



CONTRACTING AUSTRALIA

**PUBLIC SECTOR CONTRACTING
STATE OF THE MARKET REPORT
Q4 2020**

This document may be commercially sensitive for our client.

Our clients are creating the future.

They're producing intelligent built environments and infrastructure that keep us safe and comfortable. They're rolling out technology that allows humans to connect and communicate. They're coming up with clever ways to process resources, make new things and increase human capital.

We support them to make it all happen.

Sharpe & Abel is a legal firm with business smarts and niche industrial expertise. Industrial companies come to us for astute legal advice and strategic capacities. We get to know our clients so we can help them to avoid obstacles, optimise processes and focus on what they're great at.

Our people are values-led and results driven. Hand on heart, we're not afraid to say that core values permeate all that we do – competence, trust, love, freedom and security. It's hard to put into words; you'll just know and feel it when you engage with us.

So, we don't just do law, we do what it takes to help our clients thrive, and this report is part of that drive. We bring you the latest industry insights, the latest intelligence and the latest resources, so you can plan your next move with confidence that we've got your back.

We're proud to bring you our public infrastructure contracting State of the Market Report, giving you the latest insights and information into the sector's relationship with the public sector. Whilst the second quarter saw the re-opening of the Australian economy, particularly in Victoria, Covid-19 still casts a long shadow over the economy.

Our focus for this research is public sector contracts in industrials, technology, engineering & infrastructure¹, because that is our core client group. We pulled data on some 68,668 public sector contracts and crunched the numbers to find out who is buying what, where, when and how.

¹ This research excludes major military hardware expenditure by Department of Defence but does include all infrastructure and construction expenditure by DoD.

FEDERAL GOVERNMENT CONTRACTING

The analysis shows variation in the infrastructure spending by the Federal Government in 2020.

Total Industrial, Engineering & Infrastructure Contracts Awarded

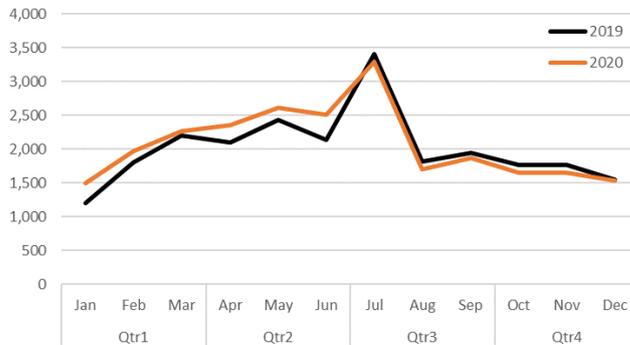


In Quarter 4 of 2020, the Federal Government awarded \$4.4bn in contracts to the infrastructure sectors, a 25% reduction (-\$1.5bn) from Q3. However, when comparing the 4th quarters of 2020 and 2019, there was a 40% increase (+\$1.2bn) in the value of contracts awarded over the same period in 2020.

compared to \$15.2 in 2019, an increase of 9%.

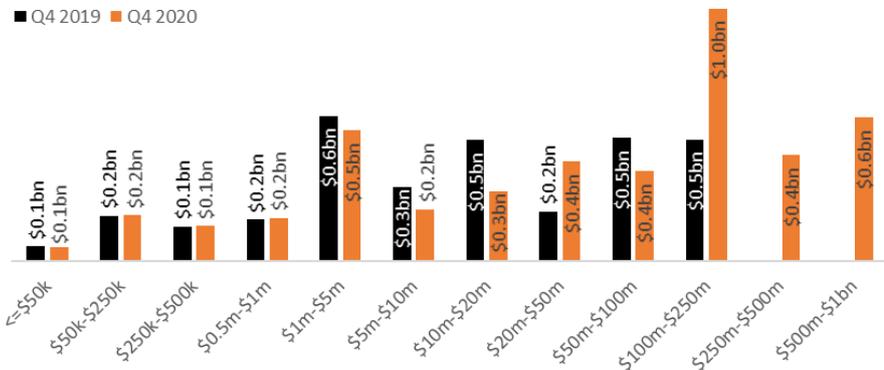
When looking at the number of contracts awarded in 2020, there is a clear drop in the number of contracts awarded after July, corresponding to the second wave of Covid-19. Since then, contracts have not managed to reach previous levels, but instead have plateaued at an average of 1,680 each month – around 1,600 less than in July.

Number of Contracts Awarded



Nevertheless, when the data is broken down by contract value, we can see that in Q4 of 2020, the number of large contracts awarded increased greatly. Unlike Q4 2019, there were 2 contracts worth \$250m or more awarded in Q4 2020, and contracts of \$100m-\$250m more than doubled. However, contracts of \$5m-10m and \$10m-20m declined by 32% and 43%, respectively. Most of the other sized contracts have remained relatively similar over both 2019 and 2020.

Value Awarded by Size of Contract



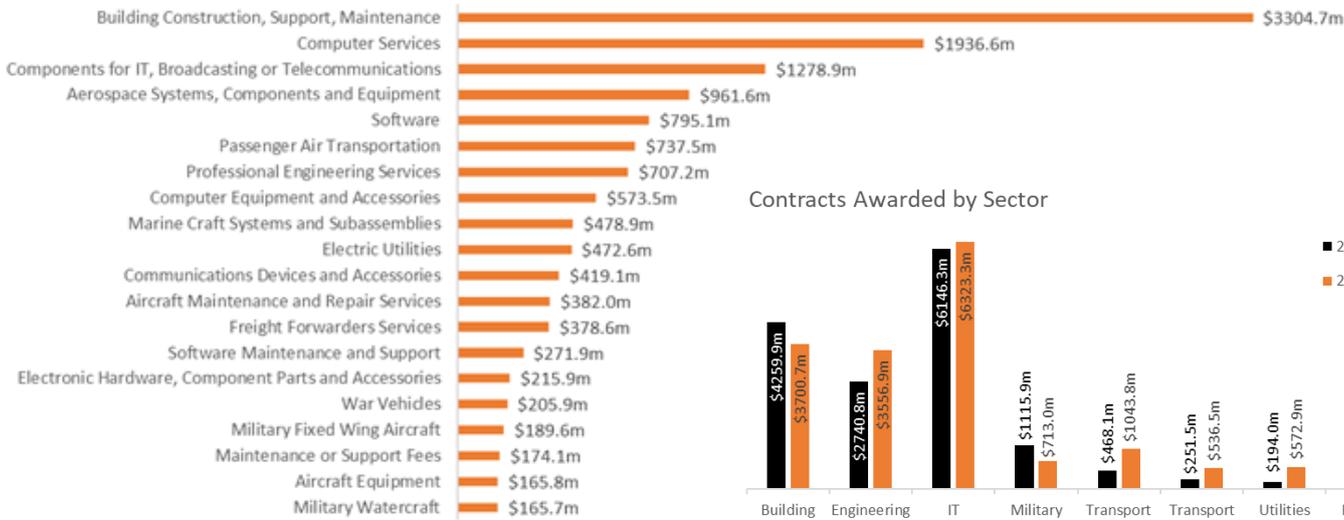
This represents a challenge for medium-sized enterprises, since although the government has maintained the overall total value of contracts, the size of those contracts means they are beyond the reach of many medium-sized enterprises, who have seen the number of contracts accessible to them decline.

SERVICES PURCHASED

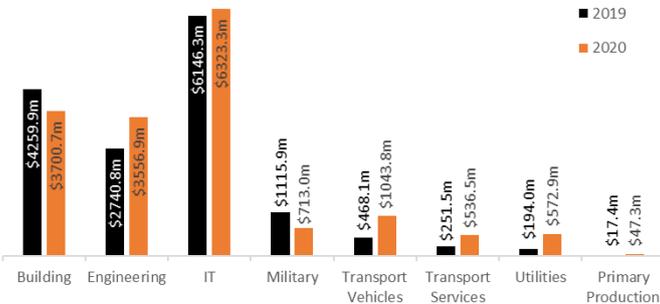
The most purchased services in 2020 were building construction, support, and maintenance services, by \$1.4bn more than any other service. IT and software services were the next 2 most common, followed by aerospace services. Passenger Air Transportation and Professional Engineering Services were also commonly purchased.

Despite the building sector being the most purchased in 2020, this sector suffered a decline of \$560m since 2019, whereas all other sectors, excluding Military, experienced increases. For example, Engineering increased by 30%, Transport Vehicles by 123% and Utilities by 195%.

Top 20 Purchased Services 2020



Contracts Awarded by Sector



	Q4 2019	Q4 2020	
Building	\$1.1bn -19.9%	\$0.9bn \$2.09m per contract	- moderate drop in general building & maintenance - offset by increases in civil engineering and commercial buildings - very large average contract size
Engineering & Scienti	\$0.4bn 214.0%	\$1.3bn \$0.67m per contract	- moderate contract size - significant increase - includes engineering maintenance
IT	\$1.1bn 34.8%	\$1.5bn \$0.59m per contract	- moderate contract size - includes hardware, software, cloud & infrastructure - moderate increase
Military	\$275m -63.3%	\$101m \$0.35m per contract	- excludes major military hardware acquisitions - small average contract size - significant decline
Transport Vehicles	\$180m 102.6%	\$365m \$1.17m per contract	- consists of acquisitions of complete vehicles - significant increase year on year - relatively large contracts
Transport Services	\$39m 413.7%	\$200m \$0.70m per contract	- includes moving, packing, transportation, logistics - very significant increase year on year - moderate contract size
Utilities	\$5m 563.9%	\$32m \$1.74m per contract	- very significant increase - very large average contract size - includes some energy supply contracts
Primary Production	\$5.6m -69.8%	\$1.7m \$0.11m per contract	- significant decline - very small sector - primary production industries

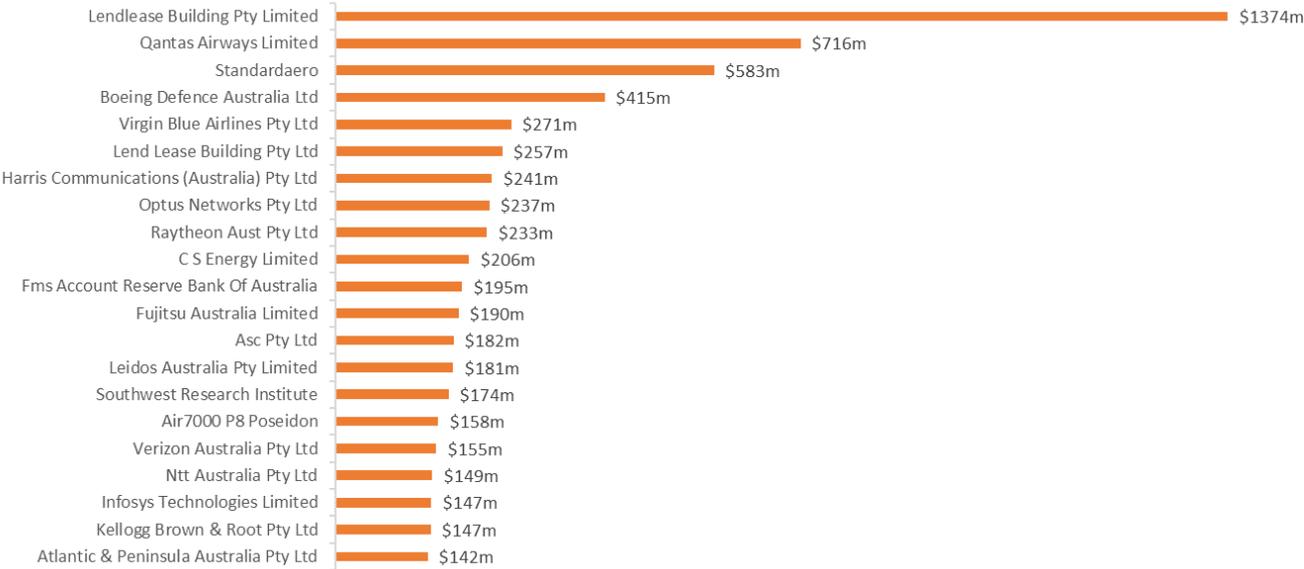
MAIN BUYERS

The clear main buyer at federal level in 2020 was the Department of Defence with \$10.8bn. This excludes major military acquisitions. As such the largest proportion of this is the maintenance of the defence estate. The Department of Defence spent \$9601m more than the second biggest buyer, Services Australia who totalled \$1199m. followed by the Department of Infrastructure, Transport, Regional Development and Communications with \$811m.

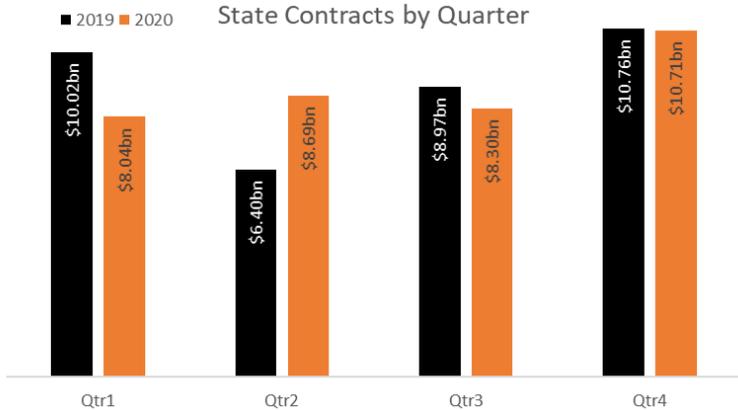


MAIN SELLERS

Lendlease Building was the most successful contractor in 2020, mainly due to contracting for the defence estate. It therefore also presents itself as the biggest opportunity for subcontracting opportunities. However, Qantas Airways Ltd, Boeing Defence Australia Ltd and Virgin Blue Airlines Pty Ltd were also successful (despite the impact of Covid-19), meaning that when combined, the aviation sector accounted for more contracts than Lendlease.



STATE GOVERNMENT CONTRACTING

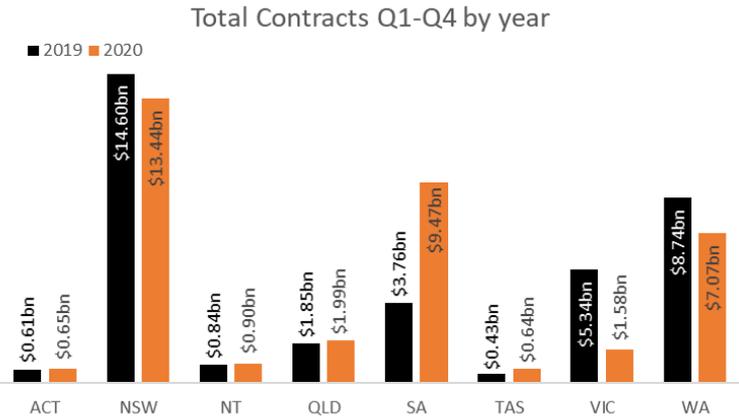


The analysis of contracts at state level shows a slight decline of only \$57.7m in Q4 of 2020, compared to Q4 of 2019; but an increase of \$2.4bn from Q3 of 2020.

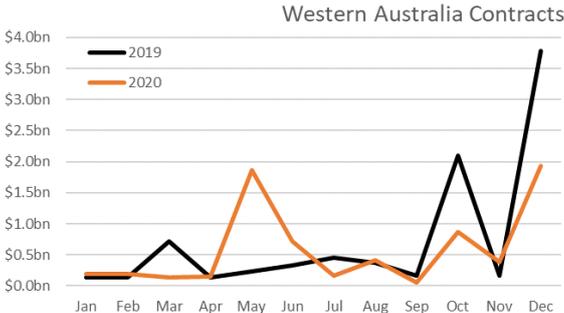
Overall, in 2020, contracts at state level have decreased by \$0.43bn, with a total of \$35.73bn, compared to \$36.16bn in 2019. Most of the decline was seen in Q1 and Q3, coincident with the first and second wave of Covid-19.

All states, except for New South Wales, Victoria, and Western Australia, increased their expenditure in 2020.

New South Wales dropped slightly but only because Q1 2019 was exceptional, due to a \$4.2bn contract awarded for the Rozelle Interchange and Western Harbour Tunnel Enabling Work. Without this contract, NSW would have seen a \$3bn increase.



Victoria dropped dramatically by \$3.8bn. Despite 2 large spikes in April, September and October of 2019, even without the large contracts that contributed to these spikes, Victoria would still have experienced a decline in contracts. With Melbourne being the epicentre of the Covid-19 outbreak in Australia, it is clear to see the effects that this has had on the state.

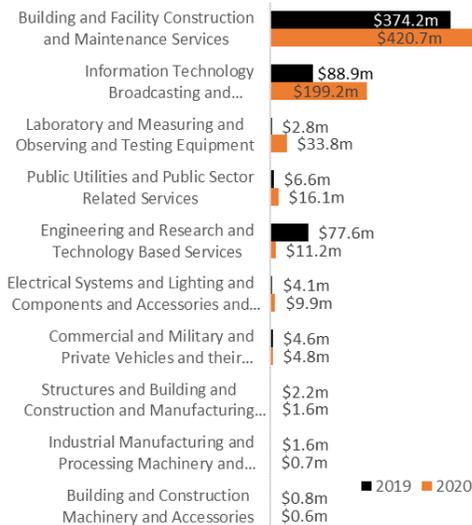


Despite a large spike in May, Western Australia had an overall small decline of \$1.67bn in 2020. This was mainly due to the Public Transport Authority being awarded \$3.62bn in contracts in December 2019, including the \$2bn Metronet Railcar Procurement Project.

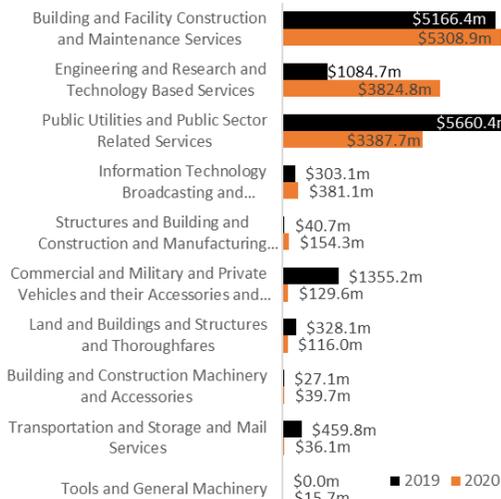
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MOST IN DEMAND SERVICES

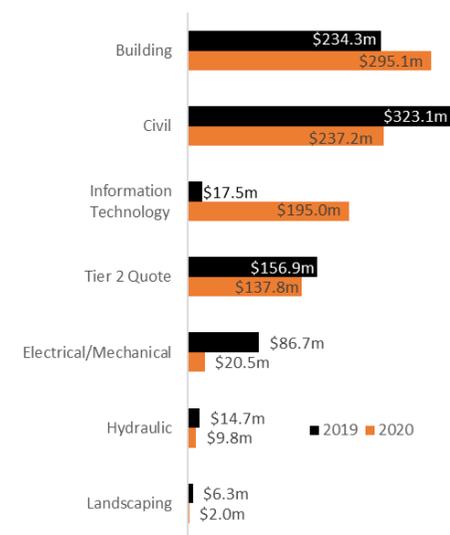
Australian Capital Territory



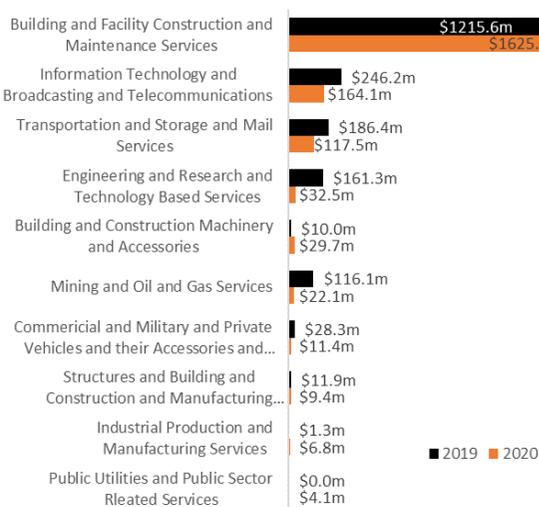
New South Wales



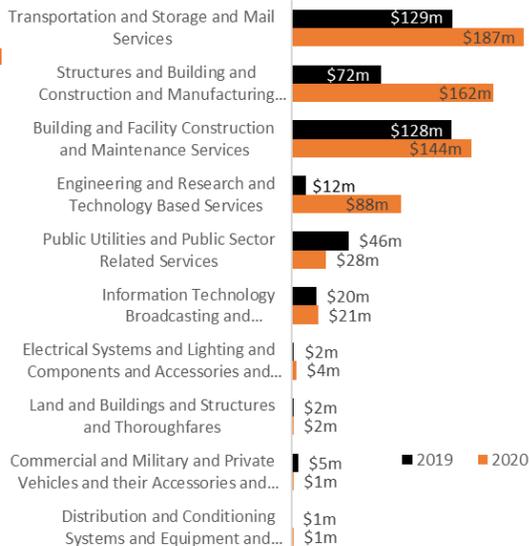
Northern Territory



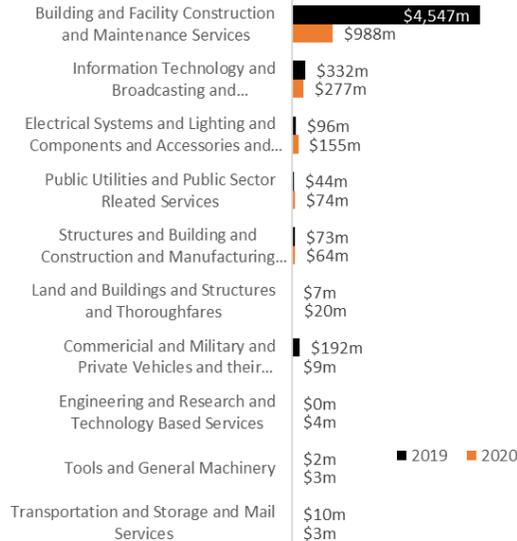
Queensland



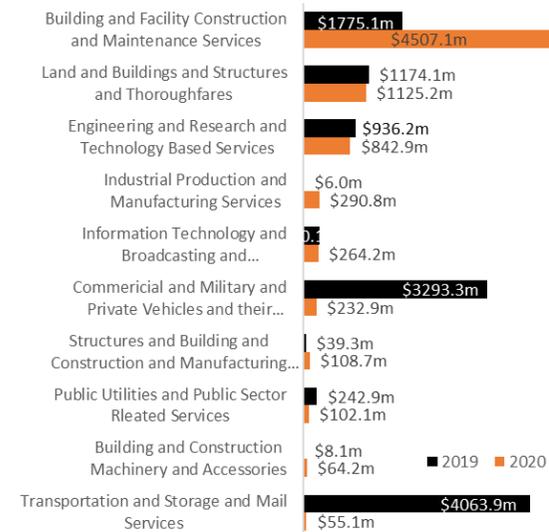
Tasmania



Victoria



Western Australia



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KEY BUYERS

Australian Capital Territory		New South Wales		Northern Territory		Queensland	
ACT Health Directorate	\$142m	Sydney Metro	\$2,637m	Department of Infrastructure, Planning and Logistics	\$475m	Department of Transport and Main Roads - Wide Bay/Burnett District	\$565m
Transport Canberra and City Services	\$98m	Transport for NSW	\$2,485m	Department of Corporate and Information Services	\$186m	Department Of Education, Training and Employment	\$280m
Education Directorate	\$79m	NSW Procurement	\$2,057m	Power and Water Corporation	\$97m	QBuild - South East Queensland	\$146m
Canberra Health Services	\$70m	TINSW (Roads and Maritime Projects)	\$1,210m	Department of Health	\$34m	QBuild - Far North Queensland	\$112m
Major Projects Canberra	\$62m	Infrastructure NSW	\$995m	Territory Families	\$26m	Queensland Health Indirects (non-medical)	\$95m
Suburban Land Agency	\$57m	Department of Education – SINSW	\$994m	Department of the Attorney-General and Justice	\$20m	Building and Asset Services - South East Queensland	\$75m
Community Services Directorate	\$48m	Department of Education - Corporate	\$384m	Police, Fire and Emergency Services	\$14m	Department of Transport and Main Roads - Mackay Office - Program Delivery and Operations	\$72m
Chief Minister, Treasury and Economic Development Directorate	\$48m	Department of Communities and Justice	\$301m	Department of Corporate and Digital Development	\$12m	Queensland Rail Limited	\$54m
Environment, Planning and Sustainable Development Directorate	\$19m	Insurance and Care NSW (icare)	\$238m	Department of Local Government, Housing and Community Development	\$11m	Department of Transport and Main Roads - Metropolitan Region	\$48m
Justice and Community Safety Directorate	\$14m	Health Infrastructure	\$235m	Land Development Corporation	\$8m	Department of Transport and Main Roads - RoadTek	\$44m

South Australia		Tasmania		Victoria		Western Australia	
Department for Infrastructure and Transport	\$6,599m	Department of State Growth	\$382m	Department of Health & Human Services - Property & Asset Services	\$268m	Main Roads Western Australia	\$2,021m
SA Health	\$1,641m	Department of Health	\$61m	Department of Education & Training	\$213m	Department of Justice	\$1,775m
Strategic Procurement	\$489m	Department of Education	\$57m	Development Victoria	\$202m	Public Transport Authority	\$1,333m
SA Water Corporation	\$205m	Department of Justice	\$44m	Department of Justice and Community Safety	\$191m	Department of Finance	\$551m
SA Housing Authority	\$126m	Department of Treasury and Finance	\$34m	Victorian School Building Authority	\$184m	Health Support Services	\$348m
Department of Education	\$94m	Department of Communities Tasmania	\$19m	Department of Transport	\$86m	Department of Transport	\$230m
South Australia Police	\$56m	Department of Primary Industries, Parks, Water and Environment	\$17m	Department of Health & Human Services (DHHS)	\$77m	Western Australia Police Force	\$117m
Attorney Generals Department	\$52m	Department of Police, Fire and Emergency Management	\$14m	Department of Environment, Land, Water and Planning	\$45m	Department of Finance	\$102m
Urban Renewal Authority (trading as Renewal SA)	\$39m	TasTAFE	\$8m	Western Water	\$26m	Department of the Premier and Cabinet	\$50m
Department of Treasury and Finance Corporate Services	\$30m	Macquarie Point Development Corporation	\$4m	North East Water	\$26m	Department of Justice	\$49m

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KEY SELLERS

Australian Capital Territory		New South Wales		Northern Territory		Queensland	
Epic	\$126m	ERM Power Retail Pty Ltd	\$2,064m	Halikos Pty Ltd	\$55m	Bielby BMD Joint Venture	\$451m
Richard Crookes Constructions	\$56m	Abergeldie Contractors Pty Ltd	\$1,557m	NORTHERN RISE VILLAGE SERVICES PTY LTD	\$49m	FK Gardner & Sons Pty Ltd	\$120m
Icon SI (AUST) Pty Ltd	\$36m	John Holland Pty Ltd	\$1,156m	Greenspace Group Pty Ltd	\$27m	Hutchinson Builders	\$104m
Abbott Australiasia Pty Ltd	\$34m	The Trustee for NRT CSW Unit Trust	\$689m	C & R Constructions Pty Ltd	\$27m	ASI Solutions	\$100m
Shape Australia Pty Limited	\$31m	CPB Contractors Pty Ltd	\$523m	Asbuild (NT) Pty Ltd	\$20m	Kent Removals & Storage	\$95m
Built Pty Ltd	\$24m	Lend Lease Building Pty Ltd	\$458m	Buddi Ltd	\$19m	Hansen Yuncken	\$55m
Canberra Contractors Pty Ltd	\$20m	A.W.Edwards Pty Ltd	\$407m	Allan King & Sons Construction Pty Ltd	\$18m	WOOLLAM CONSTRUCTIONS	\$46m
Guideline ACT Pty Ltd	\$19m	TELSTRA CORPORATION LIMITED	\$324m	Norbuilt Pty Ltd	\$16m	C2CD Joint Venture	\$42m
BMD	\$18m	Buddi Ltd	\$265m	BMD Urban Pty Ltd	\$15m	BADGE Constructions (Qld)	\$42m
Group One Pty Ltd	\$15m	Next Rail (John Holland Pty Ltd and Jacobs Group (Australia) Pty Ltd)	\$262m	NEC Australia Pty Ltd	\$14m	PAYNTERS	\$35m

South Australia		Tasmania		Victoria		Western Australia	
Torrens Transit Pty Ltd	\$1,594m	Hazell Bros Group Pty Ltd	\$57m	Department of Health & Human Services - Property & Asset Services Capital	\$249m	Serco Australia PTY Limited	\$1,773m
DM Roads	\$1,589m	BlackCap Construction Pty Ltd	\$51m	CEOS Industrial Pty Ltd	\$150m	Central Earthmoving (Central Earthmoving Company Pty Ltd)	\$1,403m
Torrens Connect Pty Ltd	\$885m	Ford Motor Company	\$29m	Kane Constructions Pty Ltd	\$106m	Laing O'Rourke Australia Construction Pty Limited	\$753m
CALVARY MHIH JV PTY LTD	\$878m	Aurora Energy Pty Ltd	\$27m	Lendlease Building Contractors	\$99m	Georgiou Group Pty Ltd (Georgiou Group Pty Ltd .)	\$392m
Fulton Hogan	\$454m	Fujitsu Australia Ltd	\$27m	Kane Constructions	\$59m	PureIV (PureIV Pty Ltd)	\$290m
Busways South Australia Pty Ltd	\$347m	Vos Construction and Joinery Pty Ltd	\$27m	Data#3 Limited	\$59m	Coleman Rail (Coleman Rail Pty Ltd)	\$236m
Bitumax Pty Ltd	\$347m	Fulton Hogan Construction Pty Ltd	\$24m	Acer Computer Australia Pty Ltd	\$47m	Broadspectrum (Broadspectrum (Australia) Pty Ltd)	\$118m
Australian Medical Placements	\$304m	Fairbrother Pty Ltd	\$24m	Plancost Australia Pty Ltd	\$34m	Amazon Web Services, Inc.	\$100m
Advent One	\$302m	Mersey Bus & Coach Pty Ltd	\$23m	Laing O'Rourke Australia Construction Pty Ltd	\$33m	ADCO Constructions Pty Ltd	\$84m
CPB Contractors Pty Ltd	\$261m	Tasmanian Redline Coaches Pty Ltd	\$22m	Ireland Brown Constructions Pty Ltd	\$31m	Airbus Australia Pacific Limited (Airbus Australia Pacific)	\$75m