

Discussing the downturn

LAST WEEK, CW SAT DOWN WITH A SELECT GROUP OF KEY DECISION-MAKERS IN ITS FIRST ROUNDTABLE EVENT, WHERE CURRENT ISSUES IN THE INDUSTRY WERE TACKLED

By Conrad Egbert

What is your liquidity situation?

Philippe Dessoy: We're coping with it. The situation differs slightly in different markets of course, but in Dubai there isn't much liquidity. Many developers are not paying for projects. Abu Dhabi and RTA are paying.

Jonathan Eveleigh: There are payment issues but fortunately, whether it's purely by luck or good management, we were reasonably unexposed when the downturn happened last year. We had no live projects with Nakheel; we'd finished our major projects with Emaar and so we didn't suffer, particularly like some other major contractors. We've had some late payments, but things are picking up again.

How about Abu Dhabi?

Eveleigh: For us Abu Dhabi consists of Al Raha Beach, and obviously being in joint venture with Aldar, it probably puts us in a slightly different position than perhaps most client-contractor relationships. I mean Al Raha Beach has slowed down, there's no secret there – we're not doing as much work as we thought we would be doing, but payment wise it's not a problem.

And Saudi Arabia..

Eveleigh: We're only just looking at Saudi. In fact we've got people over this week, funnily enough. We don't have any live projects from our office here but our rail business in Australia is doing a project on the North South Railway and I think that's going well.

Is Qatar on your radar at all?

Eveleigh: Not really.
Dessoy: It has slowed down. We have one big project with Qatari Diar, which we started this year. They reduced the project size by about 60%, but we've been there continuously for the last eight years.

Is it tough to start up business there?

Dessoy: It's not as easy as it is in Dubai. Firstly, it's not easy to get visas for let's say

500 people or 1000 people. Then they want you to hire lots of different nationalities within that; it's difficult to get a plot of land; Dubai is so easy that way.

Would the GCC currency affect you?

Ani Ray: The UAE is not participating. And anyway I don't think it would affect the construction business much.

Dessoy: Well for a European company that has to send back money to a head office in Europe, having a common currency linked to the euro and dollar would help, especially since we have offices in many GCC countries. Right now we are completely exposed to the dollar which has proved to be quite risky.

So you'd rather have the UAE join in?

Dessoy: Yes, I mean if the UAE joins in, we have no problem with it.

Ray: The link to the US dollar affects steel the most.

Dessoy: It's the same with oil.

Ray: Steel affects the entire construction industry. Most of the steel comes from non-dollar dominated countries such as Turkey, so when the dollar falls prices go up immediately.

Will the midday break be hard this year?

Dessoy: We've been following it for the past four years, so I don't see why this year should be any different.

Ray: Work during midday is pretty unproductive anyway, so it doesn't take much to convince contractors to stop work during that time. Most companies just change the shifts around. In fact, we started our new shifts in the beginning of this month.

Eveleigh: With these things, if you're prepared in advance you work around it. You programme your jobs accordingly. Of course production is affected, but that can be brought down to a minimum if you know in advance. Also, the problem is some people conform and some don't.



Ray: I think the bigger problem will come this August when the timing for the work ban and Ramadan coincide. It will be 12.30pm to 3pm and after that Ramadan starts so I don't understand how it's going to work.

Dessoy: We're starting early in the morning and finishing by 12.30pm.

Where do you see the next opportunities?

Dessoy: Maybe Abu Dhabi.

Eveleigh: Saudi Arabia.

Ray: Everyone's now flocking to Libya.

Dessoy: We used to work in Libya but we closed the office there. Everything takes a lot of time. You never know when they will start – we had to wait for one or two years to get a contract. We were there from the end of 1990 to 2004. I don't see anything changing.

Ray: From what I hear, anyone who's been to Libya will not go back but those who haven't been there are quite enthusiastic.

So you're not too keen on Libya then...

Eveleigh: We're not particularly aggressive on Libya at all. We keep being presented with opportunities but I think there are some risks in Libya, especially the way they structure deals, not financially, but just in the way they structure things. I don't think there are any common contractual arrangements.

Ray: What I understand is that they have a rate contract – it is government controlled. So if they like you, they'll tell you to go by their rates. If the parties agree, they'll give you the contract but even that is very loose.

Dessoy: Yes but we weren't working for the government. We were working for a private company.

Where is Kuwait in all of this?

Ahmed Al Hashimi: Nothing really seems to be happening there. We've been chasing just

one job at the airport for many months now.

Eveleigh: I'm not sure it's particularly an international market. Even though Bahrain and Oman are smaller markets, they've attracted some international names to work there but Kuwait doesn't seem to have.

Ray: The problem in Kuwait is that projects take ages to be conceptualised, ages for the contract to be awarded and then when it is, it's dropped. This is very time consuming. Recently two major projects got cancelled due to a parliamentary decision – sometimes democracy and business don't go together either. It's a tough market. Only the Koreans are there in the refineries.

Has health and safety improved?

Dessoy: There's been a huge change since ten years ago.

Mark Wiltshire: It's a lot better than it was but there's a long way to go. Working at height is still the most important issue.

Al Hashimi: The industry probably need more health and safety training.

Wiltshire: The other thing that we must be careful of, is that over the past six months a lot of the skilled labour has gone back to Asia, and when things kick off again we're going to have to train the new ones again.

Eveleigh: You're right, health and safety is a constant battle. You've got to keep on driving it. It's number one on our agendas always. You've got to keep it at the forefront.

Wiltshire: I think due to competitiveness, there's pressure on everybody to reduce the cost of what they're producing as well, and we have to be careful of the quality of some of the materials we're using in formwork, so that we're not getting a dodgy batch due to pressure on suppliers to reduce costs.

Darren Ellwood: Requests for tests are now being asked for on everything by the RTA.

Dessoy: Yes, but sometimes the materials are good but the design is wrong.

How big an issue is counterfeiting?

Wiltshire: We've been seeing a lot of that.

Dessoy: We don't buy from here. We buy directly from Europe.

Ellwood: It is, but it depends on which contractor you're dealing with. Price at the moment is the biggest driving factor. If somebody sells you something, which looks exactly the same but for half the price, it tends to change one's mind. We see a lot of smaller firms going for these products.

Are designs becoming more functional?

Al Hashimi: It depends who the client is. My personal view is, clients tend to get architects to design buildings from the outside, for the appearance first and foremost, without too much attention to the function. And a lot of the time, an architect is engaged from the UK, the US or the Far East, with a name of course, to do the concept. That design is then given to a local architect who is told to turn it into a 400 apartment building. In an ideal world the client should assemble the design team from the very beginning along with the contractors and architects and allow everyone to talk to one another.

Eveleigh: Yes, I think an integrated team needs to be put together and allowed to work on the concept. If you apply that model you stand a chance of eliminating a lot of risks including redesign or useless construction.

Wiltshire: Even involve the supply chain.

Dessoy: Yes, you can save time, money and effort by getting it right the first time.

Al Hashimi: On every project you can guarantee that the client will ask you to put various options on the table for the structure, architecture and MEP, with some sort of evaluation. So with the contractor being part of this, he will be able to say which options would be the best so it's very useful.

Wiltshire: Also from a contractor's point of view it doesn't waste time dreaming up an alternative, which has a design constraint.

Ray: I have seen projects where the piling has been completed without finishing structural design and when they submit it to the Dubai Municipality, a lot of things have to be changed. But because of time pressures then, everything was rushed, but now, things will become better.

BIOS



PHILIPPE DESSOY

General Manager, Six Construct, has over 24 years experience in construction throughout Europe, the Middle East and Africa. He has a civil engineering degree from the University of Brussels, Belgium.



ANI RAY

Country Director, Simplex Infrastructure, is an engineer with more than 20 years experience in power, steel and metals, oil and gas and airport construction.



AHMED AL HASHIMI

Associate Director – Head of Structural and Civil Division, Meinhardt Dubai, is a chartered structural engineer with 24 years experience in the design and management of building structures. He has a civil engineering degree from the University of Glasgow.



MARK WILTSHIRE

Chief Engineer – Middle East and South Asia, Laing O'Rourke, is a chartered engineer with 30 years of experience in the industry. He also heads up design management and engineering for Aldar Laing O'Rourke.



JONATHAN EVELEIGH

Middle East Business Development Manager, Laing O'Rourke has been with Laing O'Rourke for 24 years, nine of which, have been in the UAE. He is a member of the Chartered Institute of Building, UK.



DARREN ELLWOOD

UAE General Manager, RMD Kwikform works out of the company's Sharjah office and was previously sales manager at RMD Kwikform.