

Partnering for project bidding success

PORR

Growing demand for new and improved infrastructure across Europe bodes well for Austrian construction company PORR. With public entities keen to upgrade or completely replace underinvested bridges, roads, and railways, PORR is hoping to bid on many forthcoming developments. Its successful ability to win tenders will be underpinned by its close relationship with Credendo and the use of insurer-backed bid bonds and other guarantees.

PORR is the second-largest Austrian construction company. Founded in 1869, it is the oldest company listed on the Vienna Stock Exchange. PORR is involved in a variety of areas within the construction industry including roads, rail, tunnelling, building construction, and environmental engineering. Its key markets – which account for around 96% of its activity – are in Austria, Germany, Switzerland, Poland, Czech Republic, Slovakia and Romania.

Despite the current rocky macroeconomic environment shaped by the Russia-Ukraine war, an energy crisis, and global inflation concerns, PORR is anticipating a healthy pipeline of projects in its key markets over the next twelve to eighteen months.

"This is partly fuelled by investments in green projects linked to reducing polluting emissions, as well as a drive among some European countries to overhaul their public

infrastructure," says Stefan Ondra, Deputy Head Group Treasury at PORR.

"We all know there is a large amount of money coming from various bodies in the coming years such as the EU's Green Deal, which will have links to infrastructure. So even beyond 2023 there is a big pipeline for the whole industry," he explains.

"In many countries, there has also been a lack of maintaining infrastructure over the last ten or fifteen years. In many parts of Germany for instance, rail and road infrastructures are virtually at their end-of-life cycle – especially when it comes to bridges," he adds.

Credendo supports PORR in all stages of a project's life cycle, mainly with advance payment guarantees, performance and maintenance bonds.



For example, at the end of 2022, Credendo provided a EUR 15.4 million advance payment bond for a project PORR is working on for a large Austrian real-estate developer. The project comprises the construction of two office buildings and an underground parking in Vienna.

What Stefan Ondra appreciates when working with Credendo is its speedy service. "One of the greatest benefits is that they are one of the fastest and one of the least complicated insurers."

"We centrally manage 12,500 single guarantees and we don't have six weeks to present the paper to the client. We have maybe a week or even less. If we worked with a financial institution that has complex and time-consuming internal processes, it would be a nightmare and it wouldn't be possible to handle so many guarantees," he says.

PORR's relationship with Credendo started five years ago with a small local facility in Poland via Credendo – Guarantees & Speciality Risks' Polish subsidiary.

"Not much later it made sense to enhance that facility and transfer it to Credendo's Austrian subsidiary after it had started operations and the whole thing gained momentum," Ondra says. Now PORR has a facility of EUR 50 million from Credendo covering all regions where PORR is active.

Looking to the future there are of course challenges for PORR and the wider construction industry. Lack of skilled labour has been an issue for a number of years and it is a problem that is unlikely to go away in the near future.

"Our biggest risk has nothing to do with supply chains or payment issues – it is simply the lack of qualified labour in the market. We are currently looking for more than 400 people but we just cannot find them," he says.

University graduates seem to be more attracted to high-profile companies in other sectors such as technology. They are still under the misconception that the construction industry requires you "to work outside even if it is raining and cold".

"For the vast majority of administrative jobs, this has completely changed," Ondra says, adding that PORR is trying to attract new talent by running training academies in Austria, Poland, and Romania.

Another challenge specific to its relationship with Credendo is the reluctance of some of PORR's clients to accept a bond from an insurer rather than from a bank. "This can make or break signing a project. I sometimes have endless discussions on this and then the client will tell me that if we want the contract, we need to bring a bank," he says.

"This is not a sensible approach," he adds, suggesting that some clients have unfounded preconceptions about insurance companies.

While it might take some time to win over all clients, PORR is very much looking to strengthen its relationship with Credendo in the coming years. "We started five years ago with something small at a local level, and within

a short period of time we have grown our cooperation to the benefit of both parties. We will try to further that cooperation," Ondra says.

Credendo has also been a key supporter of PORR's digitisation drive over the last few years, which has seen the company digitise all its internal and external communication processes. Credendo was one of the first to join the new online platforms used by PORR for managing its guarantees.

PORR has eliminated the need to send papers around the world or to obtain in-person signatures on documents. Everything is now accessible via an online platform that can track every step in a bidding process, from who issued a document, over who approved it, to when a guarantee was received.

PORR's financial position is also improving, enhancing the company's attractiveness as a risk to be covered by Credendo.

"Last year was one of our best years ever – so that is a positive impact on our relationship," Ondra says.

Zuzana Huszar, Surety Underwriter at Credendo adds: "PORR is by far our largest client here in Austria so our relationship with them generated a nice volume of business last year and we hope this will continue."

PORR had a record year in 2021 with production output even surpassing the pre-pandemic levels seen in 2019. Preliminary figures published for 2022 also show strong growth.



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