



# Project shortage crippling industry

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**C**ORPORATE failures and consolidation of the state's construction industry are inevitable, according to industry players, as a shortage of projects cripples an industry reeling from the wind-down of the Federal Government's Building the Education Revolution program.

Badge Constructions managing director Jim Whiting said builders that expanded during the BER had "nowhere to go". "Now that work has dried up, the competition is as intense as I've seen it in my many years in the industry," he said. "The BER ... should have been spread over another full year at least."

Master Builders Association (SA) executive director Robert Stewart said the industry was failing to show any signs of recovery. "The commercial side was affected by the BER. There was a huge boost and then a fall-off," he said.

"While there are some big projects in Adelaide ... with the small projects you can't rely just on government. You need private enterprise, and access to funding is still an issue. The requirements from financiers for pre-commitments don't stack up in this environment."

Last month Tasmanian construction company Scenport was the

latest in a series of interstate builders to enter into administration, owing \$3 million to around 150 creditors.

Mr Whiting said the demise of Adelaide-based builder Matrix Group earlier this year was a sign that the state was not immune to the downturn.

"We will likely see corporate failures and maybe even some opportunistic mergers and acquisitions activity as the market evolves," he said.

Candetti Constructions executive chairman Alex Candetti said the BER was "too much, too fast".

"There are already a few others (aside from Matrix) that have come very close to coming up against the wall," he said.

And the larger builders are facing their own challenges, according to Mr Candetti, whose company recently completed the \$125 million State Aquatic Centre project and in 2006 expanded its business in Queensland. Mr Candetti said larger Adelaide-based builders were forced to look interstate after missing out on local opportunities.

"We've got a large number of major projects in South Australia ... but none of them is designed to be

delivered by South Australian builders," he said.

"We're the only state that doesn't seem to be too parochial. I wanted to safeguard my personnel so I set up an office in Queensland."

To survive the current lull, partner of insolvency firm PPB Advisory, Peter Macks, said it was important builders adapted to changing workloads. "Most importantly this will involve properly managing their cashflow if project work slows," he said.

"It's important that builders don't put all their eggs in one basket with big projects. This risks cashflow issues where there's a delay on more than one of their jobs."

Mr Macks said builders that were unable to fund projects alone, or that wanted to minimise risk, were going down the joint venture path. "This may lead to some M&A activity down the track as those that participate in JVs see the commercial opportunities from working closer together," he said.

Mr Stewart said the industry should brace itself for another six months of pain. "We would hope builders have been prudent in their management, and the BER would tide them over," he said.



**COMPETITION:** Badge Constructions' Jim Whiting at a construction site in Halifax St.

**Picture:** CAMPBELL BRODIE