THE AUSTRALIAN

SE Business

HD **Fenn pilots transformational change at Downer**

BY BRIDGET CARTER, STRATEGY MATTERS

WC 687 words

PD 22 September 2014

SN The Australian

SC AUSTLN

ED Australian

PG 19

LA English

LP

AT the forefront of Grant Fenn's mind four years ago, when he became Downer EDI's chief executive, was how to turn a loss-making **mining** contractor into a **company** that would no longer try the patience of its investors.

Mr Fenn, 49, grew up in the laid-back NSW sawmill town of Tumut, where his father worked in the industry, and the upbringing helped give him the pragmatism he needed to handle the tough problems that would confront him in the initial months.

TD

At the top of the agenda at the time for the former Qantas executive was cleaning up after the $1.9 **billion** Waratah train contract debacle, which triggered $440 **million** in writedowns and losses for the engineering **firm**.

But now, despite the business being cashed up and making a comeback from its problems, he has a new set of concerns to deal with.

Revenue sources have been drying up as Downer's **mining** customers cut costs because of lower commodity prices.

Growth is the main discussion point with its investors, as its share price lingers at half the value it was almost five years ago.

"Three years ago, people couldn't get enough of **mining** services companies," Mr Fenn said, but that had changed in the face of the **mining** downturn.

The rugby enthusiast is, therefore, on the brink of introducing transformational change, because analysts say Downer is a business that needs to evolve amid the tougher environment to win back support.

"There are opportunities out there, and for us. What is important is that they are strategic," Mr Fenn said.

"We don't want to buy things just to get bigger or buy things that just look like us." Offshore expansion or a push into a new area complementing its existing services are among his plans.

But he was cautious that the wrong move would create a disaster like the one he has grappled with in recent years surrounding the troublesome delivery of the Sydney Waratah trains.

A deeper move into the markets in which it already operates, such as North America, or a strategic **purchase** in Australia, would add to the **company**'s current activities.

Ideally, Downer would like to secure about 20 per cent of its revenue from global markets, which today contribute only a small portion of the group's earnings, Mr Fenn said.

His hopes also rest on further government outsourcing and privatisations. This included the $7bn worth of annual road maintenance work currently handled by the public sector, and an area in which Downer dominated.

“I think the private sector will do things better, and I don’t think the government needs to be there,” he said.

Mr Fenn believed there were also opportunities with the outsourcing of public transport, whether it be buses, or heavy rail, saying he believed rail should be privatised eventually, as in most of Europe.

Despite the downturn in **mining**, a sector from which Downer secures $3bn of its $7.7bn in revenue, Mr Fenn believes it still offers opportunities, where the **company** could provide further cost-efficient solutions for its clients.

Downer could introduce a smarter way for its clients to operate, including the introduction of new technology and maintaining the leading edge with its systems.

“Mobile devices are permeating everywhere, even in the construction industry,” he said.

“All the things you see in the mobile world are all coming into the business we are in.” Mr Fenn said Downer might currently be affected by the lower demand for its customers’ **iron ore** but he believed the **Chinese** economy would improve.

“Clients are all working very hard to make sure their businesses are dealing with these lower commodity prices,” he said.Following redundancy programs across the sector, he said it was too early to hire engineers and other staff at cheaper rates because of enterprise agreements still in place. But one positive was that the rate of turnover of fly-in, fly-out workers was lower, after it reached as much as 50 per cent during the resources boom.

CO ipil : Downer EDI Ltd

IN i8396 : Diversified Holding Companies | ibcs : Business/Consumer Services

NS ccat : Corporate/Industrial News

RE nswals : New South Wales | apacz : Asia Pacific | ausnz : Australia/Oceania | austr : Australia

PUB News Ltd.

AN Document AUSTLN0020140921ea9m00039