISWorld, 2018b).

4.2.2. API financial composition and strategy

Despite having over 600 retail premises, API generates the majority of its income from pharmaceuticals wholesaling and distribution in Australia (IBISWorld, 2018a). In 2018, the company generated revenue of over \$4 billion, and a gross profit of \$495 million, with wholesaling operations accounting for over 70 per cent (IBISWorld, 2018b; Australian Pharmaceutical Industries, 2018, p. 10).

4.2.3. Why API was chosen as the focus of this strategic plan

Compared to other ASX 200 listed health and pharmaceutical companies, API's structure, operations and size are a unique match to Newcastle's economic ecosystem and health and manufacturing sector. API's segmented operational divisions allow for a staged relocation approach. Its head office workforce of approximately 100+ employees can easily be accommodated in Newcastle City Centre. Moreover API's pharmaceutical manufacturing and

product development focus are well matched to Newcastle's strengths in medical research, advanced manufacturing and logistics infrastructure.

Pharmaceuticals fills an existing gap in the existing Newcastle health sector and API's addition could be a catalyst for more clinical trials in this region. During our interview with Jane Gray, Executive Director Partnerships, Innovation and Research, she stated that "we currently attract approximately \$13,000,000 in clinical trials. Within 10 years we expect this to grow exponentially with investment in a 'health precinct'. The expected growth in clinical trials would be further bolstered by a local pharmaceutical presence, such as API, and is supported by state and federal goals to grow clinical trials in Australia" (Jane Gray, Executive Director Partnerships, Innovation and Research, 2019).

4.2.4. Newcastle's HealthPort – Relocation advantages for API

Newcastle is often compared to other cities and regions such as Wollongong, Central Coast/Gosford and Western Sydney. This is largely because of its proximity to the state capital of Sydney, but Newcastle is home to a unique set of global city assets which make it both accessible and liveable such as; world ranked university, nation-leading training hospital, airport, sea port and enviable coastal lifestyle. Newcastle is already an attractive location for businesses of all sizes due to its comparatively low commercial prices, salaries and cost of doing business (RDA Hunter, 2019). This provides API with significant long-term ongoing cost savings compared to operating in a capital city. Newcastle offers an abundant skilled workforce of health, medical and research professionals with a growing education pipeline (RDA Hunter, 2019). API is currently managing and operating their core activities from three primary locations, being New Zealand, Melbourne and Sydney. Newcastle provides a cost effective opportunity for API to consolidate their operations and operate all primary activities from one geographic location. Newcastle has readily available manufacturing infrastructure, human capital and a planned container port to facilitate future offshore exports.

Newcastle's proposed HealthPort, consisting of three innovation precincts is also well positioned to facilitate API's future growth. API has an opportunity to leverage the expanding JHHIP and proposed UoN Education and Innovation precinct, STEMM hub, its partnerships and human capital, to grow its research and development division to be at the forefront of new product trends and innovations. The opportunity of a partnership with UoN may also allow specific qualifications created relevant to API's requirements to be made available at UoN.

Newcastle's demographic microcosm is also an ideal test market for the company to trial and develop new products. A proposed rail line will link the Newcastle City Technology and Innovation precinct (the ideal location for API's headquarters) with their research division at JHHIP. API employees can enjoy Newcastle's comparably low cost of living and compelling coastal city lifestyle.

4.3. Implementation Schedule/Timeline

The schedule and timeline below outlines a proposed relocation schedule for API alongside the development of HealthPort and Greater Newcastle. This demonstrates the vision of Greater Newcastle to become a global health-tech innovation playground, with API integrating into this vision.

4.3.1. Phase 1: 2020 - 2025

4.3.1.1. API

- Engaged and introduced to the planning concepts and key stakeholders in the Newcastle region
- Scoping commences for API headquarters city centre location
- Headquarters established in Newcastle city centre

4.3.1.2. HealthPort/Newcastle

- In depth planning occurs for the JHHIP
- Newcastle Airport upgraded to commence receiving Class E aircraft
- STEMM campus commences at UoN
- HealthPort concept is developed and marketing has commenced

4.3.2. Phase 2: 2025 - 2035

4.3.2.1. API

- API research and development function established in JHHIP

4.3.2.2. HealthPort/Newcastle

- JHHIP fully built and in operation
- Container terminal in depth planning occurs

- Container terminal build commences
- Newcastle Airport Distribution hub in depth planning commenced
- HealthPort is gaining momentum and attracting other small-medium sized health-tech businesses to co-locate.

4.3.3. Phase 3: 2035 - 2040

4.3.3.1. API

- API, UoN and JHHIP have strong relationships developed and are heavily collaborating together, in addition to other entities with synergies
- API commences manufacturing, wholesale and distribution activities through Newcastle Airport and Sea Port

4.3.3.2. HealthPort/Newcastle

- UoN satellite campus setup at JHHIP
- Container Terminal built and operational in Newcastle
- Newcastle Airport Distribution hub built and operational
- HealthPort's momentum and reputation is growing and attracting additional health and technology businesses to co-locate in Newcastle

4.3.4. Phase 4: 2040 - 2050

4.3.4.1. API

- API research and development team achieving global medical and product breakthroughs in partnership with JHHIP.

4.3.4.2. HealthPort/Newcastle

- HealthPort - Newcastle's Global health-tech innovation hub is flourishing
- Based on the current lifecycle of JHH refurbishment, there will likely be further growth, expansion and improvement in the health services offering

4.4. Feasibility and Funding Requirements

At present API's head office, operations and manufacturing divisions are managed from multiple locations across Melbourne, Sydney and New Zealand. This proposal will see API

relocate and consolidate its head office, warehouse/distribution centre and manufacturing division, in Newcastle's HealthPort. This will be facilitated via a mix of capital injection from the business and external finance. Additionally, the relocation to Greater Newcastle will also see the birth of an R&D division which presents API with the opportunity to capitalise from government, private and industry investment to fund ongoing activity in this area.

4.4.1. Relocation of API's Head Office

The revitalisation of the Newcastle city precinct has seen it grow into a diversified commercial, cultural and trade hub. The city has seen a number of large developments that offer a range of property solutions, both residential and commercial, which cater for small private clients right through to larger institutional clients (Knight Frank, 2019). It is proposed API Head Office relocate to the Newcastle City Technology and Innovation Precinct (Newcastle City area) to take advantage of the growing infrastructure, development and shared industry. While the organisation employs over 3000 people, the head office is made up of approximately 100+ people. Based on current zoning, the best site opportunities are in the new CBD area and outer ring as zoned for the areas highest buildings with core commercial use (NSW Legislation, 2019). These areas offer a number of large, prime A-Grade commercial lease space opportunities (See Appendix C). Locating to the CBD provides ease of access to related health and technology organisations and also positions the newly relocated or recruited staff to take full advantage of the beautiful coastal location. Being located in the CBD, with these benefits, may also assist in staff retention as they will likely enjoy their work location and may be less inclined to seek other employment options.

4.4.2. Relocation of API's manufacturing facility

The relocation of API's manufacturing division will see their New Zealand operation shut down and closed entirely. Beresfield is an ideal location for warehousing and logistics due to the light industrial zoning in that area (NSW Legislation, 2019) (See Appendix D). In addition to the appropriate zoning of that area, it is well positioned to take advantage of existing road and rail transport to both the seaport and airport which would improve company efficiencies. Given the investment opportunity currently available, it is proposed API capitalise on this and purchase a site in the region on which they can develop a purpose-built facility to support their distribution/wholesaling and manufacturing activities – both noted as being the major growth and revenue generating areas. This is proposed to be funded via a mix of capital injection and external finance and will involve the following:

- Locating and purchasing commercial property zoned for industrial
- Obtaining DA approval for the construction/development of a distribution warehouse and specialised manufacturing facility
- Tendering to developers/construction companies for construction/development distribution warehouse and specialised manufacturing facility
- Completion of construction/development

Advice has been provided from local real estate agents and construction companies to approximate costings for a site purchase and development. A broker has also been engaged to discuss current funding options available to API and what leverage is expected from the business in terms of collateral or capital required. The below projected costings have been prepared based on these findings to demonstrate the feasibility of the relocation:

4.4.3. Project Costings

Acquisition Costs	Cost
Site cost (15,000 sqm)	\$7,000,0000
Stamp duty on acquisition	\$400,000
Legal & other acquisition costs	\$350,000
Sub total	\$7,750,000
Development Costs	
DA and council contributions	\$440,000
Consulting fees/architecture	\$400,000
Constructions costs	\$6,300,000
Specialised fit out including equipment	\$2,900,000
Sub total	\$10,040,000
Total	\$17,790,000

Figure 5

4.4.4. As-If-Complete Valuation

Valuation	
Professional valuation based on property completion (site cost + construction) ** External financier agreement to provide finance up to 60% of as-if-complete valuation	\$13,300,000

Figure 6

4.4.5. Funding Table

Total project Cost	\$17,790,000
Less Bank funding	\$7,980,000
Capital injection from the business	\$9,810,000
Total	\$17,790,000

Figure 7
17

4.4.6. Justification

Based on 2018 financial statements API demonstrates the financial capacity to make a capital injection of close to \$10mil through revenue generated through the ordinary course of business. As per the 2018 financial statements the organisation demonstrates a positive, consistent financial position in terms of net profit, available cash reserves and net equity position. Total capital expenditure for the 2018 period of close to \$25mil, confirms a project of this size is not out of scope for the business financially. The increased costs associated with the bank funding can be absorbed by the business based on its current financial performance.

The Port Master Plan 2040 lists a key strategic development opportunity for a Newcastle Container Terminal located in Mayfield (Port of Newcastle, n.d.). As both projects would come to fruition along a similar timeframe there is also the opportunity to explore incentives in the form of Logistics Service Agreements for API so support API's exports from its manufacturing plant.

4.4.7. Relocation and establishment of R&D division

This proposal could also see API establish both a partnership and presence at the JHHIP to support integrated research and development and clinical trials (HRF interview). The redevelopment of JHHIP is only in the funding phase, but stakeholders are actively seeking like-minded organisations to co-locate (Jane Gray, Executive Director Partnerships, Innovation and Research, 2019). This proposal would see API establish an office within the precinct where an integrated funding approach will be adopted to help facilitate R&D activities. The integrated approach consists of funding from:

- Industry and Private Sector(API)
- Government Sector (Local, State and Federal)
- Education Sector (UoN)

This approach is currently emerging as the key model for funding and will continue to grow in popularity moving forward. Each sector provides funding and becomes a key stakeholder in driving the overall success of the project.

With the Healthcare and Manufacturing Industry being vital to the overall Australian economy there are also a number of different Federal and State grants that offer funding to businesses to expand their capabilities in innovation and advanced manufacturing (Grants Assist, 2019).

API may be eligible for a number of these different grants and incentives and these should be reviewed in the planning process of their headquarters.

Local Council could also be a significant voice in providing pressure at State and Federal Government levels to support funding and possible tax provisions to API. We suggest council should be lobbied to consider reduced rates and incentives given the economic advantages provided from API's relocation.

4.5. Benefits of API Relocating to Newcastle

We anticipate that API relocating to Newcastle would bring a number of benefits to HealthPort and Newcastle. These are outlined in the following sections and include economic, employment, educational and industry benefits (See Appendix E).

4.5.1. Economic and Employment Benefits

API's relocation is expected to bring significant economic benefits to Newcastle. Based upon API's company size, we estimate the relocation of their headquarters to directly create approximately 500 full-time jobs consisting of 250 manufacturing, 100 head office staff, 100 distribution and 50 R&D positions once all divisions are relocated. Based on a conservative average staff salary of \$80K per annum and a multiplier of 10, the annual direct economic benefit from API's operations to the Newcastle's economy is estimated at over \$200 million per annum (excluding capital and R&D expenditure) (Mason, 2009). When taking into account 50% of employees are expected to have a working partner the economic benefit increases by a further \$60million based on a part-time salary of \$50K per annum. As a result the direct benefit to the Newcastle economy from salaries is over \$260 million per annum. Moreover, the direct benefit from the investment of \$17m capital to build API's manufacturing facility represents an additional one-off economic benefit of \$170 million, leading to a total benefit of \$430 million in 2035 (when including salaries).

Pharmaceutical product development represents a high value investment. Research and development spend of the top 100 global pharmaceutical companies can range from \$500 million to \$5 billion over a 10-15 year time horizon (Herper, 2013). Having API's headquarters based in Newcastle signifies a significant long-term investment into the region and a stronger medical and health sector. It would contribute to the diversification of Newcastle's economy, trade exports and assist in supporting the transition from a reliance on heavy industry and mining to a service and knowledge-based economy (Port of Newcastle, 2019).

4.5.2. Education (UoN) and Industry Benefits

API's reputation as a top ASX 200 company and the positioning of HealthPort, would assist in the attraction of more students, medical and research professionals to the region. Greater employment opportunities provided by API through HealthPort partnerships with UoN would make STEMM majors in UoN's "School of Biomedical Sciences and Pharmacy" more attractive (The University of Newcastle, 2019) . This could assist in increasing revenue streams from health, pharmaceutical and other relevant post graduate courses at UoN.

4.5.3. Other Benefits

API's relocation would also assist in validating the advantages Newcastle's HealthPort offers and encourage other health-tech companies to co-locate. A partnership between API, UoN and JHHIH would support the development of industry clustering in health, medical, and pharmaceutical R&D. As Cleveland's Health-Tech corridor has shown this would facilitate innovation, collaboration and productivity enhancements. API would also be able to leverage established partnerships with the JHHIP to bring new pharmaceutical products through the clinical trial process and passed certification onto the PBS. This will further support in elevating the level of care and treatments available to the local Newcastle region (Jane Gray, Executive Director Partnerships, Innovation and Research, 2019).

4.6. Expert Consultation

This positioning concept and strategic plan is a result of an extensive high-level consultation process with key industry and community leaders (See Appendix G).

Name	Organisation
Jane Grey	Hunter New England Health - Executive Director Partnerships, Innovation, Research
Bob Hawes	Hunter Business Chamber - CEO
Dr Andrew Hedges	HunterIVF
Will Rifkin and Kate Robinson	Hunter Research Foundation
Ange Colbe	Johnson and Johnson
Ryan Palmer	Port Stephens Council - Mayor
Rebecca Palser	HMRI - General Manager Development and Marketing
Dr Ramsey Awad	Hunter New England Health - Executive Director Infrastructure and Planning

Figure 8

4.7. Relation to Newcastle Council Strategic Plan

This positioning concept and strategic plan supports Newcastle 2030 Community Strategic Plan's vision for "*Newcastle to be smart, liveable and sustainable global city*" (See Appendix H).

5. Conclusion

Newcastle's skilled workforce, sophisticated infrastructure, anchor health institutions, and compelling lifestyle provide it with a unique opportunity to emerge as a global innovation and health-tech hub. The creation of Newcastle's HealthPort leverages these key strengths through the transformation and connection of three innovation precincts, repositioning Newcastle as a centre for health-tech and innovation. Evidence from Cleveland's "Health-tech Corridor" demonstrates that this type of positioning strategy can be successful in encouraging company co-location, industry clustering, collaboration and economic growth. API is a prime target company for relocation to Newcastle. A staged implementation timeline has been proposed to support the effective transition of API into Newcastle and its HealthPort. As an ASX 200 listed company, API's relocation to Newcastle would validate the HealthPort as an innovation health centre and encourage more companies to co-locate. Its presence is anticipated to stimulate economic growth and further diversify Newcastle's economy.

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8. Appendix A: Perceptions of Newcastle (non-residents)

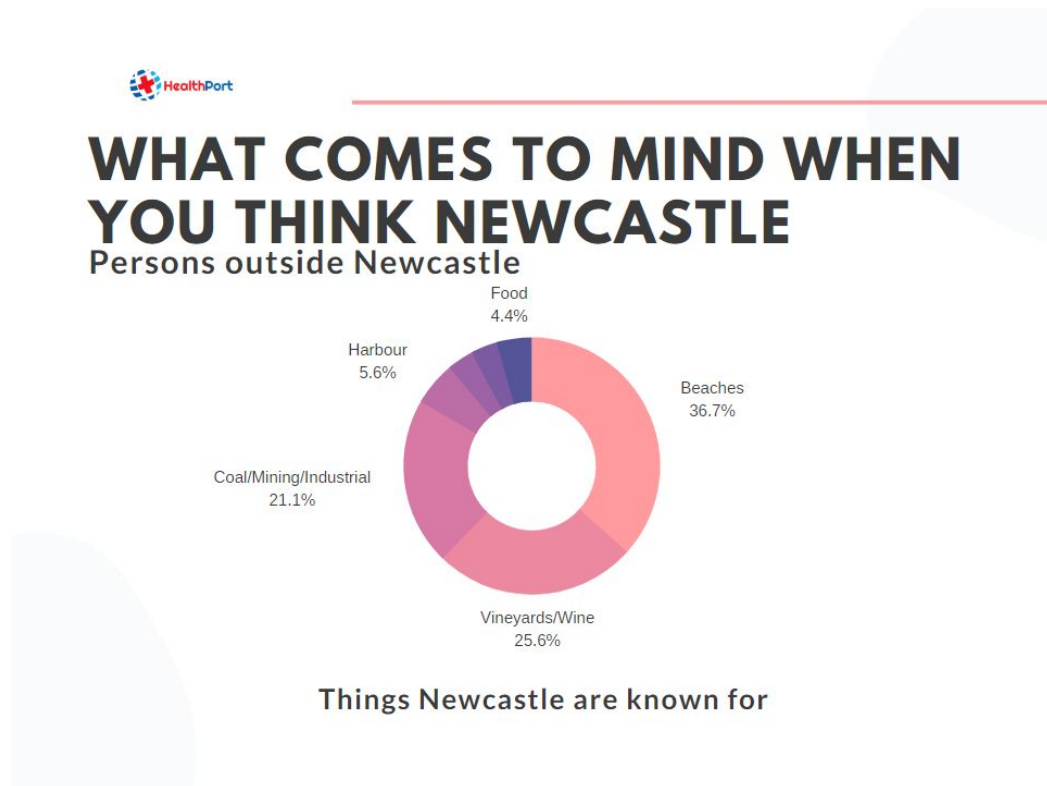


Figure 9

9. Appendix B: Newcastle's Brand

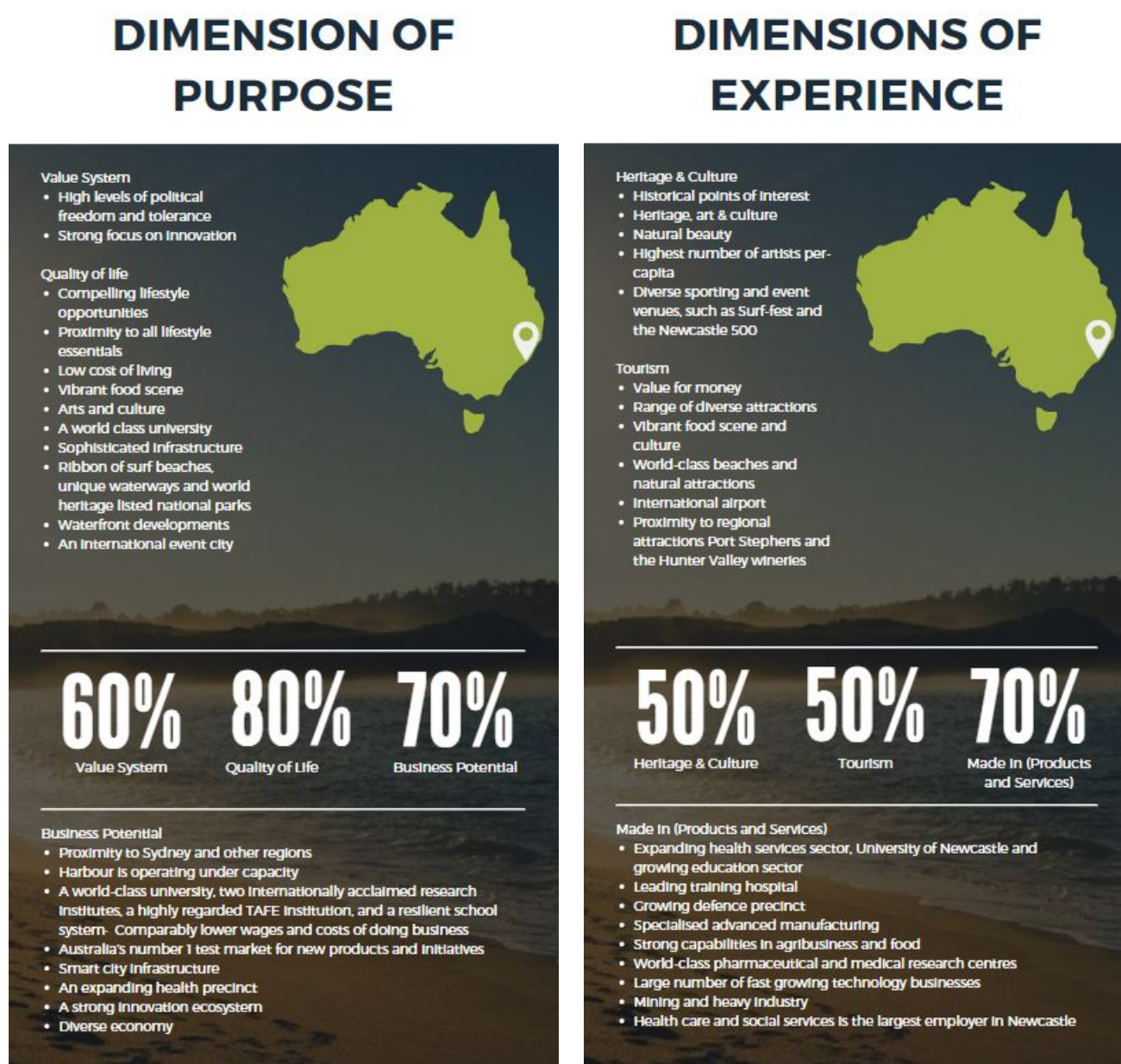


Figure 10

11. Appendix C: A-Grade commercial lease space opportunities




Property	Features	Additional Information
727 HQ - 727 Hunter Street, Newcastle (practical completion Dec 2020)	<ul style="list-style-type: none"> • Total commercial space available 10,790 sqm • Seven-levels of commercial office space • Adaptable fitout • 200m from Newcastle Transport Interchange, 150m from Market Town Shopping Centre 	 https://www.realcommercial.com.au/for-lease/newcastle-nsw-2300/
Darby Plaza – 352 Hunter Street Newcastle (practical completion Jan 2021)	<ul style="list-style-type: none"> • Total commercial space available 6,880 sqm • Eight-levels of commercial office space • Private basement and above ground parking • Close proximity to ‘Eat Street’ Darby Street and Newcastle’s light rail 	 https://www.realcommercial.com.au/property-office/newcastle-503160174
723-733 Hunter Street, Newcastle (n.d)	<ul style="list-style-type: none"> • Total commercial space available 10,790sqm • Fourteen- level office building • 200m from Newcastle Transport Interchange, 150m from Market Town Shopping Centre 	 https://www.realcommercial.com.au/for-lease/newcastle-nsw-2300/

Figure 11

The above examples are a sample of the large commercial office space that is becoming available in Newcastle over the next 12-24 month period. These examples demonstrate the following in terms of feasibility:

- Size – capacity to house up to 500 employees
- Cost – ongoing capacity for business to meet lease expenses through generated revenue. Average cost per square metre for commercial office space less than Melbourne and Sydney. Relocation presents cost saving opportunity. Efficiency and convenience - located in the city centre with proximity to transport services and supporting infrastructure.

13. Appendix D: Excerpt from NSW Local Environmental Planning Act for Zoning.

https://www.legislation.nsw.gov.au/maps/31bc6698-a78e-4b9d-c2cc-ea169b724445/5900_CO_M_LZN_001A_020_20130220.pdf



Figure 12

14. Appendix E: Benefits of API relocating to Newcastle

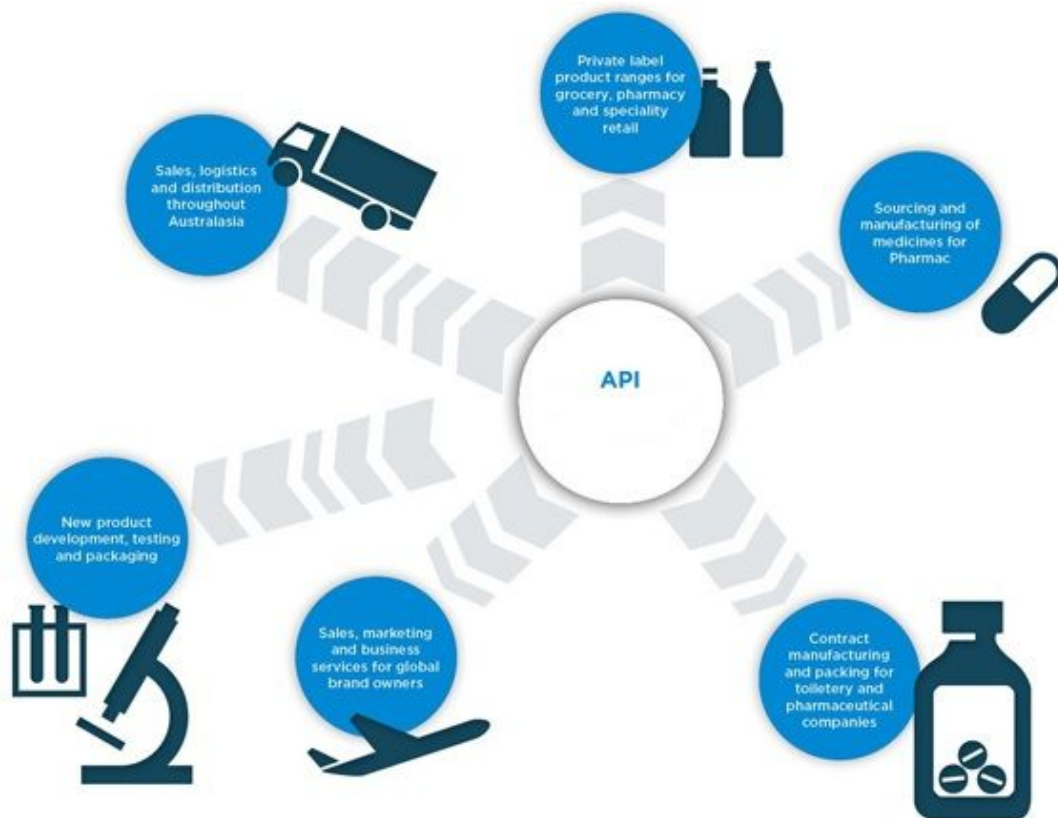


Figure 13

15. Appendix F: Comparison of Prime Office Rentals

Market	Average Net Face Office Rental (\$/sqm)
Parramatta	\$515
Chatswood	\$480
Crows Nest/St Leonards	\$525
Macquarie Park/North Ryde	\$369
Newcastle	\$375
Wollongong	\$355
Melbourne CBD	\$700

Figure 14

API Current Office Sqm (Camberwell)	5420
Current lease cost per annum	\$2,276,400
Equivalent Newcastle lease cost per annum	\$2,032,500
Newcastle cost saving per annum	\$243,900
Equivalent Melbourne CBD lease cost per annum	\$3,794,000

Figure 15

Location	Average Salary (\$)	API no. of head office employees (approx.)	Cost (\$)
Melbourne	62,000	500	31,000,000
Newcastle	57,000	500	28,500,000

Figure 16

16. Appendix G: High-level consultation with key industry and community leaders

Interview - Dr Andrew Hedges - HunterIVF

Interview was conducted via a phone conversation by Andrew Fisher 19/9/2019

Q: Where is the current headquarters for HunterIVF?

A: HunterIVF is owned by Vertis. Vertis owns a group of IVF companies across Australia. The Headquarters are located in Sydney.

Q: What are the main factors that contribute to the Headquarters being in Sydney?

A:

- Ease of transportation
- International and Domestic Airports
- Stronger public transport systems
- Nice livable location
- A large range of different research facilities close by
- A large variety of clinical sites in Sydney.

Q: Could you see this changing into the future?

A: There would be the ability to have the local companies (HunterIVF, QLDIVF etc) take more admin work on and grow the facilities over time. Technology will also enable conferences to be attended remotely with better effect than what is currently available for remote attendance. Head office location will potentially be less relevant into the future with technology in mind.

Q: What do you see being the main growth area in regards to the medical industry in the Greater Newcastle region?

A: The GNR will be best positioned for the growth in the research area. There's a lot of scope for clinical translation from Research into practical applications within the GNR. Innovation is also more widely thought of and accepted in Newcastle, with Newcastle being a testbed for a variety of new innovative practices.

An example of this is the HunterIVF clinic being the 1st site in Australia to offer a blended model of IVF treatment. They offer the traditional IVF cycle format as well as a lighter/less invasive IVF cycle. These options are usually only available in different clinics that specialise

in one or the other. HunterIVF felt it would be better to offer this integrated approach in order to keep the patients under the same clinic and experience the same level of care and consistency leading to an improved chance of positive results.

Q: Would a Pharmaceutical company relocating to the GNR benefit your business?

A: Pharma are usually only driven by profits and aligning directly with one could potentially be a conflict of interest. This would relate more to the use of pharmaceutical drugs. There would be small potential to align in regards to R&D. The main benefit areas would be cancer treatment where the Pharma company and the clinic could align to innovate new ways of delivery methods or equipment to track delivery etc.

Interview - Ange Colbe - Johnson and Johnson - Director Business Technology

Interview conducted via a phone conversation by Andrew Fisher 4/10/2019

Q: What are the key drivers that Health care businesses look for to establish their HQ?

A: J&J are surrounded by all major pharma companies at Macquarie Park. The key reasons for these are:

- Infrastructure
- People
- Access to other big companies operating within the same sector

Q: For each of the key reasons what factors make them important?

A:

- Infrastructure
 - Logistics: Getting required medications or healthcare equipment to the end user in a timely manner. This includes Trama equipment (medical devices) that is needed on an emergency basis. Consumer health needs (cleaning products and non devices) that are required by consumers for everyday use. Pharmaceuticals that are required by consumers on an as needs basis. All of these have different timeframes that are required and needs to be considered for the logistics network and infrastructure plan.

- Connectivity:
 - Being able to connect to other cities. This would include national and international with a convenient availability of transportation. E.g NEW to MELB on a flight only available 3 times a day currently where as SYD to MELB has many options and offers more convenient timings to fly for corporate people.
- People
 - J&J looked to move their HQ from Sydney CBD to Macquarie Park. Even though this was only 5-6km up the road there were significant risks/challenges as the main talent pool for people with the required skill sets were found in the CBD area. This stopped the HQ from moving.
 - Consideration also needs to be given to the community aspect when relocating offices and how that impacts on the community your planning on leaving and the community that you're going to. This has a massive effect on a companies brand so there needs to be measures taken to manage this.
- Access to Companies
 - Being located around other companies operating in the same sector is the key to success. Being able to share information, attract other people into the business who may currently work close by and have a strong pipeline of talent from the local area. Having a Health Hub acts like a magnet attracting the right people for your business into the area.

Q: What would you say would be other key areas are to address to ensure that a Health Company would want to buy into our proposal?

A: Government Funding from all sectors

A project structure that has small successes along the way that allow marketing to turn them into media quickly. This will ensure that the project/concept is always at the front of what people are talking about. Keeps interest, helps grow the concept and generates momentum within the community.

Be specific about the goals, timeframe and what success looks like.

Be clear about what the minimum viable product looks like. Once this is established break the project down into sprint segments with verification stages built into them. At each verification stage pressure test the concept to the outcome and adjust if required. Allows the project to be nimble and only requires small adjustments that can be done quickly, rather than getting

along way into the project and finding out a large adjustment is required that can drain all resources.

Interview - Bob Hawes - CEO Hunter Business Chamber

Interview was conducted face to face by Andrew Fisher and Chanel Egan 1/10/2019

Q: We have developed a medical and health sector vision for Newcastle. Can you offer your perspective on this and what do you think the key strengths are within the Newcastle region for this to be successful?

A: Newcastle is a unique region within Australia for existing health infrastructure. There will be a lot of challenges for this vision to be successful. For instance the JHH has teaching hospital status, but struggles to attract students due to the opportunities and lifestyle offered in Eastern Sydney. This took some time to overcome and JHH is now attractive because of housing prices and liveability within Newcastle. We need to look at becoming self sufficient and not rely on people coming into the region.

Q: What are the constraints that would prevent them from coming here?

A: There's a lot of insecurity for the key people in workforce relocating from their current location into Newcastle. Cost of relocation is ok in regards to cheaper real estate for both office space and housing for the key people relocating.

Each business would have a risk matrix and a relocation would need to be assessed against this. There will be a variety of different risks that would be present for a relocation to occur and these may not be able to be solved straight away, but they will need to be flagged in the report. The board of the company would want key risks addressed. E.g Continuity of supply, labour resources, reputation and branding of moving to a regional area. It could also act as potential risk mitigation by combining disparate workforces together.

Q: The Company we have chosen will also require manufacturing and logistics infrastructure. How is Newcastle placed in regards to both?

A: Transport and logistics is a strong sector of newcastle. Transport in Newcastle has changed over time and kept pace with technology and different trends within the industry. E.g we used to truck coal to the port but now all of that is handled by the rail network.

M1 and New England Highway are both funded by the government which is a positive for our area connecting us directly to the North and South. Thornton and Beresfield have both

experienced a high rate of growth due to their location to both of these highways. The Muswelbrook and Singleton bypass' are both projects that are in planning for completion in the medium term.

Newcastle also has a more direct link to inland rail than Melbourne and Sydney and our connection goes directly to the Port itself. For Sydney or Melbourne to get as direct a rail route to their ports a significant amount of infrastructure would need to be built. When our container port is increased this rail network will be able to support it as it stands with not further big investment.

The Newcastle Airport can currently handle Class C aircraft. With 80% of air freight being taken on passenger aircraft the current runway will need to be upgraded so that we can take larger planes to increase both global passengers and freight.

Q: What sort of funding or financial incentives would be accessible for large organisations to relocate to Newcastle?

A: It would be important to look at the balance sheet and assess how much capital they may have. The better condition that the balance sheet is in then the better the companies ability will be to consider relocation. This would be one of the main considerations of the board when assessing the ability to relocate and signing off on it.

Q: Have there been any success stories of businesses relocating to Newcastle previously?

A: Our track record of relocation is really good. When they come here, they stay. It's hard to sell it to people just by words and pictures they need to come here to feel it and experience it for themselves.

The ATO had to relocate here 30 years ago to decentralise. They had lots of resistance in the beginning from their staff, but now the people have moved here and experienced it, they all say that they wouldn't move away. The same could be said for call centres back in the 90s. It also helps that our workforce here is far more loyal than Sydney and Melbourne. There's a lower churn rate within organisations because of it. This is the case in a lot of industries. The competitiveness in Sydney and Melbourne isn't as apparent here so it keeps people in jobs for a longer period of time.

Q: What do you think Newcastle does differently or has that sets us apart from other regional or emerging cities in Australia?

A: Well only 7% of people located in the Newcastle region go to Sydney, as opposed to 30% of people located in the Wollongong region go to Sydney. Our geographical proximity to

Sydney also means we aren't a satellite suburb of Sydney. An example of this is Wollongong on the South and Central Coast on the North of Sydney. Both are located close enough for people to commute and Businesses to not move into the region as the talent pool isn't there due to a high number going to Sydney itself for work. This can be seen all across Australia. Fremantle - Perth, Geelong - Melbourne, Gold Coast - Brisbane etc. Newcastle is a more diverse economy - central coast and wollongong dont have the spread that we do.

Q: What would be your key take away or focal point from our discussion today?

A: Key take away or focal point would be 'Pipeline of Talent'. There needs to be a strong pipeline of talent for large organisations to draw on. This could also mean developing people to have transferable skills to go across into other sectors. Newcastle doesn't just have one core skill set/industry to build around, unlike Silicon Valley, we have several industries.

Interview - Jane Gray - Executive Director Partnerships, Innovation and Research at Hunter New England Health

Interview was conducted face to face by Andrew Fisher and Chanel Egan 1/10/2019

Q: What is your view on the Greater Newcastle area's vision for 2040 and beyond?

A: Committee for the hunter. Conference next week. Boosting regional economy. Adelaide speaker is going to say lower hunter should be health and upper hunter is to move away from mining.

HNE health is the biggest employer in the region. JHH pulls staff from all LGAs in GNR.

Map of JHH - not just the main hospital, but also a \$780m. "health innovation precinct" which includes educational institutions to be present, while growing existing entities there including HMRI.

Worldwide, this is happening and pharmaceutical companies joining colocation of health and academia "magic formula".

Aiming for UoN presence here

Ramsay - Colleague - director of infrastructure and planning. Been on a tour through America (Vancouver and Seattle). "colliding" is the new phrase for interdisciplinary collaboration and chances for interaction.

We use other countries as exemplars. Some in Australia already such as Monash partners in Melbourne.

Q: Where does Maitland hospital fit into this context?

A: There could be a research and uni presence there, with the "critical mass" on JHH, but supporting concept at Maitland.

Q: What would the benefits be to API if they relocated here?

A: Access to patients to try drugs. Plus partners for clinical trials "early phase clinical trials" and "later phase clinical trials". NOTE: TGA - therapeutic goods administration.

PBS - they want to be on this list as it's affordable. Not just registered with TGA.

Australia has a smaller market than USA and China. We are currently less attractive for testing, but the Federal and state governments are pitching Australia for clinical trials. The main message of these pitches is smooth ethical process and access to clinicians. They are doing this because companies pay per person trialling. This money can go to research.

Clinical trials also good because it lifts standards of care because of the close care of people under the trials. So much rigour seeps into everything they do, which increases the standards of care overall. This brings smarter people to the city and lifts the standard of care. That's our motivation.

Trying to think creatively for the health system to work better for people - eg medihotel onsite, similar to crown plaza for midwives.

"We attract \$13m in clinical trials. Within 10 years we expect this to grow exponentially because we are investing in a precinct"

Key attractions include -

Un faculty of health - medicine, allied health, pharmacy.

Airport - growth and hotel. "Airport precinct"

HNE campus

CSIRO presence

These all complement each other.

HNE and JHH is part of state-wide network, including high-value resources.

JHH is the "busiest tertiary hospital statewide".

API would consider workforce availability in their assessment of relocation in addition to assistance with outsourcing R&D and economic incentives. Not aware of any incentives in JHH complex at the moment as they are still seeking expressions of interest.

Q: What do you think the timeline of attracting and developing API in Newcastle would look like?

A: JHH was built in 1992. Some minor re-developments occurred during this time, but the latest approval for growth will see it double in size. We need to make sure we have the right mix of stakeholders on site to get the most value.

Q: In what ways do you see Newcastle currently positioned as a global leader?

A: Has a reputation as a leading hub. Hard to answer as she lives here

Director of HMRI is English, previous one was Swedish. We do attract people internationally but also cultivate our own workforce. We're a magnet because it's a beautiful city but there's so much here and is backed by other leaders such as CSIRO

A lot of international colleagues stay here. Researchers from Spain, Nepal are examples Newcastle lacks cultural diversity. This could change by our growing global status. It is changing

Ryan Palmer - Mayor of Port Stephens

Interview was conducted face to face by Andrew Fisher and Nicholas Oliveri 08/10/2019

Q: What is your view on the Greater Newcastle area's vision for 2040 and beyond?

A: Williamstown is our fastest growing asset in the area with 3 key factors being

- RAAF \$Billion dollar JPS program, and its 75 year BAE/Lockheed maintenance contract
- Newcastle Airport, a shared resource of Port Stephens and Newcastle getting more flights expanding the airport to cater for larger 2 row aircraft, with more international flights coming
- Working with the Port and Airport to be able to export higher value freight

We aim to have Williamstown listed as a Special Action Precinct which will secure funds to help develop the land, fix the drainage and contaminated areas.

We also have plans for the rail to connect to the airport within the next 60 years

Q: On the council level how would you go about attracting big business to your area?

A: We basically would help them through the planning stage, help them identify land etc

17. Appendix H: Relation to Newcastle Council Strategic Plan

The Newcastle 2030 Community Strategic Plan's vision is for "*Newcastle to be smart, liveable and sustainable global city*".

This identity and positioning concept provides the strategic context for:

1. Shaping Newcastle's vision to become a smart and innovative city known for its:
 - a. Vibrant, diverse and resilient green economy built on educational excellence and research
 - b. Culture that supports and encourages innovation and creativity at all levels
 - c. Thriving city that attracts people to live, work, visit and invest
2. The preparation of the new four year Council plan