

Engineering in South Africa

Name

Institutional Affiliation

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In the world today, the business field, which construction companies are no exception, continues to change drastically. Therefore, those that fail to adapt to the new requirements are affected and in the long end give up with the competition. Due to the increase of users' expectations, environmental requirements, scarce resources and competition, it becomes difficult for construction companies to improve their performance. South Africa construction and engineering industry hit rock bottom after it was recognized as the most developed African country to host the 2010 FIFA World Cup. What followed was a notable decline in the industry over the past few years. Performance of the industry has reduced due to financial constraints as well as the Competition Commission processes which include settlement and findings alike (PWC, 2013). The industry has been affected negatively due to the weakening of the economy and the past labor strike. Even though the engineering and construction companies marked some losses in the past years, there are signs of growth noted in 2013 that are yet to be evident up to now. A construction and engineering order book of 2013 indicates that loss is due to failure of government infrastructure spends, which is an important aspect for growth of the industry.

Challenges

Competition and Margin Pressure

FIFA World Cup of 2010 was run by the 5%-6% margin profit that had boosted the economy. Tendering of materials was not well priced, the projects carried out were beyond the profit margin and the strategic decisions made were poor (Abushaban, Enshassi, & Mohamed, 2009). This contraction of South Africa's economy increased unhealthy competition among the construction industries.

Market Volatility and Impacts on Order Books

The South African Government delayed infrastructure projects and in turn caused a delay in the awarding of tenders and available projects. In particular, the mining projects not only involve South Africa but other African countries and Australasia affected the movement of foreign exchange.

Liquidity Risk

The decline of cash flow affected the global economy. Additionally, profits were low and led to losses during those tough trading times. As the global economy headed south it had an impact on liquidity with high credit and payments delay risks (PWC, 2013). This affected the state owned industry by lateness of certifications, which led to projects termination.

Growth and Expansion into New Markets

In order to improve profits margin wise, construction companies sought projects in other stable economy African countries and beyond. This increases risk due to increased cost in communication, resources and system to enter new markets and out do the local skills and expertise (PWC, 2013). Regulatory compliance risk also increases.

Current Interventions

Competition Commission Investigation (CCI)

The Commission was the solution to South Africa's construction companies' needs. The Commission was set to eliminate non-competitive companies within the construction field. This happened through fining some company roughly 1.46 billion in regard to anti-competitiveness (Ensor, 2013). The major benefit of the Commission was that it eliminated corruption, anti-competitiveness and collusive behavior. Consequently, it restored the reputation of the industry at large. Currently, the construction companies are transparent in their activities. This ensures that corruption in awarding of tenders is eliminated for good. Moreover, some companies are

undergoing though training on compliance and competition, standardizing policies and proper management.

Effects of Engineering among South African Society

Firstly, engineering and construction industry has helped to improve the economy by a GDP growth of 0.9% in the 4th quarter and 3.2% in the 3rd quarter of 2009 (CESA, 2009). The industry recorded “double digit growth” specifically due to better investments by state owned companies. This gives hope for more economic growth in future. When the GDP increases, the living standard of South Africans improves. They will be able to afford better housing and some leisure activities that are common for the developed countries. Secondly, the industry plays its part in proper investments increasing marginal profits so that it boosts the country’s economy. In turn it helps to regulate oil prices which are the backbone of every country’s economy (CESA, 2009). This means that food prices and other commodities are not inflated and citizens can enjoy a stable and strong currency. Lastly, this industry has some negative impact as well. Over the past years the industry recorded major losses that affected the county’s stability. Life became unbearable, because the cost of living was beyond the common citizen’s affordability. Some citizens were retrenched from their work and this became a living nightmare for their families.

Conclusion

South Africa has been the pride of Africa for many years. It is known as the most developed country that got the privilege of hosting the FIFA World Cup of 2010. After the event, South African infrastructure had tremendous changes both positive and negative. For instance, after the World Cup in 2010, the industry made losses with some companies shifting to find new markets in other countries. However, this did not stop the industry with the help of the remaining countries to get back to their feet with the help of CCI. The commissions act upon proper

behavior in the construction industry, eliminating those companies that are pulling the industry behind. With this kind of spirit, it will take the country a few years to step up in development and improve the engineering and construction company.

References

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