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CAPITAL EQUIPMENT IN CONSTRUCTION

Compiled by CARLA THOMAZ

Capital equipment sector prepares for a construction lull

CARLA THOMAZ | FEATURES WRITER



CONSTRUCTION LULL
Capital construction equipment suppliers will feel the pinch as a number of infrastructure projects will be completed in 2010

Capital equipment suppliers to the construction industry, particularly those specialising in roads and earthworks, are cautious about the outlook for the second half of the year, following the completion of certain major projects. The concern is that there will be less private work available, resulting in more competition among construction companies, says heavy equipment manufacturer Bell Equipment.

"Come mid-2010, the soccer stadia, along with the supporting airports and road infrastructure, will be complete.

"Certainly the heavy-duty earthworks on the Gautrain project will also be complete and the Gauteng Freeway Improvement Project will also be nearing completion," says Bell Equipment sales and mar-

keting GM Terry Gillham.

However, he adds that, while construction companies may start to feel the pinch later in the year, capital equipment suppliers to the mining industry should not be too adversely affected as commodity prices rebound and mining projects restart.

Gillham reports that, unlike South Africa's mining sector, which felt the brunt of the recession in 2009, the country's construction industry appears to have escaped the economic crisis relatively unscathed as R787-billion [now R846-million] worth of infrastructure projects progressed and South Africa prepared itself for the FIFA World Cup.

Target Cranes director for Gauteng Jan Lourens agrees, stating that, with government spending on infrastructure and the

FIFA World Cup infrastructure development, the crane industry did not experience a significant slowdown among the larger mobile crane hire service providers; however, smaller participants in the industry may have suffered owing to the decrease in smaller projects and the intensified focus on technical and health and safety support within the industry.

"We were fortunate to have had contracts in place during the recession, so the impact was not as great as other companies in our market may have experienced," says SA Earthworks MD Sias Steyn.

The mining industry was hard-hit in 2009, says Gillham; some mines had to close, smelters were switched off, large mining

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projects were shelved and contracts were terminated. Certain projects within the construction industry, however, could not be shelved or stopped, such as major roads, dams and airports.

Gillham does note that, in the past 18 months, the capital equipment market did experience a significant downturn in spite of the active construction industry. He reports that capital equipment market sales basically halved during 2009 across all competitors and all machine categories.

He adds that, in today's economic climate, perhaps even more important than securing an order is the ability of a sales team to find suitable customers and affordable financing.

"All lending facilities have been extremely conservative and getting finance has been more challenging than ever before, as banks looked for large deposits and cash flow pro-



TERRY GILLHAM

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jections," says Gillham.

However, HPE Africa MD **Alan Grady** believes that there are visible signs of a revival in the market. HPE Africa has started to experience an increase demand for equipment, and he attributes this to banks starting to finance clients again.

"The construction industry is an important one for Bell Equipment. However, the volume of units bought by this industry will generally be less than that bought by mining companies and their related contractors, in 2010," concludes Gillham.

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