

media release

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Economic downturn provides opportunity for better supply chain agreements

Businesses should use the economic downturn to take stock of their supply chain practices to make sure they are in a more advantageous position when the economy bounces back, according to a leading construction and infrastructure lawyer.

Allens Arthur Robinson (**Allens**) Partner Ren Niemann said the economic boom of the past decade has seen many businesses, especially in the resources sector, having to wait up to 18 months for vital materials and equipment from suppliers, and pay for the privilege of doing so.

This, in turn, has led to project delays and premiums being paid, with less focus on driving better performance outcomes.

Mr Niemann said the economic downturn gave businesses a chance to negotiate new supply chain agreements that would encourage better long-term relationships between businesses and suppliers and a better value-for-money framework. He also noted that improved supply chain efficiencies would lead to significant cost savings at a crucial time for businesses.

In particular, businesses should:

- use 'umbrella' style agreements – these set out a long-term framework for ordering supplies of goods, works or services – with key suppliers that take a longer-term focus on project planning and supply needs;
- look to engage key suppliers earlier in major projects to improve their contribution to the success of those projects, whilst providing suppliers with an opportunity to secure improved returns on investments; and
- consider the use of performance-based contracting to drive better behaviour from key suppliers as well as reducing costs and improving performance.

Speaking at Allens' Corporate Counsel Seminar Series today, Mr Niemann said: 'Adopting these measures will result in business having greater confidence over their supply chain.'

'In turn, the flow on effects for the economy will mean projects being commenced earlier and completed faster, with lower costs for delivery of projects and improved productivity.'

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Notes for Editors

Allens Arthur Robinson has staff in 14 cities and eight countries across the Asia Pacific.

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