

# ASSESSING CONSTRUCTION MARKET HEALTH AND CAPABILITIES

## **EFFICIENCY AND EFFECTIVENESS REVIEW**

In this paper, market health refers to the overall state and vitality of the construction industry, and capability refers to the market's ability to meet demands. Achieving a vigorous understanding of market health and capacity can be valuable for effective and efficient procurement processes. Conducting market health and capacity assessments can enable evidence-based decision-making, help to identify opportunities and limitations of the market, and provide information to shape procurement strategies. This paper identifies key strategies that Australasian Procurement and Construction Council members utilise to develop an understanding of the construction market's health and capabilities.

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## **KEY STRATEGIES**

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### **1. Industry and Association Meetings**

Engaging at high-level industry and association meetings can be a vital tool. Industry and association meetings offer a platform to understand broader market trends, capabilities, and challenges. Regular engagement at these meetings can help to inform procurement decisions and pipelines, ensuring that approaches are attuned to the current state of the market.

### **2. Early and Continuous Engagement with Industry**

Establishing regular formal or informal dialogue with industry and contractors can offer real-time insights into the nuances of market capabilities and limitations. Engaging with industry and contractors in a regular manner can inform procurement decisions and foster relationships that can be beneficial for projects. This type of engagement can gauge the health and adaptability of the construction market, ensuring that procurement strategies align with industry capabilities.

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### 3. Pre-Qualification Assessments

Pre-Qualification Assessments mes, governments can acquire informative lists of contractors who have the demonstrated capability and financial capacity to deliver projects. Prequalification schemes then serve to assist government to make more informed and efficient procurement decisions, through providing detailed lists of contractors that meet relevant criteria and capabilities.

### 4. Financial Threshold Assessments and Monitoring

Financial threshold assessments at pre-qualification can be a valuable tool for assessing the financial health and strength of potential contractors in the market. Some jurisdictions set financial benchmarks for high value contracts which necessitate a detailed financial capacity assessment during the delivery phase. This process identifies financial risks and facilitates informed decision-making. As projects move forward, continuous monitoring of a contractor's financial health may occur. Monthly financial reports, sourced from providers such as Equifax, can help government agencies avoid unexpected financial challenges with contractors.

### 5. Health Checks at Critical Stages

Health checks at key stages of a project development can offer a holistic view of a project's trajectory and ensure alignment with market capabilities. In the development stage, jurisdictions that employ development health checks seek to assess confidence for project options, design development, stakeholder engagement, procurement strategy and approach to market engagement. Undertaking these assessments can ensure that outstanding issues and barriers to project realisation can be addressed.

### 6. Request for Information (RFI)

An RFI is a market research tool which can be used to assess specific information from the market. An RFI can be effective alongside other strategies to gather essential information about for a particular supplier, service or project. Such inquiries can aid in capability development and procurement planning purposes, to help identify, refine, and cost capability options. Governments may also employ RFIs for first or unique builds, to assess the feasibility of the project, gain understanding of the available options and inform the best approach to market. Thus, by leveraging RFIs, governments and agencies can gain information and insights on market health and capabilities, to form the foundation for successful project outcomes.