

FINANCIAL REVIEW

SE Companies and Markets
HD **Engineers couple to tackle projects**
BY Jenny Wiggins
WC 731 words
PD 2 December 2014
SN The Australian Financial Review
SC AFNR
ED First
PG 17
LA English
CY Copyright 2014. Fairfax Media Management Pty Limited.
LP

Global consolidation of engineering firms will continue as multibillion-dollar infrastructure projects demand more specialised skills, the Asia-Pacific head of WSP and Parsons Brinckerhoff, Guy Templeton, has forecast.

"The engineering market is becoming more global, and it takes specialist expertise to execute the largest and most complex projects," Mr Templeton told The Australian Financial Review.

TD

Parsons Brinckerhoff, which provides engineering and design services, was acquired by Canadian engineering **group** WSP in October for about \$1.6 **billion**.

"The cultural fit with WSP is very, very good ... for Parsons Brinckerhoff, this is very much a return to being a pure-play engineering and professional services business," Mr Templeton said.

A wave of mergers is under way in the engineering sector as companies adjust to tougher markets after years of expansion. New York-headquartered Parsons Brinckerhoff was previously owned by the United Kingdom construction **group** Balfour Beatty, which has been struggling with falling profits.

United States engineering design **group** AECOM completed the **acquisition** of its American rival URS for about \$US4 **billion** (\$4.8 **billion**) in October, creating a giant **company** that supersedes its next largest global competitor, Australia's WorleyParsons.

Dutch engineering **group** Arcadis bought the UK's Hyder Consulting for about \$566 **million** the same month.

Earlier this year, the UK's AMEC paid \$3.5 **billion purchase** of fellow engineering and construction **group** Foster Wheeler while US **group** Jacobs Engineering's paid \$1.3 **billion** to **buy** Australia's Sinclair Knight Merz a year ago. A 38 per cent slump in WorleyParsons' stock price over the past 12 months is making the engineering **group**, which has a market capitalisation of \$2.5 **billion**, increasingly vulnerable to a potential takeover.

Meanwhile, Brisbane-based Cardno, which provides infrastructure design and project management services, has hired UBS to help fend off possible takeover bids as its share price slides.

Cardno's stock has more than halved in value over the past 12 months.

WSP, which plans to keep the Parsons Brinckerhoff brand for the time being, is now the largest building services **company** in Asia, according to Mr Templeton.

By combining Parsons Brinckerhoff's expertise in "horizontal infrastructure, such as roads and rail, with WSP's focus on "vertical infrastructure," such as skyscrapers, the combined **company** will be able to bid on a broader range of projects, Mr Templeton said.

WSP did the structural engineering on London's Shard tower, which is 310 metres high and now the tallest building in western Europe. Skyscrapers present opportunity

A series of proposals for skyscrapers over 300 metres high in Sydney, Brisbane and Melbourne were good opportunities for WSP and Parsons Brinckerhoff, because the companies had experience designing buildings between 300 metres and 600 metres in Asia, Mr Templeton said. Parsons Brinckerhoff designed **China's** tallest building, the 632 metre high Shanghai Tower.

In Australia, WSP has a \$2 **billion** contract to provide engineering services to Sydney's Central **Park** urban development and is working on **residential** towers in Sydney and Melbourne. It previously provided building services, including lighting and environmentally sustainable design, to Tasmania's Museum of Old and New Art. Parsons Brinckerhoff is also eyeing more project management jobs in Australia after being hired by Indian **group** Adani to oversee development of its \$16 **billion** Carmichael **coal** mine in Queensland's Galilee Basin.

"We are seeing good demand [for services] around project management and work to reduce the cost of delivery," Mr Templeton said.

Parsons Brinckerhoff's other big project management job in Australia, running Gina Rinehart's \$10 **billion** Roy Hill **iron ore** development in Western Australia's Pilbara region, is nearing completion. The **iron ore** project is 68 percent finished with **iron ore** expected to be shipped in September. The **firm** is keen to participate in upcoming tunnelling projects, like Sydney's WestConnex motorway and Brisbane's proposed BaT (bus and train) tunnel, which aims to combine a railway and a busway beneath the Brisbane River.

"There's a lot of demand for tunnelling, driven by the need to solve urban congestion while minimising impact on communities," Mr Templeton said.

Parsons Brinckerhoff is part of the design team on Melbourne's East West Link motorway, under review by Victoria's Labor government. Mr Templeton declined to comment on whether the project would be scrapped, saying the team's work was continuing.

CO bicc : Balfour Beatty PLC | parsbi : Parsons Brinckerhoff Inc. | genifz : WSP Global Inc.

IN i502 : Heavy Construction | i837 : Technical Services | i8371 : Architects/Surveyors | ibcs : Business/Consumer Services | iconst : Construction | icre : Real Estate/Construction

NS ccat : Corporate/Industrial News

RE austr : Australia | brisbn : Brisbane | melb : Melbourne | sydney : Sydney | victor : Victoria (Australia) | apacz : Asia Pacific | ausnz : Australia/Oceania | nswals : New South Wales | queensl : Queensland

PUB Fairfax Media Management Pty Limited

AN Document AFNR000020141201eac200008