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CONTRACTING AUSTRALIA

PUBLIC SECTOR CONTRACTING STATE OF THE MARKET REPORT

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.

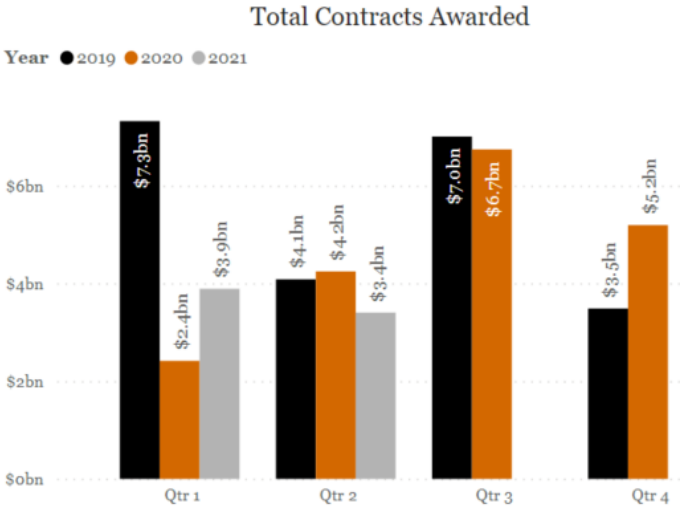
We're proud to bring you our public infrastructure contracting State of the Market Report, giving you the latest insights and information into the sector's relationship with the public sector.

Our focus for this research is public sector contracts in industrials, technology, engineering & infrastructure[1], because that is our core client group. We pulled data on some 10,017 public sector contracts this quarter and crunched the numbers to find out who is buying what, where, when and how.

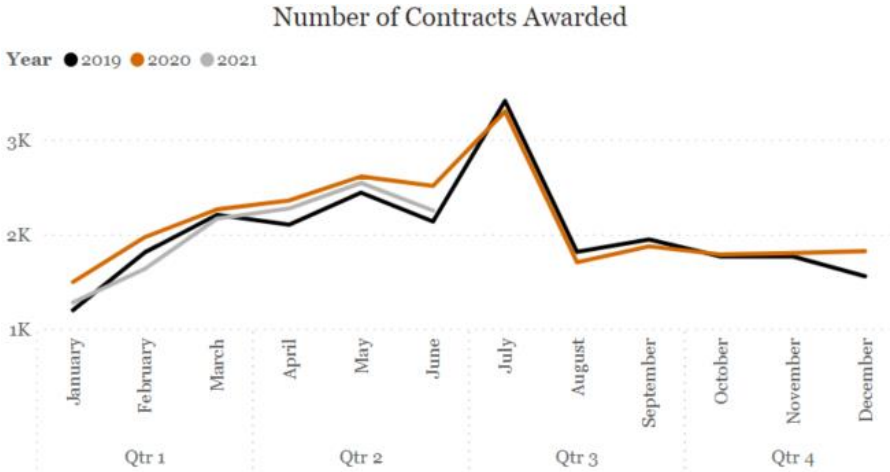
[1] This research excludes major military hardware expenditure by Department of Defence but does include all infrastructure and construction expenditure by DoD.

FEDERAL GOVERNMENT CONTRACTING

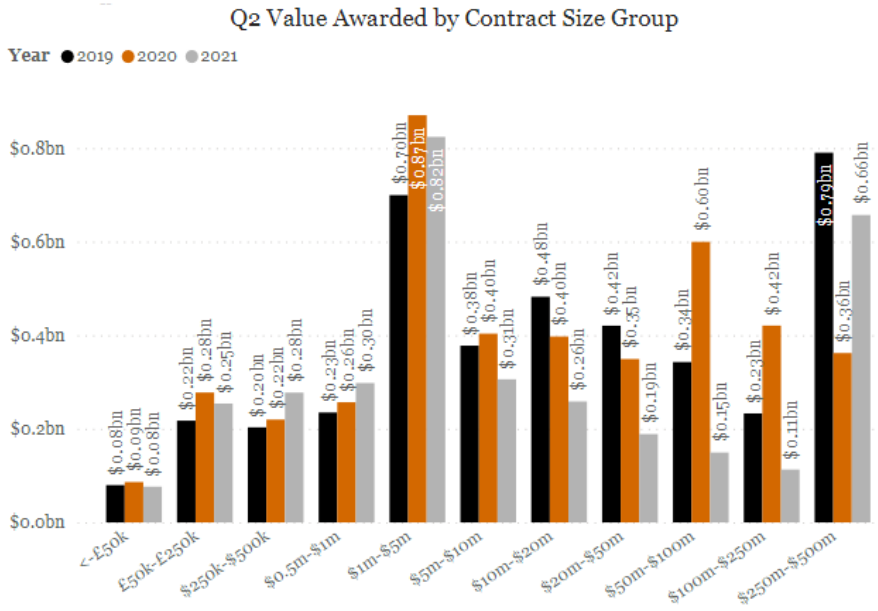
In the second quarter of 2021, the Federal Government experienced a fall in total contract value from both 2020 and 2019. And, despite having 2,720 more contracts this quarter, total value still fell $0.5bn short from Q1, indicating that the government awarded a lot more lower value contracts than previously. However, not all sectors shared this downfall, as those in the Transport Services sector experience a significant 93% increase in total contract value. Similar to Q1, companies in the Transport, and Building sector have also seen increases this quarter, with the Transport sector holding the highest value per contract at $1.m.



The Federal Government awarded $3.4bn worth of contracts in the second quarter of 2021, which was $0.5bn less than the first quarter – almost 13% less. In comparison to Q2 in previous years, 2021 has been the lowest overall, with a 19% ($0.8bn) drop from 2020, and a 17% ($0.7bn) drop from 2019.



Despite this, the number of contracts awarded has remained relatively on trend with previous years, showing that an increase in the number of contracts between Q1 and Q2 is quite a common trend. By June 2021, 2251 contracts were awarded by the Federal Government. Although this is less than in 2020, when there were 2512, this is higher than 2019 when only 2135 were awarded.

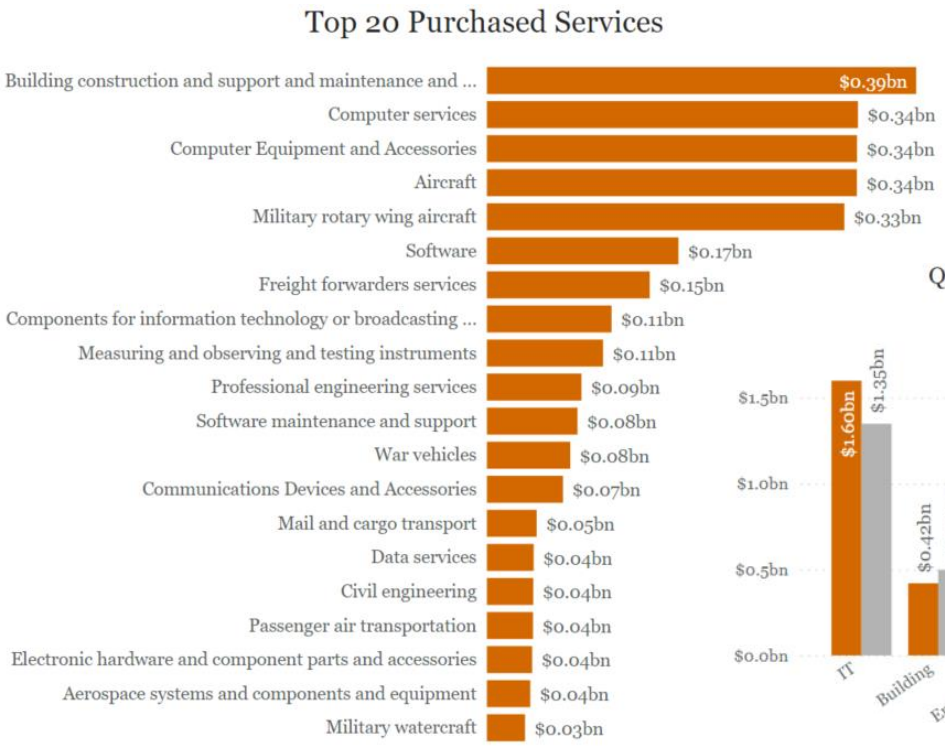


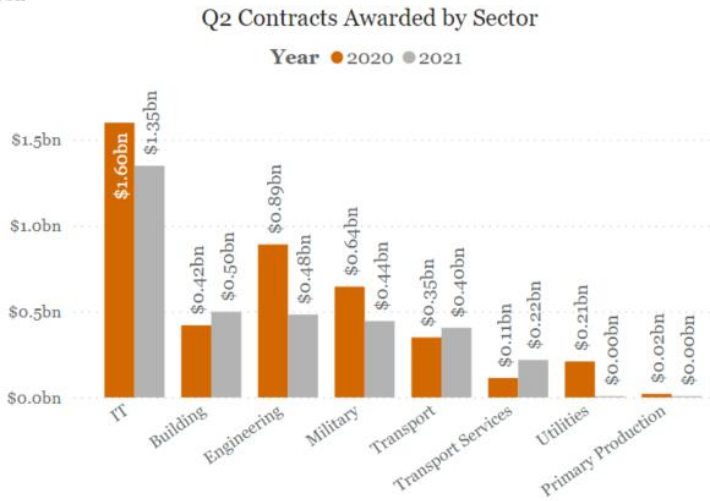
Breaking these contracts down by contract size reveals that, similar to 2020, most of the contracts awarded this quarter had a value between $1m - $5m. Nearly 20% ($0.66bn) were valued between $250m - $500m, totalling nearly double the value amount than in 2020. This contract size group, alongside those between $250k-$1m, were the only groups to have increased value totals compared to 2020. The biggest difference in contract value can be observed in the $50m-$100m contract size group, where there was a 75% decrease. Unlike Q1, there were no contracts awarded over $500m.

SERVICES PURCHASED

Like Q1, the most purchased service in the second quarter was the Building Construction, Support, And Maintenance Services with $0.39bn in contracts. However, this is a 73% reduction in total value, compared to Q1. Other services that were also commonly purchased were Computer Services, Computer Equipment and Accessories, Aircraft, and Military Rotary Wing Aircraft, all with around $0.34bn each.

The Information Technology sector was the most valuable sector in Q2 this year, with $1.35bn awarded in contracts. Nevertheless, this was a 16% reduction from Q2 2020. The Building; Transport; and Transport Services sectors were the only areas to experience increases in total contract value from Q2 2020; all other sectors have declined, with the Engineering sector decreasing by over 46%. Although the Transport sector wasn't the most profitable this quarter, it held the highest value per contract at $1.6bn, which is a 110% increase from Q1.

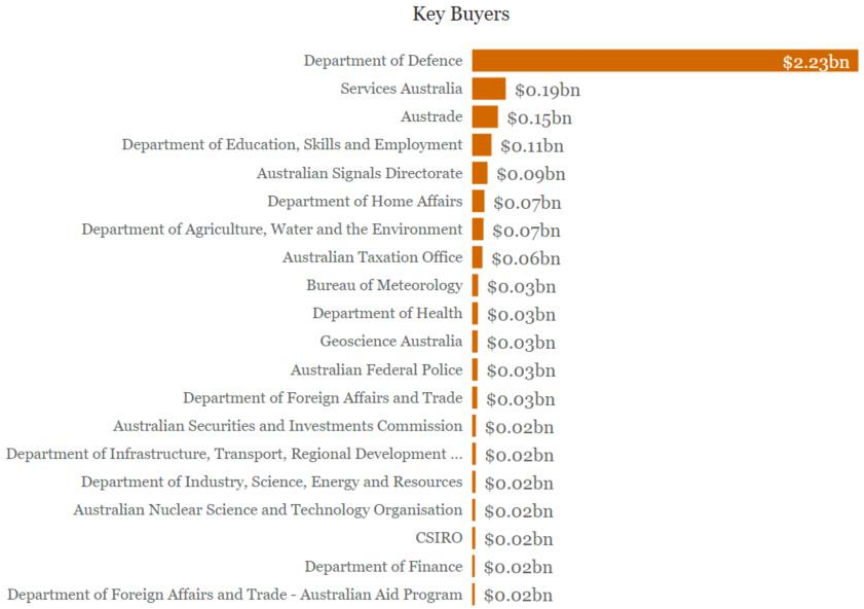




Sector	2020	2021	Difference	Per Contract
Building	$419.95m	$497.83m	↑ 18.5%	$0.73m
Engineering	$889.69m	$481.77m	↓ -45.8%	$0.29m
IT	$1,597.42m	$1,347.13m	↓ -15.7%	$0.38m
Military	$644.34m	$444.29m	↓ -31.0%	$0.78m
Primary Production	$20.59m	$3.52m	↓ -82.9%	$0.09m
Transport	$349.21m	$404.89m	↑ 15.9%	$1.6m
Transport Services	$113.17m	$218.06m	↑ 92.7%	$0.78m
Utilities	$209.37m	$3.94m	↓ -98.1%	$0.3m

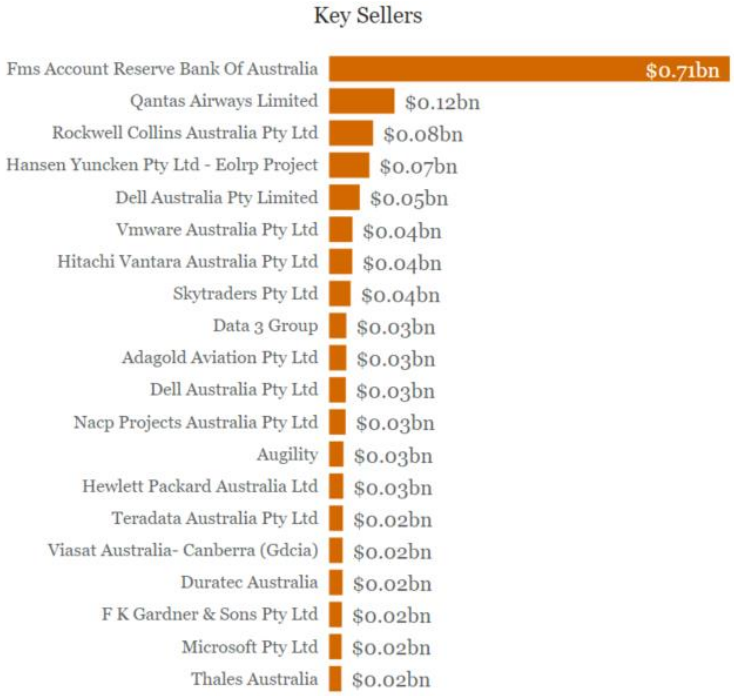
MAIN BUYERS

As with 2020 and 2019, the Department of Defence was the main buyer for the Federal Government in Q2, with a total of $2.23bn. This is $0.86bn less than in Q1, but over $2bn more than Services Australia in this quarter, which was the second biggest buyer with $0.19bn. Austrade was the third biggest buyer with $0.15bn – all three of these agencies featured in the top 4 from Q1.



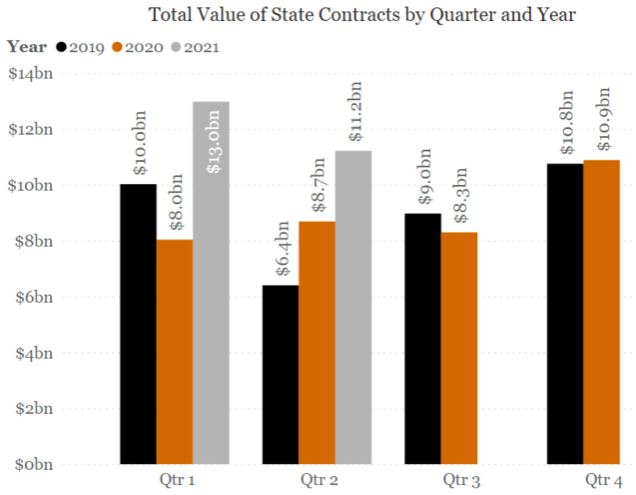
MAIN SELLERS

This quarter, the key seller was Fms Account Reserve Bank of Australia with $0.71bn, which was mainly achieved from two 4-year contracts with the Department of Defence – one worth over $333m for technical aircraft support, and the other over $323m for military rotary wing aircraft. Both contracts together make up 93% of the $0.71bn awarded. Qantas Airways Limited was the second biggest seller with $0.12bn awarded, mostly made from 1 freight forwarding services contract. Compared to Q1, the key sellers in this quarter differ significantly, as many of the contractors in the building sector that were key sellers in Q1 have been replaced by those in the IT sector, which has dominated the contracts this quarter.



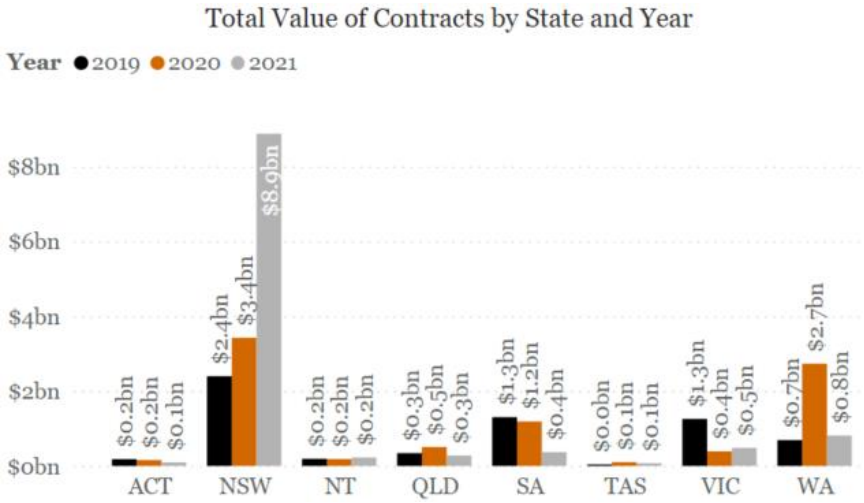
STATE GOVERNMENT CONTRACTING

Compared to the Federal Government, the states and territories of Australia have experienced another successful quarter, becoming their second most valuable quarter since 2019, at $11.2bn. Similar to Q1, 80% of this can be attributed to New South Wales. The Public Utilities and Public Sector Related Services was the most profitable, with a total of $5.19bn awarded in contracts – 99.6% of which coming from New South Wales. This was closely followed by Building and Facility Construction and Maintenance Services, which was the most valuable sector for 4 states, and in the top 3 for all states that used that category. The least valuable sector across Australia's states was Industrial Production and Manufacturing Services, with only $2.2m this quarter.



In the second qarter of 2021, the states and territories of Australia collectively generated a total of $11.2bn in contracts. Although this is a slight (14%) decrease from Q1, it is a 29% increase from the same quarter last year and a 75% increase from Q2 in 2019.

As shown, a significant amount (80%) of the total contract value can be accounted for by New South Wales, which made $8.9bn this quarter. This is an 162% increase from Q2 in 2020 and 271% from Q2 of 2019. $3.2bn of this came from a single contract between NSW Procurement and Shell Energy Retail for the Retail Supply of Electricity and GreenPower to NSW Government and Eligible Buyers.



The only other states to have increased their total contract value this quarter, compared to previous years, was Victoria and Northern Territory, by $91.6m and $41.5m respectively.

Both Western Australia and South Australia have experienced significant decreases this quarter – 70% and 67% respectively, which is interesting to note as, in Q1, both states experienced increases, with Western Australia having the biggest percentage increase in contract value of all the states.

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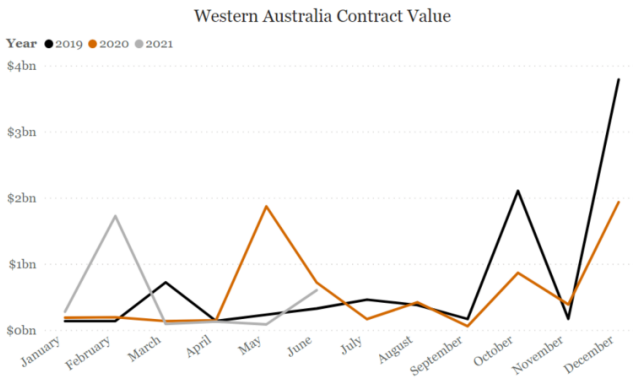
Following a relatively large spike in February, total contract value in Western Australia has remained very low, reaching only $88.5m in May, which is over $1bn less than in May 2020. Nevertheless, the end of Q2 saw a slightly increase to $627m, mostly made from a contract worth $504m with the Department of Education. Without this contract, total value in June would have been lower than at the beginning of Q2.



South Australia has also experienced great variation since 2019. However, since the $1.5bn spike in January 2021, contract value has remained below $230m for the following 5 months. By June 2021, 40 contracts were awarded, but total contract value sat at only $54.5m, with only one contract being valued over $5m.

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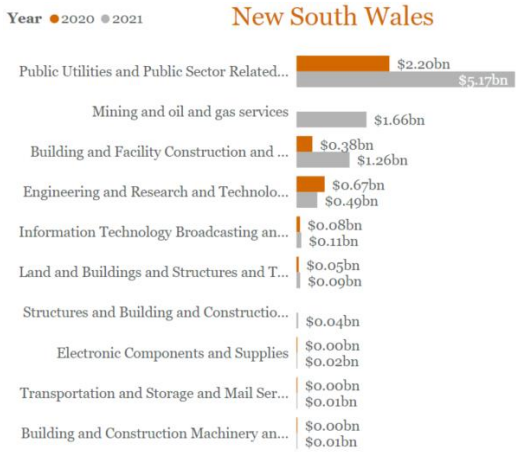
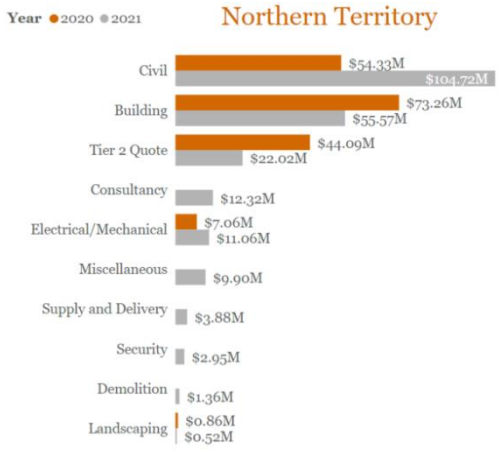
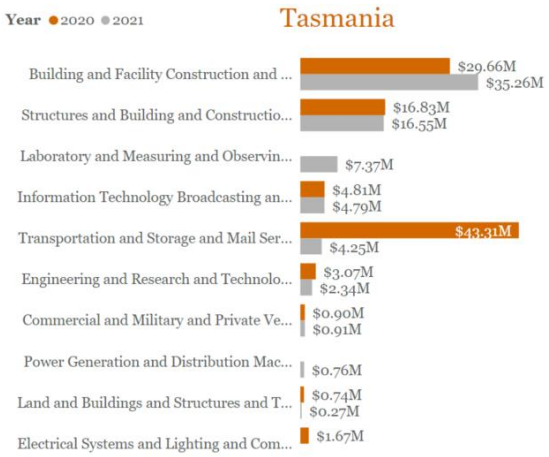
MOST IN DEMAND SERVICES







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KEY BUYERS

Australian Capital Territory	Value
Major Projects Canberra	$45.32m
Transport Canberra and City Services	$27.43m
Chief Minister, Treasury and Economic Development Directorate	$5.26m
Justice and Community Safety Directorate	$3.65m
ACT Health Directorate	$3.08m
Environment, Planning and Sustainable Development Directorate	$2.85m
ACT Long Service Leave Authority	$2.56m
Education Directorate	$1.95m
Suburban Land Agency	$1.8m
Canberra Institiute of Technology	$0.55m

New South Wales	Value
NSW Procurement	$3,200.m
Transport for NSW (Roads and Maritime Projects)	$1,929.66m
Transport Asset Holding Entity of New South Wales	$1,656.48m
Sydney Metro	$324.43m
Transport for NSW	$272.77m
Department of Education – SINSW	$212.77m
NSW Police Force	$190.11m
Health Infrastructure	$142.55m
Department of Regional NSW	$138.45m
Public Works Advisory	$137.78m

Northern Territory	Value
Department of Infrastructure, Planning and Logistics	$172.58m
Department of Health	$13.42m
Power and Water Corporation	$11.88m
Land Development Corporation	$10.35m
Department of Industry, Tourism and Trade	$4.8m
Police, Fire and Emergency Services	$4.05m
Department of Education	$2.11m
Department of Environment, Parks and Water Security	$1.94m
Department of Corporate and Digital Development	$1.22m
Department of Treasury and Finance	$0.69m

Queensland	Value
Department of Transport and Main Roads - Wide Bay/Burnett District	$97.46m
QBuild - South East Queensland	$29.61m
Department Of Education, Training and Employment	$21.56m
Department of Energy and Public Works - QBuild - Far North Qld	$18.35m
Department of State Development, Infrastructure Local Government and Planning	$14.12m
Building and Asset Services - South East Queensland	$12.83m
QBuild - Far North Queensland	$8.21m
The University of Queensland	$7.84m
Queensland Rail Limited	$7.82m
Queensland Health Capital Procurement	$6.71m

South Australia	Value
Department for Infrastructure and Transport	$259.32m
SA Water Corporation	$16.45m
SA Housing Authority	$15.1m
Department of Education	$14.42m
SA Health	$10.51m
Department of the Premier and Cabinet	$10.2m
SA Government Financing Authority	$5.81m
Department for Environment and Water	$5.29m
Department for Child Protection	$5.17m
Legal Services Commission of South Australia	$4.8m

Tasmania	Value
Department of Health	$23.44m
Department of State Growth	$19.29m
Department of Communities Tasmania	$13.27m
Department of Education	$6.27m
Department of Treasury and Finance	$4.8m
Department of Primary Industries, Parks, Water and Environment	$1.88m
Department of Justice	$1.31m
Tourism Tasmania	$1.26m
Macquarie Point Development Corporation	$0.99m
Department of Police, Fire and Emergency Management	$0.22m

Victoria	Value
Major Road Projects Authority	$159.33m
Department of Families, Fairness and Housing	$130.54m
North East Link Project	$28.79m
Development Victoria	$26.63m
Parks Victoria	$16.16m
Department of Education and Training	$13.61m
Shared Service Provider	$12.52m
Department of Justice and Community Safety	$11.22m
DoT Roads	$10.67m
Department of Health	$7.95m

Western Australia	Value
Department of Education	$509.31m
Department of Finance	$115.43m
Public Transport Authority	$32.57m
Main Roads Western Australia	$19.71m
WA Country Health Service	$12.48m
Racing and Wagering Western Australia	$11.8m
Department of Biodiversity, Conservation and Attractions	$11.57m
VenuesWest	$10.84m
Department of Mines, Industry Regulation and Safety	$10.05m
Rottnest Island Authority	$8.08m

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KEY SELLERS

Australian Capital Territory	Value
Huon Contractors Pty Ltd	$30.18m
Canberra Contractors Pty Ltd	$16.01m
Smec Australia	$6.7m
Woden Contractors Pty Ltd	$3.18m
Shaw Building Group	$2.84m
Dale & Hitchcock Civil Engineering & Landscaping	$2.62m
Formation Technology Pty Ltd	$2.56m
Complex Co. Pty Ltd	$2.43m
Guideline Act Pty Ltd	$2.13m
Citadel Health Pty Ltd	$1.85m

New South Wales	Value
Shell Energy Retail Pty Ltd	$3,200.m
John Holland Pty Ltd & Seymour Whyte Constructions Pty Ltd	$1,659.89m
Ugl Regional Linx Pty Ltd	$1,656.48m
Watpac Construction Pty Ltd	$248.32m
Mark43, Inc., A Delaware Corporation	$177.76m
Hansen Yuncken Pty Ltd	$143.01m
Fulton Hogan Construction Pty Ltd	$138.19m
Laing O'Rourke Australia Construction Pty Ltd	$83.12m
Acciona Construction Australia Pty Ltd	$61.54m
Downer Edi Works Pty Ltd	$39.41m

Northern Territory	Value
Allan King & Sons Constructions Pty Ltd	$18.26m
Allan King & Sons Construction Pty Ltd	$16.56m
Bmd Urban Pty Ltd	$10.26m
Aldebaran Contracting Pty Ltd	$9.97m
Dt Hobbs Pty Ltd	$8.47m
Monarch Ventures Pty Ltd	$7.98m
Mcmahon Services Australia (Nt) Pty Ltd	$6.09m
Remote Industries Australia Pty Ltd	$5.73m
Murin Association Inc	$5.73m
M G Electrical Services Pty Ltd	$5.35m

Queensland	Value
Georgiou Group Pty Ltd	$75.13m
Trafflec	$18.13m
Hutchinson Builders	$16.01m
Bmd	$14.12m
Vintage Cleaning Pty Ltd	$10.24m
Nileport Projects	$6.15m
U And A Cleaning Services	$5.36m
Accenture Australia	$5.33m
Fitout And Refurbishment Australia Pty Ltd	$5.28m
Richardson'S Building Service	$5.02m

South Australia	Value
Downer Infrastructure - Road Services	$68.91m
Downer Edi Works Pty Ltd	$45.22m
Mcmahon Services Australia (Sa) Pty Ltd	$23.65m
Bardavcol Pty Ltd	$20.81m
Chappell Builders Pty Ltd	$17.05m
Bmd Constructions	$16.12m
Bitumax Pty Ltd	$14.43m
Lucas Total Contract Solutions Pty Ltd	$12.15m
Iss Facility Services Australia Ltd	$10.2m
Topcoat Asphalt	$9.78m

Tasmania	Value
Vos Construction And Joinery Pty Ltd	$14.03m
Fairbrother Pty Ltd	$9.51m
Roche Diagnostics Australia Pty Ltd	$7.37m
Vec Civil Engineering Pty Ltd	$5.02m
W T H Pty Ltd Trading As Avis Australia	$4.m
Mabey Hire Pty Ltd	$3.77m
Crisp Bros. & Haywards Pty Ltd	$3.51m
Dxc Eclipse Pty Ltd	$3.43m
Rtc Facilities Maintenance (Tas) Pty Ltd	$2.32m
Cumulus Studio	$1.96m

Victoria	Value
Laing O'Rourke Australia Construction Pty Ltd	$119.94m
Dhhs	$70.45m
Department Of Families, Fairness And Housing	$59.92m
Whelans Group Investments Pty Ltd	$33.59m
Creation Homes (Vic) Pty Ltd	$14.28m
Jll	$12.52m
Simpson Construction Company Pty Ltd	$8.55m
Ace Infrastructure Pty Ltd	$8.33m
Cmp Consulting Group Pty Ltd	$7.65m
Ausnet Gas Services Pty Ltd	$7.33m

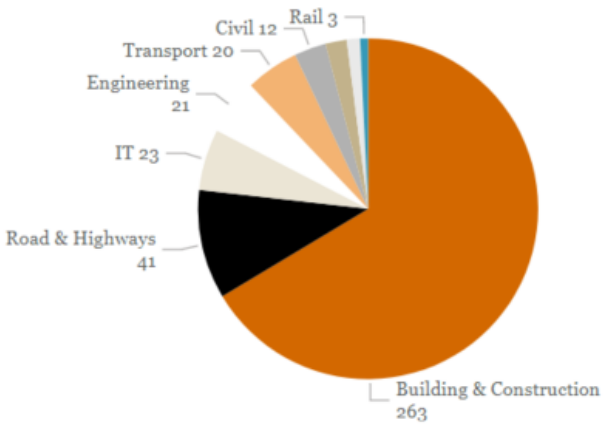
Western Australia	Value
Kinetic It	$504.m
Perkins Builders Wa Pty Ltd (Perkins Builders)	$48.49m
Civcon Civil & Project Management Pty Ltd	$15.84m
Bitumen Sealing Services Pty Ltd	$11.61m
St John Ambulance Western Australia Limited (St John Ambulance Australia (Western Australia) Inc)	$11.m
Firm Construction Pty Ltd	$10.9m
Fleetwood Pty Ltd	$10.56m
Western Power	$9.35m
Bgc Construction Pty Ltd (Regional Office) (Bgc Construction Pty Ltd)	$8.76m
Hawley Cooper Resources Pty Ltd	$7.51m

OUTLOOK

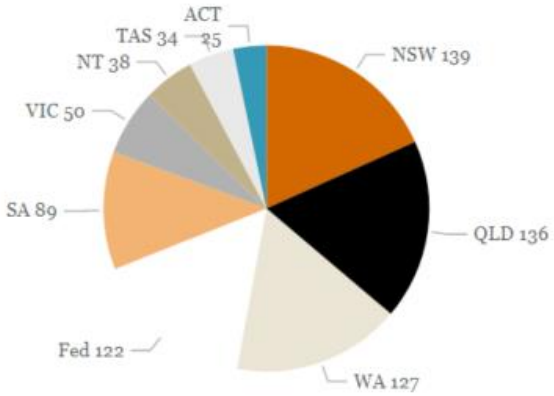
This section of the report provides some analysis of the upcoming contracting opportunities currently advertised on each state and federal government website. The overall analysis of these tenders shows a significant number of opportunities still available for those in the Building & Construction sector,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

The latest data was extracted on the 15 July 2021 and reveals 760 new contract opportunities. 263 of these were related to Building and Construction, 41 to Road and Highways, and 21 to Engineering.

Number of Opportunities by Key Sector



Number of Opportunities by State

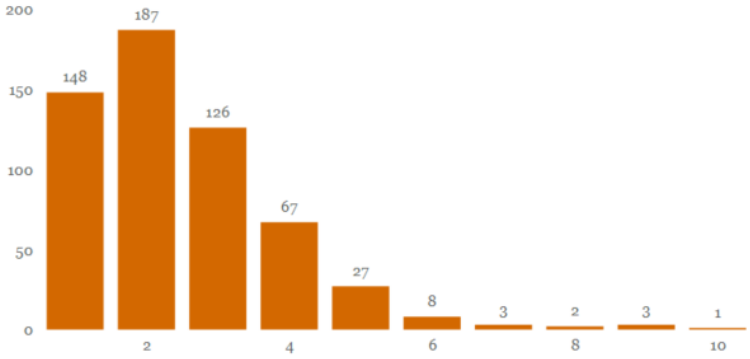


As shown in the pie chart on the left, the majority of these contract opportunities are from New South Wales, with 139, but Queensland is a close second with 136. Western Australia and the Federal Government also had high opportunities with 127 and 122 respectively. Similar to Q1, Australian Capital Territory had the fewest opportunities, with only 25.

Type of Opportunity

Like Q1, Scheme invitations were the most popular type of opportunity in Australia, followed by Quotes. Expression of Interest and Expression of Interest for Pre-Qualification were the third and fourth most common type of opportunity, yet there was only 1 tender for the actual Application for Pre-Qualification.

Tenders by number of weeks to closing date



Overall, there is a total of 572 tenders that are due to close within the next 10 weeks – over half of these (335) within 2 weeks. With only 8 tenders closing in over 7 weeks, bidders should be quick to take the opportunities available now, as bidding will be more difficult in the long term.