

Leading indigenous firms

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FOCUS ON INDIGENOUS CONSTRUCTION IN NIGERIA

Local construction companies decry lack of government support

Nigeria's construction industry is the most troubled of sub-Saharan Africa's top economies

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Nigeria	-6.1	-6.3	-5.4	-0.4	-0.1	6.4	11.2	12.7	11.3	10.7	17.9
South-Africa	0.3	-0.2	0.4	1.4	1.2	1.6	2.8	2.6	1.7	1.6	3.3
Kenya		8.16	9.94	14.88	15.63	11.21	12.63	19.38	8.8	16.56	7.55

Source: National Bureau of Statistics, Bloomberg & BusinessDay

LOLADE AKINMURELE

The most daunting hurdle in the path of Nigerian indigenous construction companies is a lack of trust from their own government, industry players bemoan.

This appears ironic, given the pressing need to provide jobs for a fast growing work force and preserve scarce dollars at a time of reduced inflows from crude oil exports and foreign portfolio investments.

"From my point of view, inadequate capital and poor patronage, particularly from the public sector are two of our biggest challenges. These two issues are largely due to an unfortunate and mostly unsubstantiated lack of confidence in indigenous construction companies," said Ibusunkun Sonola, CEO of indigenous construction company, Formwork Ltd, in an interview with BusinessDay.

Local construction companies will continue to underperform without government support, the reason being that the public sector accounts for the largest share of projects in the country.

Public sector projects account for 68 percent of total construction projects, according to consulting firm, Deloitte, given the need to bridge the infrastructural deficits and these are primarily government driven.

Asked why foreign contractors are favoured ahead of their local counterparts, one government official who declined to be named said it was due to a lack of capacity and the required skillset to undertake a complex project.

"Despite the challenge of the local companies, I agree that they need to be allocated more jobs so as to create jobs domestically and that they may improve. After all, practice they say makes perfect. If they are not engaged

from time to time, there will be no room for improvement which would turn out injurious to the economy," the official said.

In a similar vein, Igbaun Okaisabor, the Vice Chairman and CEO of indigenous Construction Kaiser thinks without a deliberate strategy to encourage large foreign construction companies to partner with smaller indigenous construction companies on large and complex projects, the local firms will struggle to get better.

This gives room for indigenous construction companies to grow and it will enhance transfer of technology, according to Okaisabor.

"It would also result in increased participation of indigenous companies in large and complex infrastructure projects thereby increasing job opportunities for unemployed Nigerian youths and conserving our scarce foreign exchange," Okaisabor said.

He however warned that, "With the

current trend in the economy and the resultant drop in foreign reserves, I see a situation where Nigeria would become unattractive to some foreign construction companies and expatriate staff. If we don't develop the skills required locally, I foresee a situation where we won't find competent companies locally to take on complex infrastructure projects, which would hamper our development."

Unemployment rate in Africa's most populous nation accelerated to its highest level in six years, at 13.9 percent in the first nine months of 2016, according to the National Bureau of Statistics (NBS).

This implies that Nigeria's unemployment rate is more than double the global average forecast by the International Labour Organisation (ILO) forecast of 5.9 percent for 2016 and 2017.

Continues on Page 3

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POWER PLANT PROJECTS

- Civil works for the 580MW High Voltage Switch yard comprising of 450 concrete pedestals on piles, foundations for 33Kva transformers, 1.6km length of cable trenches, control building, chain link fence.
- 9 Nos Gas Turbine bases for GE Frame 9E's.
- 2 Central Control Buildings with gross floor area of 5,250 square metres
- Technical buildings: Fire Station, Compressor House, Fuel Gas Station and Emergency Diesel Generator House.
- Non-technical buildings: Administration building, Warehouses, Accommodation.
- Erection of 1,800 tons of Structural Steel.
- Soil stabilisation work with Sand-Cement mixture.
- The total volume of concrete produced on these projects was about 50,000 cubic metres and 8,200 tonnes of steel reinforcement bars.



COMMERCIAL VAULT BUILDING

- 4 upper floors with basement
- Concrete volume of about 3,500 cubic metres for slabs and vault walls



LUXURY RESIDENTIAL DEVELOPMENT

- 4 Upper Floors of Luxury flats
- Swimming Pool
- Generator house and other ancillary buildings



HOSPITALITY

- Ongoing project
- 208 Room hotel on 16 Upper Floors
- 12,500 square meter basement car park for 300 Cars
- Ancillary facilities

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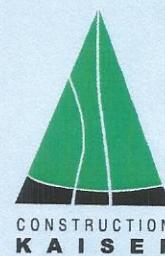
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Construction Kaiser Limited



Igbuan Okaisabor, Chief Executive Officer

Profile: Was founded in Port Harcourt, Nigeria in June 1993 and is an indigenous building and civil engineering construction company. It has three regional business units (Abuja, Lagos and Port Harcourt) and undertakes residential, commercial, and industrial engineering construction projects in different geopolitical zones of the country.

The company has grown to position itself as a one-stop construction firm through vertical integration to her sis-

ter companies: M & E Kaiser Limited (Mechanical, Electrical and Plumbing Installation Works), Noah Michael LLC (Construction & Project Advisory Services) and KaiserLite (small and medium scale projects execution).

It employs about 200 people who are all Nigerians, half of which are direct industry professionals and does not include about 2,000 operatives on various project sites across the country. The ratio of local to foreign patronage is 1:1.

Salta Infrastructure and Construction Limited

Profile: Was incorporated in 2013 to provide professional construction activities globally with Nigeria as a focus. Its basic services are road, bridges and buildings construction; detailing and finishing; pipeline system construction; factories and warehouses construction - including automation systems- and training programmes for skilled workers and artisans.

The company currently employs about 86 Nigerian workers, 41 percent less than a peak of 210 workers at inception. Company sources say it laid workers off due to lack of new projects. Its percentage ratio of local to foreign patronage is 70/30.



Kavordi Ojo, Managing Director

Formwork Limited



Ibukun Sonola, Chief Executive Officer

Profile: Was set up as a design and build firm, but is now fully engaged as a building/civil engineering contracting and construction management firm. The company has successfully completed several Design and Build projects, residential, commercial and retail projects, institutional and religious buildings.

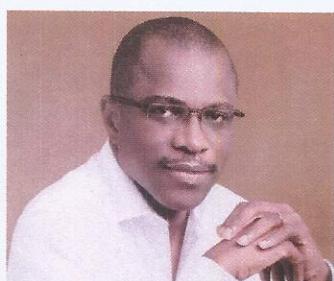
Formwork also fabricates and installs a variety of office, shop, and home fit-outs in timber, aluminium, MDF, chipboard, laminates and various other components projects, and is supported and resourced by a construction yard that handles all logistics and is the hub of Formwork.

The company employs full time Engineers, Builders, Quantity Surveyors, Surveyors and Architects with Admin/support staff. Several other plant operators/maintenance officers are retained by our construction yard.

Interkel Nigeria Limited

Profile: Interkel's scope encompasses building construction and infrastructure and has been operational for over 30 years now. It employs ninety (90) direct employees and over one hundred and seventy (170) indirect employees.

The percentage ratio of foreign to local patronage varies annually, but averages 65% to 35% in favour of foreign companies, according to company sources.



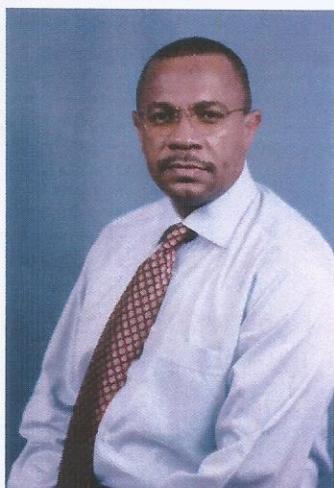
Nnamdi Agbim, Managing Director

Megastar Construction Limited

Profile: Was incorporated on the 2nd of February 1988, but started effective business in Building and Civil Engineering as we know it today in 1997. The company is focused on quality production, efficient and timely delivery for clients in the public and private sectors.

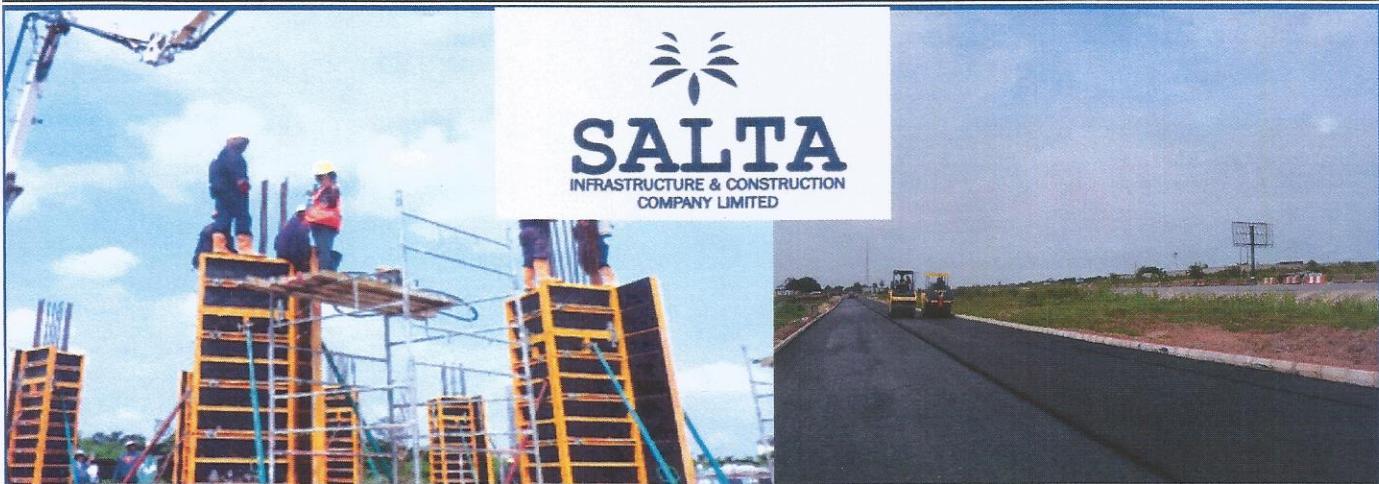
The company employs over 1000 Nigerians and has over the years executed and handed over projects ranging from the simple to the complex - office blocks, Residential Complexes, Hospitals, Hotels, Warehouses, Schools, Factories and Industrial Facilities for Multinationals, Federal and State Governments, Public and Private organizations, Church's and Net-worth Individuals.

The company's percentage ratio of local to foreign patronage is about 70:30, according to company sources.



Harcourt Bingha Adukeh, Managing Director

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SALTA INFRASTRUCTURE & CONSTRUCTION CO LTD



WHO WE ARE:

Salta is an indigenous construction company incorporated to provide civil and infrastructure construction services to government agencies, industries and private sector organizations.

We have seasoned engineers and professionals with a combined international experience of over 600 years.

Our main objective is to continue to offer quality and speedy professional services to our clients.

We have a broad-based clientele which include; Flour Mills of Nigeria, Oando Plc (Gaslink), Oando Marketing Plc, Forte Oil Plc, European Union, National Planning Commission, Ogun State Property & Investment Corporation, Plateau State Government, WAVentures, MDG and Private High-Net-Worth individuals.

Some of our completed projects:

- * Construction of 30m X 2000m Runway at Sunti Golden Sugar Estate, Niger State
- * Construction of 2.5km Industrial Grade Dual Carriage Road at OPIC Agbara Estate, Ogun State
- * Construction of office Building and warehouse at Amuwo Odofin Industrial Area
- * Construction of Private luxury properties in Ikoyi, Magodo, Lekki and Carlton Gate Lagos
- * Construction of Health Post, Schools, & Rural Infrastructure in 24 LGA of Edo state
- * Construction of 17km Mangu-Bwai Road, Mangu
- * Infrastructure Development of New Makun City, along Lagos-Ibadan Expressway Shagamu.
- * Construction of G+7 Floor Hostel Building at University of Lagos;

OUR SERVICES INCLUDES:

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Hotels and Resort Developments
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Desalination Plants

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Megastar prides itself on complete local knowledge of the NIGER DELTA area. We understand its people within and share with their aspirations. The partnership of Nigerian and Italian citizens who have good knowledge of the Nigerian Construction Industry is a strong statement of our intention to be the leading Building and Civil Construction Company in Nigeria. We will continue to grow by delivering excellent work, developing successful people and sustaining responsive performance in Nigeria. Our Mission is to build the quality others dream about.

Contact us at:

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Industry insight

Cient base

Kaiser: Over 50 corporate and private clients.

Megastar: Megastar has over the years executed and handed over projects ranging from the simple to the complex - office blocks, Residential Complexes, Hospitals, Hotels, Warehouses, Schools, Factories and Industrial Facilities for Multinationals, Federal and State Governments, Public and Private organizations, Churches and Net-worth Individuals.

Formwork: Our clients reflect the spread of Formwork's activities in the construction industry. We have worked for a variety of commercial banks and financial institutions on branch/office developments. We have been very active in the hospitality and food retailing business developing hotels and food outlets, have built schools, churches, several residential properties, worked for the telecoms industry and have recently been involved in delivering retail malls.

Salta: Dominated by private clients.

Interkel: Our client base spans the Organised Private Sector, Emerging Corporates, Telecommunication Companies, Financial Institutions, High net-worth Individuals and Government.

Most overwhelming yet rewarding projects undertaken

Megastar: The construction of various buildings at Federal Polytechnics, Ekom, Bayelsa State is an overwhelming project, considering the volatile nature and inaccessibility to site due to harsh terrain which affected logistics tremendously. However it was rewarding as the experience gained in the successful completion of this project speaks volumes for us.

Formwork: Our attitude at Formwork is that every project is important and every project must be managed and delivered to meet the brief and client's expectations. So, I wouldn't refer to any project as overwhelming. We have worked out a system at Formwork that enables us to plan and respond to each project's needs and to provide the resources necessary to deliver.

Salta: I believe it is our Agbara Industrial Road Construction. We had to deal with factories receiving their raw materials and shipping out finished good 24 hours, 7 days a week. We were unable to shut the road down at any time, yet we had to progress simultaneously. It was really challenging but quite rewarding in the end.

Interkel: We were the first company to build a Submarine Fibre Cable Landing Station in Nigeria. We have also executed a number of projects that presumably was the exclusive preserve of foreign construction companies.

Kaiser: The most overwhelming and yet rewarding was the execution and construction of complete civil works for 2 gas fired power plants in Nigeria for Marubeni of Japan. The projects have a cumulative generation capacity of 1,030MW in 2 different site locations but constructed simultaneously.

This was our first attempt at such a complex project but we came out of the project with a very good recommendation from our client. It was overwhelming at that time due to the magnitude and volume of resources (manpower, machinery, money) required for pulling the project to a successful completion. The terrain was also very challenging. For example, the Sapele site was right next to the Ethiope river, over 4

metres below the established water table. On the Calabar site, we had to blast rock on one side and on the other extreme; we had to drive piles because it was swampy.

Thoughts on Nigeria's economic recession and how to salvage the economy

Formwork: Well, the reasons for Nigeria going into recession have been very clear to all for more than a while now. The government's cash flow is largely from a commodity (oil) whose price it has little or no control over. The price drops, the production drops and government revenue dips, severely. Everything else was predictable from there in the absence of savings needed as a buffer. The economists and financial experts still have the same prescription for the economy that they had well before the recession set in. Cut costs/unnecessary expenditure, reduce waste, save and invest more in badly needed infrastructure and productive activities. Remove subsidies, encourage/patronize local manufacturing, reduce imported consumption, reform taxation and the collection of duties/tariffs etc. Same prescriptions as for real growth, aside from simply a fortuitous spike in world oil prices.

Megastar: Nigeria is presently experiencing recession due to our major dependence on oil generated revenue and poor economic policies. The GDP contraction in the last three successive quarters combined with high inflation and unemployment rates are indicators. As a way out, we need to consider diversifying our revenue base, as well as empower and develop human capital.

Kaiser: For Nigeria, our recession could have been triggered by the fall in government revenues and reduction in consumer spending. In line with the above assumption, the economy is affected by the dip in oil prices. This has resulted in a drop in the government earnings. It is also worthwhile to note that in Nigeria, the government are the highest spenders in the economy, so a decrease in their revenues would also affect consumer spending which in turn further affects business investments in products and services.

The way forward to salvage our economy would include: diversification of the economy; the economic team needs to be proactive and their monetary & fiscal policies should complement each other; we need to encourage local production of goods and services to reduce demand for foreign exchange which in turn affects inflation rate; ensure that aggrieved groups pressures are treated as a matter of urgency so as to build security and investors' confidence; continue to introduce measures such as Treasury Single Account (TSA) which has helped to reduce corruption in government agencies.

Government should encourage Public-Private Partnership (PPP) in infrastructural development to boost the economy.

Salta: I believe it was a lack of foresight that plunged the Nigerian economy into recession. To salvage the mess, however, we must start investing more in our people and adopt pro-domestic growth policies.

Interkel: We are in recession partly because of the actions and inactions of the government which has affected the perception and country risk profile of Nigeria. There must be concerted efforts at restoring investor confidence.



Bigest challenges in the sector and solutions

Salta: The biggest challenge is lack of patronage by both government and private individuals in preference for foreigners with dubious credentials. This challenge can be solved with massive local content patronage by government and single digit interest rates to improve access to finance.

Kaiser: Our biggest challenge is the ability to acquire skilled manpower in the sector. We identified that there are limited apprenticeship, vocational training and skills acquisition programs in the construction field.

We desire government to come up with a deliberate strategy to encourage large foreign construction companies to partner with smaller indigenous construction companies on large and complex projects. This gives room for indigenous construction companies to grow and it enhances transfer of technology. This would result in increased participation of indigenous companies in large and complex infrastructure projects thereby increasing job opportunities for unemployed Nigerian youths and conserving our scarce foreign exchange. This will also help prepare the indigenous construction companies to be able to handle the large infrastructure projects on their own in the years to come.

Megastar: Our biggest challenge has

been lack of projects while managing our overheads; attempting to maintain and retain our most valuable assets. Secondly but probably the biggest issue has been our purchasing power with naira based contracts. Most solutions are time based; however the Government urgently needs to start implementing policies that would ensure a stable business environment long term.

Formwork: From my point of view as an indigenous practitioner in the industry, now and previously, inadequate capital and poor patronage, particularly from the public sector are two of our biggest challenges. These two issues are largely due to an unfortunate and mostly unsubstantiated lack of confidence in indigenous construction companies. For the sector in general, government has no choice than to spend more on infrastructure and housing. The needs are great. Recurrent expenses must be cut and more money spent securing production and our future. Every sector needs the construction industry.

Interkel: The first casualty in any recession is construction. Thankfully we have a client base that continues to provide us with work albeit at a reduced level. We have also aggressively pursued business efficiencies. These two factors have kept us afloat. The Government of the day should change the perception index of Nigeria by optimizing their fiscal/monetary policies as well as coming up with a clear and credible

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economic plan. This would go a long way in unlocking the economy with subsequent benefits to the sector.

Plans to list on Nigerian Stock Exchange and road blocks

Interkel: We would list the company as soon as we acquire the critical mass. The present exchange rate regime does not encourage good valuations for most companies.

Kaiser: We have been thinking about it after it was suggested to us by a client and company admirer that believes our listing would be beneficial - so it is on our mind. With our current corporate governance structure, we can go public if we choose to. A potential hindrance to our listing, however, is the issue of data integrity in the country. Investors might not have confidence in investing in our shares. The need for expansion and opportunities in the industry can encourage listing on the stock exchange.

Megastar: Yes, the thought has crossed our mind. However, we are not ready. To go public we would need to strengthen our capital base and would prefer a more stable economy that nurtures growth.

Formwork: Yes it has. But we need to grow to that stage first and have a more stable and reliable industry attractive as an investment opportunity for the public. Right now there are only two quoted Construction/Real estate companies on

industry is not really ready.

Salta: Listing is in our future plans, however, right now we are focused on building a strong brand with global recognition, thereafter we will consider going public. The major hindrance to listing is our size. We believe we are too small to go public.

Estimates of job creation in this highly labour-intensive sector

Kaiser: Some of the jobs currently done by foreign site operatives can be done by Nigerians. Taking a conservative look at 200 construction companies employing an average of over a thousand employees of different categories (management, middle level managers, supervisors, skilled, and general unskilled labours), at least 200,000 direct jobs can be created annually.

Megastar: If government focuses on core infrastructural areas such as rail lines, roads, power plants water, etc. they could generate more than five million jobs or better still ten times the current jobs in the construction industry.

Formwork: Thousands literally. Construction provides employment to all levels of workers from the top/middle management executives, graduate professionals, to a very large cadre of skilled, semi-skilled and unskilled workers. Construction also supports the manufacture, transportation, supply and consumption of building materials with many thousands employed along

construction site right down to the very essential food vendor.

Salta: If government looked inward, total number of jobs could be between two to five million nationwide.

Interkel: The multiplier effect of and inward looking government with regards to the local construction industry is exponential. The sector is one of the largest employers of labour. With the current high unemployment levels in the country, this would easily create at least 2 million jobs. Government must however be prepared to make massive investments in infrastructure.

Other gains in patronising local construction companies

Megastar: Utilizing local companies encourages transfer and nurturing of skills within the region we operate in. Long term, these allow local companies to strengthen their skill set. It would also engender the growth of competitive and commercially sustainable businesses potential for additional supplier/customer relationships. Also add the multiplier effects on consumption and sustainable economic growth.

Formwork: Other apparent gains in patronizing indigenous construction companies are the reduction in capital flight and the development of capacity of indigenous companies. The products of the construction remain here, likewise the proceeds.

Salta: These are enormous. It would help develop local expertise while creating wealth which is retained in the economy.

Kaiser: It creates an avenue to increase entrepreneurs in the society. It also helps in reducing social vices as many of the indigenes would be gainfully employed.

With the current trend in the economy and the resultant drop in foreign reserves, I see a situation where Nigeria would become unattractive to some foreign construction companies and expatriate staff. If we don't develop the skills required locally, I foresee a situation where we won't find competent companies locally to take on complex infrastructure projects, which would hamper our development.

When Nigerian entrepreneurs make money in the construction sector, they are more likely to re-invest it locally, rather than move it abroad. This helps reduce the demand for dollars which could shore up the Naira. In addition, the local companies would have an improved market-share from increased patronage which in turn would help grow total GDP.

Interkel: The linkage effects to the economy of patronizing local construction companies are obvious. Aside from job creation a lot more businesses can grow while servicing these local companies as well. Local capacity and skill sets will be enhanced in the process and at the end of the project life cycle, whatever profit made is reinvested in the local economy. It is simply a compounding process and that is a major differentiating factor for the indigenous companies.

Chances of competing with foreign companies

Megastar: We can and have competed comfortably with foreign companies. The major success factors for quality production are primarily: clarity of scope (includes clear specifications), quality input resources

and a strong Project management team. At our core we are a Nigerian company that has aligned with Italians for quality construction, more recently however we have become more colour and ethnic blind. We desire a multi-cultural qualified staff to bring out the best from their respective backgrounds to achieve our goals of 'building what others dream about'. Also we do not discriminate on gender basis and we aim to hire the best.

Kaiser: In most categories of projects, yes, if given the chance. However, we feel that there should be more cooperation between indigenous and foreign firms so as to transfer technology and the know-how for the long term increased participation. We have strong local knowledge and our governance structures are grossly underrated by the Nigerian public and government.

Formwork: We can deliver the same quality, often at better prices, with as well trained professionals as the foreign companies. There may be a few exceptions in heavy engineering for now, in wholly indigenous construction companies, but we can only get better at what we do.

Salta: If given the opportunity, we will compete favourably with any foreign company. However, our prospects are inhibited by low patronage and the absence of a level playing field.

Interkel: In our market segment, they are our main competitors.

Outlook in 2017

Kaiser: Based on the proposals on certain parameters in the Nigerian 2017 budget, it is evident that 2017 will be centred on shifting the country's oil revenue dependence and imports to non-oil revenue and exports to drive the recovery and growth of the Nigerian economy.

Overall, this would create a multiplier effect on productivity, employment and also promote private sector investments into the country. The construction sector would also benefit from the proposed 2017 budget.

Megastar: We are optimistic yet worried, because for sustainable development and growth there needs to be stability. This government is just beginning to stabilize, however it is unclear if this amount of stability can sustain expected development.

Formwork: The Federal Government has proposed capital spending of over N2 trillion for 2017 up from N1.8 trillion in 2016. Some state governments are also increasing their capital budgets. The private sector however is still watching and waiting to see that firm action is taken in the direction of the policies stated to coax the economy out of recession. So we may likely face many of the same challenges of 2016 as least in the first and 2nd quarters. If the policies are faithfully implemented and government raises the funds and does indeed spend on infrastructure, confidence should return and we may be on the way to recovery by the 3rd and 4th quarters. Optimistic yes, but we don't have a choice really.

Salta: The outlook for this year is more benign than 2016, as many believe the only way is up after the economy tanked in 2016. This is the only year we expect a radical change in Nigeria under the current administration, as 2018 will naturally be consumed by electioneering and arrangements.

Interkel: The sector would likely remain bleak if the macro-economic challenges are

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Challenges of Indigenous Construction Companies

By HARRY THOMAS-ODEY

The construction industry is an important driver of economic and social development in any society, as it is responsible for creating all the physical structures (roads, bridges, dwellings, hospitals, schools, hospitals, markets etc.) that house the people and their activities/relationships. The construction industry is the difference between the prehistoric societies characterised by caves and the modern, where people are expected to attain self-actualisation with convenience and achieve personal, community and national development objectives.

The state and capability of a nation's construction industry is a direct reflection of the development of its people. Imagine life in Lagos without the Eko, Third Mainland and Carter Bridges, or without hospitals and schools. A construction industry is a development promoter and occupies a pole position in the scheme of things in any society. To the same extent therefore, it is imperative that a nation that prides itself as independent in words and deeds must have its indigenes leading this development drive, but this is not our reality in Nigeria as the indigenous construction actors have severe limitations due to a lot of issues some of which will be enumerated subsequently.

The situation today in Nigeria is that expatriate construction enterprises are leading the charge, contending with the significant projects whereas the indigenous companies deal with smaller and micro scope developments. It is a thing of shame that this situation still exists today with the ready availability of knowledge sources.

One of the significant early projects in Nigeria was the Eko Bridge which happened to be the first project that Julius Berger did in Nigeria. What is worth interrogating is where all the small indigenous construction companies that were building one, two, three and probably four floors residential, commercial, schools, hospitals, office buildings at that same time are today? Why have they all evaporated in a manner of speaking while Julius Berger has grown in leaps and bounds ever since? Also why did those same indigenous companies not grow even if not at the same degree as Julius Berger?

This leads us to the philosophy and approach of the indigenous construction companies. Almost all construction companies approach construction as trading instead of the very deliberate business it is supposed to be. Trading as practiced in Nigeria is usually an opportunistic relationship, short gap method to earn a living whereas proper business requires deliberate formulations of structures, objectives and long term planning with eye on sustainability. The instant coffee mentality does not guarantee

impediment to the development and growth of the indigenous construction companies and also why they do not enjoy a lot of patronage because nobody is sure whether they will be there the next day and risk losing money and time.

A recent study we did revealed that the average lifespan of the Nigerian Construction Company is 18 years only! Hardly enough time to properly situate, build on experiences, develop and grow to become sustainable enterprises creating and increasing shareholder value over time. When they have such short lifespans they are hardly able to develop the competence and capacity to think and plan so as to understand their challenges and risks and manage them for sustainability. Indigenous construction companies that wish to develop and grow must think about creating Structures First and almost every other thing shall be added to them.

Additionally, the indigenous construction space has always been an all-comers affair, where a major qualification is access to and the subjective assessment from awarding authorities. Ability and competence to deliver, has never really been top qualification consideration not to mention even adequate education. The short lifespan of the indigenous construction companies also has the additional negative effect of creating very unstable construction management cadre who are hardly in one enterprise long enough to learn, develop and grow not to mention that this instability also leads to despondency and these management trainees therefore don't learn enough before they set out to launch their own enterprises only to repeat the same mistakes like their legacy companies and the cycle continues.

There have been some improvements though by and large, as these days ownership and operations of local construction companies are now largely engineering related professionals and in instances where they are not, they are well educated.

Like all challenges in life endeavours, the solutions are not rocket science but indigenous construction companies require a mindset change in order to participate adequately in the development of Nigeria as far as construction is concerned and the approaches are mainly two pronged;



Harry Thomas-Odey, Chief Executive Officer, Heights Access Nigeria Limited

The first one is management that will involve setting up proper structures in line with international best practice, that will reveal to them the imperatives of processes and procedures that will establish ways of conducting businesses different from the current knee jerk approach; the other is operational, that will see them moving away from the traditional method of construction and embrace modern construction methods and equipment which is what will give them a chance at competing on the same level on the small and medium projects in the first instance and grow their profiles subsequently gathering operational competencies and capacities in the process.

The adoption of modern construction equipment on its own come with their own challenges which are two fold viz: Knowing the correct and optimal equipment to deploy, a major risk to profitability and making the acquisition investment and that is where Heights Access Nigeria Limited has over the past years deliberately acquired the capacity, competence and experience to support construction companies both indigenous and expatriates. Our offering is captured as equipment solutions for effective construction and industrial engi-

neering with an expansive global innovative scope of specification, engineering, procurement and execution.

We fill the equipment knowledge, management and investment acquisition gap with our robust sales lease and rental offerings in a collaborative technology transfer model on a cradle to grave framework, part of which enables us to also support desiring indigenous construction companies with their structures formulation quest.

In setting ourselves up to adequately serve in our niche we have developed and implemented quality and safety management systems to ISO 9001:2008 and OH-SAS 18001:2007 international certifications, developed our enterprise content with robust support and access to the global resources of our manufacturing partners who are all global leaders in their fields and are today the first and only certified major construction equipment solutions and services company in the world.

Our solutions and services scope is a global innovation.

In line with the prevailing macroeconomic situation which has the capability of further discouraging indigenous construction companies from embracing modern construc-

tion equipment method and remaining in the inefficient traditional methods of construction because of investment acquisition challenges we have developed our rental business into a full-fledged brand called Afriquip which we have positioned as a one stop shop construction equipment rentals offering operational cost effectiveness and convenience. The Afriquip Brand will support Indigenous Construction Companies with the Knowledge of appropriate equipment, and how to deploy, in addition to managing the operations so as to effectively transfer skills to them when they now acquire theirs.

Our flagship achievement to date is our commissioning of the Biggest Tower crane in Africa here in Lagos, Nigeria in collaboration with our manufacturing partner Manitowoc Groupe Sas de France.

Our technical operations team is very well trained both locally and overseas and we have also added to our enterprise content by having certified quality management auditors in alignment with our aim to develop the competence to support the structure formulation imperatives of indigenous construction companies, as our service value add.

Lastly, Government must understand that it has a responsibility to deliberately encourage, support and build the capacities of its indigenous construction firms by adopting proper prequalification procedures so that those companies that make the efforts can be rewarded objectively. These procedures will also make it impossible for construction companies with no verifiable references to get big projects overnight on the basis of subjective evaluations and considerations from the awarding authorities at the expense of those construction companies who have been striving and toiling to build references.

When Government patronise fly by night indigenous entities, they contribute to the unsustainability of the local construction industry. A local content bill for the construction industry with best practice qualification criteria will also go a long way to encourage the local construction companies to think longer term all to the benefit of the nation.

Grooming skilled manpower in the construction industry

IGBUAN OKAISABOR, Vice Chairman,
CEO of Construction Kaiser

We noticed the need for technical on the job training and leadership skills especially in Science, Technology, Engineering and Mathematics (STEM). It is for this reason we introduced the concept of cre-

business. The main purpose is to reshape our business and its relationship to the society. We intend to achieve this goal by introducing four categories of programs.

Firstly, a teen mentorship scheme: This commenced in September 2016 and would be an annual STEM program for secondary school students. The main aim is to introduce

them to construction at an early age so as to develop their interest in the construction sector.

Secondly, an Artisan training programme: We intend to use our sites for artisans training. This would help improve the quality of our work and thereby increase our market share.

Thirdly, undergrada-

training would mainly focus on developing soft skills for undergraduates undertaking construction courses.

Fourthly, Post-graduation training: This would be for graduates to shadow the professionals in the field.

With these four programs, we believe that the industry's main challenge of skilled manpower can be addressed with

FOCUS ON INDIGENOUS CONSTRUCTION IN NIGERIA



Interkel
NIGERIA LIMITED

Our Services

- Building construction
- Design
- Civil works construction
- Design-build turnkey projects
- Facility Management
- Road construction an road maintenance works
- ICT infrastructure works
- Renovation/alteration work (fast track)
- Fitting out
- Property development
- Project management services
- Development consulting services

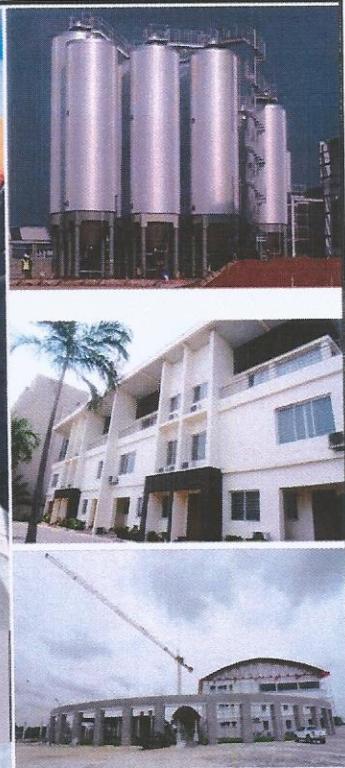
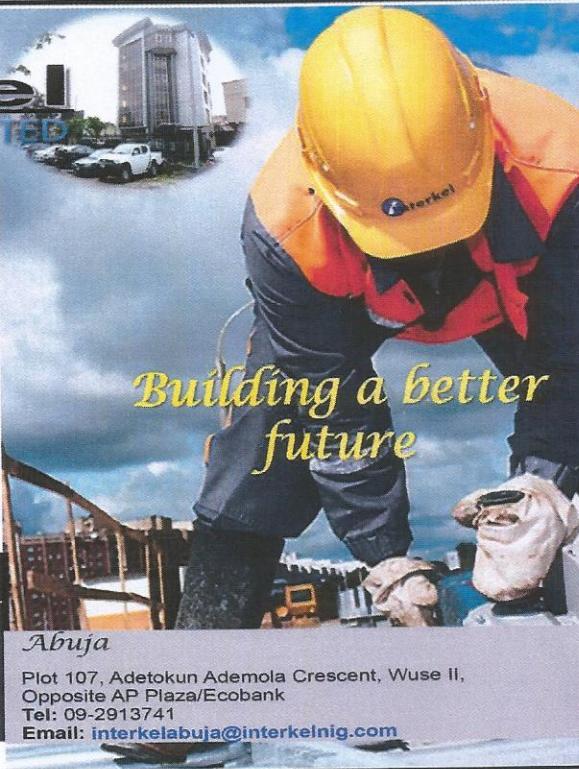
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Budget 2017 powers benign outlook for construction

LOLADE AKINMURELE

The outlook for construction in 2017 is benign on the back of government's capital spending plans.

Capital projects will gulp more than 30 percent of total government spending in 2017, in furtherance to 2016's expansionary budget modelled to lift growth.

The proposed aggregate expenditure of N7.298 trillion will comprise: Statutory transfers of N419.02 billion; debt service of N1.66 trillion; Sinking fund of N177.46 billion to retire certain maturing bonds; non-debt recurrent expenditure of N2.98 trillion; and capital expenditure of N2.24 trillion (including capital in Statutory Transfers).

In terms of cost of funds, which stakeholders say is a drag on the sector; maybe there are positive takeaways from the Central Bank of Nigeria's monetary policy committee meeting where Godwin Emeifie indicated that the apex bank would be more inward looking to grow local capacity in 2017.

Emefie is quoted to have said, "In recognition of the seemingly inevitable structural shift in the global economy, the Committee reiterated the need to be more inward-looking



ing and hasten efforts towards economic diversification to support the domestic economy and improve life for the Nigerian people."

"Consequently, members acknowledged the imperative of sectoral policies and greater coordination of monetary and fiscal policy," Emeifie noted in a communiqué published on the CBN website minutes

after the MPC meeting on January 24.

A shift from globalisation to protectionism is on the horizon with events like Britain's exit from the European Union as well as a Donald Trump presidency set to be more pro-domestic growth than globally inclined.

These factors were considered by the CBN in reach-

ing the decision to be more inward-looking this year and may usher in an era of single digit interest rates to encourage local companies.

Also, plans to settle some contractor debts and the issuance of promissory notes this year is seen as positive for stakeholders who have decried ballooning unpaid debt owed to them for work done.

There is currently as much as N300 billion worth of outstanding debt owed to the construction industry by the federal government alone. Taking into account both local and state governments, the sum the public sector owes the construction industry is as high as N600 billion, according to the Federation of Construction Industry.

Local construction...

Continued from page 1

Nigeria's Gross Domestic Product (GDP) contracted 0.34 percent, 2.1 percent and 2.24 percent in three consecutive quarters last year, and the country may now face its first full year contraction in 25 years.

Low oil prices and below trend production volumes combined with damaging policy responses like capital controls, crimped growth. Because Nigeria is highly dependent on the oil sector, it is vulnerable to exogenous shocks.

Dollar inflows have tanked, and although the global oil price has peaked to around \$55 per barrel from its historic low of \$27 per barrel in January, it is still more than 50 percent less than 2014 levels of \$114 per barrel.

Autonomous dollar inflows are also shrinking. The total value of capital imported into Nigeria in third quarter 2016 was estimated at US\$1.8bn; this represents a 33 percent decline when compared with the corresponding period in 2015.

Within the period, the Naira recorded the worst performance of all asset classes, tumbling 35 percent and 46 percent against the US Dollar in the official and parallel markets respectively while also underperforming Emerging and Frontier market peers.

In contrast to events in Nigeria, large Emerging Markets such as Russia and Brazil, which were also negatively affected by the fall in commodity prices with pressures on their respective domestic currencies and prices, maintained a flexible foreign

exchange policy and implemented market friendly policies to buoy confidence and adjust to the oil shock.

As such, inflation rates trimmed to 6.1 percent and 6.3 percent in December 2016 from the highs of 17.5 percent and 10.8 percent respectively in 2015.

Brazil and Russia recorded Capital inflows (FDI and FPI) worth US\$261.6bn and US\$31.1bn in the first nine months of 2016 compared to outflows of US\$284.3bn and US\$39.9bn in 2015 respectively.

Also, the Russian Ruble and the Brazilian Real appreciated 20.1 percent and 22.2 percent after depreciating 20.3 percent and 32.8 percent, respectively in 2015.

A half-hearted attempt to introduce flexibility in management of the foreign exchange market was con-

ceived in May 2016 and partly implemented in June.

But Nigeria has subtly returned to a hard currency peg, which has increased the spread between official and parallel market rates to an all-time high of N180.00 at US\$1 in December 2016. The implication has been lethal on businesses which are now mostly forced to source dollar at a premium for critical inputs.

Rising operation costs have led to massive job losses and a dry up in new investments, as businesses contending with sinking profits resort to cost-cutting measures.

Construction is not exempted from the economic downturn. It is second only to Crude Oil and Natural Gas, as the worst performing sector in 2016, after contracting 6.13 percent in the first nine months, according to data

compiled by BusinessDay.

"The first casualty in any recession is construction. Thankfully we have a client base that continues to provide us with work albeit at a reduced level," Nnamdi Agbim, CEO of indigenous construction firm, Interkel Nigeria Ltd told BusinessDay.

"The Government of the day should change the perception index of Nigeria by optimizing their fiscal/monetary policies as well as coming up with a clear and credible economic plan. This would go a long way in unlocking the economy with subsequent benefits to the sector," Agbim said.

As Nigeria scuttles to restore an era of GDP growth which averaged 7 percent in the decade preceding 2016, low hanging fruits are being ignored. One of which is the construction sector.

N2.24 trillion

Nigeria's capital expenditure for 2017

-6.1 percent

Construction contracted by -6.1 percent in the third quarter of 2016, according to the National Bureau of Statistics.

5 million

Kayode Ojo, CEO of Salta Construction says the construction industry can create five million jobs nationwide if government looked inward.



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BUSINESSDAY'S TOP 25 MOST INNOVATIVE COMPANIES AND INSTITUTIONS IN 2016

In March 2017, BusinessDay will be celebrating Nigeria's top 25 most innovative companies and institutions that created the most innovative products, or introduced the most innovative ideas and services in 2016.

Companies and institutions in both the public and private sectors of the Nigerian economy are hereby invited (nominations are also welcome) to send in their entries based on the guidelines below:

- Name of the product or service or idea?
- What is unique about it?
- What challenge or need did it serve?
- How successful has it been?

The award categories are:

- Most innovative idea or product in;
- 1. Innovation Company of the Year
- 2. Banking /Financial Services
 - Customer service
 - Product
 - Lending to Manufacturing
 - Support to Agriculture
- 3. Manufacturing
- 4. Service
- 5. Transport: Aviation/Road
- 6. Media & Entertainment
- 7. Agriculture
 - Crop production
 - Funding
 - Value chain management
- 8. Housing
- 9. Education
- 10. Charity or NGO
- 11. Most innovative start-up

- 12. Most innovative SME
- 13. Most innovative state governor
- 14. Most innovative Federal Ministry/Most
- 16. Most Innovative Telecommunications firm
 - Service
 - Product
- 17. Most innovative technology company
- 18. Most innovative Food Services/Restaurant food chain
- 19. Most innovative multinational
- 20. Most innovative international money transfer firm
- 21. Most innovative healthcare firm
- 22. Most innovative insurance company
 - Product
 - Service
- 23. Most innovative pension fund administrator
- 24. Most innovative investment firm
- 25. Most innovative e-commerce company
 - e-payments
 - e-lending
 - e-collection

Submissions should be made no later than 5th February, 2017 and sent to:

Mail: research@businessdayonline.com

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