

# Red tape, cost-cutting constraining construction and consulting industries

Infrastructure is the basic fabric that supports the economy, however, development in South Africa is being hamstrung by fundamental problems that need to be resolved urgently, says Darrin Green, Africa MD at Aecom.



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“The industry is being decimated and we will shortly face a crisis in construction and consulting capacity and skills,” he warns.

South Africa’s existing infrastructure must be operated and maintained at a municipal, provincial and national government department level. Here the low-hanging fruit are the projects and programmes already identified. “However, the problem lies in the capability to procure and manage the spend. It is not happening consistently to enable skills growth and retention,” highlights Green.



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Robert Ter Morshuizen 5 Dec 2022



## No room allowed for innovation

Due to the push on price, there often is not a lot of leeway for innovation. “In the public sector, it is lowest price wins. Now that is never going to allow for any kind of innovation or optimisation,” says Green. He adds that the “bare minimum” is being done and older designs recycled that are no longer fit-for-purpose. This, in turn, has a major impact on future-proofing and climate resilience of new and existing infrastructure.

“That takes a bit more effort and time. Clients are not looking at the lifecycle cost of that infrastructure,” says Green. Spending more upfront improves operation and maintenance, in addition to improved closure outcomes and reduced construction costs across the board. The issue is compounded by the fact that while price is the dominant criterion in the public sector, some private sector developers hand infrastructure over without considering operation and maintenance.

Developers are invariably on the hunt for the lowest-priced design. However, design is a negligible 1% to 2% of the total construction cost. Merely spending another 1% at that initial level not only brings the construction cost down, but more importantly accounts for the overall lifecycle cost, including operation and maintenance into the future.



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## Slow rollout of public infrastructure plan

Looking at the government's planned infrastructure rollout to promote fixed capital investment and economic growth, Green says this has been “frustratingly slow” to date. “There is some work trickling through, but it is not enough to make any difference. Our construction and consulting industry is teetering on the edge, particularly construction. We are losing skills hand over fist; we are losing recently qualified and registered and young engineers monthly. It is significant that we are not attracting new people into the industry.”

Despite the prevailing situation, government or public sector infrastructure remains a cornerstone of the construction and consulting industries. Current constraints are preparing projects to go to tender, the procurement process itself and the competency to oversee and manage this properly. The ongoing battle against corruption has made compliance particularly onerous.

“We are well meaning in wanting to root out corruption, but we also do not want to create entry barriers for smaller players. It is smothered in red tape and the cost of bidding is exorbitant, whereas it should be stratified. Aecom does not want to bid for small projects, which should go to the emerging sector.

“There is also no consistency in the documentation. There should be one central approach for all compliance documentation so it can be submitted once to all government departments, instead of us having to reinvent the wheel and fill out all these forms in slightly different formats every time,” explains Green.



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## Not enough quality-based criteria

Another issue is low functional or quality-based criteria in the bidding process itself, which is skewed towards the lowest price and therefore the quality of the outcome could be compromised. “While competition is necessary, quality is very much part of that process,” says Green.

“You do not go to open bid to determine which doctor to do your heart surgery. Similarly, professional services like engineering are regarded as general procurement, when it has a much bigger impact in terms of sanitation, public health and water supply, for example. If you look at some of the construction that is being built or half built, it all starts with the procurement.”

Here the procurement cycle simply takes too long: Six months for a prequalification, followed by requests for proposals and an eventual bid that can take a year to award and a further six months to contract. “This means we are already two years down the line for urgent infrastructure,” points out Green.

In terms of balancing out all these constraints against moving the company forward, the main concern is that the current workflow is insufficient for a sustainable profession, let alone its individual players.

## **Bottom of a bust cycle**

“It is going to remain lumpy for some time. Our industry is always cyclical. Everything around the 2010 Fifa Soccer World Cup was a boom period. We are now at the bottom of a bust cycle for our industry. I do not see that changing quickly. That, unfortunately, affects business confidence and investment levels,” says Green.

“We still fundamentally have very good skills in this country in engineering that honestly are world-class. We do not have to stand back for anybody. But how are we going to retain that? For me it is about balancing out the peaks and troughs that we have in our workflow here in Africa with work from the global business. That is part of our strategy for at least the next two years while the socioeconomic situation stabilises.”

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