



2015 Major Projects Report

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QMCA Major Projects Report - 2015

Presentation Outline

- Key findings of the 2015 Report
- The economic environment
- The investment challenge
- Opportunities and implications

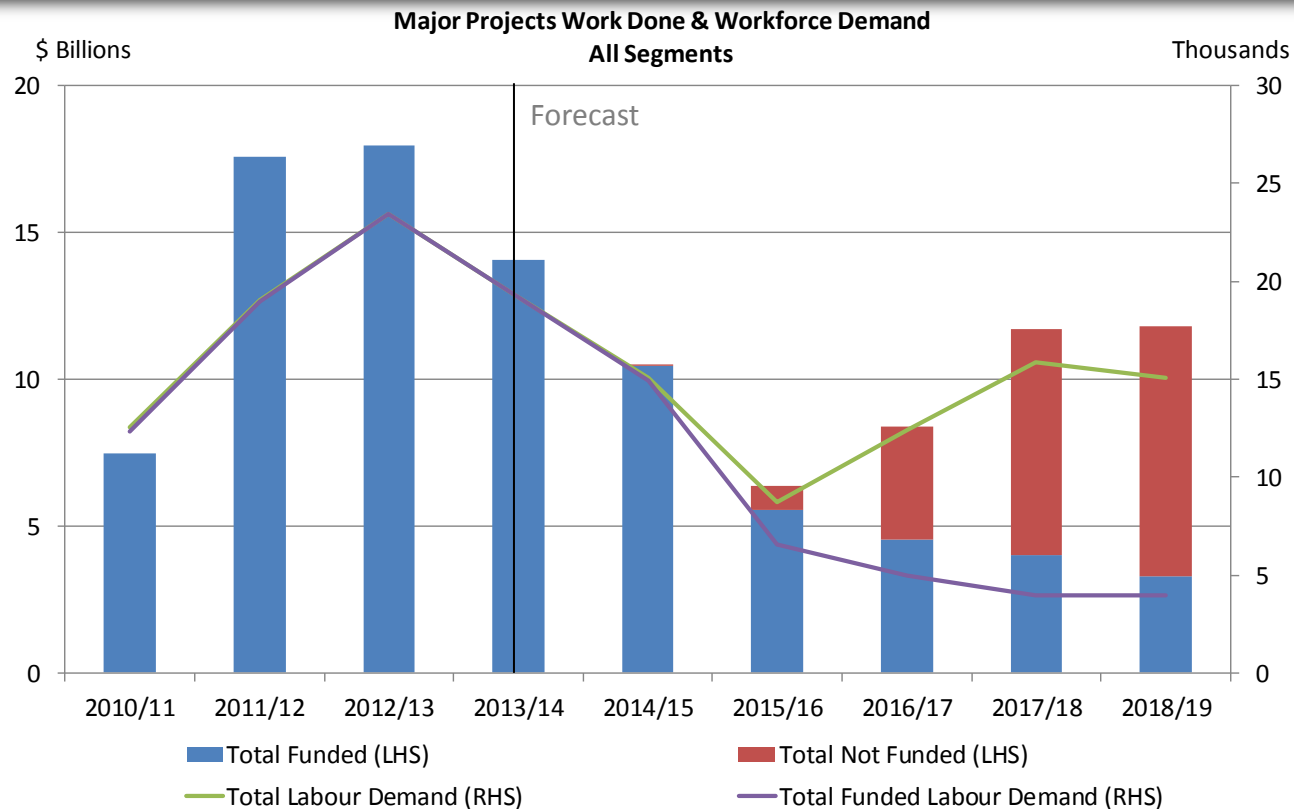
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Key Findings

- Queensland major project work fell 22% in 2013/14
- A further 55% fall in major project work is expected over 2014/15 and 2015/16
- Next upswing now subject to significant risks
- An increasing role for government as private investment falls
- Implications for industry contractors and suppliers

Key Findings

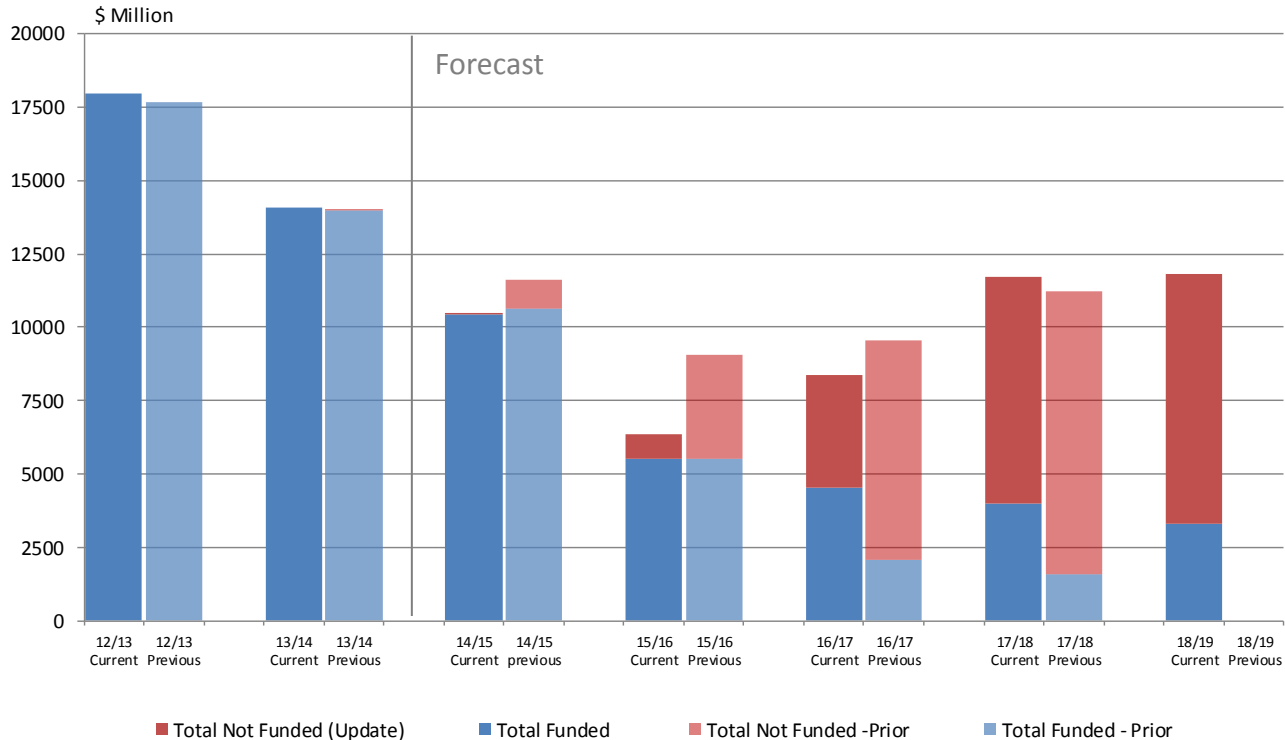
Major Project activity falling sharply



Key Findings

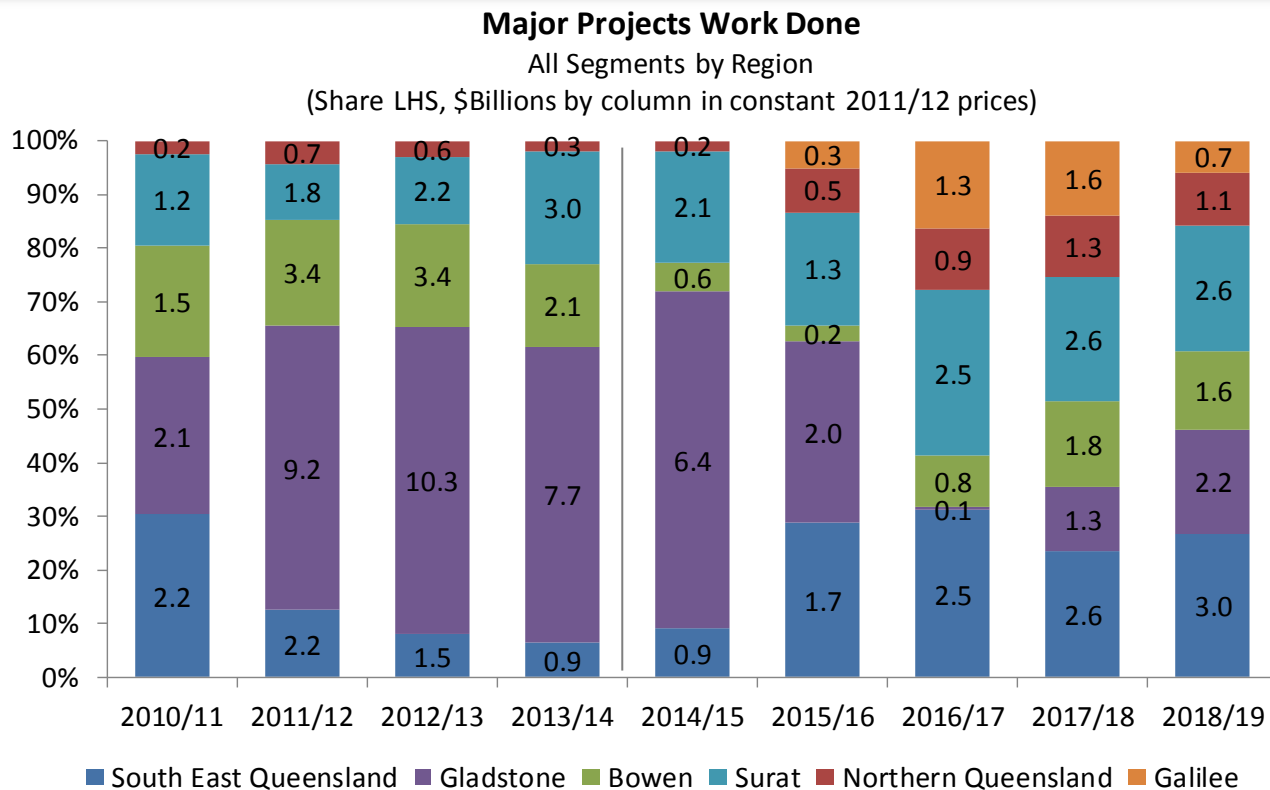
Weaker outlook compared to the 2014 Report

Total Work Done Forecast
2014/15 Forecasts vs 2013/14 Forecasts



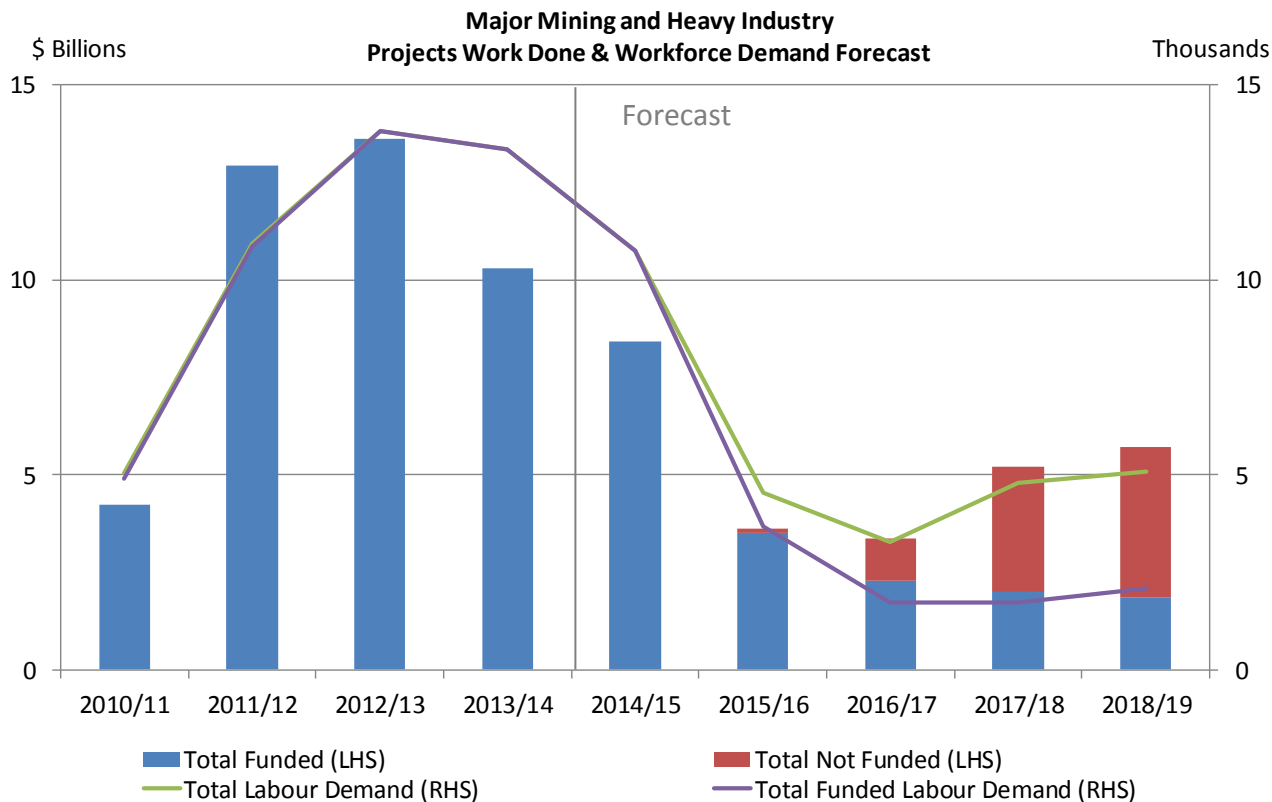
Key Findings

Shifts in the Regional Location of Work



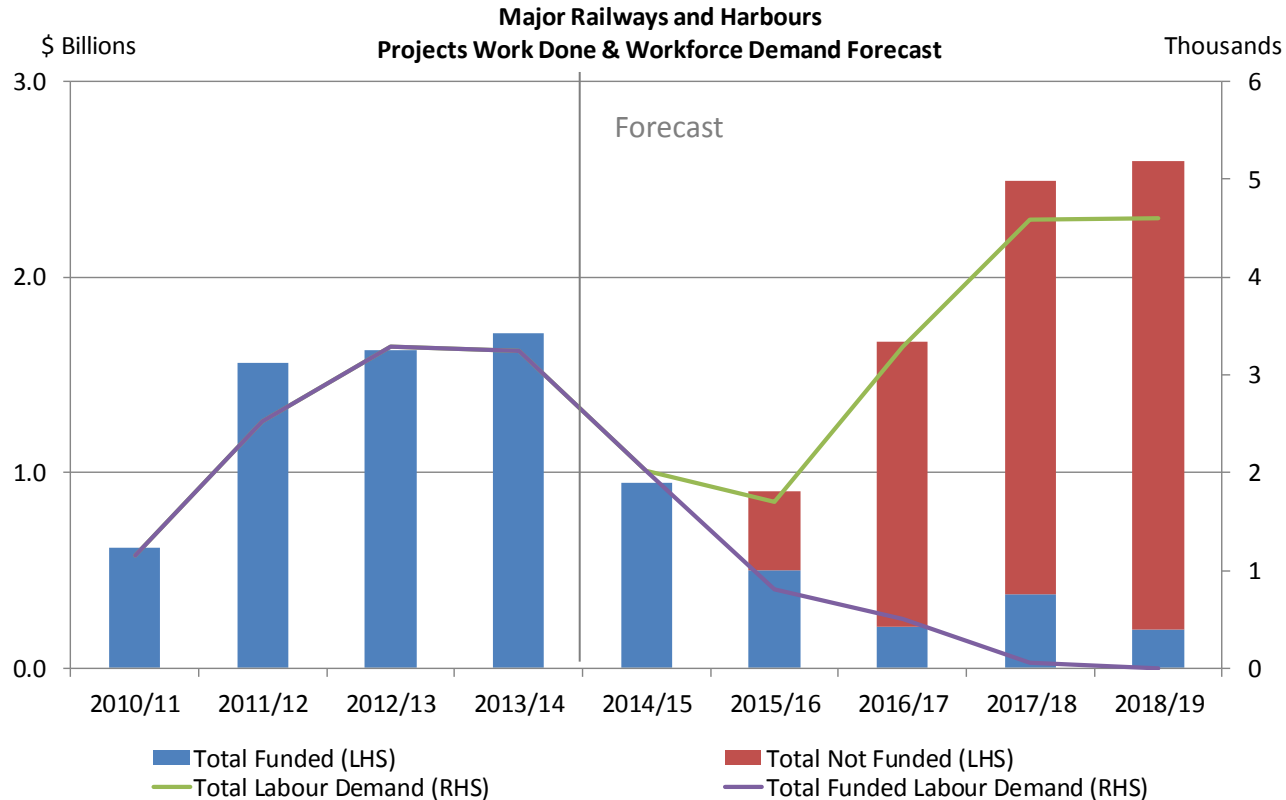
Key Findings

Mining & Heavy Industry Construction Facing the Brunt of the Fall



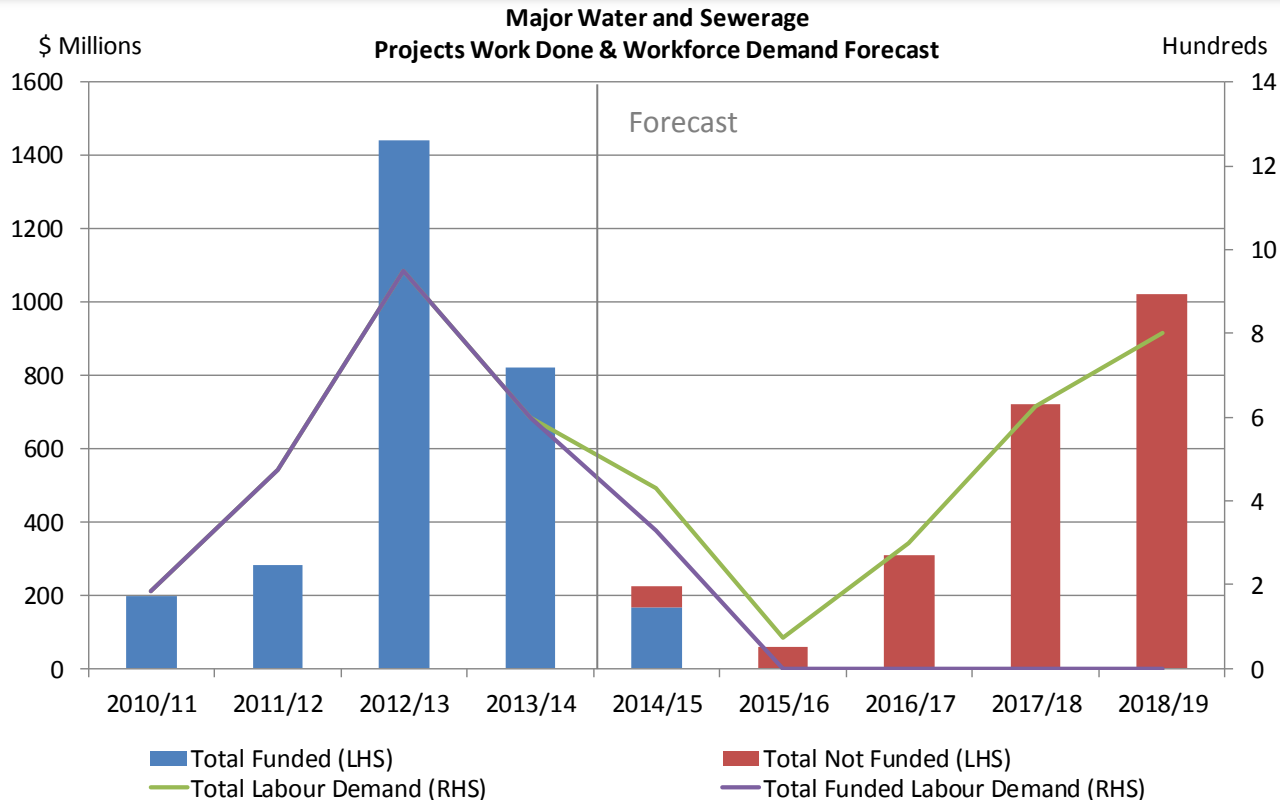
Key Findings

Railways and Harbours outlook also depends on risky resources projects



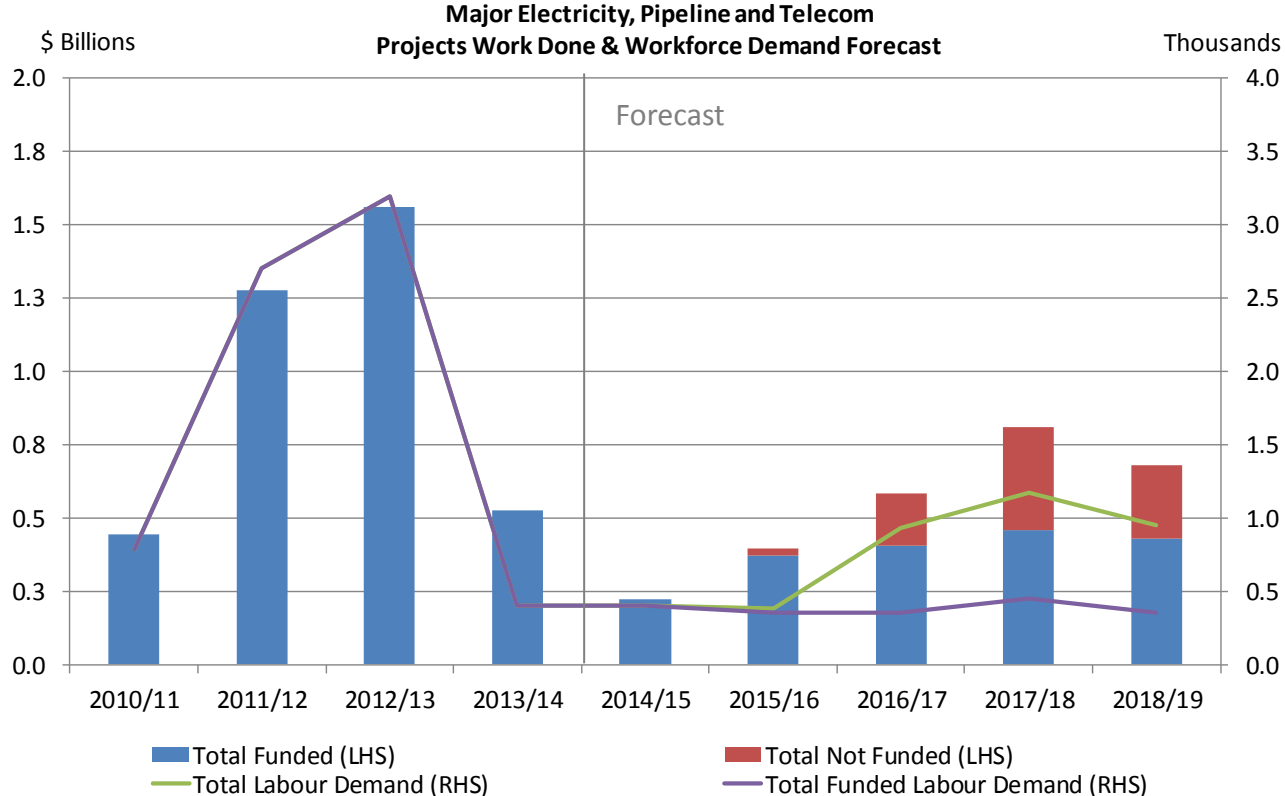
Key Findings

No funded major water and sewerage projects beyond 2015/16



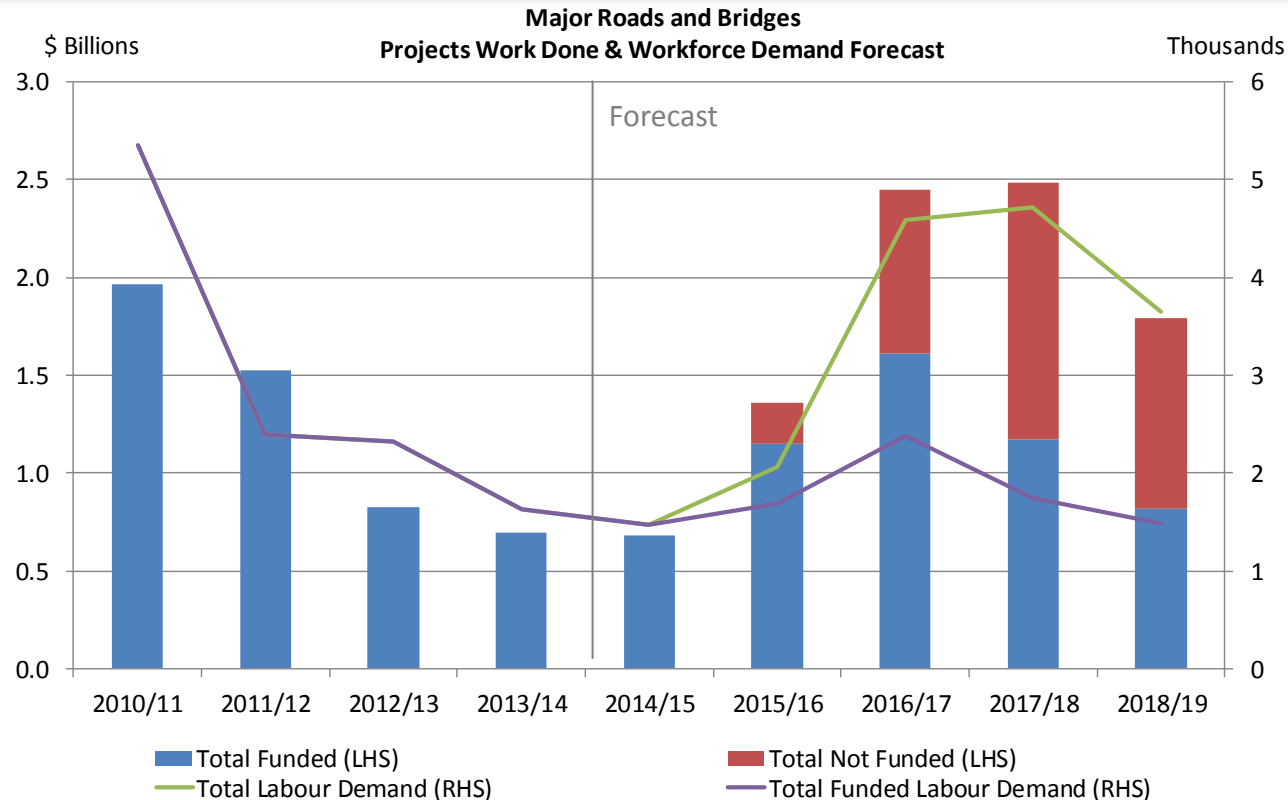
Key Findings

Electricity and Pipeline work has already collapsed



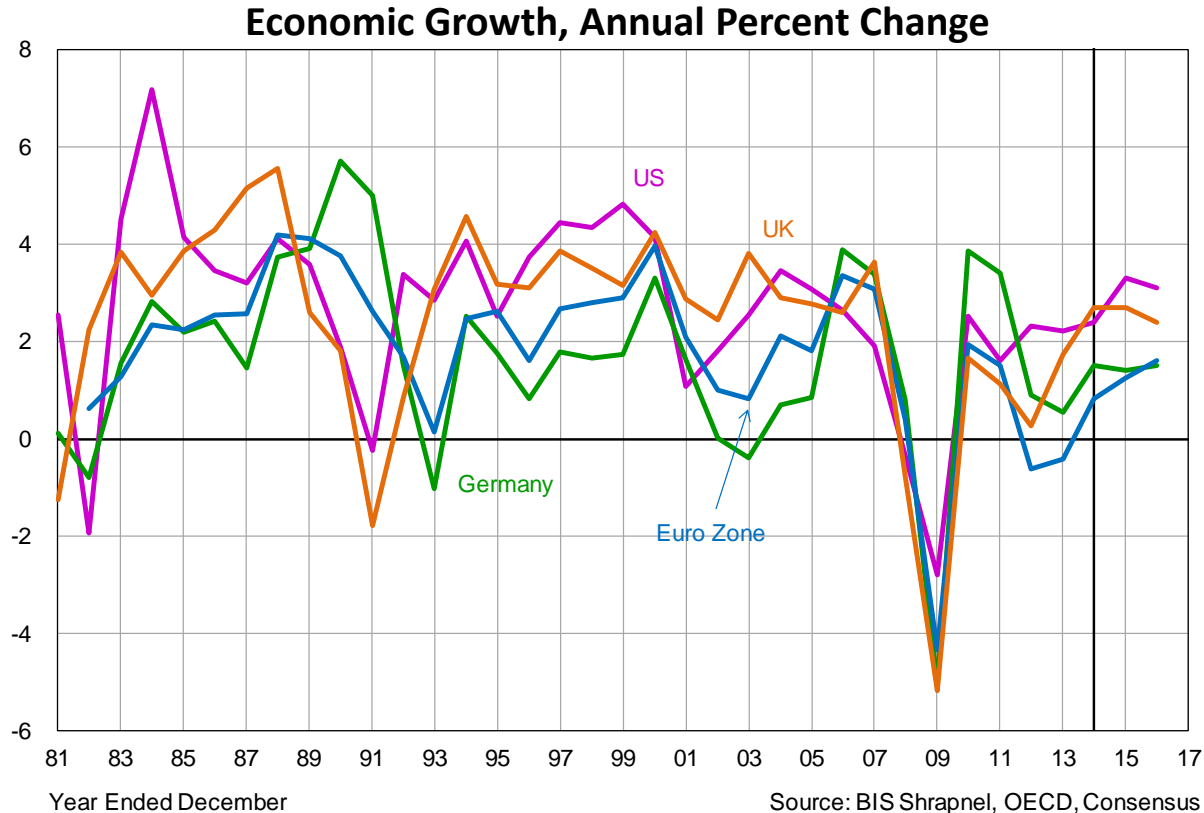
Key Findings

Roads poised for recovery, but a lot of potential work remains unfunded



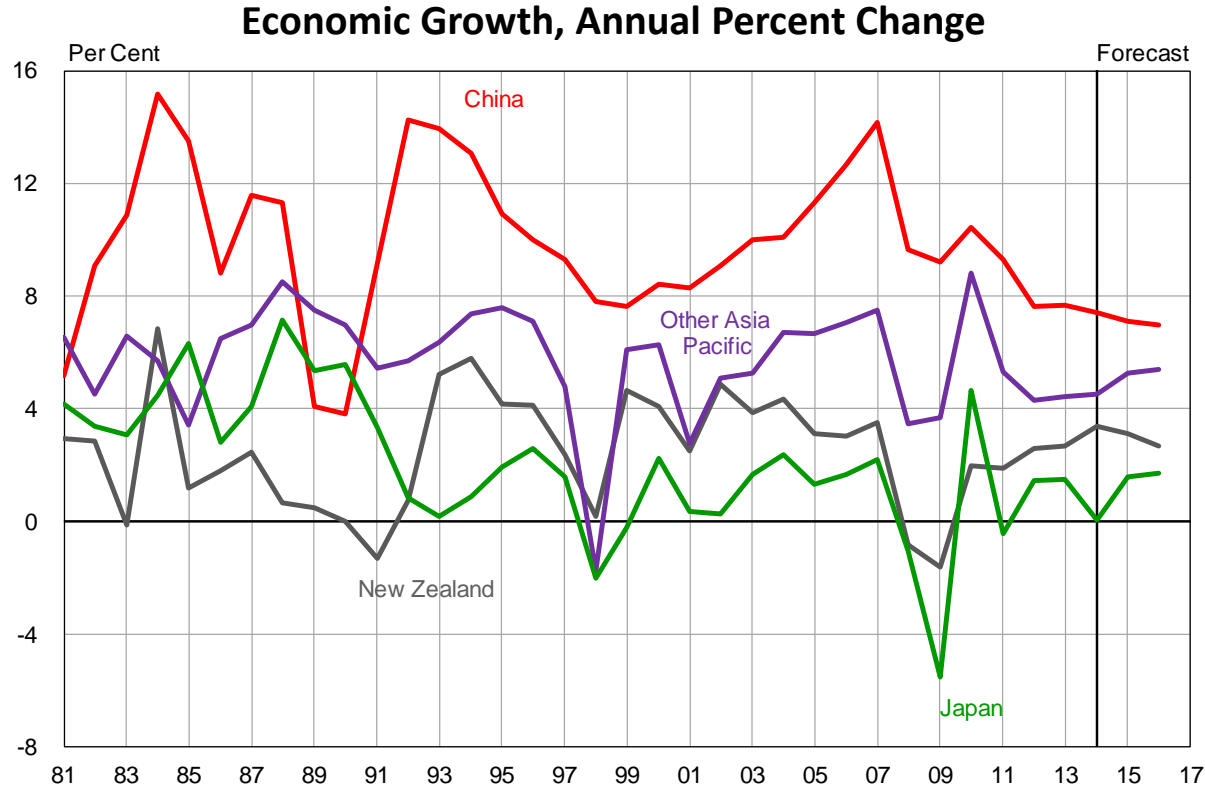
Economy

Global economic growth is improving, but recovery is slow and subject to risk



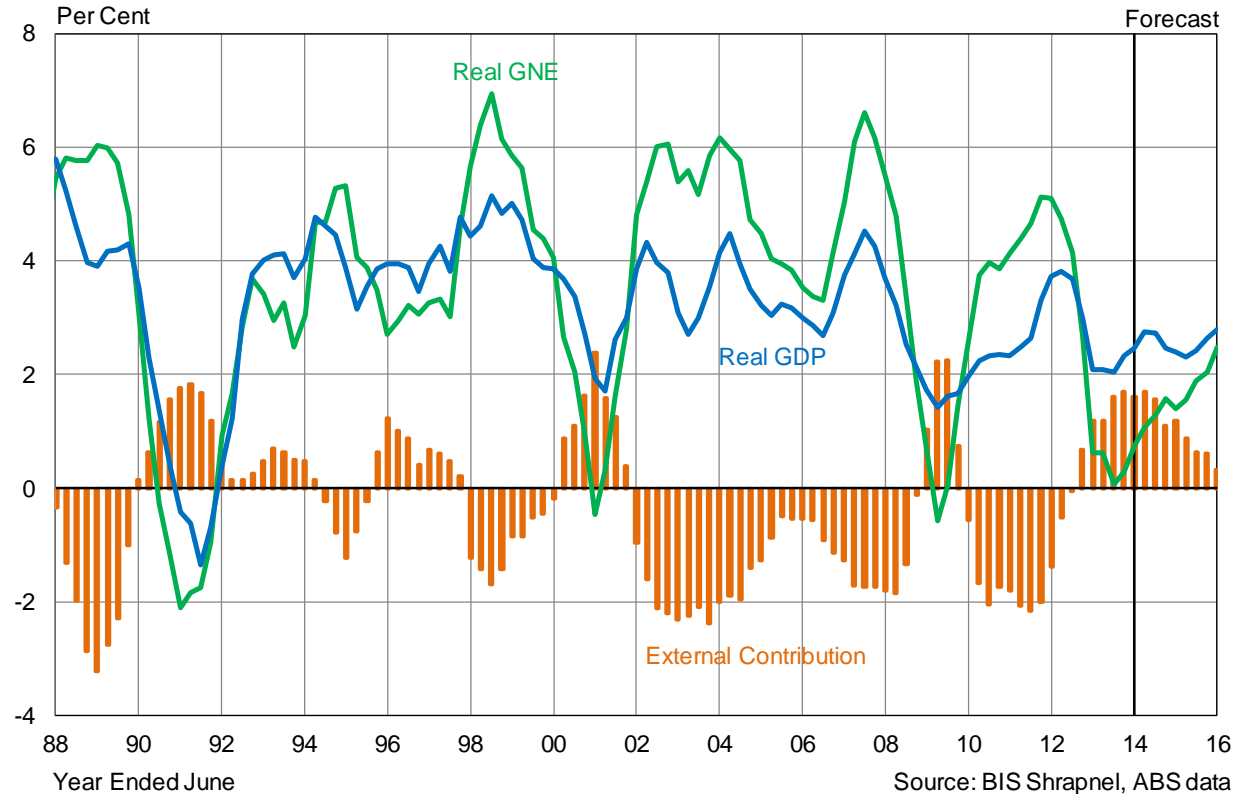
Economy

China's growth is slowing, though it is now the second largest economy



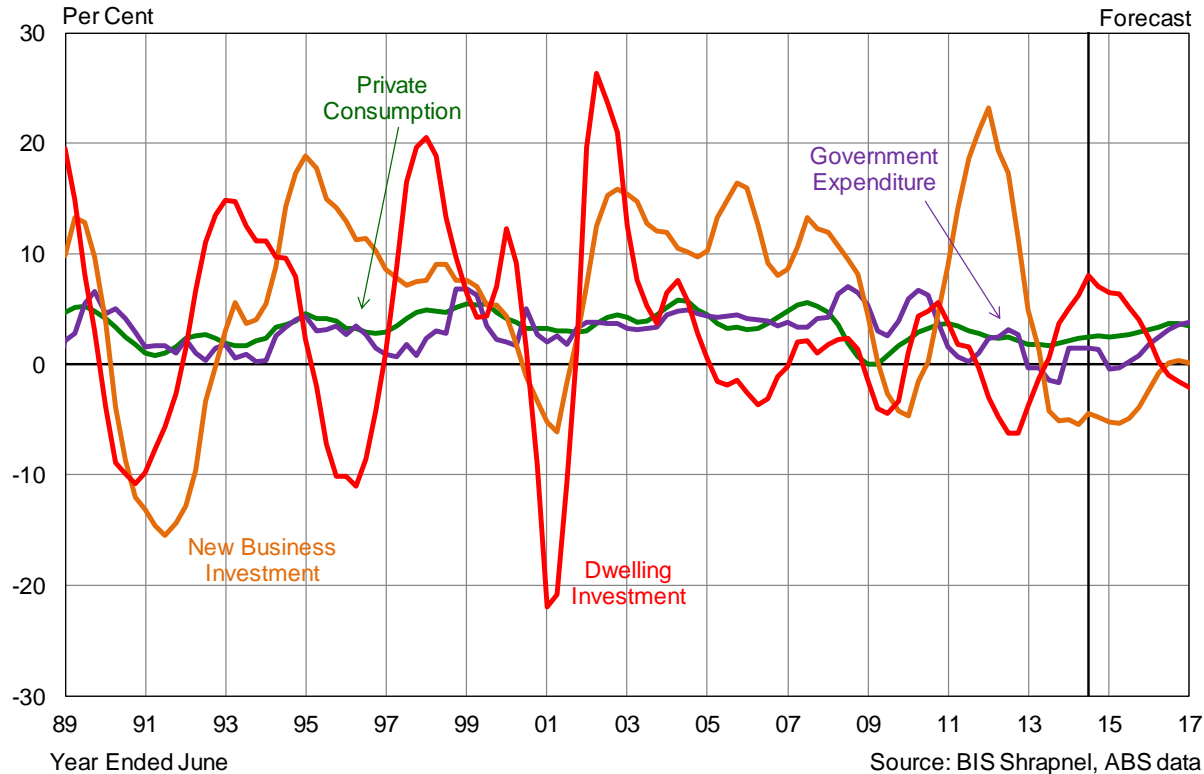
Economy

National economy stuck in slow lane . . .



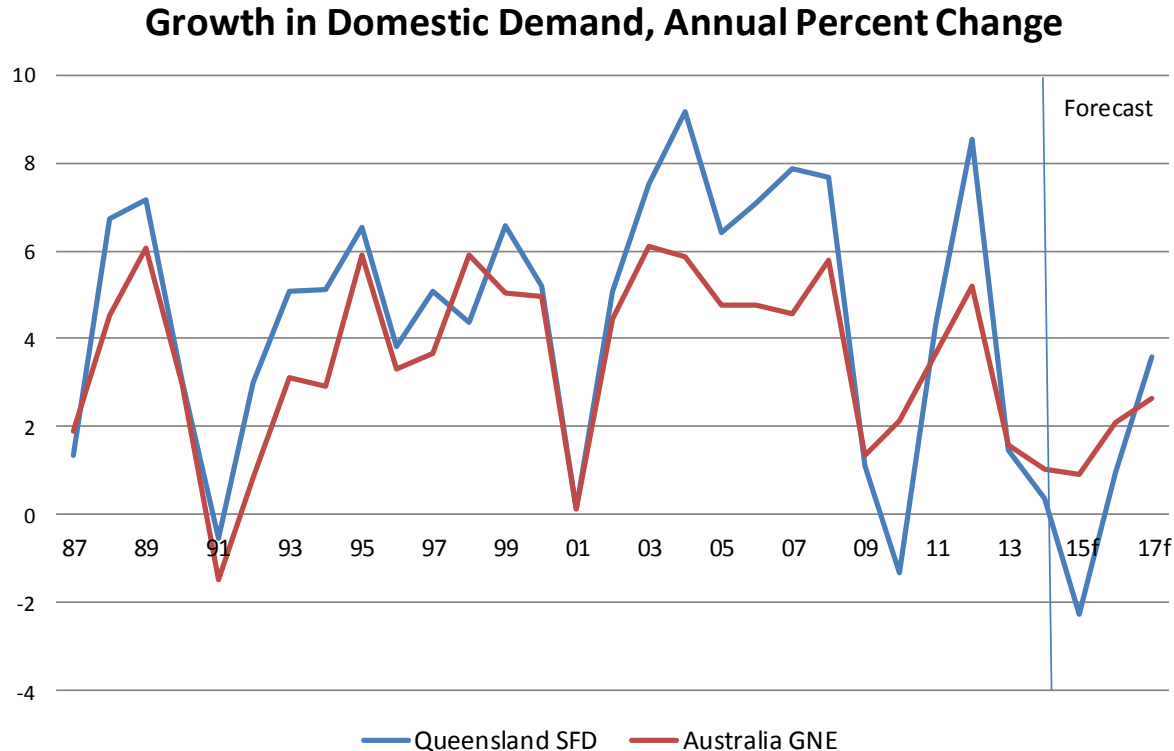
Economy

... as business and government investment stalls



Economy

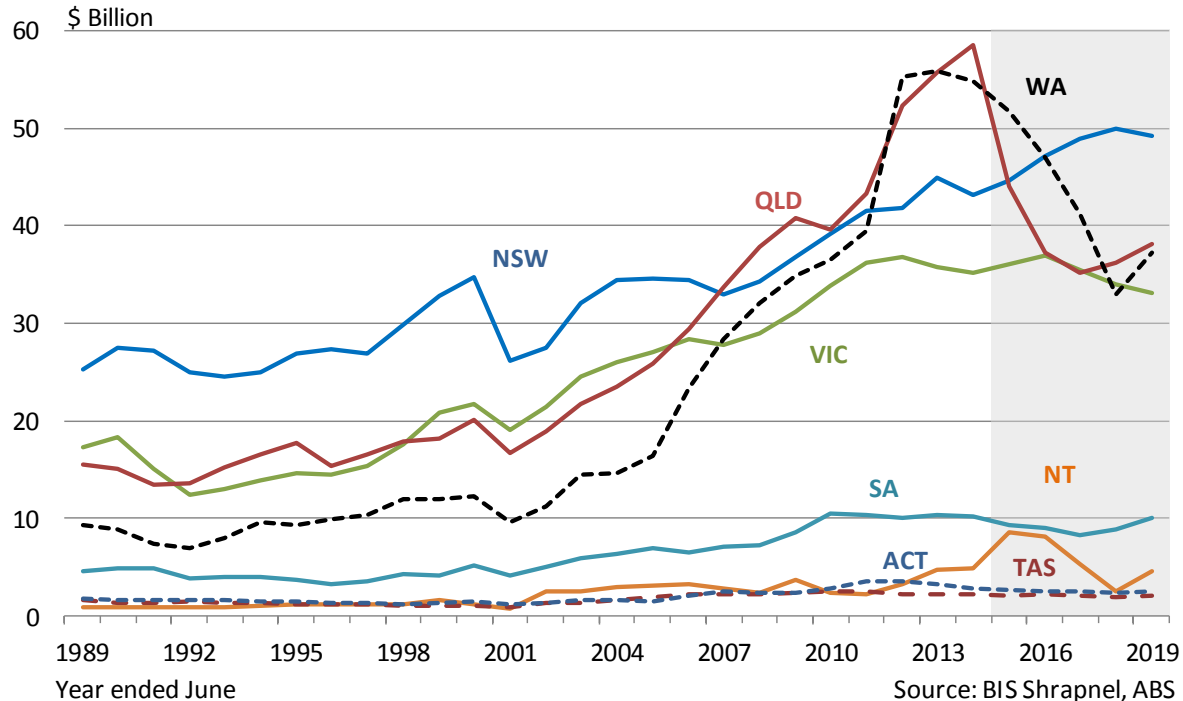
Queensland domestic economy now underperforming Australia ...



Economy

... as the fall in investment (and construction) is concentrated in QLD (and WA)

Total Construction Work Done by State



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Key messages

- Decline in Major Project work has only just begun
 - 22% decline in 2013/14, and another 55% decline coming through
- Hard road ahead in adjusting to the “new normal”
 - Contractors need to hang on and survive
- Queensland economy still rests on strong fundamentals
 - Vast natural resources / trade / skills / population growth
 - Investment cycles will remain a feature of the economy
 - Lots to learn from the past in forming policies for the future

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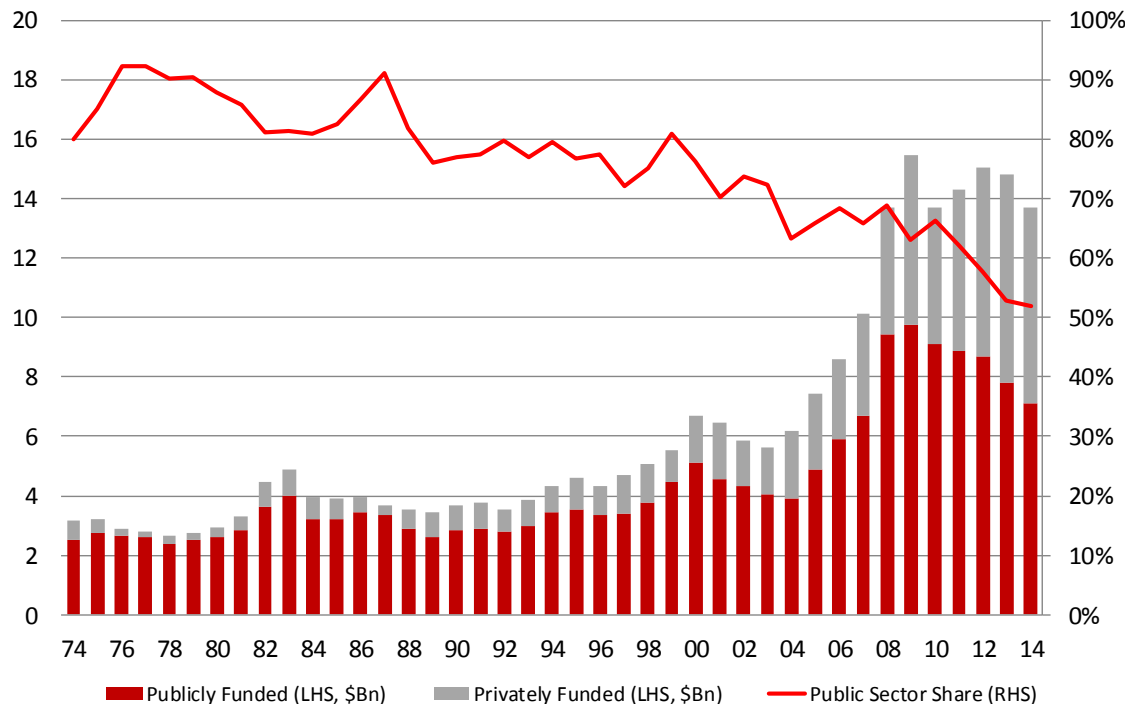
Key messages

- Challenge now is in attracting new investment
- A strong State and Federal Government is crucial
 - Mining-related projects will take time to recover...
 - *While “traditional” infrastructure responsibility is returning to Govts*
 - Should not try to “fill the gap” left by the mining boom...
 - *But should attempt to smooth the cycle and sustain skills*
 - Invest in projects which make the best economic sense...
 - *While assisting structural rebalancing of the economy*

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Key messages

Queensland Infrastructure Construction by Funding Source (A\$Bn) and Share



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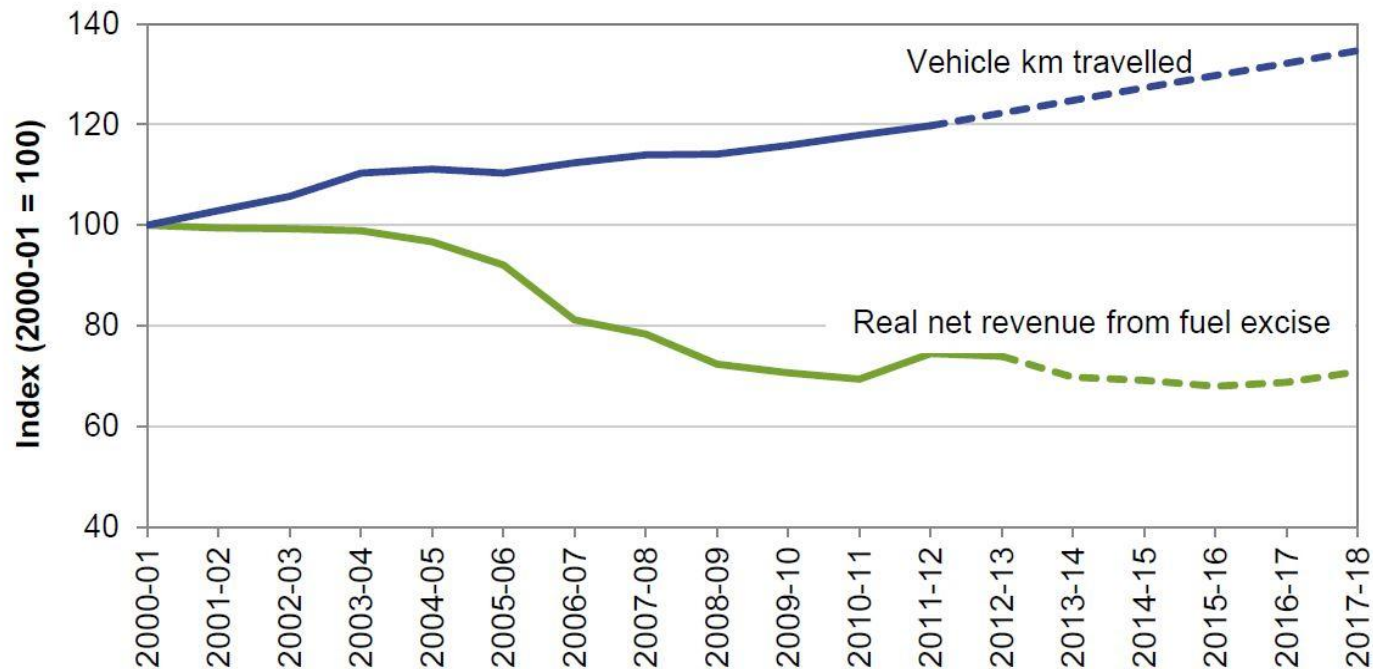
Implications Part 1: For Government

- Opportunity to implement “best practice” planning, funding and procuring for infrastructure investment
 - Choosing projects with the greatest net economic benefit
 - Finding ways to sustainably fund infrastructure provision long term
 - Adopt efficient procurement strategies
- A wide range of policy tools to draw from
 - Market-based funding mechanisms / private sector provision
 - Public sector borrowing & fundamental taxation reform
 - Capital recycling / Asset sales

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Key messages

Road Use versus Fuel Excise Revenue (Productivity Commission 2014)



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Implications Part 2: For Contractors and Industry

- Hard times will persist adjusting to the “new normal”
 - Need to survive / run tight on costs (sustaining quality)
 - Invest in skills and processes to maintain competitive edge
 - Take advantage of weaker prices where possible
 - Control what you CAN control
- Keep open to emerging opportunities
 - Be aware of differences between states and construction segments
 - Operations, FM and maintenance
 - Build relationships with industry and governments