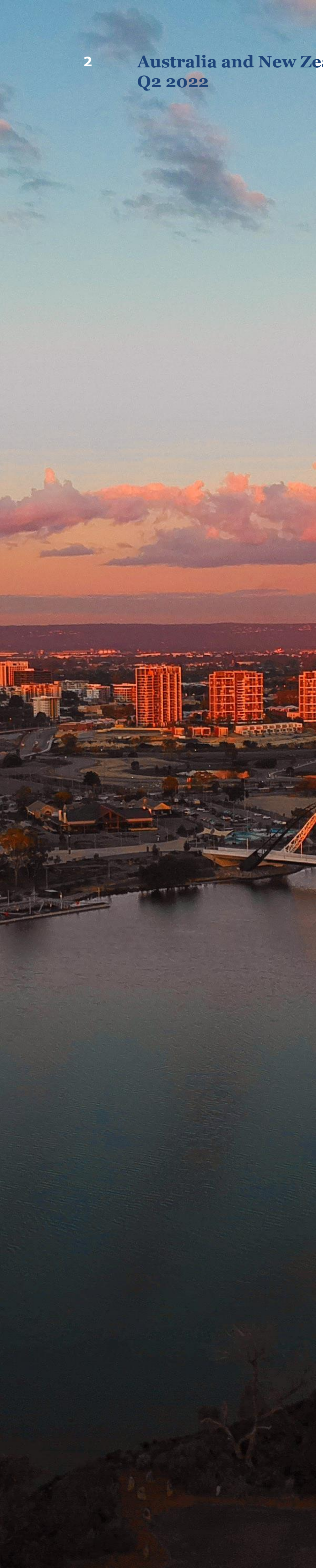
Turner & Townsend

Australia and New Zealand market intelligence report

Q2 2022

making the **difference**



Introduction

Our latest report finds that high inflation, skills shortages and rising costs of construction are starting to weigh in on private sector activity, while public sector projects press ahead.

Australia's construction sector has remained active, driven by major infrastructure-related activities and strong residential building activity. The public sector has pressed ahead with major infrastructure projects while the private sector remains cautious. The challenges related to raw material price increases continue to persist with additional pressure coming from rising energy prices. Despite a slowdown in global growth, Australia's economy has recorded consistent growth increasing by 0.8 percent over the March quarter and 3.4 percent through the year to March 2022.

In New Zealand, infrastructure and residential construction activity also remain high and are the driving force behind the country's sharp construction cost increases. Global headwinds such as the war in Ukraine and domestic challenges arising from labour and material shortages are leading to more cautious investment from the private sector. The expectations of increased economic growth over the first quarter of 2022 were held back by high inflation, causing the economy to shrink.

Both the Australian and New Zealand economies continue to be affected by the uncertainty caused by the COVID-19 pandemic and the unanticipated effects of the war in Ukraine, global energy prices, rising interest rates and ongoing global supply chain disruptions.

The Australian defence sector has its largest pipeline of construction work in its history. This, like other sectors, has been subject to a range of external challenges including the global pandemic, the conflict in Ukraine and government-led stimulus activity. These have created the perfect storm of decreased supply and increased demand that has resulted in significant escalation in building costs which is driving several insolvencies. This quarter, we take a look at how the defence sector can prevent insolvency through better industry collaboration.

Australia market overview

Despite rising inflation and supply chain constraints, construction markets across Australia remain busy with major infrastructure-related projects and strong residential building activity. Labour and skills shortages, however, have become a defining challenge for the sector.

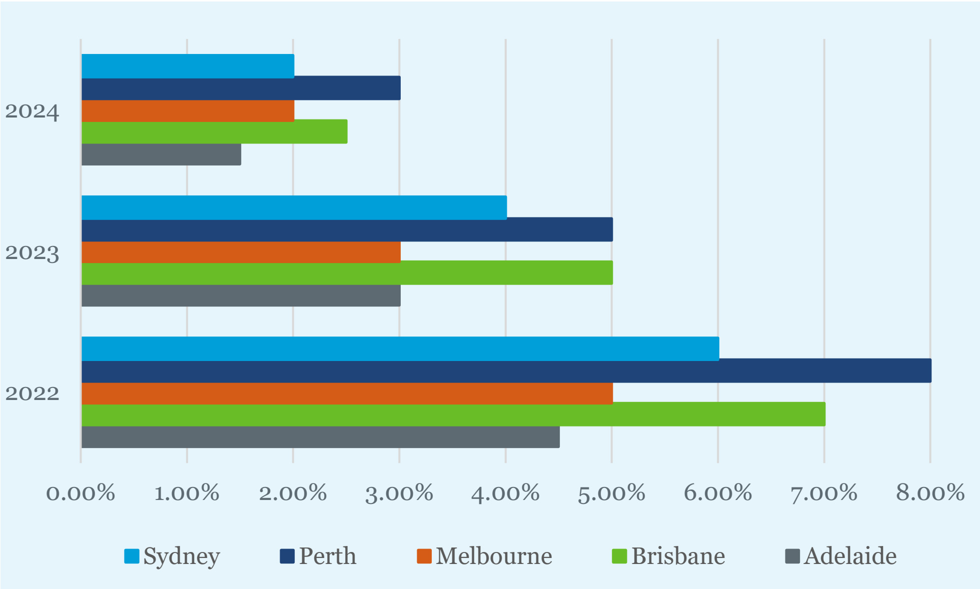
The rapid rise in construction costs experienced in 2021 remain the greatest challenge across Australian construction markets. The public sector has pressed ahead with major infrastructure projects while the private sector remains cautious. The pressures related to raw materials continue to persist with additional strain from rising energy prices.

Across the sector, labour and skills shortages have contributed to the increasing pipeline of work to be completed, with construction and labour costs rising. Skills migration has been slow to resume, however, as this picks up, we can expect some relief in the industry.

Recent measures taken by the RBA have also aimed at reducing inflationary pressures, which should help control the rapid rise in construction costs. Importantly, despite heightened uncertainty in the global and domestic markets, the unprecedented increases in materials and construction costs over the last 12 months supports the view that additional increases are less likely, given the already elevated prices.

Ongoing supply chain challenges and indirect pressures from the war in Ukraine mean that supply constraints are likely to continue across the Australian market over the third and fourth quarters of 2022. Additionally, strong levels of construction activity amid growing labour and material shortages in the domestic market, are expected to keep costs elevated during this time.

Figure 1:
Australia construction cost escalation



New Zealand market overview

Amid mounting worries over economic performance, intense cost pressures and supply-side constraints, the level of infrastructure construction activity remains high and this is the driving force behind New Zealand's construction market.

The construction market in New Zealand has remained mostly resilient, despite major challenges associated with disrupted supply chains, high inflation and acute skills shortages. Notable growth has been observed in the residential sector despite these challenges. Prior to the COVID-19 pandemic, demand for housing was largely influenced by migration. However, expectations that border closures would dampen the surge of investment in the residential sector have not materialised. Migration-based housing demand has been replaced by stimulus programs from the government and improved access to home builders' grants. However, we are likely to see a softening in this trend given rising interest rates. Moving forward, increased activity in the construction sector is likely to be dominated by the public sector.

The economic repercussions of COVID-19 on the construction sector are expected to remain. While the war in Ukraine does not have direct implications given New Zealand's limited ties with the Russia or Ukraine, several indirect impacts have been observed for the construction sector. Higher fuel and commodity prices, the drag on global economic activity and financial market volatility have negatively influenced construction costs by limiting material availability and increasing costs.

Whilst sentiment for the infrastructure construction market has improved, existing problems with materials and skills shortages plus high inflation continue to impact investment in the private sector.

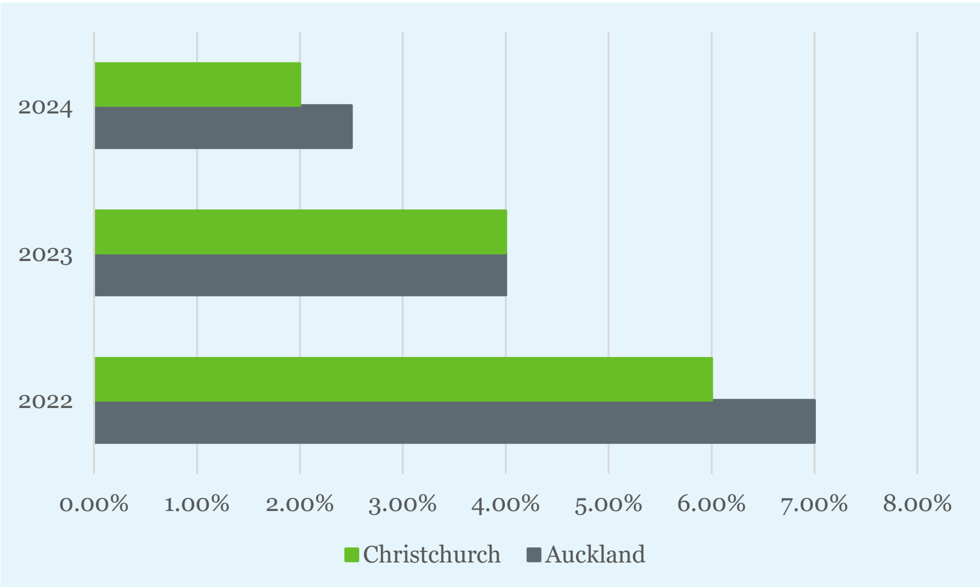


Figure 2:

New Zealand construction cost escalation

New South Wales

Key price indicators

Movement (%)
Q2 2021 – Q2 2022

Movement	Indicator
15%	Site foreman / hr
11.58%	Group 1 tradesman
3.51%	Concrete 32 Mpa / m3
4.55%	Plasterboard 13mm thick to stud wall / m2
3.58%	Structural steel / tonne
0%	Main contractors margin movement

Supply chain issues continue to be the biggest strain on the New South Wales construction sector, with lead times and cost pressures being the major pain points.

Over the quarter, there has been an increase in media reports regarding the struggles of residential builders fulfilling old contract prices given the strong increase in material costs over the last 12 months.

Wet weather has also been a big factor in Q2 and has continued to impact residential builders' ability to deliver to program. This has had knock-on effects on the viability of projects for contractors with a reduction in profitability and/or increased likelihood of loss-making projects.

Over the next six months, we expect prices to increase but at a more moderate level. We also expect lead times to plateau around the current time frames.

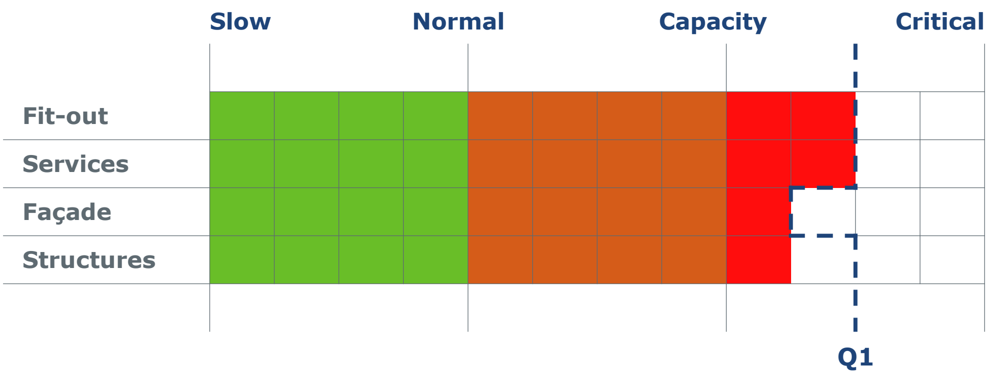
There will be more clean-up efforts required around New South Wales due to the flooding in June and July 2022. This will absorb resources but should not significantly impact the market considering the clean-up from previous flooding has recently been completed. We expect more conversations at a strategic level on how to mitigate the effect of flooding in the future, whether it be through the construction of new dams or reduction in building on known floodplains.

The effect of COVID-19 on worksites has reduced significantly as nearly all restrictions have been relaxed. The main impact of COVID-19 now relates to what is happening overseas. For example, prolonged shutdowns in China are directly impacting the ability to get materials into the country including items such as ceiling tiles and IT equipment.

Figure 3:

Supply chain capacity in New South Wales

Q2 2022



Queensland

0% Site foreman / hr

15% Group 1 tradesman

5.63% Concrete 32 Mpa / m3

38.75% Plasterboard 13mm thick to stud wall / m2

12.50% Structural steel / tonne

42.86% Main contractors margin movement

Key price indicators

Movement (%)
Q2 2021 – Q2 2022

The Queensland market remains active but is characterized by uncertainty. In the lead-up to the Federal Election, public sector projects were paused, pending the outcome of the election. The state government continues to reprioritise infrastructure investment, with a record spend in health recently announced. With recent increases in interest rates and high construction costs, some clients have paused projects to assess their viability. There is a growing backlog of work for most contractors, and increased flood repairs continue to put pressure on materials and labour availability.

Due to current market challenges, there has been softer tendering activity from the private sector. Some major public sector projects are experiencing delays. Construction works related to the 2032 Olympic Games is moving ahead, albeit at a slower pace than anticipated. Despite this, government expenditure is forecast to increase over the next six months, and we can expect more tenders following ongoing government reprioritisation. Recent announcements around infrastructure expenditure should increase public sector activity, however, this is likely to place further strain on the already tight market.

With the increased incidence of insolvency, the market for sub-contractors has become tighter. In addition to labour and skills shortages, sub-contractor's ability to take on projects is decreasing. Plasterboard remains in short supply given the existing backlog of work and the ongoing demand from flood repair works. Supply chain disruptions have also affected material availability, however, companies managing projects in excess of $30million are less affected, given larger contractor's purchasing power to secure materials.

Looking ahead, sub-contractor availability is likely to be a problem that could persist over the next few quarters. With several sub-contractors going into liquidation, tougher tendering conditions for clients are expected over the next six months.

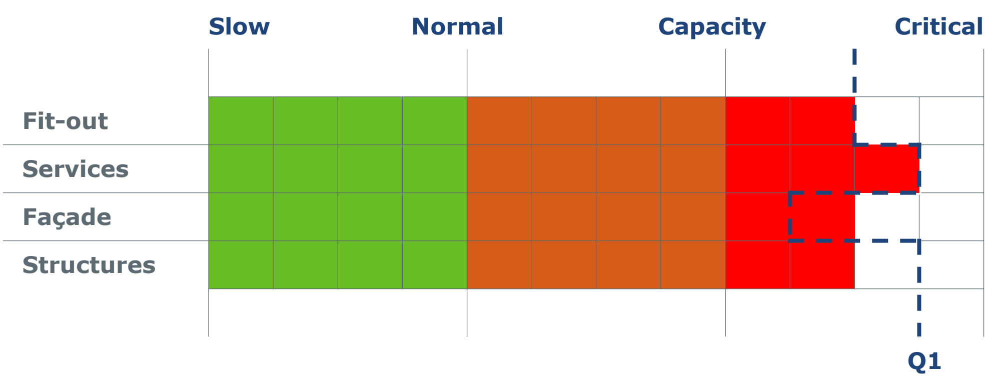


Figure 4:
Supply chain capacity in Queensland
Q2 2022

South Australia

Key price indicators

Movement (%)
Q2 2021 – Q2 2022

16.67% Site foreman / hr

14.29% Group 1 tradesman

6.25% Concrete 32 Mpa / m3

20.39% Plasterboard 13mm thick to stud wall / m2

32.35% Structural steel / tonne

25% Main contractors margin movement

Skills shortages in South Australia continue to push up construction costs. Additionally, with several ongoing projects, the strain on materials supply remains high. Higher prices for materials such as aluminium, flooring and copper have affected the rising benchmark and trade rates and are impacting most sectors. Residential sector contractors are experiencing the biggest challenges, with many experiencing significant losses because of these sharp price increases.

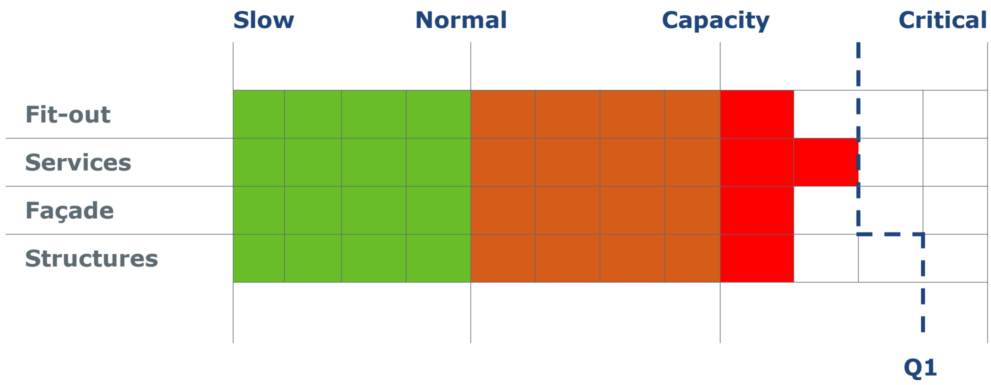
Aluminium and materials for flooring and electricals have been significantly impacted by supply chain disruptions over the last quarter. The industry has taken some active steps to mitigate shortages and higher costs. For example, contractors are working together to bring in large quantities of aluminium for future use to deal with long lead times and to hedge against price increases. This should bring some improvement, however, market conditions are expected to remain largely the same until at least early 2023.

Higher interest rates are likely to slow down the sector over the remainder of the year into 2023. At the same time, potential big infrastructure projects such as the Aboriginal Cultural Centre, Women's Hospital and various defence projects are likely to put pressure on an already strained labour force.

Figure 5:

Supply chain capacity in South Australia

Q2 2022



Victoria

Key price indicators
Movement (%)
Q2 2021 – Q2 2022

- **0.00%** Site foreman / hr
- **4.35%** Group 1 tradesman
- **2.63%** Concrete 32 Mpa / m3
- **0%** Plasterboard 13mm thick to stud wall / m2
- **21.43%** Structural steel / tonne
- **0%** Main contractors margin movement

Victoria's construction market conditions remained relatively unchanged over Q2 2022. Construction work continues to push ahead without signs of slowing. However, rising construction costs are a growing concerns for the private sector. Many clients are uncertain regarding whether to proceed with projects or delay them. On the other hand, the public sector is not slowing down with several government infrastructure projects in the pipeline, including the ongoing level crossing removal projects, schools work and more recently, the addition of the Melton Hospital into the budget.

Overall construction activity is forecast to increase over the rest of 2022, particularly in the public sector. In the private sector, there is caution relating to project viability due to the high levels of escalation. However, the general sentiment in the market is positive with most projects expected to go ahead. Growing challenges around labour and material availability have generated tight tendering conditions with increased difficulty in getting competitive prices.

There are long lead times for most materials due to the lockdown in Shanghai and the Ukraine/Russian conflict. Lockdowns in Shanghai have led to congested ports with major backlogs occurring. There are also major challenges associated with lack of equipment and machinery. There is an easing of pressures on steel and reinforcement, however, prices of materials are generally higher.

Skills and general labour shortages remain the largest problem likely to impact the Melbourne construction industry over the next six months as we head into 2023.

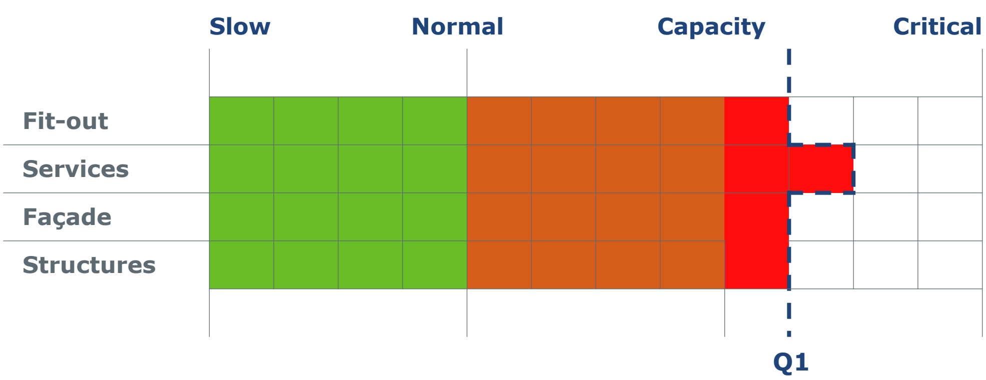


Figure 6:
Supply chain capacity in Victoria
Q2 2022

Western Australia

Key price indicators

Movement (%)
Q2 2021 – Q2 2022

17.39%	Site foreman / hr
36.11%	Group 1 tradesman
18.75%	Concrete 32 Mpa / m3
79.31%	Plasterboard 13mm thick to stud wall / m2
200%	Structural steel / tonne
45.45%	Main contractors margin movement

The Western Australia construction market continues to experience significant skills and material shortages due to the reduction in skilled labour migration as a result of border closures. Additionally, the government's multisector stimulus drive has increased demand significantly and placed enormous pressure on the local supply chain. This has pushed up costs considerably in the Perth market, with significant spikes observed in civil, concrete and steel prices over recent months.

The recent Western Australia Government budget announcement included major infrastructure and defence projects which will increase demand for construction whilst the supply of labour and materials remains constrained. Several projects are at planning stage, therefore, activity is expected to increase further over the next 6 - 12 months. Additionally, an increase in education, health and justice sector projects will add to the large pipeline of public sector projects over the coming months.

The government's accelerated multisector stimulus drive has increased tender prices due to the limited availability of skilled labour and materials in the market. Other contributing factors relate to the migration of skilled trades and materials being consumed by the residential sector, because of the government's incentivisation schemes.

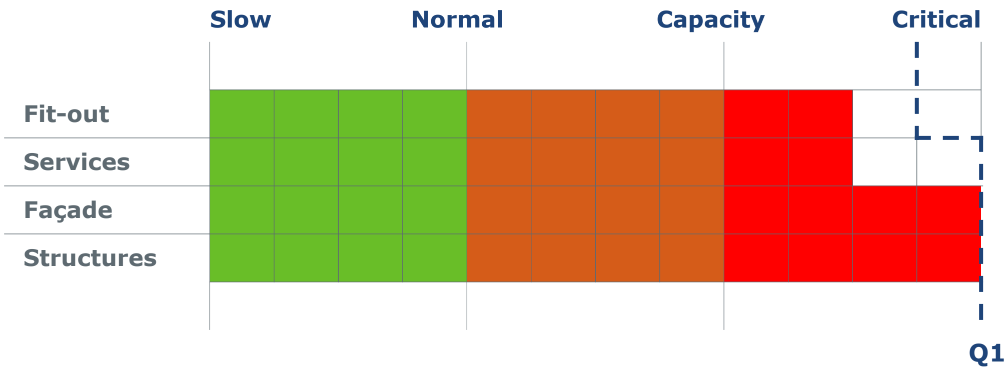
Real estate sectors such as education and food retail have demonstrated strong growth through a mixture of government investment and capital funds invested to futureproof the new way of operations in consumer convenience.

Expectations of increased labour supply following the reopening of the borders have not materialised. With the reopening of the Western Australia borders, the state experienced more skills and labour exiting the state than arriving, which has only compounded skills shortages. Western Australia has witnessed multiple contractors experience financial difficulties over the last six months, with recent examples of insolvency events in the market. Cashflow is currently king for the supply chain and all parties should appreciate that as costs rise, on-time payment to cover costs is critical.

Figure 7:

Supply chain capacity in Western Australia

Q2 2022



Auckland

7.69% Site foreman / hr

0% Group 1 tradesman

0% Concrete 32 Mpa / m3

56% Plasterboard 13mm thick to stud wall / m2

46.67% Structural steel / tonne

21.43% Main contractors margin movement

Key price indicators

Movement (%)
Q2 2021 – Q2 2022

The construction market in Auckland has been heavily impacted by high inflation and shortages of skills, general labour and materials. With a decline in private sector activity, overall construction activity is mostly being driven by the public sector.

Market conditions are expected to stay largely the same over the next six months as the private sector remains cautious about starting new projects. With rising interest rates, we can expect the housing market to cool down. However, overall, the construction sector should not experience major changes.

There is a slight decrease in the number of tenders being received on projects and there is an increase in contractors pulling out of projects as they are overcommitted. Tenderers are generally willing to bid on projects competitively and there is currently a strong move towards early contractor engagement.

Timber, plasterboard, structural steel and concrete remain heavily impacted by supply chain disruptions. Labour and skills shortages have not seen a noticeable change yet, despite the relaxation of border restrictions. However, this is likely to improve over the next six months as migration increases.

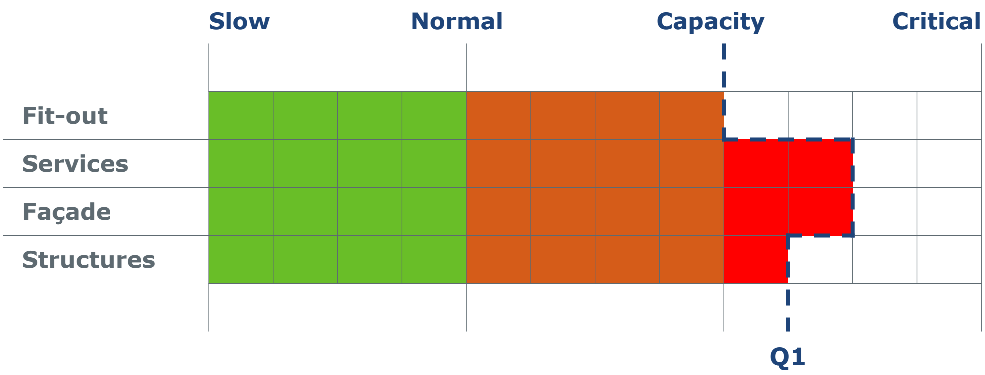


Figure 8:
Supply chain capacity in Auckland
Q2 2022

Christchurch

Key price indicators

Movement (%)
Q2 2021 – Q2 2022

- **0%** Site foreman / hr
- **0%** Group 1 tradesman
- **16.24%** Concrete 32 Mpa / m3
- **8.26%** Plasterboard 13mm thick to stud wall / m2
- **22.81%** Structural steel / tonne
- **4.62%** Main contractors margin movement

The Christchurch construction market continues to remain active but is constrained by skills and material shortages, which has pushed up costs considerably. The commencement of the iReX project, a $1.5 billion transport infrastructure project, will increase competition for the limited resources, skills and labour available within the local market. Some projects, such as the Christchurch Stadium project, have been put on hold and are being reconsidered due to the surge in construction costs.

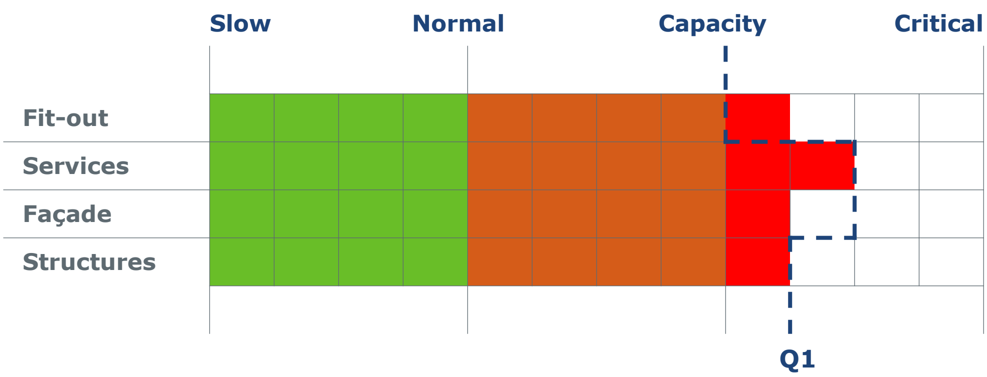
Given the level of uncertainty, it has become difficult to predict market trends over the next few quarters. The Reserve Bank has put in place various measures to curb inflation, but this has not had immediate effects in the construction sector.

Overall, the number of tenders being submitted on projects has declined. Contractors and sub-contractors are overstretched, and this is more so the case for sub-contractors. Most sub-contractors are focused on residential projects, making it difficult for contractors to secure the services of sub-contractors for major projects.

Plasterboard and window supplies have been severely impacted by supply chain disruptions. Given that most construction materials are imported, the disrupted supply chain system continues to make construction difficult across the private and public sectors. Labour has been a major issue which has worsened because of the growing number of workers who have left the region, following the relaxation of border restrictions.

Over the next six months, the expectation is that immigration policy changes being implemented now, will have a positive effect and will stabilise issues around skills and labour shortage. The large number of people in apprenticeships should also help ease the labour shortages.

Figure 9:
Supply chain capacity in Christchurch
Q2 2022



Australia economic overview

Despite a slowdown in global growth, Australia's economy remains resilient, however, rising interest rates and increased volatility in global markets are likely to dampen the outlook.

GDP increased by 0.8 percent over the March quarter and 3.4 percent year on year to March 2022. Household consumption continued to be the key driver of growth over the quarter, with stronger spending activity recorded across hotels, transportation services, restaurants and recreation.

Australia continues to experience high consumer price inflation, which pushed up to 6.1 percent in June. In response to this, the RBA has implemented several cash rate hikes, with further increases likely over the coming months.

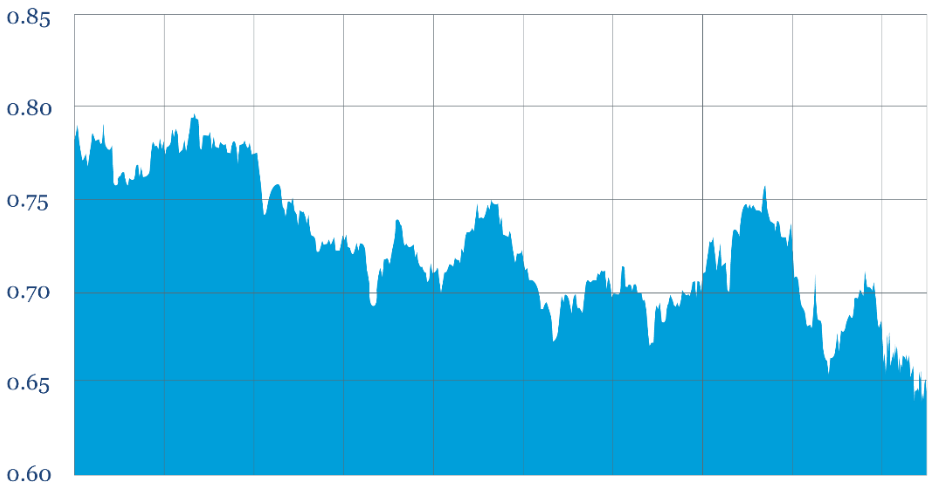
As a result of interest rate rises, we expect to see some slowing in economic activity in the Australian economy. As mortgages and finance become more expensive, we expect consumer spending will soften, and business investment will slow. While we are not likely to see a recession occur in Australia, we may see an increase in unemployment and a slowdown in economic activity over 2022-23.

Supply chain disruptions are forecasted to normalise over the coming quarters as demand cools as a result of central banks tightening monetary policy in many advanced economies. This will help to ease inflationary pressures both domestically and overseas.

Higher labour costs are the exception as demand for labour continues to rise amid tight labour market conditions. Unemployment fell to 3.5 percent in June, its lowest level since 1976. International migration has been slow to recover, which will maintain tight labour market conditions and keep upwards pressure on wages.

Renewed lockdowns in parts of China, coupled with longer unanticipated effects of the conflict in Ukraine, remain sources of uncertainty moving forward.

Figure 10:
AUD USD performance
Q2 2021 – Q2 2022



Forex movement of -13% in 12 months

Figure 11:
AUD forex forecasts

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
USD	0.67	0.66	0.65	0.64	0.64
GBP	0.58	0.61	0.61	0.61	0.61
EUR	0.69	0.71	0.72	0.70	0.70
YUAN	4.83	4.97	4.96	4.96	4.99

	Current	Previous
GDP quarterly growth rate	0.8% Dec 21 – Mar 22	3.4% Sep 21 – Dec 21
GDP annual growth rate	3.3% Mar 21 – Mar 22	4.2% Dec 20 –Dec 21
Inflation (annual)	6.1% Jun 21 – Jun 22	5.1% Mar 21 – Mar 22
Unemployment rate	3.5% Jun 22	3.9% May22
Business confidence index	1 Jun 22	6 May 22
Retail sales	12.0% Jun 21 – Jun 22	10.4% May 21 – May 22
Interest rate	1.35% Jul 22	0.85% Jun 22

New Zealand economic overview

New Zealand's economy has experienced considerable volatility caused by the COVID-19 pandemic, which has been compounded by recent unforeseen developments, including the conflict in Ukraine.

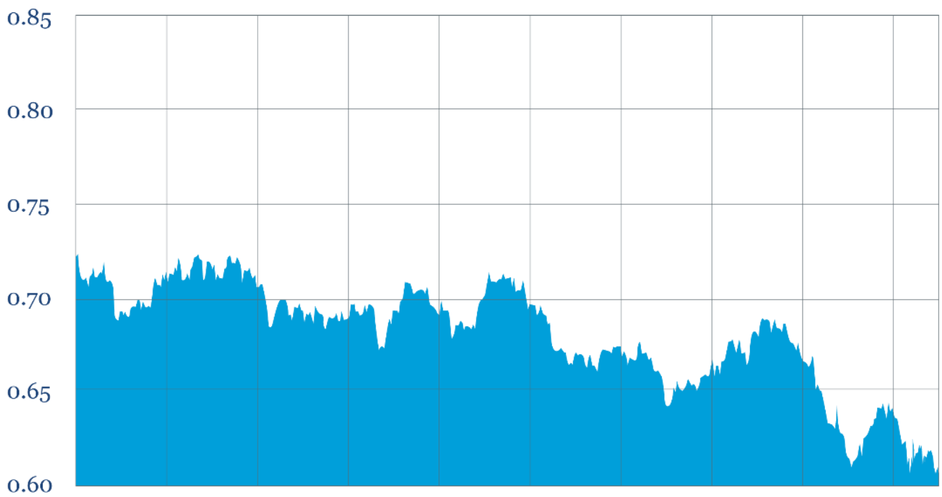
The outbreak of the Omicron variant and the subsequent government response led to reduced consumption over the March quarter. Additionally, the indirect impacts of the Ukraine conflict via high commodity and fuel prices have caused a surge in cost for inputs and have impacted business and consumer confidence. Accordingly, expectations of increased consumption and economic growth over the first quarter of 2022 were held back by high inflation causing the economy to shrink.

Spurred by ongoing global supply chain disruptions, increasing global energy prices and a tight labour market, inflation surged to 7.1 percent in June, its highest level since 1990. Proactive policy measures such as cuts to fuel taxes and road user charges have been implemented to improve consumer confidence. However, uncertainty has impacted business sentiment with signs of weaker investment activity emerging.

Recovery of the tourism sector and international business travel following the reopening of borders should sustain growth via business and residential investment. The pace of economic expansion may, however, be limited by high energy prices, rising interest rates and ongoing global supply chain disruptions. Recent monetary policy tightening such as increased interest rates are forecast to cool the housing market, but inflationary pressures are expected to linger.

Unemployment rates have reached a historic low of 3.2 percent, with widespread skills shortages being felt across the labour market. Contrary to expectations, the reopening of the border has resulted in a net outflow of migrants. However, this is expected to reverse as migrant workers with new work visas begin to enter in the third and fourth quarters. Wage growth is strengthening but falls short of inflation.

Figure 12:
NZD USD performance
Q2 2021 – Q2 2022



Forex movement of -16% in 12 months

Figure 13:
NZD forex forecasts

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
USD	0.62	0.64	0.66	0.67	0.68
GBP	0.51	0.50	0.51	0.50	0.51
EUR	0.59	0.59	0.60	0.59	0.59
YUAN	3.90	3.76	3.80	3.80	3.77

	Current		Previous	
GDP quarterly growth rate	-0.2%	Dec 21 – Mar 22	3.0%	Sep 21 – Dec 21
GDP annual growth rate	1.2%	Mar 21 – Mar 22	3.1%	Dec 20 – Dec 21
Inflation (annual)	7.1%	Jun 21 – Jun 22	6.9%	Mar 21 – Mar 22
Unemployment rate	3.2%	Mar 22	3.2%	Dec 21
Business confidence index	-62.6	Jun 22	-55.6	May 22
Retail sales	2.3%	Mar 21 – Mar 21	4.4%	Dec 20 – Dec 21
Interest rate	2.5%	Jul 22	2.0%	Jun 22

Meeting the challenge of competition through collaboration

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The Australian Defence sector has its largest forward pipeline of construction work in its history. In delivering that pipeline, Defence is in competition with other sectors in an environment that is characterised by high levels of cost escalation, disrupted supply chains, increased industry insolvencies and a lack of industry capacity. To be competitive in a sellers' market, an increase in collaboration and innovation in the sector is required.

The defence construction industry, like other sectors, has been subject to a range of external factors including the global pandemic, the war in Ukraine and government led stimulus activity. These have created the 'perfect storm' of decreased supply and increased demand that has resulted in significant escalation in building costs, which is affecting cash-flow and driving an increased number of insolvencies. Understandably, the construction industry is looking to reduce risk and is becoming more selective when choosing clients and signing contracts.

The booming pipeline of construction work means that companies in the construction industry have an increased choice of customers, in what is a sellers' market. Defence's forecast increase in work on its estate and the reliance on the estate as a Fundamental Input to Capability (FIC) means that Defence needs to develop an approach to making working on the Defence estate an attractive proposition to the industry.

To achieve that aim, increased collaboration, and a different approach by all stakeholders in the defence sector is required. Some of the areas where improved collaboration will assist Defence in becoming a client of choice include, appropriate allocation of risk, a mutual understanding of (and collaborative approach to managing) supply chain risks, a different approach to contracting and a more trusting and transparent project culture.

Understanding and allocation of risk

The often-used approach of pushing risk, via the contract, to the consultants and contractors is inappropriate in a volatile market as not all the risks traditionally passed to industry can be managed by industry. An understanding of risk and appropriate risk allocation can be achieved through:

- Initial analysis of the supply chain to understand the market (with ongoing supply chain analysis throughout the project).
- Understanding of the drivers for each stakeholder to deliver a common understanding of the project vision, stakeholder issues and a productive project culture.
- Gaining a common understanding across the project team of the context of project risks, and the impacts of choosing to own those risks internally or pass them to the supply chain.
- Understanding of the key components of the project and how they impact project outcomes. This will provide insight into how risks should be allocated and mitigated and can provide flexibility in delivery schedule to reduce supply chain risk.

Supply chain analysis and constraints mapping to distribute project risk

During initial project planning an in-depth analysis of the supply chain needs to be conducted. This analysis needs to consider local market conditions and the impacts of work in other sectors. Knowing when an estate sustainment project can commence and must be completed, or when initial and final operating capability of a capability project must be achieved will provide some of the framework for this analysis. Key outcomes of early supply chain analysis include:

- Understanding and challenging project drivers.
- Understanding procurement options and timing for approaches to market.
- Identification of projects that are happening in the region including scope and relevant key commodities and materials.
- Insight into workforce availability.
- Understanding what other sectors are doing in terms of contracting models to make Defence a client of choice in a competitive market.

Design

More importance needs to be placed on improved performance definition in design briefs. This will emphasise the need for efficient design that considers the specification of material and equipment against supply chain capability and capacity.

Improvement in design philosophy and practice that considers the supply chain, and the regional market more broadly will achieve improved outcomes in affordability and fitness for purpose.

Contracting

The increased use of early contractor involvement (ECI) contracting has improved project teams' understanding of construction risk; however, the volatility of the market still creates significant risk that results in inflated lump sum pricing or a loss of margin when the risk eventuates.

To provide certainty to clients and providers, the use of cost-plus contracts should be investigated. This will require deeper levels of trust and transparency along with an agreed (and reasonable) margin and open book accounting, however, the benefits in terms of contractor certainty and reduced risk to project quality are significant. Another approach is to implement rise and fall clauses into fixed-price arrangements and, if necessary, backdate these clauses for existing contracts. Again, trust and transparency are important enablers of this approach, supported by independent benchmarking.

Thinking beyond construction contracts, the use of provisional sums for design investigations, such as contamination, geotechnical strength and topographic surveys, should be considered as the cost of these investigations is increasing through the current unbound escalation. This escalation introduces the possibility of incomplete investigations which may result in poor design, including overdesign, with the alternative being reduced margin for the designer. A provisional sum approach, with clear direction on its use, reduces this risk through proper risk allocation and sharing.

The importance of cashflow cannot be overstated. Implementing milestone payments that provide reasonable cashflow is not only good for providers, it reduces the risk of significant gaps between projected and actual cash flow for the Commonwealth if schedule is not met. Furthermore, reducing the time between milestone payments will result in lower pricing as suppliers will not have to absorb costs between milestones. Developing more equitable approaches to payment including milestones for the partial completion of deliverables is an option open to the Commonwealth as is the proposing of alternative payment regimes by suppliers.

Transparency and collaboration

The suggestions outlined above will only be possible if a more transparent and collaborative approach is taken by all stakeholders. Tactics to be considered include:

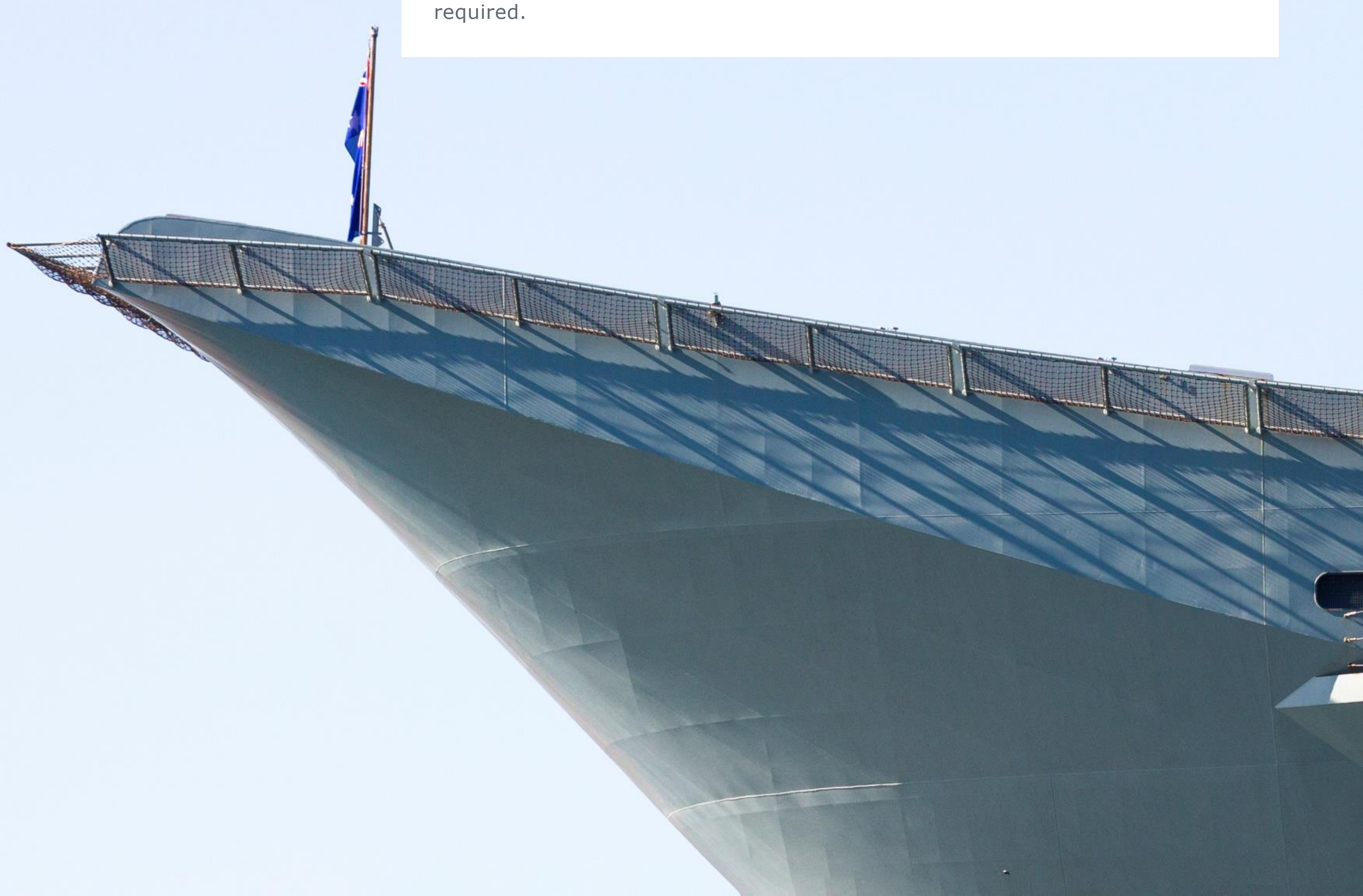
- Early and ongoing engagement with the supply chain including identifying options for a more diverse supply chain to reduce exposure risk.
- Openness around budget and project objectives done within an information security framework.
- Articulating stakeholder drivers and developing a common understanding of these across the project team.

What are the benefits?

The benefits of a collaborative approach are important when working in a highly competitive and volatile market, however, many of the benefits will be enduring, including:

- Improved quality by providing contractors and consultants with the means to deliver projects while maintaining reasonable profit margins.
- More competitiveness for Defence as a client. The benefits will continue in a cooler market, through an increased choice of 'Defence capable' providers.
- A strong, engaged, and sustainable Defence construction industry.
- A better culture and mindset that acknowledges that the current situation requires an approach that is more than dollars and projects.

The defence estate is a key enabler of defence outcomes and delivering an effective estate requires an engaged construction industry. In these times of increased demand, market volatility and a challenging geopolitical situation, a highly collaborative approach characterised by transparency and trust is required.



About Turner & Townsend

We are an independent professional services company specialising in programme management, project management, cost and commercial management and advisory across the real estate, infrastructure and natural resources sectors.

With 112 offices in 46 countries, we draw on our extensive global and industry experience to manage risk while maximising value and performance during the construction and operation of our clients' assets.

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