

Friday, 5 April 2024

## Regional NSW Leads Energy Transition Construction Boom

Regional NSW will surpass Sydney in civil construction activity by 2033, with 40% of all projects dedicated to the energy transition, reveals an economic report released today.

The findings, extracted from the latest economic forecast by Oxford Economics for the Civil Contractors Federation NSW (CCF NSW), provides a 10-year projection for the industry that builds the state's roads, utilities, railways, housing subdivisions and ports.

However, amid the promising trajectory, CCF NSW CEO Kylie Yates said the report highlighted concerning trends in state government contracting practices that could stall the delivery of energy projects and jeopardise industry sustainability if not addressed.

"We're witnessing an historic shift in construction dynamics with a 54% increase in energy transition work done over the past year, and this is the tip of the iceberg," Ms Yates said.

"We have once-in-a-generation opportunity to deliver renewable energy, affordable homes and connected communities, but it hinges on a radical removal of government red tape."

The latest economic forecast shows a \$367 billion pipeline of NSW civil construction work across all sectors with a substantial portion - some \$212 billion – in regional NSW.

"While the NSW and Federal Governments' investments are commendable, the forecast reveals a worrying trend of project bundling by agencies, which threatens the sustainability of the civil construction industry and undermines skills and job security," Ms Yates said.

The report showed a decline in contracting opportunities for small-medium civil contractors:

- only 23% of NSW Government tender packages released to market in FY 2023 were in the under \$50 million bracket, suitable for small-medium contractors in NSW.
- In contrast, 51% of Government tender packages released in FY2023 were valued in excess \$500million, disproportionately favouring tier 1 multinational corporations.
- This is a reversal from 2014 when 41% of State Government projects released to the market were under \$50million and only 25% exceeded \$500million.

CCF NSW said while mega projects contributed to this trend, so did the complexity of construction procurement practices which created formidable barriers to entry for small-medium businesses.

"The report underscores the reality familiar to many NSW civil contractors– they are cut out of government projects by excessive red tape, unfair contract terms, and project bundling which disproportionately benefits the biggest multinationals," Ms Yates said.

"We're at a tipping point in the energy transition, coinciding with significant investment in sectors like roads, rail and housing, and unless changes are made to the way government does business with industry, NSW will struggle to deliver this roadmap for the next decade.

“Before a dollar can be spent on building a windfarm or a home, a dollar must first be spent on civil work, so we need our industry to be strong, skilled and supported.

“Unnecessary red tape is a road block we can’t afford - it drives up costs for government and industry, and stalls critical infrastructure delivery.

“This is a watershed moment in our construction history and we’re urging the NSW Government to cut the excessive red tape so we can buy and build better in NSW.”

***Excerpts from report attached.***

**Read full report [here](#).**

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## **BACKGROUND: KEY FACTS**

### **NSW CIVIL INDUSTRY FORECAST TO FY2033 - OVERALL**

- Over the next 10 years \$366.6 billion (in current prices) investment is forecast in NSW civil construction activity comprising:
  - roads and bridges work is projected to comprise the bulk of total construction activity over the 10 years to FY2033 at \$154.3 billion,
  - followed by the electricity sector at \$111.5 billion,
  - the railways sector at \$55.3 billion,
  - the water & sewerage sector at \$33.4 billion, and
  - the other civil sector at \$12.0 billion.
- Total annual activity is expected to peak at \$36.3 billion in FY2025, with activity forecast to be 78% higher than the FY2021 trough, in current price terms.
- Growth in total activity in FY2024 and FY2025 is forecast to average 10.5% per annum in current prices. Over the period, the fastest growth is forecast in FY2024 at 15.4%.

*See more over*

## NSW CIVIL INDUSTRY FORECAST TO FY2033 - OUTLOOK BY SECTOR

### ENERGY TRANSITION

#### Highlights

- 54.0% Rise in Work Done in FY2023
- \$111.5 billion 10 Year Spend – with Generation accounting for around 47%
- 6.7% per annum growth over the forecast period
- Activity to be historically high (above \$8 billion) over the next 10 years
- 20% growth in energy transition activity in 2024
- 3.5% per annum average increase forecast from FY2025 to FY2028
- Electricity construction works are expected to represent 40% of all civil construction works in regional NSW, surpassing roads and bridge construction
- Three of the four coal power stations in NSW to close in next 10 years, requiring construction investment in replacement capacity to prevent energy shortfalls and meet emission reduction targets
- Electricity construction activity rose strongly in FY2023, with an annual growth of rate 54.0%. This reflects strong investment across the entire network (generation, transmission, and distribution).
- Total electricity construction activity expected to grow by 19.9% in FY2024 and then forecast an average annual growth rate of 5.3% over the rest of the forecast period.
- The sector will be supported by work in the transmission subsector and generation subsector through renewable energy projects (wind and solar) and storage projects (other and hydro).

### ROADS & BRIDGES

#### Highlights

- 17.6% Rise in Work Done last year in FY2023
- \$154.3 billion 10 Year Spend – an increase of 9.3% compared to previous study
- 11.3% per annum growth to \$15.8 billion peak in FY2025
- Publicly funded projects are driving the uptick in activity
- Roads and Bridges construction activity grew 17.6% in FY2023, driven by a pickup in publicly funded major project work, with work ramping up on the Coffs Harbour Bypass, WestConnex - Stage 3, M6 Stage 1, Sydney Gateway Motorway and the Warringah Freeway Upgrade.
- Annual roads and bridges activity is forecast to grow on average 11.3% p.a. between FY2024-FY2025, peaking at \$15.8 billion.

## NSW CIVIL INDUSTRY FORECAST TO FY2033 - OUTLOOK BY SECTOR

### RAILWAYS

#### Highlights

- 45.5% increase in Work Done in FY2023
- \$55.3 billion 10-Year Spend – an increase of 16.5%
- Activity forecast to peak in FY2025 at \$6.4 billion – this will be the highest level of rail construction activity recorded in NSW
- Fall in activity in over medium-term – a 21.6% decrease from FY2025 peak
- Railway construction activity lifted by a substantial 45.5% in FY2023, supported by strong major project commencements since FY2021.
- In the near term, the Sydney Metro City projects and the Parramatta Light Rail – Stage 1 will underpin construction activity.
- Railways construction is expected to rise 10.6% p.a. between FY2024-FY2025 and reach a peak of \$6.4 billion.

### WATER & SEWERAGE

#### Highlights

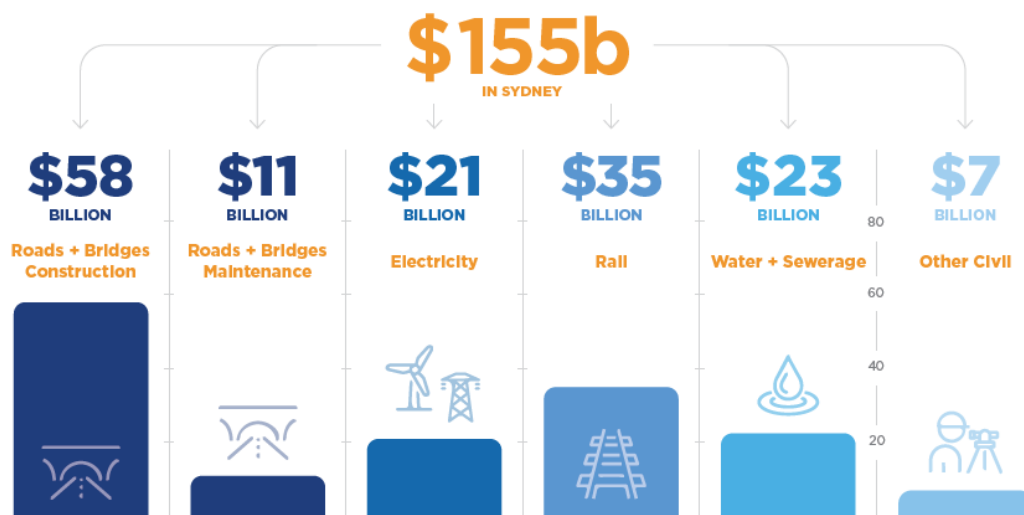
- 51.1% increase in Work Done in FY2023 compared to FY2022
- \$33.5 billion 10-Year Spend
- 14.2% growth in FY2024 offset by 14.5% decline in FY2025
- Activity to remain elevated (above \$2.5 billion) over forecast period
- Water and Sewerage construction activity increased 51.1% in FY2023 and reflects ongoing upgrades and additions to capacity.
- Several dam projects have been cancelled, including Raising Warragamba Dam and Raising Wyangala Dam and the scope of New Dungowan Dam has been reduced.
- Strong growth is forecast in FY2024 followed by a significant decline in FY2025 that will see activity subsequently flatten.

## CIVIL INDUSTRY FORECAST TO FY2033 – ANALYSIS BY REGION

### GREATER SYDNEY

- Peak activity expected in FY2025 at \$16.5 billion.
- Road construction to peak at \$6.4 billion and Rail \$4.8 billion FY2025.
- Electricity construction (distribution) to represent 14% of total civil work.
- Roads and bridge construction continues to dominate.
- Activity expected to fall back to \$14 billion by FY2028 followed by growth due to infrastructure needed to meet population growth.

### 10-YEAR CIVIL CONSTRUCTION FORECAST BY SECTOR (SYDNEY, NSW)

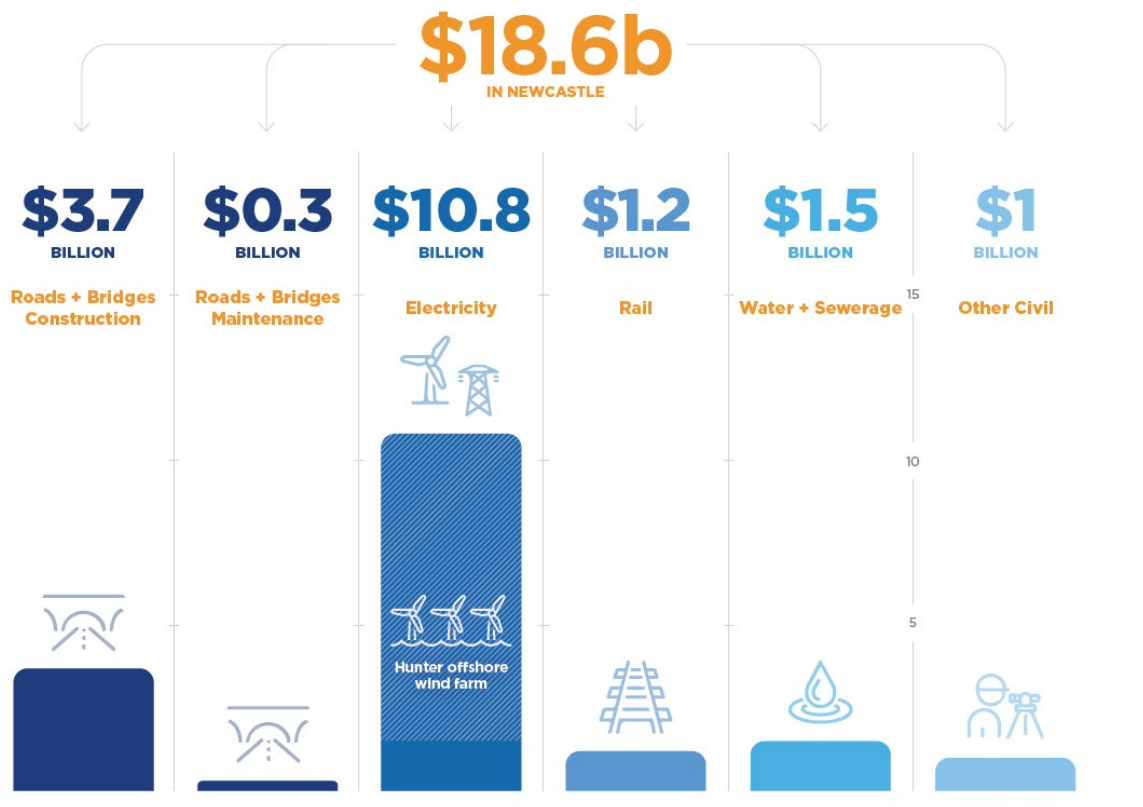


## CIVIL INDUSTRY FORECAST TO FY2033 – ANALYSIS BY REGION

### NEWCASTLE

- \$19b 10-year forecast spend.
- Historic high of construction spend in 2023 of \$773 million.
- Trough expected in FY 26/27 due to transport construction easing.
- Off-shore wind farms a key driver of growth in back half of decade.

### 10-YEAR CIVIL CONSTRUCTION FORECAST BY SECTOR (NEWCASTLE, NSW)



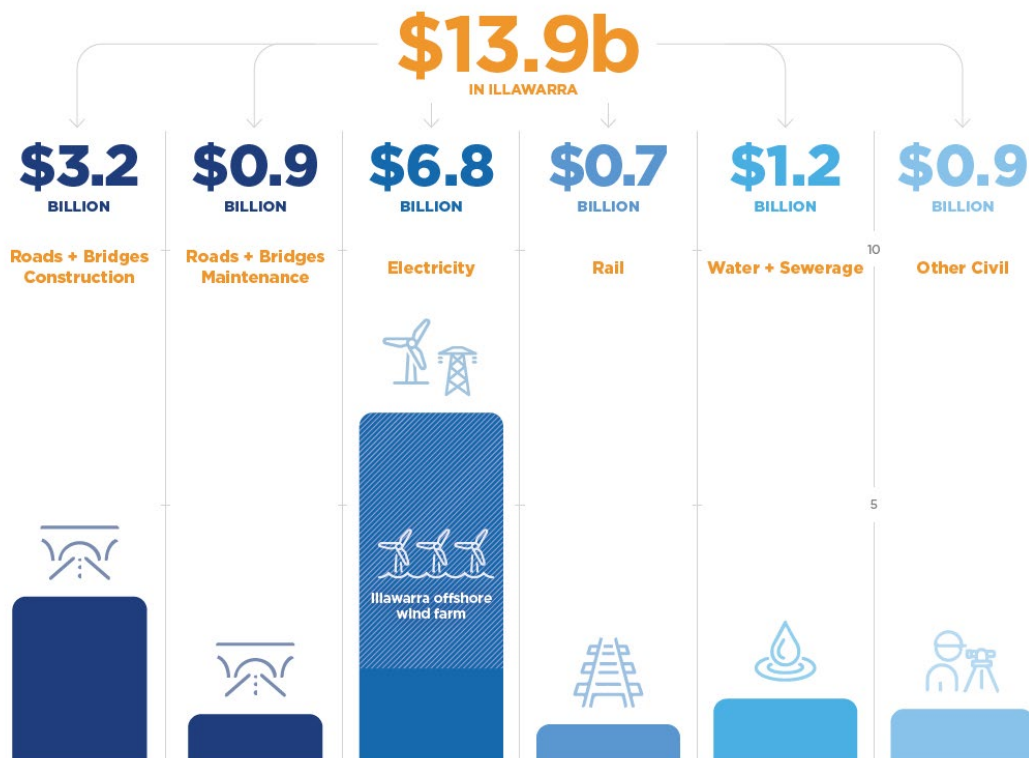
# Media Release

## CIVIL INDUSTRY FORECAST TO FY2033 – ANALYSIS BY REGION

### ILLAWARRA

- \$14b 10-year forecast spend.
- Historic high of construction spend in 2022 of \$992 million.
- Trough expected in FY 26/27 due to transport construction easing.
- Off-shore wind farms a key driver of growth in back half of decade.

### 10-YEAR CIVIL CONSTRUCTION FORECAST BY SECTOR (ILLAWARRA, NSW)

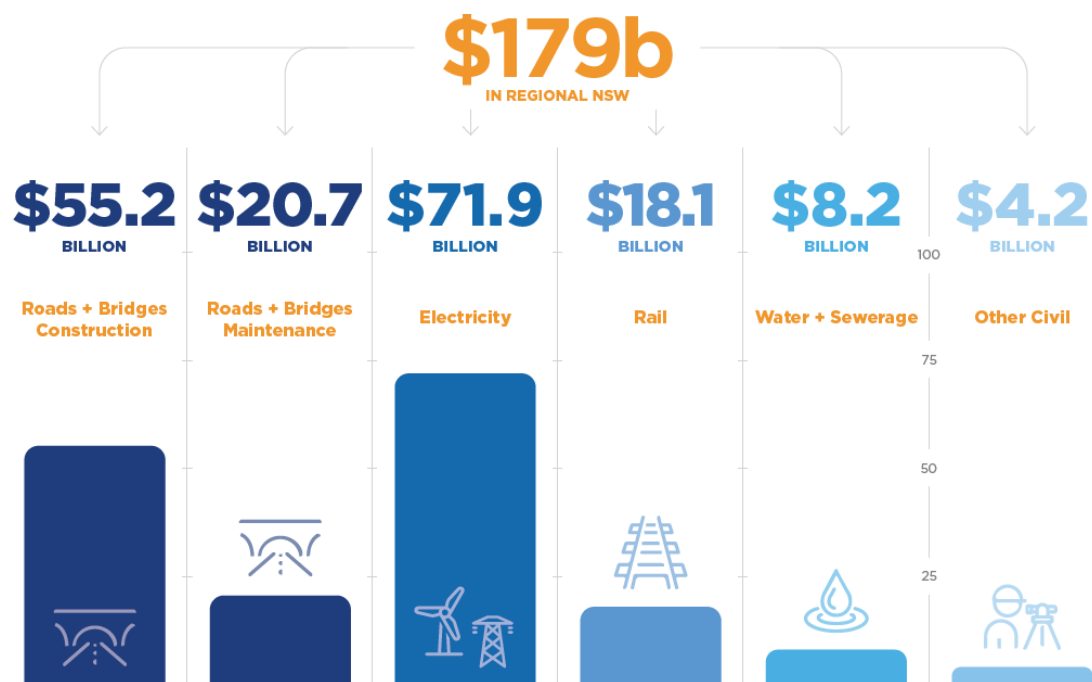


## CIVIL INDUSTRY FORECAST TO FY2033 – ANALYSIS BY REGION

### REGIONAL NSW

- \$17b civil construction investment over next decade
- 29% uplift in civil work in FY2024 alone
- Peak expected in FY 26 at \$18.5 billion
- Total civil engineering work to accumulate to \$178.5 over next 10 years
- Electricity construction works are expected to represent 40% of all civil construction works in regional NSW, surpassing roads and bridge construction
- Regional NSW to have the largest share in total construction and road activity from FY2024.
- From 2033, Regional NSW's share of total construction and road activity will increase by 53% while Sydney's share will decline to 41%

### 10-YEAR CIVIL CONSTRUCTION FORECAST BY SECTOR (REGIONAL NSW)



-ENDS-

The details provided in this fact sheet are extracted from the latest economic forecast by Oxford Economics for the Civil Contractors Federation NSW (CCF NSW), and provides a 10-year projection for the industry that builds the state's roads, utilities, railways, housing subdivisions and ports.