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PRESS RELEASE

Namibian Industry and Labour Must Benefit

A recent survey conducted by the Construction Industries Federation of Namibia (CIF) confirmed that Namibian construction companies have the capacity to handle large-scale projects and that companies have the appropriate infrastructure to be considered for government projects; alternatively, as subcontractors or indeed partners in larger projects.

Answering a question on annual turnover, the larger share of 52 respondents reported a turnover of less than N\$2 million. However, at the other end of the spectrum, respondents reported an annual revenue between N\$100 million to one billion.

Bärbel Kirchner, consulting general manager of the CIF says: "The construction sector is regarded as the engine driving the economy. It is generally known that government's expansionary budget and programmes like TIPEEG and other development programmes focused largely on infrastructure development with the aim of rapidly creating employment. This appears to remain government's strategic direction for the next few years.

"No doubt, it is beneficial to the industry as a whole, that *strategic and growth-impacting infrastructure development*, this year again was identified by our government as catalyst to secure its strategic socio-economic objectives.

"It therefore comes as no surprise then that respondents to the survey considered *government spending and procurement policies* as the main issue affecting the industry. Though, it is disconcerting that respondents to our survey needed to reflect their concern about getting a fair slice of the cake."

The greater part of 52 respondents (69.4%) highlighted Asian contractors as dominating the competitive environment in the construction industry, followed by local contractors and service providers (18.4% of respondents) and South African contractors (10.2% of respondents). Only 2% regarded the prevailing competitive environment as fair and healthy. Indeed, 83% of respondents felt that the long-term sustainability of the Namibian construction industry was threatened by competition arising from non-Namibian contractors.

Construction Industries Federation of Namibia

P O Box 1479, WINDHOEK, Namibia
Tel: (+264-61) 230028, Fax: (+264-61) 224534
Cnr Stein & Schwabe Streets, Klein Windhoek

About factors influencing clients to choose the services of a contractor or service provider, *price was considered to be the highest influencing factors*, followed then only by *expertise and ability to do the job*. *Reputation and being a Namibian company*, were still considered as the least influencing factors.

Commenting on the involvement of foreign companies, consulting general manager of the CIF, Bärbel Kirchner states: “There is ample local capacity which must be engaged for most projects. But we cannot disregard the fact that in some instances - in particular for mega projects such as the Neckartal Dam and the proposed Walvis Bay Port expansion - the involvement of foreign expertise and related financial capacity is needed. Nevertheless, it is important that no foreign labour is involved in respective projects. Of course, related training and the transfer of skills is of critical importance to further build the capacity of our local industry.

“Although, we cannot entirely ignore the benefits of a free market, it is equally important that Namibian manufactured products are largely being used where available. The impetus of infrastructure development should ultimately have a local multiplying effect and benefit other economic sectors. In particular, if we consider how important it is for the Namibian economy to build its manufacturing base.

“Large scale projects in the pipeline must also lead to employing those that are currently unemployed and that desperately need to secure an income. This again emphasises how important it is that international companies involved with projects such as Neckartal and the port expansion, invest in securing the development of necessary skills. Involving the capacity of Namibian businesses as subcontractors in these large scale undertakings, also remains of critical importance. “

Despite the concern about foreign involvement in Namibia’s construction industry, respondents to the survey were relatively upbeat about the prospects of the economic environment. 41.5% indicated that they thought it would improve; 37.7% were more inclined to think that it would stay the same; and 20.8% had cause for concern as they reported that the economic environment would worsen.

This is notwithstanding the report on profitability - for 66.7% of respondents, profitability either remained the same or had deteriorated. Of those, 22.9% were less profitable than the 12 months before. A third of respondents reported a more profitable year. About the factors affecting continued profitability, the following were mentioned: availability of work; availability of projects; competition from foreign companies; labour costs; costs of material; capital requirements; experienced human resources and the distance over which material needed to be transported.

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Relating to revenue generated over past 12 months, over 61.2% stated that their income had improved; 30.6% said that it had remained the same; whereas 8.2% reported that their income had deteriorated.

At the same time, expenditure has increased for 76.9%; for 15.4% expenditure had remained the same; and indeed 7.7% had reduced their outflow. In line with revenue generated, 21 out of 52 respondents to the question, reported any annual expenditure in the category of less than N\$ 2 million and 15.4% spent between N\$2 million and N\$5 million annually. 11.5% respondents had annual business expenditures between N\$20 and N\$50 million dollars. Highest business expenditure reported was in the category of over N\$500 million.

In terms of expenditure, purchases were ranked the highest, followed by labour costs. This did not appear to give the necessary scope to allow significant investments into the business.

End

Note to the Editor:

The Construction Industries Federation of Namibia (CIF) conducted an annual survey, which took place from 1 November 2012 to 31 January 2013. The feedback from 54 respondents, of which 44 were members of the CIF, provides a baseline view of the construction industry. The survey will take place on an annual basis to determine change over time. Though, to ensure a greater response rate, it is anticipated that the next survey will be conducted earlier in the year.

The complete report will be made available to members of the Construction Industries Federation of Namibia via the CIF's website restricted member user access.

For more information and membership enquiries, contact the CIF at Tel. 061-230028 between 08:00 and 13:00 on week days.

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