Can we gain Competitive Advantage in Regional Markets, while rooted in our Local Construction Industry?

Prime Minister the Honourable Dr Keith Rowley, other members of the Government, colleagues; fellow professionals of the construction sector, good morning. In the interest of time, I promise not to belabour any of the points made by previous presenters. We at the APETT, under the umbrella of the JCC are heartened at the prospect of a reinstated **Cabinet Committee for the Construction Sector,** especially if it is to be chaired by the Hon Prime Minister. The latter context is accentuated by Dr Terrence Farrel's statement in his recent resignation letter from the Economic Development Advisory Board (EDAB) that he did not have the patience to deal with the low pace of public sector implementation. We remain optimistic by his presence here today, that Dr Rowley will facilitate the expediting of the changes required to optimize the potential of the construction industry.

So before I get into my short discourse on the nexus between competitiveness and corruption, there are important issues to highlight for the aforementioned Cabinet Committee to address.

1. The very important amendments and revisions to the **Engineering Profession Act No 34 of 1985**. The major amendments being, the making of registration mandatory for the practice of engineering in Trinidad and Tobago and the introduction of a system of Continuing Professional Development (CPD) for maintaining registered engineer status. Draft legislation has been in the making since 2011 as a joint effort between the Board of Engineers (BOETT) and APETT and repeated consultation with the Ministry of Works and Transport. The amended legislation urgently needs to be passed on to the Office of the

Attorney General for review and inclusion in the legislative agenda in 2018/2019.

2. Our **Drainage sub-committee** currently exists in a vacuum, while we still do not have a comprehensive Drainage Code that embraces Climate Change and Climate Resilient solutions. I dare say that we can no longer afford to waste precious public funds on studies and adhoc plans for drainage infrastructure projects without concomitant mitigation of the frequency and alleviation of the severity of flooding throughout the country.
3. Similarly, our **Transportation sub-committee**, was consulted in 2017 by the Economic Development Advisory Board. They are still waiting to review the IADB Report on Mass Transit, which was requested from the Ministry of Planning. Our committee's comments on The Amended Road Traffic Act have been largely ignored except for the recommendation to increase the speed limit on the major highways.
4. The Board of Engineers has a standing Committee dedicated to keeping us up to date with respect to Structural Design Codes headed by Dr Richard Clarke of the UWI. Our country, especially Tobago, will be devastated if hit by Category 5 Hurricanes like Irma or Maria. Nor will we be able to withstand magnitude 7 earthquakes without significant damage and destruction. Proper structural assessment of existing older public facilities can be reasonably retrofitted and we have a duty of care to safeguard the public in this regard.

Competitive Advantage & Corruption

In the face of prolonged lower oil prices and reducing production rates within our oil and gas driven economy, there is an avid advocacy for striving to earn foreign exchange revenue from the non-oil sector. The construction & quarrying industry, as part of the non-oil sector in T&T, is estimated according to the CSO to turnover an average of TT $4.5B annually between 2011 and 2016. This represents almost 5% of our average GDP or 7.7% of our non-petroleum contribution to the average 2011-2016 GDP.

There are 82 construction companies currently registered with the T&T Contractors Association (TTCA), but one can estimate that there are at least 200 greater than medium sized local contractors operating in T&T. One can also estimate that we have greater than 30 local engineering consultant companies of various disciplines still active in the industry. This is excess capacity. How many of these companies are successful in consistently winning and executing contracts within the Eastern Caribbean market? The number is not surprisingly, quite small. It is my view that a major contributing factor to this inadequacy to sell more of our engineering and construction services outside of T&T, has its genesis partly in corruption.

Corruption is defined by Transparency International (TI), as *'the abuse of entrusted power for private gain'*. T&T is ranked by TI via their Corruption Perception Index at 101/176 countries in the world, with a score of 35 /100. Insidious corrupt practices that plague our construction industry undoubtedly reflect the above scores and remain prevalent, transcending political parties, economic vagaries, globalization, and even education. It can therefore be referred to now, as endemic and likened to defective company DNA.

Can contractor and consultant firms develop the technical and managerial competencies to successfully compete in regional markets after being conceived and grown-up operating in a local industry fraught with corruption? Corruption within any industry, adversely affects 'true competitiveness' and therefore works against our local companies that are actively seeking to compete regionally, even as potential local work diminishes and the industry is reported to be owed over TT$4B by state agencies at this time. While these are obvious 'incentives' for local companies to strive to break into regional markets, why are our companies choosing instead to downsize, close down, and cut salaries based on our recent experiences and ongoing anticipation of a smaller slice of a decreasing pie, as the government of the day struggles to balance its budget and the FOREX challenge continues to cripple the country?

Strategic management practice dictates that we constantly review our companies' strengths and weaknesses internally, while analysing the external environment to determine the threats to our industry (SWOT), but also simultaneously searching for opportunities in new and existing markets. It is clear from the above discourse that declining O&G prices should have (and has), long been identified as a threat to our industry's viability. Apart from the obvious management reactions to address what is within their control, like internal company efficiency, there should be at least a serious strategic intent in this scenario to pursue work in regional markets. Regional market analyses would reveal that the majority of their engineering consultancy and ensuing construction projects are internationally funded. These lending agencies (CDB, IADB, EU, WB) all have very strict procurement practices but payment in FOREX is guaranteed and also invariably made on a timely basis. Winning bids for engineering consultancy and/or construction projects against international competition within the regional market, is therefore largely based on merit via transparent procurement practices. Once successful high quality performance is mandatory if one expects to stay in the game.

Companies that indulge in corrupt practices, directly or indirectly, have little need for strategic management, nor for the adoption of continuous improvement philosophies and the like that will engender efficiency and effectiveness of their operations. They consequently have minor interests in building human resource capacity that possesses integrity and proficiency; nor are they interested in executing high quality work within the contracted time at the specified quality. These management driven activities when actively embraced are the invaluable ingredients for increased competitiveness in any market.

The local litmus test that separates companies that subscribe to corrupt practices from those that do not, is that the former are rarely contracted for ‘true’ private sector work. Even nepotism and cronyism have limits within the private sector which, attaches real value to the services and products that they purchase, especially in lean economic times.

The 'skills' of 'corrupt-minded companies' are honed in the art of landing public sector contracts by exploiting dubious procurement practices. The latter, no doubt a contributing factor to our low score of 35/100 by TI, can be linked to the arduous task of enacting and operationalizing procurement legislation, which after over 15 years of lobbying has only last week seen the appointment of The Procurement Regulator and Board. Even when procurement legislation becomes fully operationalized, there will be a protracted period before the industry adapts and a downward trend in corruption can be seen. This is simply because we have to change the mind-set of all stakeholders whom are interested in *private gain with little regard for the abuse of entrusted power*.

On the bright side, it is a fact that there are local contracting and consulting firms that are successful in the regional markets. Their success is based on selective tendering to match their true competencies and innovative approaches developed over time while operating within our local market, but generally steering clear of corruption.

If our construction sector is interested in developing true competitiveness in the local and external markets, we need to transform our organizations as described above.

The Government has an ongoing critical role to adequately fund and resource the Procurement Board and to ensure its independency.

As individual engineers, architects surveyors and planners we are supposedly held to high standards of professionalism and ethical behaviour by virtue of our code of ethics. If we adhere to these ideals, we can with time, and true operationalization of the procurement legislation, realize the revolution that is required within the construction industry. Only then we will have an influence on corruption reduction locally, while increasing our competitiveness regionally and perhaps even globally.

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