

# Gauteng Master Builders want action over looming industry crisis

The construction industry is on the brink of a crisis, with contract changes and conditions that are cutting into profit margins and increasing risk for contractors, according to members of the Master Builders Association North (MBA North). These factors are contributing to a downward spiral in the sector, which is in desperate need of urgent reforms to ensure its survival.



Mphau Mphomela, executive director at Master Builders Association North

The struggling construction sector has witnessed a staggering 88 liquidations in the past year, along with a decline of over 7,000 jobs. This continues a trend that has been ongoing for the past five years, signalling a dire need for change in the industry.

## Contractors cite key issues

MBA North member Wimpie Kies, construction manager of Belo & Kies Construction, says contractors face growing cash flow challenges and untenable contractual conditions, with margins slashed to around 1-2%, significantly lower than they were in the past.

He points to unfair business practices such as contract amendments and withholding payment, as well as to slow and costly legal practices that force contractors to accept the situation and 'take it on the chin'.



Africa-US trade programme needs at least 10-year extension, AU says

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"For some years, clients have started to push more and more risk onto the contractors. They are stringing them along for months for payment and are continually finding ways to get what they see as more bang for their buck. But in reality, what they are doing is pushing risk and burden onto the contractors at no additional cost to themselves," he says.

Developers have also seen a shrinking market and rising interest rates, with far fewer viable projects. To counter this, they attempt to “unbalance the contractual risk”.

These conditions, he notes, are unsustainable. More contractors will go into liquidation, resulting in project delays and increased costs as the competitive landscape shrinks. Quality issues will also start arising as the gap grows between experienced and new skills.

“The experience and knowledge base in the industry is being eroded,” he says. “When a company closes, its employees may change industries altogether, or move abroad for work. We see a lot of people leaving for regions like Australia, New Zealand and the Middle East, where there is strong demand for South Africans due to their work ethic and experience.”

### **Back to a tried and tested formula**

Other MBA North members echo these sentiments, saying contractors are in a difficult space, with several industry leading companies being forced to close doors.

Gavin Morrow, CEO of W30, says that since the collapse of Group 5 in 2019, the construction industry has seen a steady flow of very good main contractors go into business rescue or liquidation.

“The pace has increased significantly in the last couple of years with the latest casualty being Gothic Construction, a top-notch contractor.”

Kies says that he is concerned that if the industry does not take an extremely hard look at itself and address the issues, this spiral will continue to the detriment of all stakeholders.

Other members agree: “Conversations must be held across the industry spectrum, with employers and consultants, because the status quo is unsustainable.”

They call for contractors, subcontractors and suppliers to stand together to get the industry back to where it once was – with no altering of the JBCC contract, as this method is tried and tested, and worked for all in the past.

The industry must stand together and say enough is enough, says Morrow.

“From the clients, professional teams, industry associations and contractors, we need to ensure the playing field is fair, the margins are fair, and the contractor is treated more fairly. If we don't, this industry will collapse, the suppliers linked to the industry will fold and all the secondary markets will be impacted hugely due to the large numbers involved.”