



CONSTRUCTION MACHINERY (CON)

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Overview

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	773	761	781	784
Total Local Production	517	509	522	529
Total Exports	228	225	230	232
Total Imports	484	477	489	487
Imports from the U.S.	166	164	168	165

Source: Australian Bureau of Statistics/Industry Estimates

Australia's construction industry has entered a period of uncertainty with the first half of 2011 showing a continued contraction of the sector. In May 2011, the most recent statistic showed the Performance Construction Index (PCI) for housing development falling 2.3 points to 38.4 points. This slowdown has occurred since June 2010 and is expected to continue well into 2012 according to analysts in the sector. This has been attributed to the ending of the first home owner's grant, originally introduced by the Australian Federal Government and increases in interest rates by the Reserve Bank of Australia (RBA). It was only until November 2011 when the RBA made the decision to reduce interest rates by 25 basis points, and again in December 2011 by a further 25 basis points to help stimulate the economy.

The recent disaster of flood devastation in the State of Queensland is expected to provide the industry with unexpected growth. In May 2011, an announcement of a \$3.3 billion USD 10-year capital works project has begun, to improve the State of Queensland's water infrastructure. The State of Queensland is seeking to rebuild its damaged infrastructure and improve ways to minimize the damage that may be caused by future events.

Local industry experts continue to be optimistic for the sector over the next few years. There is expected growth in the industry with 3.5% annual increases anticipated between 2013 and 2019. The key factors influencing the growth of the industry in Australia are major infrastructure projects which include: transport, mining, electricity, telecommunications, sewerage and water supply, and other civil projects (including the construction and upgrading of freight and port facilities). The continued development of Australia's infrastructure is a key priority for the Australian Federal Government as an advisory council has been set up to work in partnership with State and Federal Government representatives and business leaders to determine significant infrastructure requirements.

U.S. imports are valued at about one third of total imports of construction machinery in Australia. U.S. manufacturers, particularly those operating through wholly-owned subsidiaries or Australian agents, enjoy a positive reputation for the quality of their products. Major U.S. manufacturers supplying the Australian market include: Caterpillar, Case New Holland, John Deere, Ingersoll-Rand, Bobcat, Vermeer, Manitowoc, Terex, and Ditch Witch.

There are other popular brands in the Australian market which include: Komatsu, Hitachi, Kobelco, Kawasaki, Kubota and Sumitomo which are the main Japanese companies exporting construction equipment to Australia. Liebherr, Demag and Bomag are the main German brands in this market. Australian manufacturing is mainly small amounts of customized products such as: attachments (buckets, tractor tires, cabs, wheels and rims), replacement parts and wear parts for incorporation into imported base units. While construction machinery prices range from a few thousand USD to an excess of one million USD, the local industry manufactures items at the lower end of the spectrum.

The 2005 Free Trade Agreement between the U.S. and Australia (AUSFTA) has eliminated import duty on construction machinery from the U.S. The import duty rate from other countries is five percent.

Sub-Sector Best Prospects

The Federal and State Governments are expected to continue to invest in heavy equipment as plans for growth in infrastructure construction continue to rise. Some of types of equipment may include: off-highway dumpers, graders and levelers, self-propelled track laying bulldozers and angle dozers, front-end shovel loaders and scrapers.

Pricing, technology and after-sales-service still dominate the buying habits in this market. Australian end-users are willing to invest in technology that offers superior precision, flexibility, safety, and reliability features. Large construction machinery that consumes high levels of energy is at a disadvantage. Manufacturers and/or agents must provide on-call back up servicing programs and substantial product warranties.

Opportunities

Queensland (QLD), Victoria (VIC), South Australia (SA) and Western Australia (WA) are still planning major infrastructure projects. These include:

Project	Location	Value USD (millions)	Planned Commencement Date
AUSTRALIA PACIFIC LNG (APLNG) PROJECT	QLD	35,000	July 2012
SCADDAN ENERGY JOINT VENTURE COAL PROJECT	WA	21,000	June 2013
CROSS RIVER RAIL PROJECT - INNER CITY RAIL UPGRADE	QLD	14,020	March 2012

CHINA FIRST COAL PROJECT	QLD	8,000	July 2013
ABBOT POINT COAL TERMINAL X110 INFRASTRUCTURE DEVELOPMENT PROJECT	QLD	7,200	June 2012
OLYMPIC DAM COPPER GOLD SILVER URANIUM OPERATIONS EXPANSION	SA	7,000	July 2013
RAPID GROWTH 6 IRON ORE PROJECT	WA	6,500	July 2013
MELBOURNE METRO RAIL TUNNEL - STAGE 1	VIC	4,500	December 2012
PARRAMATTA TO EPPING RAIL LINK	NSW	2,600	February 2013

Source: Construction Forecasting Council

Resources

Associations:

Australian Building Codes Board: <http://www.abcb.gov.au>

Australian Construction Industry Forum (ACIF): <http://www.acif.com.au>

Australian Constructors Association: <http://www.constructors.com.au>

Australasian Tunneling Association: <http://www.ats.org.au>

Infrastructure Partnerships Australia: <http://www.infrastructure.org.au>

Civil Contractors Federation: <http://www.civilcontractors.com>

Department of Infrastructure, Transport, Regional Development and Local Government:
<http://www.infrastructure.gov.au>

Housing Industry Association: <http://www.hia.com.au>

Master Builders Australia Inc.: <http://www.masterbuilders.com.au>

Trade Shows:

DESIGNBUILD

Date: June 27-29, 2012

Frequency: Annual

Location: Melbourne, VIC

Website: <http://www.designbuildexpo.com.au/>

CONSTRUCTION AND MINING EXPO

Date: March 15-17, 2012

Frequency: Annual

Location: Perth, WA

Website: <http://www.cmeexpo.com.au/>

CIVENEX 2011
Date: May 16-17, 2012
Frequency: Annual
Location: Sydney, NSW
Website: <http://www.civenex.com/>

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