



BUSINESSNEWS
WESTERN AUSTRALIA

Infrastructure

SPECIAL REPORT



Contracting concerns as workflow expands

Unprecedented transport infrastructure spending and an uptick in mining investment have buoyed the spirits of WA's major contractors.



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6-PAGE FEATURE

WESTERN Australia's civil contractors remain an optimistic bunch, despite many in the sector only managing to hang on from contract to contract.

In recent years, the sector has felt the brunt of the cyclical, resources-focused nature of the WA economy, with civil contractors facing an uncertain outlook as the overall value of construction work dropped from a 2013 peak of around \$20 billion, to its current level of approximately \$7 billion.

But while many would be forgiven for adopting a pessimistic stance, or packing up and moving interstate, WA's contracting

fraternity instead remains firmly focused on exploiting upcoming opportunities.

And while an expected revival in the resources sector, particularly from the state's iron ore giants, has helped boost business, it is the state government's record commitments to upgrading transport infrastructure across WA that has had the most marked effect on industry sentiment.

Infrastructure Australia chief executive Romilly Madew, in Perth recently to present at a Property Council of Australia event, painted a picture of a rapidly changing environment for infrastructure in WA, particularly in roads and rail.

"We continue to see a strong pipeline of business case submissions from WA, certainly the most number of submissions from any state or territory, reflecting the scale of infrastructure investment and planning currently under way in WA," Ms Madew said.

"Over the next decade, the number of trips on Perth's transport network is forecast to increase by more than 30 per cent to up to 7 million daily trips.

"Trips by public transport are expected to grow by more than

40 per cent, a faster rate than by car.

"This mode shift is a positive development, but congestion on Perth's roads will still be a challenge as the city grows."

She said in WA's rapidly changing environment, selecting the right infrastructure projects was a complex task, but possibly the most critical one facing the state government.

In that regard, the implementation of Infrastructure WA, a key election commitment by the McGowan government, represents a crucial step to getting the project mix right.

Planning Minister **Rita Saffioti** said much of the state government's transport infrastructure spending was focused on addressing the challenges of growth – reducing the costs of congestion as well as ensuring that communities were well connected to the centre of the city and other employment hubs.

Ms Saffioti described the state government's commitment as unprecedented, with \$4.1 billion committed in recent state budgets for Metronet, \$2 billion to go towards regional road upgrades,

\$415 million to upgrade level crossings along the Armadale line, and \$146 million in new cycling infrastructure the high-light initiatives.

"Another key priority from our perspective is working with industry and creating a pipeline of work," Ms Saffioti told a recent Committee for Economic Development of Australia event.

"By having an agreed plan in relation to investment for our rail lines and investment in roads, we give industry the opportunity to participate over a longer term.

"Working with industry, we believe over the next six years we can create a pipeline of work that creates investment certainty and also creates new freight routes and reduces congestion across the metropolitan area."

However, despite the increased confidence and improved sentiment, **Georgiou Group** chief executive Rob Monaci told *Business News* civil contractors were not without significant challenges.

Mr Monaci said while it was clear the overall levels of work were picking up, competition to secure a place on tender lists, and

ultimately win work, remained as high as ever.

"People's order books are filling up, but they're not full yet," he said.

"It's still very competitive – for resources projects, to secure manpower and equipment is going to be tough in the future.

"You need to be strong in order to shortlist and hopefully you get the right price."

Georgiou Group is one of the leading players in the newly established **Australian Contractors Association**, a representative body dedicated to promoting a sustainable contracting sector.

One of the association's biggest concerns is the structure of the WA contracting sector, and the capacity of WA-owned companies to win work among the state government's upcoming list of high-value projects (see list, p23).

"The whole idea is trying to get Australian-owned contractors to have some share of those big projects, because most of those projects in Australia are being delivered by international companies," Mr Monaci said.

Key takeaways

- State government addressing congestion with record transport spend
- Future works providing confidence for contractors
- Competition fierce to win work
- Labour squeeze, industry capacity loom as major challenges



MIXED BAG: Rob Monaci is upbeat about the pipeline of potential WA projects, but acknowledges there are still many challenges facing the contracting sector.

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WESTERN AUSTRALIA'S TRANSPORT CHALLENGE



800,000

NEW HOMES REQUIRED BY 2050

CONGESTION COSTS



2017 **\$2.1bn** 2030 **\$5.7bn**

STATE GOVERNMENT INITIATIVES



METRONET **\$4.1bn** + **246** NEW RAIL CARS

72km PROPOSED NEW RAILWAYS

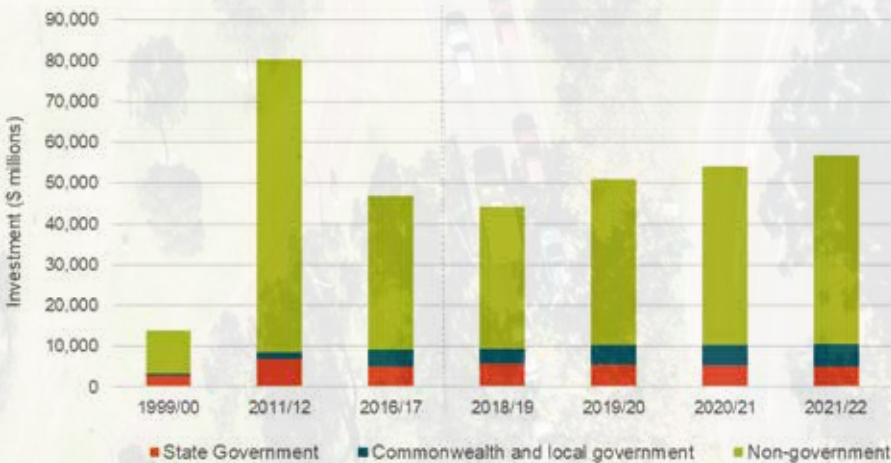


\$2bn 25 REGIONAL ROADS PROJECTS



Source: Department of Planning

INFRASTRUCTURE INVESTMENT IN WA



Source: ABS data, supplied by Department of Treasury



Challenges for contractors as work pipeline fills

From previous page

"More than 85 per cent of projects worth greater than \$500 million in the last five years in Australia have been delivered by multinationals.

"We're not saying we don't want internationals, the internationals are important, they bring a lot of experience.

"But how do we keep Australian content in there?"

Civil Contractors Federation WA chief executive Andy Graham shared Mr Monaci's concern.

The two largest projects under construction in WA currently – the \$1.9 billion Forrestfield Airport Link and the \$417 million Northlink stage two – are being rolled out by joint ventures headlined by international groups.

For Forrestfield, Italian infrastructure group Salini Impregilo

is leading a joint venture with locally based NRW Holdings, while at Northlink stage two, United Kingdom-headquartered Laing O'Rourke is leading a JV with BGC Australia.

Mr Graham said while the project mix in recent years had been reflective of the capacity of local industry, the burgeoning pipeline of big ticket jobs was a mounting concern.

"You have to look at the structure of the WA contracting industry," Mr Graham told *Business News*.

"This state government, and we applaud them for it, they are committed to WA jobs, they have an industry participation strategy that says you've got to provide opportunities for local businesses.

"The reality is that WA has a large and healthy civil construction industry but most of the WA

businesses have the financial capacity to bid for contracts up to around \$150 million.

"Once you get over that mark, there are very few companies that can bid."

Mr Graham said CCF had urged the state government to explore ways it could de-bundle projects and split them into smaller projects.

Main Roads Western Australia applied that thinking with its \$1 billion Gateway WA roads upgrade, requiring tier one contractors to joint venture with smaller firms to be eligible to win the works.

"Smaller projects are commonly regarded as more shovel-ready, because a smaller project is easier to get going than a large one," Mr Graham said.

"With a road, it's not so hard to break it into smaller pieces, but it's a little bit harder with rail of course.

"But the federal government can help there, too, with the project mix.

"It is the major funder of big transport projects, and of course has some influence.

"I believe the federal Infrastructure Minister Alan Tudge was in Perth a few weeks ago saying things along the same lines – he's working to get more \$10 million, \$20 million and \$30 million projects onto the pipeline, which is good news."

A relative newcomer to WA's transport infrastructure space is civil and structural engineering consultancy Pritchard Francis, which pivoted towards the sector in 2016 to insulate itself from declining levels of activity in its more traditional markets of land development and resources.

Pritchard Francis transport principal Mike Rathbone said he saw the pipeline of transport infrastructure being pursued by the state government as ambitious, with procurement proving to be a major challenge.

"The number and diversity of projects that are being tendered at any one time raises issues around conflict and probity that are inevitable in what is still a really small pool of suppliers," Mr Rathbone told *Business News*.

+40%
**INCREASE IN TRIPS BY
PUBLIC TRANSPORT
NEXT DECADE**

"Every new request for tender that comes across my desk has the requisite probity checks attached, so we need to think carefully about proceeding.

"On the other side of the fence are the resourcing constraints within client organisations that can lead to bottlenecks and delays.

"A lot of people will say there is too much red and green tape, but my own personal view is that most of it is necessary and important.

"If we can find efficiency and still achieve the objectives for a healthy society, then that would be the right balance."

In terms of resourcing, Mr Graham said CCF remained concerned around the state government's ability to roll out its

WA’s most important infrastructure projects

HIGH PRIORITY
Metronet: Yanchep rail extension
PRIORITY PROJECTS
Myalup-Wellington Water project
Metronet: Thornlie to Cockburn link
HIGH PRIORITY INITIATIVES
Perth CBD to north corridor capacity
Mitchell and Kwinana Freeways upgrade
PRIORITY INITIATIVES
Armadale Road Bridge
Swan River crossing capacity
Perth rail network capacity
Transport connectivity - Morley to Ellenbrook
Canning Bridge crossing capacity and interchance
Bunbury Outer Ring Road
Perth Airport new runway
Perth container terminal capacity and land transport access
Tonkin Highway corridor capacity
Land transport access - Karratha to Tom Price
Improve road access to remote WA communities

Source: Infrastructure Australia

...your key to WA business



Major project pipeline

Project	Value	Status
Metronet Rail Cars	\$1.6bn	Tender assessment
Morley-Ellenbrook Line	\$1bn	Business case development
Bunbury Outer Ring Road	\$700m	Project planning
HMAS Stirling Hunter Class training centre	\$670m	Project planning
Thornlie-Cockburn Link	\$536m	Consortia shortlisted
Yanchep rail extension	\$520m	Consortia shortlisted
Tonkin Highway Stage 3	\$505m	Project planning
Ocean Reef Marina	\$500m	Project planning
Byford rail extension	\$481m	Business case development
Armadale line boom gates upgrade	\$415m	Buisness case development
Myalup-Wellington water project	\$396m	Project planning
Tonkin Highway interchanges	\$366m	Project planning
New Fremantle Traffic Bridge	\$230m	Project planning
Midland Station upgrade	\$165m	Business case development
Bayswater Station upgrade	\$146m	Tender assessment
High Street upgrade	\$118m	Tender assessment

Source: BNiQ projects list

WA’s 10 biggest infrastructure jobs - under construction

Project	Value	Head contractor
Forrestfield Airport Link	\$1.9bn	Salini Impregilo/NRW Holdings
Northlink Stage 2	\$417m	Laing O'Rourke/BGC Australia
HMAS Stirling Infrastructure	\$367m	Doric
Great Northern Highway upgrade	\$344m	WBHO
Northlink Stage 3	\$175m	CPB Contractors
Armadale Road upgrade	\$145m	CPB Contractors/Georgiou
Armadale Road to North Lake Road Bridge	\$134m	Armadale Access Alliance
Minor Wheatbelt roadworks	\$129m	Lendlease
Onslow marine support base	\$125m	Maritime Constructions
Murdoch Drive connection	\$100m	CPB Contractors/Georgiou

Source: BNiQ

WA’s 10 biggest infrastructure contracts awarded 2018/19

Project	Value	Contractor
Main Roads electrical infrastructure maintenance	\$230m	Ventia/Tyco
Rain network radio systems	\$205m	Huawei/UGL
Armadale Road to North Lake Road bridge	\$134m	Laing O'Rourke/BG&E
Graham Farmer Freeway tunnel maintenance	\$53.2m	Lendlease
Wanneroo Road-Joondalup Drive intersection	\$50m	CPB Contractors
Roe Highway - Kalamunda Road interchange	\$51m	Georgiou Group
Smart Freeways (Kwinana Freeway)	\$47m	BMD/Ventia/Arup
Reid Highway upgrade	\$46m	Decmil
Wanneroo Road - Ocean Reef Road interchange	\$41.6m	WBHO/SRG Global
Onslow Road upgrade phase two	\$27.6m	Highway Constructions

Source: BNiQ

massive pipeline of projects in a sufficiently timely manner to satisfy industry’s needs.

Mr Graham said in the 2018-19 financial year, the state government had budgeted to spend about \$4.5 million in infrastructure projects, but only managed to invest about \$3.6 billion.

“That’s a significant underspend,” he said.

“In the context of the economy, the Chamber of Commerce and Industry came out with its outlook recently, which showed state final demand declined in 2018-19, so the WA economy shrank last year.

“Yet at the same time, there was a \$900 million underspend on

public infrastructure, so imagine what a boost to the economy that would have been.”

Mr Graham said he believed one of the biggest challenges facing the state government was to keep those projects on track.

“That can be achieved in part by giving the infrastructure agencies, particularly Main Roads and PTA, the resources to manage their workload effectively,” he said.

“What we’ve seen over the past decade is the agencies keep getting handed massive capital budgets, but their operating budgets have either stayed the same or been reduced.

“Sometimes the agencies just struggle to get the projects out the door on time.

“We need to invest in the capability of those agencies, give them all the people they need to procure projects and manage them effectively and keep them on track.

“The federal government can help, because one of the major causes to delays on projects is getting Commonwealth environmental approvals signed off.”

The other major challenge for industry, according to Mr Graham, was labour.

With WA’s resources sector once again on an upswing of activity, Mr Graham said he expected skilled

workers to be in hot demand to carry out major infrastructure works.

Business News recently reported that WA companies were likely to need to find an additional 9,000 workers within a year to carry out approved expansions in WA resources, placing considerable pressure on civil contractors.

Mr Graham said many workers had migrated from the eastern states in WA’s previous construction boom, however, with hundreds of billions of infrastructure projects under way on the


east coast, attracting those workers would likely be difficult.


“There are big concerns, and we’re already seeing it in some skills,” he said.

“Labour is a perennial problem because construction is a cyclical industry and in many ways WA is a cyclical state.

“So understandably it’s hard to plan and certainly there is no easy fix.

“But I think there is an acknowledgement that government and industry can work together and do more in the short term.”

Civil Contractors Federation WA



There are **33** results from our index of **99,405** articles, **9,843** companies and **36,160** people

Economics, environment weigh on Westport

A key component of WA's future economic growth lies in the hands of the agency tasked with determining the best location for imports and exports.



BALANCE: The Westport Taskforce is considering Fremantle's future as the state's main container facility. Photo: Gabriel Oliveira

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AS far as infrastructure projects go, they don't get much bigger, or have a wider-reaching impact, than a new port.

The state government's Westport Taskforce is weighing up a delicate balance between economics, governance, land use and environmental issues as it grapples with the significant task of choosing where to build the next generation of port infrastructure in Western Australia.

Established in 2017, Westport has since evaluated 300 options for port upgrades in the metropolitan area, largely focused on the future of the Port of Fremantle as a container import and export facility.

The task of upgrading port infrastructure, and its access points, has not been without contention, with the former Liberal government's preferred plan of extending Roe Highway to Fremantle becoming a key election issue and an environmental battleground in the southern suburbs of Coolbellup and Bibra Lake.

At time of writing, Westport had whittled its options down to 25 – four in Fremantle, four in Bunbury and 17 in Perth's main industrial strip in Kwinana.

Westport project director Tim Collins told a recent Property Council of Australia event that a shortlist of five options would soon be released, and a final recommendation presented to government in November.

Mr Collins said Westport was working on a conservative assumption of 3.25 per cent annual growth at Fremantle Port, taking annual trade from its current level of 800,000 container movements (TEUs) to 3.8 million over 50 years.

One of the key points of contention at Fremantle is the port's future capacity.

While Mr Collins said the port itself could handle a substantial upgrade, access was a crucial factor.

"The road network, the heavy vehicle supply chain and the rail chain are really beginning to struggle with the growth that's occurring," he said.

"In trying to come to grips with the issues at Fremantle it's about

how we either unlock those supply chains and get them to perform to the best of their ability; bearing in mind that the Westport project is not a 10-year or 15-year project, we are looking at issues 50 years and beyond.

"Whereas some people might suggest that Leach Highway is okay or the rail network is working okay, we are really thinking about an end state of what the demands of the import and export trade are likely to be like in 50 years, and therefore what we need to do between now and then to actually serve the customers of the port."

Mr Collins said moving the port to Kwinana, and the environmentally sensitive Cockburn Sound, was also not without challenges.

"We are very much trying to look first with an environmental lens. Cockburn Sound is not only delicate and valuable, and it has been given a pretty rough ride over the last 50-odd years," he said.

"It's starting to recover, and if Westport moves to a port down in Cockburn Sound, we want to make sure that we're not doing that in a way that is going to

“ We are really thinking about an end state of what the demands of the import and export trade are likely to be like in 50 years - Tim Collins

detract from the environment, in fact we are even trying to add some value to the environment down there."

At Cockburn Sound, a new port aligned with Rowley Road would be constrained by seagrass and residential development, which would limit the speed of road trains along the freight route.

Another option would be to locate the port in line with Anketell Road, but Mr Collins said that would also be subject to certain issues.

"While the main freight route serving a port precinct of Anketell is fantastic, the last mile rolling through the Kwinana industrial area is quite challenging," he said.

"There is about a kilometre of industry we need to navigate through, not the least of which

is the Water Corporation's desalination development that sits smack bang where we would like to build."

Mr Collins said the location of Beeliar Regional Park, between the coastline and industrial precinct Latitude 32 (which the government is seeking to leverage), was also a major constraint for a port at Cockburn Sound.

"Clearly, through our environmental lens we cannot drive an eight-lane superhighway through Beeliar Regional Park, and we can't run a rail corridor through that park," he said.

"It would make the environmental stoush that we all saw a couple of years ago look like a walk in the park.

"We are trying to think about how technology can solve that."

WA's LARGEST CONTRACTORS

RANKED BY TOTAL STAFF IN WA



MAJOR WORK: Georgiou Group completed the \$18.6 million Great Northern Highway - Roy Hill Bridge project in February. **Photo:** Georgiou Group

Rank	Change from previous year	Company name	Senior executive and title	Year est. in WA	Total staff in WA	Offices a) WA b) inter-state	Current clients + relevant WA projects for each client	Ultimate holding company
1	—	Monadelphous	Mr Rob Velletri Managing Director	1972	3,621	a) 8 b) 12	BHP, Fortescue Metals Group, Rio Tinto, INPEX Operations Australia, Shell Australia, South 32, Synergy, Woodside, Tronox	Monadelphous Group Ltd
2	—	Downer	Mr Mike Sutton Chief Operating Officer, Mining - West	1968	3,000	a) 10 b) 40	BHP - South Flank HV Transmission & Distribution, BHP - South Flank LTE Communications, BHP - South Flank Port Upgrade Works, Bechtel/Chevron - Wheatstone Sustaining Capital Works, TechnipFMC - Prelude FLNG Offshore Services	Downer EDI Limited
3	↑	Cape Australia	Mr Neil Sadler Managing Director, APAC	2007	1,807	a) 3 b) 2	Woodside-Karratha Gas Plant Life Extension, Shell-Prelude, BHP-Pilbara, Bechtel/Chevron-Wheatstone, INPEX-Ichthys, BP-Kwinana; Newmont-Boddington; Alcoa-Kwinana, Pinjarra, Wagerup, Bunbury; Tronox-Kwinana, Pinjarra, Chandalia; South 32-Iluka	Altrad Group
4	↑	Linkforce	Mr Luke Herbert Founder, Managing Director	2007	1,800	a) 1	Maintenance shutdowns, project management, capital works and labour hire for mining, construction and infrastructure sectors	
5	↑	NRW Holdings	Mr Jules Pemberton Managing Director	1994	1,554	a) 1 b) 2	BHP: South Flank Bulk Earthworks and Concrete; Rio Tinto: Koodaideri Mine Plant and Earthworks; FMG: Eliwana Rail Earthworks, Roadworks and Drainage; Altura Mining: Pilgangoora Lithium Mining; Gascoyne Resources: Dalgarranga Mining	NRW Holdings Ltd
6	↓	Civmec	Mr Pat Tallon Chief Executive	2009	1,500	a) 2 b) 3	BHP South Flank - Module, Fabrication and Assembly, Albermarle - Kemerton Lithium Hydroxide Plant	Civmec Ltd
7	↓	UGL	Mr Josh Kember GM Operations, West	1970	NFP	a) 1 b) 9	Boddington - Shutdowns; FMG - Shutdowns; Chevron - multi services for WA assets, Woodside - KLE Program; Alcoa - multi services; Raytheon - multi discipline refurb fuels project	CIMIC Group Limited
8	↓	AusGroup	Mr Shane Kimpton Managing Director	1989	1,300	a) 6 b) 2	Chevron: Wheatstone, Woodside: Karratha gas plant, Shell: Prelude, Sumitomo: Bluewaters power station, JKC: Ichthys, Yara Pilbara: Yara Pilbara liquid ammonia plant, Tianqi Lithium, Talison Lithium, MSP Engineering	AusGroup Ltd
9	↑	Broadspectrum	Mr Tom Quinn Managing Director	2012	979	a) 2 b) 6	INPEX MSC, Department of Defence (garrison support), Department of Transport, BHP, Aroona Water, Department of Corrective Services WA (Court Security and Custodial Services), BP (Kwinana Refinery)	Ferrovial
10	↓	Laing O'Rourke	Mr Rob Wallwork Manager, Core Bids & Tendering	2006	820	a) 3 b) 8	Main Roads WA: NorthLink WA Central Section (Stage 2). Public Transport Authority: Perth Stadium Station and East Perth Station Upgrade. Bechtel: Wheatstone LNG Project Finishing Works. Defence: AIR 5428 (Pearce and Gingin). BHP: Low Level Bridges	Laing O'Rourke Australia
11	↓	BGC Contracting	Mr Greg Heylen Chief Executive	1992	NFP	a) 4 b) 4	Main Roads (WA), Atlas Iron Ltd, Albermarle Group, Fortescue Metals Group; Northern Star Resources Ltd; BHP	BGC (Australia) Pty Ltd
12	↑	Goodline	Mr Dwayne Finch General Manager	1999	700	a) 1 b) 4	Fortescue Metals Group, BHP, Roy Hill Holdings	Ribshire Pty Ltd
13	↑	Mader Group	Mr Patrick Conway Chief Executive Officer	2005	650	a) 2 b) 2	Specialists in mobile and fixed plant equipment maintenance and support	Mader Group Limited
14	↑	CPB Contractors	Mr Roberto Gallardo Executive General Manager, WA, NT & Broad	1971	NFP	a) 1 b) 5	Armadale Road upgrade, Wanneroo Road, Murdoch Drive Connection, Northlink Stage 3, New Lord Street project Ellenbrook	CIMIC Group Limited
15	↑	Decmil	Mr Scott Criddle Managing Director	1978	520	a) 2 b) 3	BHP Mulla Mulla	Decmil Group Ltd
16	↓	Southern Cross Electrical Engineering	Mr Graeme Dunn Managing Director	1978	500	a) 4 b) 6	Rio Tinto, BHP, Sino Iron, Northlink Road Project, Health and education maintenance, commercial minor works and services, NBN	Southern Cross Electrical Engineering Limited
17	↑	Bright Group	Mr Stephen Easterbrook Managing Director	2007	500	a) 2	FMG, Rio Tinto, Roy Hill	Pilbara Access Pty Ltd
18	↑	Georgiou Group	Mr John Georgiou Executive Chair	1977	410	a) 3 b) 2	Perth Airport Skybridge (PAPL), Great Eastern Highway (Main Roads WA), Great Northern Highway Bridge (Main Roads WA/Roy Hill), Marina East Apartments (Blackburne), Hollywood Hospital Expansion (Ramsay Health), Escalator Replacement Project (PTA)	Georgiou Group Pty Ltd

Infrastructure

SPECIAL REPORT

Infrastructure news

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