



CONTRACTING AUSTRALIA

PUBLIC SECTOR CONTRACTING STATE OF THE MARKET REPORT

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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 are great at.

Our people are values-led and results driven. Hand on heart, we are 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.

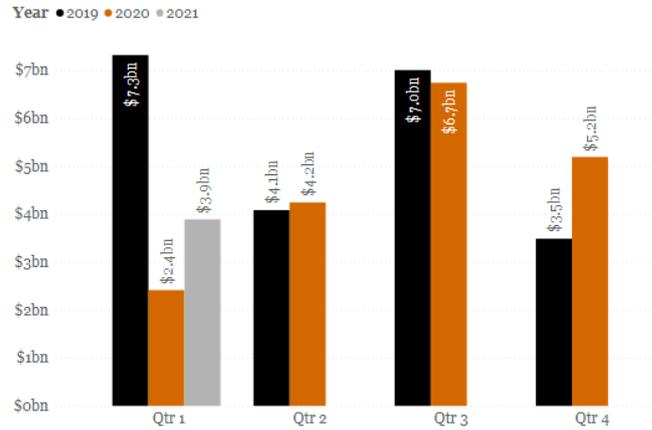
Our focus for this research is public sector contracts in industrials, technology, engineering & infrastructure¹, because that is our core client group. We pulled data on some 7,297 public sector contracts this quarter and crunched the numbers to find out who is buying what, where, when and how.

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

In comparison to last year, the Federal Government has experienced a successful first quarter. Although fewer contracts were awarded overall, the number of higher value contracts have increased, leaving the government with a \$1.5bn gain from 2020. Nevertheless, this profit and success has not been shared among all sectors, with those in Engineering and Primary Production experiencing a significant decline in total contract value. Companies in the Transport, Military and Building industries have thrived this quarter and should therefore remain confident that work is available and will hopefully continue into Q2.

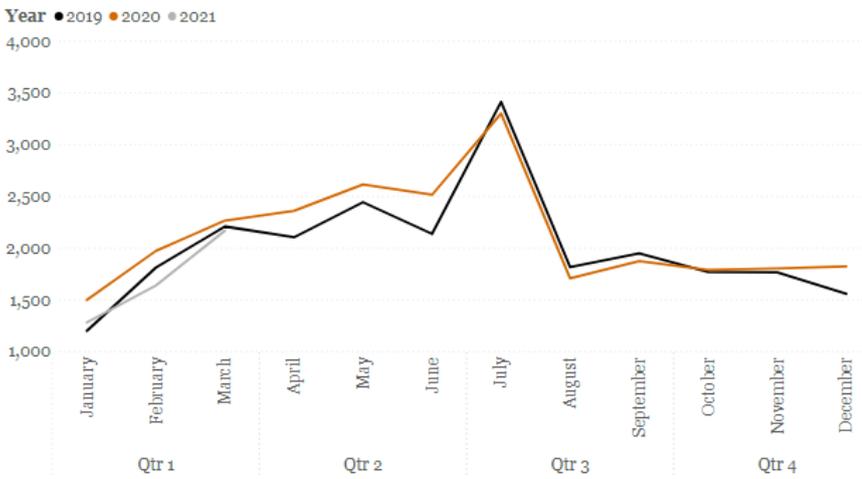
Total Contracts Awarded



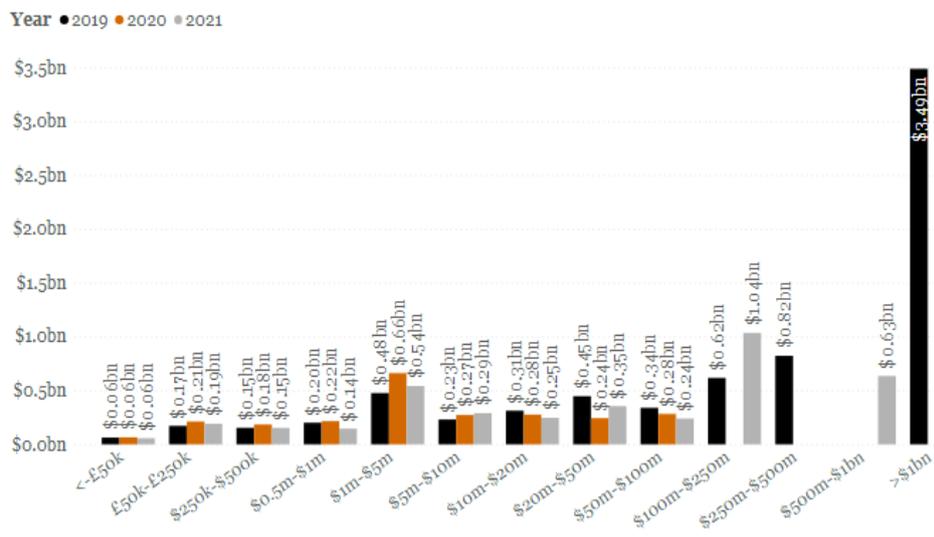
In the first quarter of 2021, the Federal Government awarded \$3.9bn in contracts, a 25% (\$1.3bn) reduction from the final quarter of 2020. When comparing the Q1 data over the past 3 years, this year's figure was an increase of \$1.5bn (62.5%) from 2020, but a reduction of \$3.4 (46.6%) from 2019.

The number of contracts awarded this quarter have risen from 1,278 in January to 2,166 in March – an increase of 888 awards. As the chart shows, the count of contracts seems to follow a similar trend each year, so this increase demonstrates that the Federal Government are progressing as expected.

Number of Contracts Awarded



Value Awarded by Contract Size Group



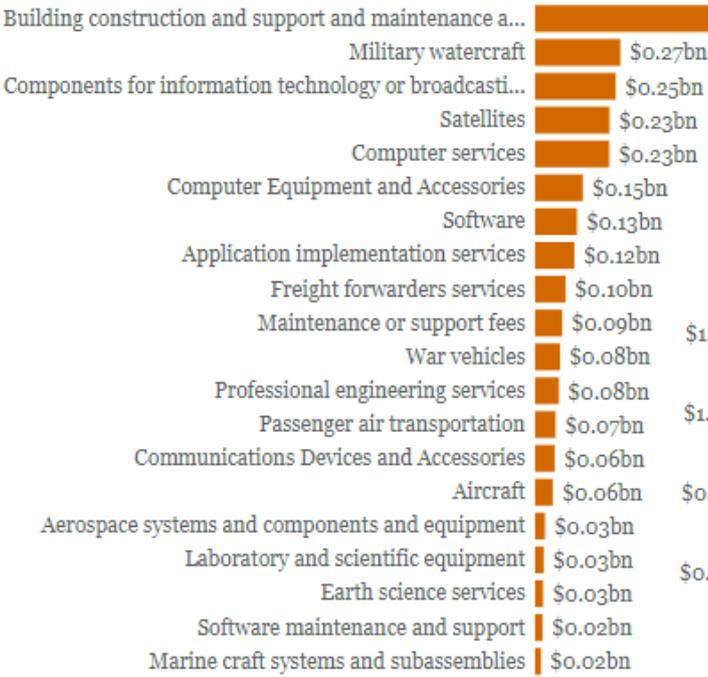
When these awarded contracts are broken down into contract size, the data shows that in Q1 2021, the Federal Government did not award any contracts worth over \$1bn, whereas in 2019 they did. Nevertheless, there was one contract worth over \$500m, and several others above \$100m, which in 2020, there were not. With the exception of contracts above \$100m, \$20m-\$50m, and \$5m-\$10m, all other contracts size groups have decreased in value or remained the same compared to Q1 2020.

SERVICES PURCHASED

The most purchased service in Q1 of 2021 was Building Construction, Support, And Maintenance Services with \$1.46bn, which was \$1.2bn more than the second most purchased service, Military Watercraft, which held a total value of \$0.27bn. Components for IT, Broadcasting or Telecommunications; Satellites; and Computer Services were also commonly purchased this quarter with \$0.25n, \$0.23bn and \$0.23bn respectively.

The Building sector was the most purchased in Q1 2021 with over \$1.5bn awarded – a 171% (\$0.96bn) increase from 2020, and the Military sector also experienced a dramatic 245% (\$0.44bn) increase from 2020. Most of the other sectors also experienced increases from Q1 2020, except for the Engineering sector, which observed a 45% decrease, and the Mining, Manufacturing and Power sector, which remained relatively unchanged.

Top 20 Purchased Services Q1 2021

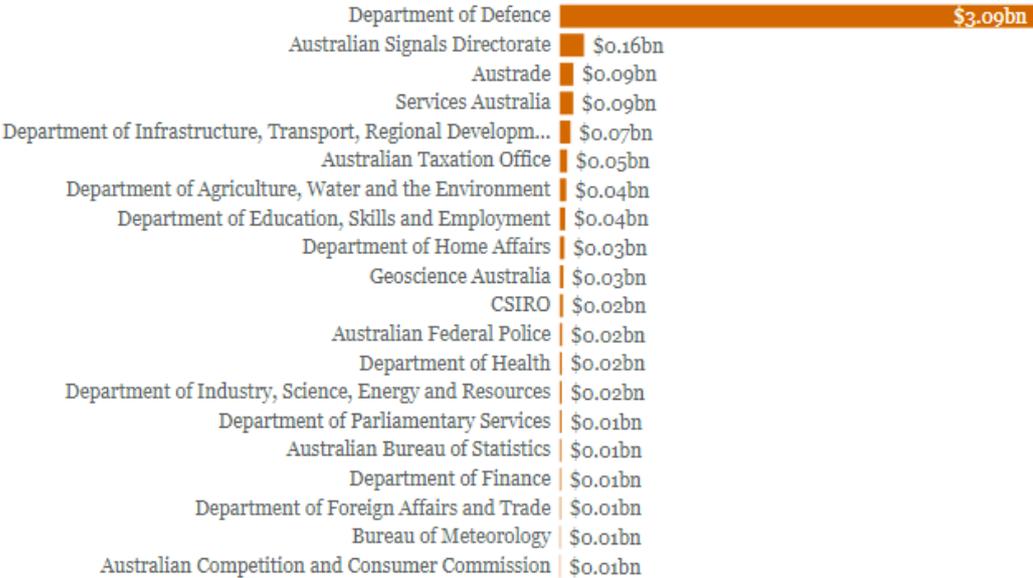


Sector	2020	2021	Difference	Per Contract
Building	\$559.6m	\$1,518.51m	↑ 171.4%	\$3.03m
Engineering	\$532.74m	\$290.86m	↓ -45.4%	\$0.21m
IT	\$1,037.38m	\$1,183.37m	↑ 14.1%	\$0.5m
Military	\$156.03m	\$602.78m	↑ 286.3%	\$1.35m
Primary Production	\$18.67m	\$1.77m	↓ -90.5%	\$0.1m
Transport	\$80.06m	\$159.88m	↑ 99.7%	\$0.76m
Transport Services	\$18.97m	\$119.24m	↑ 528.7%	\$0.68m
Utilities	\$10.71m	\$11.88m	↑ 10.9%	\$1.19m

MAIN BUYERS

Similar to 2020, the main buyer for the Federal Government so far in 2021 was clearly the Department of Defence, with nearly \$3.1bn. The Australian Signals Directorate was the second biggest buyer with a total value of \$0.16bn - \$2.93bn less than the Department of Defence. Austrade and Services Australia were the third biggest buyers for the Government, with around \$0.09bn each.

Key Buyers



MAIN SELLERS

The key seller for the Federal Government in 2021 so far was Lendlease Building Ncis-3 Cwf, which had a total value of \$0.63bn in the first quarter. This came from a single 4.5-year contract with the Infrastructure Division of the Department of Defence for building construction, support, maintenance, and repair services. Navantia, a shipbuilding company, was the second biggest seller with \$0.24bn, followed by communications company, Immarsat Australia, and infrastructure company, Clough Projects Australia, each with around \$0.23bn. Many businesses in the Aviation industry that were key sellers in 2020 are now proving to be much less valuable to the Federal Government.

Key Sellers

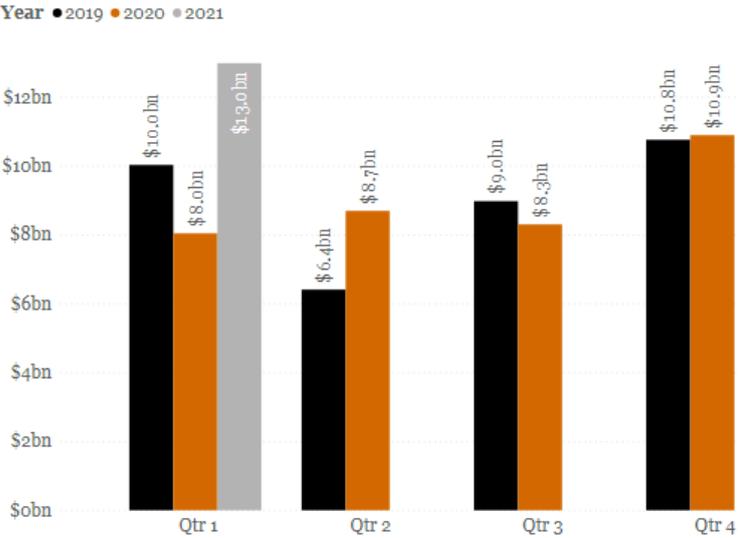


STATE GOVERNMENT CONTRACTING

Altogether, this quarter has been the most valuable of all quarters for the past 2 years by over \$2bn for Australia’s 8 states and territories. This can mainly be attributed to New South Wales, South Australia, and Western Australia.

The Transportation, Storage and Mail Services was the sector with the highest total value of contracts, primarily from New South Wales, followed by Building, Facility Construction and Maintenance Services, which was a valuable sector to all 7 states, except Northern Territory who categorised their contracts differently. On the other hand, those in the Distribution, Conditioning Systems and Equipment industries were the least valuable, with a total contract value of only \$573,000 for the whole quarter across all states.

Total Value of State Contracts by Quarter and Year



The analysis of contracts at state level shows a total contract value of \$13bn in Q1 of 2021. This is large increase of \$5bn from Q1 in 2020 and an increase of \$3bn from Q1 of 2019. Since the second wave of Covid-19, which occurred in Q3 2020, Australia’s states have demonstrated a swift recovery, as total contract value has increased by \$4.7bn.

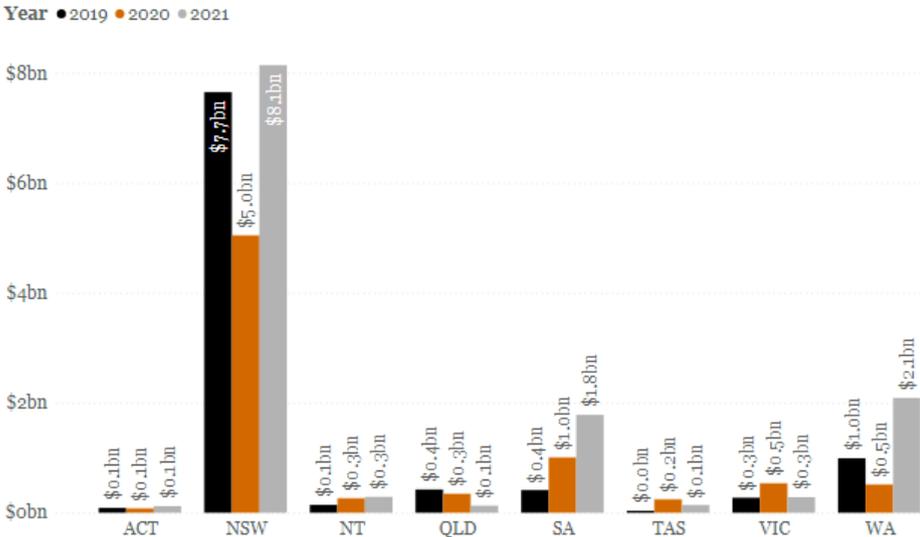
The majority of states, excluding Queensland, Tasmania and Victoria, showed an increase in total contract value this year compared to Q1 last year, with New South Wales experiencing the biggest increase of \$3.1bn. This increase can mostly be accounted for by 2 large contracts that were \$1.65bn and \$1.09bn in value, one of which being a contract for works on Sydney Metro Station.

Western Australia experienced the biggest percentage increase, with a 320% increase – from \$0.5bn to \$2.1bn. This was undoubtedly due to a \$1.6bn contract being awarded in February with the Department of Finance for Information and Communications Technology (ICT) Services.

South Australia increased their total contract value from \$1bn to \$1.8bn, and of that \$1.8bn awarded in this year’s first quarter, \$1.37bn was from a single contract with the Department of Infrastructure and Transport for the Adelaide Metropolitan Passenger Rail Network.

Total contract value in Queensland and Victoria, however, dropped by \$0.2bn in Q1 2021, compared to Q1 of 2020.

Total Value of Q1 Contracts by State and Year



Since the major spike in value in September 2019, Victoria has remained below the \$0.25bn mark and has steadily decreased its value over the year 2020. This declining trend has continued into 2021 with contract values being below \$90m for each month in the first quarter.



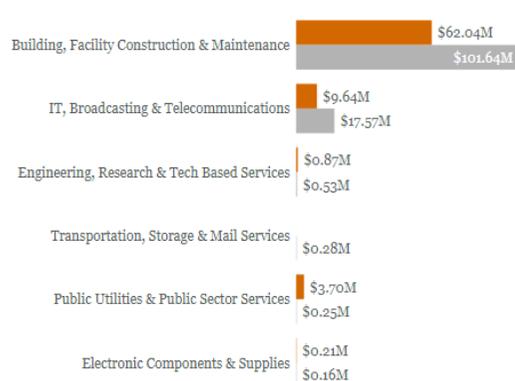
In Queensland, the value of contracts in Q1 2021 is below the expected value for Q1, as displayed by 2020 and 2019. However, this is most likely because all contracts, except for one, had a total value of below \$7m.

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MOST IN DEMAND SERVICES

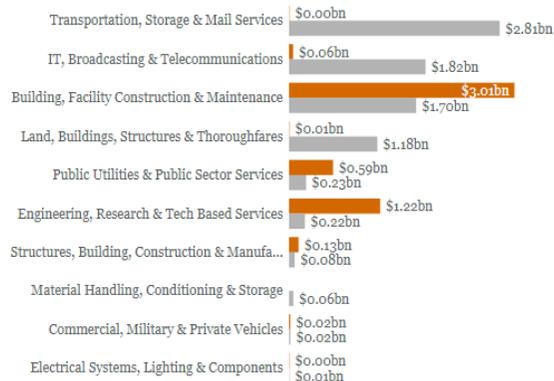
Australian Capital Territory

Year ● 2020 ● 2021



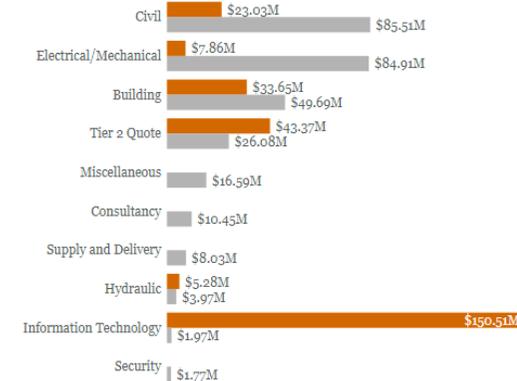
New South Wales

Year ● 2020 ● 2021



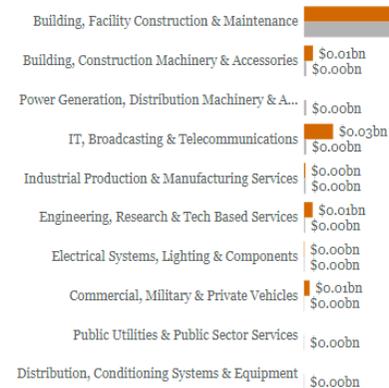
Northern Territory

Year ● 2020 ● 2021



Queensland

Year ● 2020 ● 2021



Tasmania

Year ● 2020 ● 2021



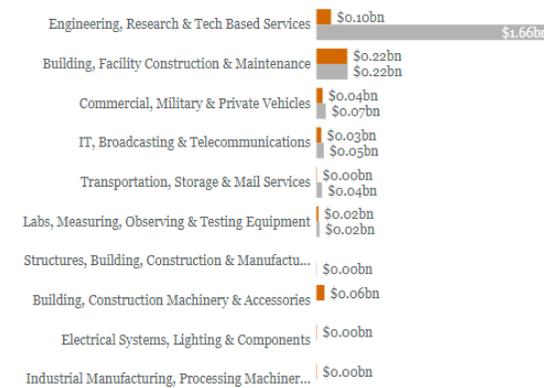
Victoria

Year ● 2020 ● 2021



Western Australia

Year ● 2020 ● 2021



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KEY BUYERS

Australian Capital Territory	Value	New South Wales	Value	Northern Territory	Value	Queensland	Value
Education Directorate	\$74.08m	NSW Trains	\$2,800.16m	Department of Infrastructure, Planning and Logistics	\$155.68m	Department of Transport and Main Roads - South Coast Region	\$44.41m
Transport Canberra and City Services	\$15.25m	Digital & ICT	\$1,702.11m	Department of the Chief Minister and Cabinet	\$79.91m	Department of Transport and Main Roads - RoadTek	\$13.02m
Chief Minister, Treasury and Economic Development Directorate	\$13.58m	Sydney Metro	\$1,090.15m	Power and Water Corporation	\$17.74m	Department Of Education, Training and Employment	\$9.94m
ACT Health Directorate	\$13.47m	Transport NSW - Corporate	\$731.78m	Territory Families, Housing and Communities	\$13.6m	The University of Queensland	\$9.91m
Canberra Institute of Technology	\$2.88m	Health Infrastructure	\$515.13m	Department of Health	\$8.32m	Building and Asset Services - Wide Bay Burnett Region	\$9.44m
Environment, Planning and Sustainable Development Directorate	\$0.51m	Department of Education – SINSW	\$277.79m	Department of Corporate and Digital Development	\$7.21m	Department of Transport and Main Roads - Wide Bay/Burnett District	\$7.21m
Justice and Community Safety Directorate	\$0.36m	Transport for NSW (Roads and Maritime Projects)	\$272.25m	Police, Fire and Emergency Services	\$1.85m	Department of Innovation Tourism Industry Development and the Commonwealth Games	\$6.29m
Suburban Land Agency	\$0.27m	Transport for NSW	\$210.22m	Department of the Attorney-General and Justice	\$1.22m	Department of Transport and Main Roads - North Coast Region - Program Delivery and Operations	\$4.26m
ACT Legislative Assembly	\$0.04m	Department of Communities and Justice	\$73.01m	Department of Industry, Tourism and Trade	\$1.13m	QBuild - North Queensland	\$3.17m
		HealthShare NSW	\$67.53m	Land Development Corporation	\$1.02m	Rockhampton Regional Council	\$2.87m

South Australia	Value	Tasmania	Value	Victoria	Value	Western Australia	Value
Department for Infrastructure and Transport	\$1,694.94m	Department of State Growth	\$87.29m	Department of Health & Human Services - Property & Asset Services	\$119.86m	Department of Finance	\$1,806.02m
SA Housing Authority	\$22.79m	Department of Communities Tasmania	\$29.23m	Victorian School Building Authority	\$52.44m	Department of Fire and Emergency Services	\$47.99m
South Australia Police	\$18.m	Department of Health	\$12.74m	Development Victoria	\$14.51m	Public Transport Authority	\$45.83m
Department for Environment and Water	\$11.64m	Department of Education	\$5.6m	Department of Health & Human Services (DHHS)	\$12.91m	Health Support Services	\$32.7m
Super SA	\$7.02m	Department of Primary Industries, Parks, Water and Environment	\$3.29m	Cladding Safety Victoria	\$11.67m	Main Roads Western Australia	\$24.84m
Department of Education	\$7.02m	Department of Police, Fire and Emergency Management	\$1.33m	Western Water	\$11.m	Western Australia Police Force	\$18.82m
SA Water Corporation	\$5.22m	TasTAFE	\$0.4m	Goulburn-Murray Water	\$9.92m	PathWest Laboratory Medicine WA	\$15.06m
Department of Treasury and Finance	\$3.05m	Department of Justice	\$0.21m	Department of Environment, Land, Water and Planning	\$8.41m	Department of Transport	\$12.11m
SA Health	\$2.85m	Department of Treasury and Finance	\$0.18m	Holmesglen Institute	\$6.72m	Department of Water and Environmental Regulation	\$10.46m
Lifetime Support Authority	\$2.81m	Macquarie Point Development Corporation	\$0.11m	Department of Treasury and Finance	\$6.58m	South Metropolitan Health Service	\$8.97m

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KEY SELLERS

Australian Capital Territory	Value	New South Wales	Value	Northern Territory	Value	Queensland	Value
Icon Construction	\$58.71m	Sap Australia Pty Ltd	\$1,676.07m	Energy Developments Limited	\$77.2m	Hullsee Jv	\$37.71m
Shaw Building Group	\$8.51m	Laing O'Rourke Australia Construction Pty Ltd	\$1,087.95m	Exact Contracting Pty Ltd	\$14.37m	Axis Maintenance Services Pty Ltd	\$7.m
Projex Building Group Pty Ltd	\$8.1m	Lendlease Building Pty Ltd	\$452.54m	Ostojic Group Pty Ltd	\$12.29m	Wagners Cft	\$6.29m
Data#3 Limited	\$6.67m	Connectsydney Pty Ltd	\$282.m	Downer Edi Works Pty Ltd	\$10.19m	Colas Queensland Pty Ltd	\$5.41m
Complex Co. Pty Ltd	\$5.32m	Ventia Australia Pty Ltd	\$240.m	Northern Transportables Pty Ltd	\$7.44m	Woollam Constructions	\$4.04m
Rork Projects Pty Ltd	\$4.87m	Fulton Hogan Industries Pty Ltd	\$164.m	Demountable Sales And Hire Pty Ltd	\$7.07m	Boral Asphalt	\$3.8m
Cord Civil Pty Ltd	\$3.77m	Seymour Whyte Constructions Pty Ltd	\$113.66m	Aldebaran Contracting Pty Ltd	\$6.89m	Allroads Pty Ltd	\$3.55m
Proquest It Pty Ltd	\$2.69m	Downer Edi Works Pty Ltd	\$92.83m	Murray River North Pty Ltd	\$6.58m	I.C.M. Construction (Qld) Pty Ltd	\$3.28m
Sunquest Information Systems Pty Ltd	\$2.41m	Hindmarsh Construction Australia Pty	\$82.46m	Rusca Developments Pty Ltd	\$6.47m	Fb Contracting	\$2.91m
Iqon Pty Ltd	\$2.35m	John Holland Pty Ltd	\$62.49m	Surf Life Saving Northern Territory Incorporated	\$5.85m	Schiavello Construction (Qld) Pty Ltd	\$2.76m

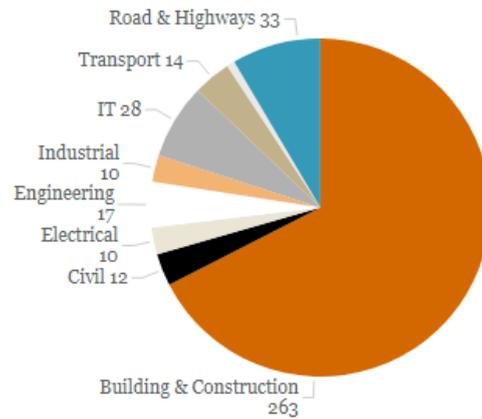
South Australia	Value	Tasmania	Value	Victoria	Value	Western Australia	Value
Keolis Downer	\$1,374.29m	Hazell Bros Group Pty Ltd	\$34.86m	Department Of Families, Fairness And Housing	\$93.07m	Web Key It Pty Ltd	\$1,600.m
Downer Edi Works Pty Ltd	\$51.83m	Rtc Facilities Maintenance (Tas) Pty Ltd	\$27.5m	Dhhs	\$26.8m	Broad Construction Services Pty Ltd (Broad Group Holdings Pty Ltd)	\$65.49m
Mconnell Dowell Constructors (Aust) Pty Ltd	\$35.02m	Shaw Contracting (Aust) Pty Ltd	\$18.41m	Maben Group Pty Ltd	\$14.9m	Technifire 2000 (Bira Enterprises Pty Ltd)	\$47.51m
Downer Infrastructure - Road Services	\$24.57m	Hansen Yuncken Pty Ltd	\$10.62m	Comdain Infrastructure	\$11.m	Pact Construction Pty Ltd	\$39.24m
Fulton Hogan Industries	\$24.08m	Awc Pty Ltd	\$10.11m	Creation Homes (Vic) Pty Ltd	\$10.91m	Nec Australia Pty Ltd	\$31.23m
Built Environs	\$22.93m	Vec Civil Engineering Pty Ltd	\$7.88m	S&R Engineering And Construction	\$9.55m	Gb El Jv (Bg&E Pty Limited & Ghd Pty Ltd)	\$20.m
Woods Bagot	\$22.68m	Gradco Pty Ltd	\$6.86m	Morton Dunn Pty Ltd	\$8.76m	Bio-Rad Laboratories (Lsg)	\$15.06m
Bitumax Pty Ltd	\$19.32m	Sage Automation	\$5.51m	Jll	\$6.58m	Devlyn Construction (Devlyn Australia Pty Ltd)	\$12.52m
Mcmahon Services Australia (Sa) Pty Ltd	\$18.58m	Valueit	\$2.43m	Roe Australia Pty Ltd.	\$5.84m	Australian Transit Group (Australiantransit Group)	\$11.24m
Bmd Constructions	\$14.23m	Dcs Civil Tas Pty Ltd	\$2.m	Microsoft Pty Ltd	\$5.8m	Pindan Contracting Pty Ltd	\$10.99m

OUTLOOK

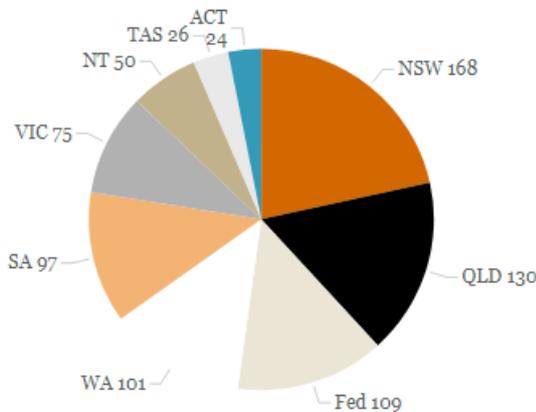
This section of the report provides some analysis of the upcoming contracting opportunities currently advertised on each state and federal government website. The overall analysis of these tenders shows a significant number of opportunities still available for those in the Building & Construction sector, and mainly for those operating in New South Wales, Queensland, and the Federal Government.

The latest data, extracted on 6 May 2021, shows 780 new contract opportunities. 387 were related to key sectors, and 68% (263) of these, were related to Building & Construction, indicating that there is currently a lot of potential for this sector in Australia.

Number of Opportunities by Key Sector



Number of Opportunities by State



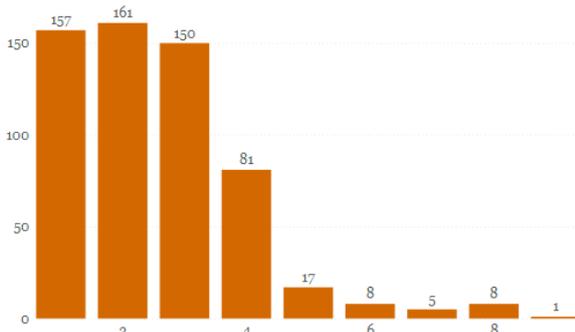
When broken down into state, it is clear to see which states currently have the most tender opportunities. As shown, New South Wales has the highest number of tenders with 168, followed by Queensland with 130, and the Federal Government with 109. Conversely, Australian Capital Territory has the fewest opportunities at present, with only 24.

The data also reveals that Scheme Invitations are currently the most popular type of opportunity in Australia, followed by Quotes. Although Expression of Interest for Pre-Qualification is the third most common type of opportunity, there was only 1 tender for the Application for Pre-Qualification.

Type of Opportunity



Tenders by number of weeks to closing date



The chart on the left shows the number of tenders that are due to close within the next 9 weeks. As shown, 468 tenders are due to close within the next 3 weeks. There are therefore significant opportunities still available for bidders who are quick off the mark, but the longer term outlook for bidding is weaker.