



Interpreting the Environment &
Pioneering Change

THE SOUTH AFRICAN ASSOCIATION OF CONSULTING ENGINEERS

Forum

“WORKING SMARTER TO ADDRESS SUPPLY SIDE CHALLENGES AND ELIMINATE BOTTLENECKS IN THE CONSTRUCTION ECONOMY”

Felix Fongoqa, President of the South African Association of Consulting Engineers (SAACE) gave the opening address at the Professional Services Procurement Indaba that was held in February and well attended by members of the Association. The theme for the Indaba was “Working Smarter to Address Supply Side Challenges and Eliminate Bottlenecks in the Construction Economy”.

A number of key speakers gave presentations at the Indaba during the first part of the day, this was followed by various brainstorming workshops.

Fongoqa stated that the industry as a whole was suffering from supply side demands and that in spite of this we needed to focus on Quality Based Selection (QBS) in line with the World Bank and the International Federation of Consulting Engineers (FIDIC). The industry is currently suffering as quality is taking a secondary role to price in the procurement process.

Fongoqa hailed the CIDB's standard approach to procurement in that it will result in time and cost savings for consultants. This together with its national Register of Service Providers in addition to ECSA's move towards compulsory registration of professionals will ensure that engineering will be carried out by registered engineers only. He concluded that the industry needs to focus on quality and value aspects in order to build a sustainable industry.

Pierre Blaauw, Economist at SAFCEC, followed with a presentation “The Construction Economy and the Consulting Engineer” in which he stated that even if Eskom does not put any more capacity in place the economy will still be able to grow at 2,5%. Blaauw believes that we are operating in exciting times with the increased funding from government and this equates to a challenge for the industry to keep up. In all of this the government continues to play a crucial role as it is the main client and the main driver in the process and it is important that they drive the process from an efficiency point of view. He stated that we are going to need large quantities of infrastructure investment in order to maintain GDP growth of up to 6%. But in all this he notes that the 2010 Soccer World Cup is only 5% of the government's R568 billion infrastructure development programme but that it is an important

psychological milestone.

Graham Pirie, CEO, SAACE and Session Chairperson then gave a brief overview of the Association's Management Information Survey (MIS).

Arthur Taute, CEO of Vela VKE, and Chairman of SAACE's Supply Chain Management Committee presented a paper in which he stated, “We are in the skills industry, and we need to provide the skills otherwise nothing will happen”.

Francois Swart, CEO of Bigen Africa gave a presentation on the Construction Industry Charter and its effect on the procurement process. Current BEE legislation measures how we have transformed and who we procure from. He noted that the system needed to be fair, transparent, competitive, cost-effective and equitable. Unfortunately the gazetting of our industry charter has been delayed by political uncertainty.

Ronnie Khoza, CEO of the CIDB gave a presentation on “CIDB – Understanding the requirements for Professional Service Providers” in which he asserted that the government was not making speedy progress in coming up with the new PPPFA regulations and that currently the BBBEE Act regulations do not specifically recognise PSPs. There is a lack of a clear legislative environment that is an impediment to the industry.

Henry Malinga from the National Treasury gave a presentation in which he put into perspective the context of the legislation and the direction in which we are heading in relation to procurement. He reported that the PPPFA Act was currently still with the state law advisors for legal refinement and that the legislative process was to start soon. He suggested that a prequalification list based on quality be created of approved service providers and that following that the consultant from this list with the lowest acceptable price could be appointed in a period of as little as 4 days.

Shamlan Soobiah, Partner at Accenture followed this with a presentation titled, ‘The Management Consultants Business Model - the path to high performance’. He stated that image building was very important followed by a focus on the business and clients. Work force

capabilities needed to be accelerated and that key talent needs to be managed focusing on growth and retention. Processes for managing change needed to be implemented and lastly the practice needed to be managed by focusing on project and performance management as well as increasing billable hours.

Dr Gustav Rohde, the CEO of Africon gave the final presentation of the day in which he discussed, ‘Commercially Viable Procurement Models for Consulting Engineers’. Rohde believes that price balances the forces of supply and demand. He also contends that there is a direct relationship between price and quality/effort in that you get what you pay for and that there is always a trade-off between quality and cost.

Dempsey Naidoo, Executive Chairman of the PDNA Group concluded the day's proceedings with a summary of the day's events. There was overwhelming support for doing away with fee scales and to let market forces prevail in setting prices. Consultants needed to learn how to price and package the quality element. The fact is that competition and price are here to stay and the task remains as to how to influence the process to ensure that we receive properly scoped bids.

The task for the SAACE council was later to decide as to what extent and how to possibly dismantle fee scales. This included creating a time frame in which fee scales might become vaguer over time until they were possibly removed altogether in the best interests of member firms and their clients. There was also a need to educate both members and clients on procurement principles. The Association needed to develop a Best Practice Guideline as well as a framework for the Scope and Definition of Services. The Association would be partnering with the CIDB and needed to create a Task Team and Reference Group for this process. The new Best Practice Guideline for Procurement needed to be developed and then taken on a road show to the branches where interaction with clients would be encouraged.

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