

PROJECT FEASIBILITY STUDIES

INTRODUCTION

In an uncertain world how do governments, institutions and corporations make decisions regarding the allocation of scarce resources between competing investment opportunities? How do market participants evaluate the merits of new investment proposals presented to them? How do they balance the risks and returns? The answer is through the use of economic evaluation methods and tools such as feasibility studies.

This course covers the practices and procedures involved in economic evaluation and the preparation of feasibility studies which can be applied to a wide range of industries. In particular, the course will focus on the application of key principles to the preparation of economic evaluations and feasibility studies. The course will also provide participants with a guide to the analysis and understanding of feasibility studies prepared by others.

OBJECTIVES

To provide an understanding of the theory underlying economic evaluation methodology and the issues which arise in practice when applying these methods. In addition, this course will examine the process of risk identification and analysis together with the concepts involved in the preparation of feasibility studies. On completion participants should be able to better understand the process and procedures involved in the economic evaluation of investment opportunities and be able to critically review and assess feasibility studies prepared by others as well as prepare their own simplified versions.

PRESENTER

Mr. David Wing

David Wing is the principle of a boutique Investment Banking practice based in Brisbane, Australia and has over 10 years experience in consulting to and advising Australian and international corporations and institutions on investment opportunities in the Asia Pacific region.

David has acted for many of Australia's leading construction companies as well as participating in numerous private and public capital raisings for a wide range of businesses and industries. In that capacity, David has undertaken a variety of roles not solely as an advisor but also as a principal where he has lead the establishment of consortiums to undertake infrastructure projects in Queensland and Victoria. Accordingly, David is uniquely placed to provide practical and pragmatic advice from a 'hands-on' perspective especially in relation to projects involving diverse stakeholder groups and interaction with all levels of Government and associated agencies and Departments.

PROGRAM

DAY ONE

General Overview

- Introduction
- Uses and limitations
- Key component

Project background

- Project objectives and main features
- Project size, site and location
- Economic and industrial policies supporting the project

Market and Capacity

- Demand forecast
- Project sales
- Production program
- Plant capacity

DAY TWO

Overview of Economic Analysis

- Purpose of economic analysis
- The economic setting
- The process of economic analysis

Evaluation Principles and Methods

- Risk identification
- Principles of risk allocation/mitigation
- Importance to market participants
- Assessing viability in general

DAY THREE

Financial Evaluation

- Time value of money
- Discounting and discount rates
- Shadow prices
- Pay-back period
- Simple rate of return
- Break-even analysis

Analysis of Project Viability

- Project criteria for single projects
- Cost-benefit ratio (BCR)
- Net present value (NPV)
- Internal rate of return (IRR)

Project Alternatives

- Is the project the best alternative?
- How to choose between project alternatives?

Project Criteria and a Shortage of Investment Funds

DAY FOUR

Assessment Techniques

Sensitivity Analysis

Technical Feasibility

Economic Viability

Project Viability and Transaction Structuring

- Risk assessment
- Risk allocation matrix
- Case studies
- Nature of security interests
- Legal framework
- Ownership & financing structure

DAY FIVE

Preparing a Feasibility Study

- Estimating project cash flows
- Preparing a financial model
- Evaluating proposed financing structure
- Case study

Project Financing

- Sources of financing
- Impact of debt servicing on project proposals
- Public policy and regulation of financing
- Financing institutions
- Required financial statements