

CESA – the voice of consulting engineering in South Africa

An economic workshop was recently held in Johannesburg hosted by Consulting Engineers South Africa (CESA) at which three leading experts in their fields gave expert opinion on the Impact of the global economic crisis on the consulting engineering Industry. In his welcoming address Felix Fongoqa, President of CESA stated that the workshop was important in order for consultants to look at strategies for a sustainable future for business in South Africa and the African continent.

Impact on construction industry and consulting engineering sector

Dr Iraj Abedian, chief executive officer of Pan African Investment and Research Services and chairperson of Bigen Africa, presented a paper on the Impact of the Economic Crisis on the Construction Industry and the Consulting Engineering Sector. Abedian stated that over the past 14 years the ratio of the construction sector as a contributor to GDP has been rising and therefore the relative growth in this sector of the economy has been above average, a reflection of what has been happening globally. He made the following points:

- Not only was construction booming in South Africa but also in China, Dubai and Sydney - in fact worldwide, leading to a shortage of skills and capacity issues.
- Although the financial crisis began with the US in some sectors of the construction industry there are serious over-supplies. The construction sector was one of the leading drivers of the boom with the bulk of it coming from residential and mining. At the same time that the global economy was booming all of the economies were running out of infrastructure, energy, water supplies and roads. This leads to the shift from residential and mining construction to urban and national construction.
- In order to get our urban infrastructure right we are short of over R390 billion. The international crisis has led to a refocus on urban infrastruc-

ture. He stated that there are two factors that will support this sector in the short term over the next three years, these being firstly, public sector infrastructure projects in particular local government projects and secondly, falling interest rates.

- South Africa has been hit hard by the global meltdown but not that badly, with our negative 1% growth way below the rest of the world.
- In the next decade the South African economy relative to the global economy will grow by 1,5% to 1,8%. State capacity remains a critical factor as it is the weakest link because it takes time to build – Australia took 12 years to reconfigure its public sector after acknowledging that they had a problem.
- The private sector strength is the country's most important contributor. Abedian stated that currently Public Private Partnerships (PPPs) are as clear as mud in that they are half hearted and dysfunctional with both parties failing to make it work or take it seriously. He sees this as a window of opportunity to make a positive contribution as we cannot wait for the public sector. Government will channel a great deal of resources to improve urban infrastructure. South Africa's construction sector is unlikely to be hit as hard as some other countries. He concluded with "Times are tough but opportunities have not dried up and cost consciousness is bound to rise rapidly".

Global trends in mergers and acquisitions

Dr. Gustav Rohde gave a presentation on the Global Trends in Mergers and Acquisitions. He started by stating that there is a consolidation of the industry and that this is a trend that cannot be ignored. Rohde believes

that growth can be achieved even in a recession through mergers and acquisitions. Rohde went on to list a number of reasons for further consolidation; the various models that need to be considered; how to value a Consultancy; as well as the biggest hurdles.

Rohde stated that consultants are becoming increasingly less equipped to defend their territory (South Africa and Africa) and are becoming more fragmented. He believes that consolidation should reduce competition, open global opportunities and increase global competitiveness.

Global imbalances

In his presentation, Rudolf Gouws, Chief Economist at Rand Merchant Bank (RMB) discussed the global imbalances and their effect on South Africa; the impact of the crisis on South Africa; the crisis and the macroeconomic response as well as the domestic economic outlook.

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Gustav Rohde, Iraj Abedian and Rudolf Gouws.