



# Overview of the Construction Industry – South Africa

Jaisvir Sewpaul  
Date (09/2007)  
ID:

## Summary

South Africa's construction industry is emerging from decades of decline into a period of considerable growth and increasing opportunity. The construction industry is anticipated to experience an average growth rate of 6.4% per year in advance of the 2010 Football World Cup. The government has developed a two prong strategy to utilize the construction industry. First, it is using a planned \$3.96 billion investment to help develop the industry and simultaneously spur economic development. Second, the government is concentrating efforts to expand and improve infrastructure between now and 2010. The construction industry plays a major role in South Africa's economy, employing nearly 750,000 people, making it South Africa's third largest employer. The industry will need to nearly double its output over the next 10 years to meet investment demand. Opportunities for U.S. companies to enter or expand their market share in the region's construction industry are ripe.

## Market Demand and Overview

South Africa's hosting of the 2010 FIFA World Cup is motivating a flurry of construction projects throughout the country. Construction projects are currently being planned and implemented to improve; sports stadiums, transportation, utilities generation/delivery, tourism, and to address the lack of quality low-cost housing options in townships throughout the country.

Winning rights to host the 2010 World Cup has been a boon for the South African construction industry. South Africa's nine existing soccer stadiums are being refurbished and capacity at each is being increased through the addition of new seats. New facilities are being built in Cape Town, Kimberly, Nelspruit, Pretoria, and Port Elizabeth at an estimated combined cost of \$798 million.

Considerable attention is also being given to improve transportation infrastructure to better handle the influx of international visitors expected for the World Cup. The Airports Company of South Africa (ACSA) has announced ambitious expansion plans ahead of 2010 to expand capacity at its three main and seven minor airports. The ASCA is planning to spend \$460.36 million to upgrade security and terminal facilities at O.R. Tambo International Airport (Johannesburg) by 2010. Another \$1.08 billion is expected to be invested in a new passenger terminal by 2012. The ACSA is also planning to spend \$179.57 million to build a new domestic terminal building, upgrade the approach roads and build a second multi-story parking garage at Cape Town International Airport. There are plans for construction of a \$12.21 million multi-story parking garage at Durban International Airport. And construction of the King Shaka Airport north of Durban is scheduled to begin in 2007.

Considerable attention is also being paid to the infrastructure required to move the visitors around South Africa after they have arrived. Construction of the Gautrain rapid rail link between OR Tambo International Airport and Sandton is scheduled to be complete in early 2010. The second phase between Johannesburg's Park Station and Pretoria is scheduled to be completed nine months later. The combined investment is estimated to be more than \$2.7 billion. Additionally roads throughout South Africa roads are being upgraded at a cost of \$78 million.

An equal amount of attention is being given to construction of utilities generation and delivery facilities. The US construction and engineering firm Flour has been awarded a contract to provide construction, engineering,

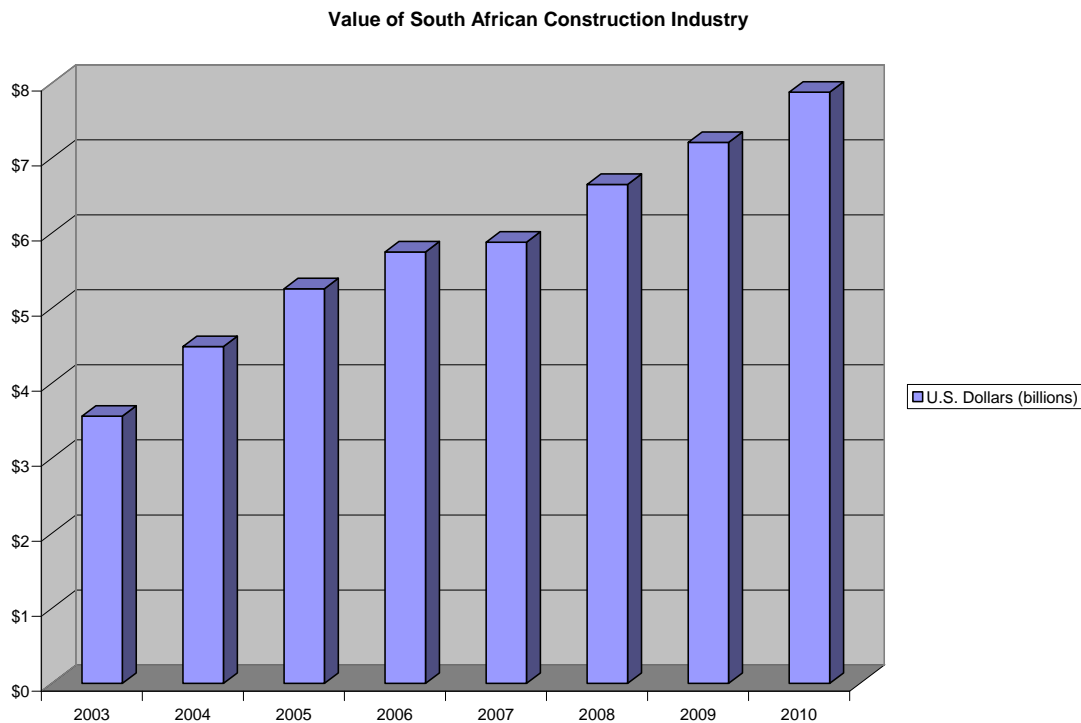
procurement and project management services for a clean fuels project at the SAPREF refinery in Durban. Additionally, there are plans to: renovate and modernize two coal-fired power plants, build two gas-fired and one coal-fired power plant, and develop a thermal power station. A total of \$20.2 billion will be spent to develop capacity to meet the expected demand.

Tourism-related construction activity is also growing. There are several four and five star hotels and approximately 10 medium-range hotels being built to correspond with venues for the World Cup. There are also several resorts and casinos that have been approved and are scheduled to be built throughout South Africa. The Western Cape provincial tourism department is planning to develop special road routes linking Cape Town with Namibia and Kruger National Park. The project includes development of tourist attractions along the route and road work including signage.

Many of the townships suffer a serious shortfall in quality housing. The government has started a National Social Housing Project to improve the quality and quantity of housing options and thereby raise living conditions throughout South Africa. The N2 Gateway in Cape Town is a pilot project of the government's Comprehensive Human Settlement Plan, which is aimed at eliminating informal settlements around the country. The Gateway Project required construction of 28,000 housing units and is expected to house more than 100,000 people. Similar projects are scheduled in Soweto and Duncan Village. A \$23.4 million low-income residential development is being planned in Johannesburg. The development will consist of four high-density apartment blocks.

There are also several major commercial construction projects that are being planned throughout South Africa. These projects include a golf course and retirement village, shopping centers, industrial development zones, and factories.

## Market Data



Source: Business Monitor International

## Best Prospects

Lucrative tenders to sub-contract to principal construction firms for 2010 upgrades and building of new stadiums offer great opportunity for U.S. firms. Local municipalities and 2010 Local Organizing Committees seek to attract foreign expertise in many facets of the construction these stadiums. The following tenders are due to published within the next 2-6 months:

Membrane Fascades	Stadium Seats
Roof Covering and Acoustic Treatment	Standby Generators
Cold Rooms and Refrigeration	Access Control, CCTV & PA
Glazed Balustrades	Audio Systems
Painting and Decorative Coatings	Waterproofing
Prefabricated Toilet Cubicles	Mobile Acoustic Partitions
Epoxy Floor Coverings	Podium Ventilation
Fire-Shutters	Roof Soft Membrane
Smoke Extraction	Ventilation Louvres

Cement as well as other material shortages creates a significant opportunity for U.S. companies to penetrate the local market. According to forecasts from The Cement and Concrete Institute (C&CI), there is a continued growth in cement demand and concrete usage for 2007 and beyond, as the construction sector shifts from consumer-led building towards larger scaled civil engineering and infrastructural projects. .

The extent of growth in the construction industry would depend significantly on the availability of building materials and the skills required to manage and implement construction projects.

## Leading firms:

The following are the leading contractors in the South African construction and engineering market:

**Grinaker-LTA (owned by Aveng)**

**Murray & Roberts Group**

**Group Five (G5)**

**Wilson Bayly Holmes-Ovcon (WBHO)**

**Concor**

## Market Entry

As South Africa continues to plan for the 2010 World Cup, firms seek to overcome the shortage of skilled labor, technology and materials. Hence, construction and engineering firms generally welcome opportunities to establish joint ventures with overseas partners. U.S. firms wishing to pursue such business relationships should contact U.S. Commercial Service South Africa (<http://www.buyusa.gov/southafrica>).

## Market Issues and Obstacles

The construction and engineering market is dominated by the five construction firms, who share almost all of the major civil engineering projects among themselves or with overseas joint venture partners. Together they

account for nearly 75% of output. The rest of the market is fragmented and performance reflects the instability of small business.

### **Trade Events**

Afribuild 2007  
October 31 – November 2, 2007  
<http://www.afribuild.co.za>  
Sandton Convention Center, Johannesburg  
Trade Attendance: 3,000-4,500 business-to-business visitors

### **Interbuild Africa 2008**

July 23-36, 2008  
<http://www.interbuildafrica.co.za>  
Exhibition Center, Johannesburg  
Trade Attendance: 5,000-7,000 business-to-business visitors

### **Trade Publications**

Advertising in professional trade journals is a well-accepted method of product promotion. The following South African magazines are an important means of exposure for U.S. exporters of port construction materials and equipment.

Engineering News  
Tel: 27 11 622 3744  
Fax: 27 11 622 9350  
Email: [newsdesk@engineeringnews.co.za](mailto:newsdesk@engineeringnews.co.za)  
<http://www.engineeringnews.co.za/>  
Frequency: Monthly

### **For More Information**

Contact the U.S. Commercial Service in Cape Town, South Africa  
Mr. Jaisvir Sewpaul, Commercial Specialist  
E-mail at: [Jaisvir.Sewpaul@mail.doc.gov](mailto:Jaisvir.Sewpaul@mail.doc.gov)  
Phone: +27 21 702 7379  
Fax: +27 21 702 7402 or visit our website: [www.buyusa.gov/southafrica](http://www.buyusa.gov/southafrica)

### **The U.S. Commercial Service — Your Global Business Partner**

With its network of offices across the United States and in more than 80 countries, the U.S. Commercial Service of the U.S. Department of Commerce utilizes its global presence and international marketing expertise to help U.S. companies sell their products and services worldwide. Locate the U.S. Commercial Service trade specialist in the U.S. nearest you by visiting <http://www.export.gov/>

*Disclaimer: The information provided in this report is intended to be of assistance to U.S. exporters. While we make every effort to ensure its accuracy, neither the United States government nor any of its employees make any representation as to the accuracy or completeness of information in this or any other United States government document. Readers are advised to independently verify any information prior to reliance thereon. The information provided in this report does not constitute legal advice.*

*International copyright, U.S. Department of Commerce, 2006. All rights reserved outside of the United States.*