

JOINT CONSULTATIVE COUNCIL (JCC)

SEMINAR

“ECONOMIC REVITALIZATION THROUGH MOBILISATION OF THE CONSTRUCTION SECTOR”

Wednesday November 23rd 2016

The Radisson Hotel, Port of Spain

Presentation by

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TOPIC: Manufacturing for the Construction Sector - Challenges and Solutions

BIO OF PRESENTER (quarter Page)

Mrs. Franka Costelloe-Mackenzie holds a

- (MSC) Master's Degree in Building and Construction Management (with distinction) from the University of West Indies, Cavehill Campus,
- (MBOS) Associate Degree in Project Management from Fanshawe College, Canada
- (BSC) Bachelor of Science Degree in Business Administration with a Major in Human Resources from University of Western Ontario, Canada and a
- Masters Certificate in Corporate Governance from the Caribbean Corporate Governance Institute.

Franka Costelloe-Mackenzie is a Manager of Lifetime Roofing Ltd; a manufacturer, distributor and contractor specialized in “Building Envelope Solutions”, particularly metal roofing, flat roof waterproofing and windows & doors. She has experience in various departments including; Human Resources, Project Management, Contracts, Budget Planning & Administration, Strategic Planning, Sales and Marketing.

Mrs. Costelloe-Mackenzie currently sits on the Trinidad and Tobago Manufacturer's Association Board, First Citizens and associate boards and Chairs the Human Resource Committee of First Citizens.

Distinguished Ladies and Gentlemen - Good Afternoon.

I am honoured to be invited to address such a prominent gathering - encompassing some of the Who's Who of the construction industry, including its partners in sectors such as finance, manufacturing and services.

When I was asked to speak wearing my TTMA directorship hat on Manufacturing as it relates to the Construction sector, I was hard pressed, really, to draw a line between the two sectors. With my mother sitting on the TTCA Board, me sitting on the Board of the TTMA, and both of us working for a roofing company, I have first-hand perspective of the issues and challenges confronting both sectors.

The local manufacturing activities that impact the construction sector can collectively be described as the Construction Materials sector. It includes companies that mine, process, and produce materials, including cement and its aggregates, ready-mix concrete, asphalt, sand, gravel, and other construction products used in buildings, such as glass, plasterboard, insulation, bricks, and roofing materials, among others.

Ladies and Gentlemen, economic growth in emerging markets is accompanied by expansion in construction activity, especially of industrial and transportation infrastructure. Production volumes reflect economic activity as demand is influenced by the private sector, as well as government infrastructure investment making construction materials essential to driving economic growth.

This Government needs to have an aggressive plan to kick start the T&T economy that is centered on construction and local manufacturing materials.

In addition to mitigating a slowdown in work, manufacturers and contractors are managing problems that are affecting future and day to day business. I, and many others I have spoken with, feel passionately about these issues and so I hope I articulate them as strongly as they would, and I look forward to a lively discussion afterward.

Manufacturers are wired to be creative, introduce new products, be as efficient and cost effective as possible, all the while producing a superior product than the one before. Although we are pressured by regulators, customers, and the general public to be innovate and develop a wider product selection of durable, safe, technologically advanced products - quicker and cheaper – we already have this inert desire to do so. It is frustrating when we can't, because we are craftsmen of a particular trade that we are continuously trying to improve.

Manufacturer's efforts are not only to be competitive with the local market but also the international market. We consult with architects, contractors and engineers, visit trade shows and stay abreast of new technologies – there is passion in what we make.

Unfortunately, while we strive to be the best and most competitive partners and suppliers to the markets, our best efforts are undermined by obstacles, which absorb our energies and attention on elements that should be readily available and supportive to building a manufacturing hub in Trinidad.

Just to elaborate on a few of these, Ladies and Gentlemen:

Industrial Parks were originally setup to support local manufacturers and encourage entrepreneurship by being subsidized at peppercorn rates. The pricing strategy of eTeck has changed to being a self- sustainable and profit making enterprise.

What is happening now is that leases are priced at market rates, using real-estate models for pricing which start ups simply cannot afford. On the other extreme, successful tenants who would like to buy out their leases at a fair market value and turn a liability into an asset, are refused. Why not mandate that Leases should be available for purchase after 20 years - giving eTeck the needed capital to create new parks?

And what are some of the features any new industrial park should have? Well, apart from being properly located and safe, the basic infrastructure of a park built in the 21st century should include underground cables for electricity, cable and gas lines; a multi-parking facility with transit parking roads designed for container deliveries, should be a green park, have easy access to transport for employees, house support centers such as day care, cafeterias and physical fitness facilities.

Traffic congestion results in many employees spending an average of three to five hours commuting. This unproductive waste of time creates a frustrated, exhausted working class and adds costs to end consumers. Employers can take the initiatives to organize car pools, company transportation, flexible hours and work from home alternatives. But the Government needs to invest in building a sustainable, dependable public transport system that networks the entire nation so that people can leave their private cars home and ease congestion on the road.

Rising crime rates have given "Security Measures" a place on the balance sheet where they did not exist 20 years ago. Today, companies are forced to invest heavily in armed guards, security cameras, beams, alarms, dogs, gates, locks, and so on. Companies are forced to constantly write off theft and vandalism.

As if these were not sufficient to put you out of business - or make you bald - there are several other issues plaguing manufacturers in the local construction sector that our global counterparts certainly do not have to face.

The dreaded topic of the Shortage of US Dollars. First to state the obvious - demand is not being met.

- Manufacturers are struggling to maintain a healthy inventory of raw materials, resulting in prioritizing the necessities as opposed to expanding product lines.

- It has increased the cost of business, not only due to the higher exchange rate, paying demurrage charges, losing credit terms with suppliers and having to take loans in US dollars.

As difficult as this situation is, we cannot just cry about it and go bald. So I offer two recommendations.

One - Government could allocate a quota of US currency to the manufacturing sector to be managed by the Eximbank who would verify that legitimate material orders exist. This is a suggestion I first heard made by former TTMA past President Stuart Dagliesh.

My second recommendation - Manufacturers must become USD earners by exporting services and products.

On this second point, let me say that I understand, first-hand, that this is easier said than done, for some manufacturers, particularly those who have not ventured outside the T&T market before. But in this small society of ours, we have to form alliances, share our experiences and be willing to help each other. At Lifetime Roofing, we've taken the plunge. We are in CARICOM, we're looking at Cuba and elsewhere. On certain projects, the client will ask us to provide other goods or services which is an opportunity we can pass on to another Trini provider. This is an example of what we can be doing for each other.

Local Content – Major projects at high values are contracted to international companies, mostly because local companies cannot get the bonds needed to support the tenders. The money leaves the country and many times local contractors are either left out entirely or not paid in full. A great saying is “Dirty hands are an indication of clean money” and the recommendation is simple:

- Break up tenders and work plans into bite size portions more palatable to the local contractors and manufacturers, as suggested on several occasions by the TTCA's Mikey Joseph and Chris Garcia.
- Procurement of specialty items that are not available locally should still be channeled through a local manufacturer of a like business, giving them the opportunity to be a part of the project, engage new suppliers, learn about new technologies, and advance their training and expertise.

Quality Control

The National Building Code, though set out by the JCC, has not been enforced and there seems to be little political will to do so. Therefore, regulation on the materials being used in construction is up to architects, engineers and contractors. Markets are flooded with unregulated materials of low quality at low prices.

Recommendation:

- The means in which to beat this back is there – TTBS, which has done significant work in putting standards and regulations in place. But it needs to become a true regulator with hard fast consequences for being out of regulation and not a merit stamp for marketing. Manufacturers need to be assessed, certified and regulated to a set code. If you are not certified then you cannot be allowed to operate. Currently, non-conforming manufacturers are simply asked to pay a higher fee. This means that for a certain price the TTBS allows manufacturers to operate outside of regulations.

Poor Work Ethic - Manufacturing is a labour of love. Making a product from scratch in the most efficient, cost effective manner and then packaging it to inspire a consumer is a passion that every manufacturer will tell you is unique to each. Not everyone has this passion for roofing material, cement, windows, bricks, steel, tiles, cabinetry, mortar etc. But, it is each manufacturer's dream to inspire their workforce with a passion and drive to work towards excellence and pride in the product and service they deliver. This is the challenge – to both inspire the workforce and be inspired. Training, education and discipline is needed.

Recommendation:

- Discipline teaches us to operate by principle rather than desire, overthrowing our immediate wants and reinforce truth, virtue, and integrity to rule our minds instead. The IR rulings that we hear of are comical in nature – we all have them – but the joke is old and not only is business suffering – but the very fabric of the nation is. The Industrial Relation system must become equitable to both the employer and the employee in an aim to generate a productive nation of the highest integrity. There is a dire need to balance the employee bias which exists.
- On the other hand, companies need to offer support for development of staff and invest in training and education - creating a career and not just a job for employees. Rewards for ingenuity, efficiency, excellent customer service and performance need to be offered by companies.

Labour Shortage -- With half the nation's manufacturing workers nearing retirement, 90% of T&T's manufacturers say they are struggling to find workers. Unfortunately, there is a misconception that manufacturing jobs are dead-end jobs requiring little or no skills. Attracting students to many of the highly skilled careers in manufacturing and machining will require a concerted effort to completely change the perception of these jobs

Recommendations:

- Allow Caricom nationals to enter T&T with limited Visas for skilled and semi-skilled workers - a recommendation I first heard made by Rolph Balgobin.
- Government can help by subsidizing only those training programs that are specific to skills needed, for example Engineer Mechanics, Machine Maintenance and Operation Analysis - a suggestion from former TTMA President, the late Paul Quesnel.

Delayed Payments – Main Contractors have a difficult task of managing cash flow, particularly on Government jobs. The trickle effect is that sub-contractors and suppliers feel the crunch. The reality is that manufacturers work on economies of scale and their margins and cash flows cannot sustain the lengthy waiting times. As a result, we have extreme cases of manufacturers and sub-contractors going out of business or turning away government-related work for fear of lengthy payment schedules or having to offer credit terms to main contractors.

Recommendation:

- Government needs to pay suppliers, i.e. manufacturers, for their products upfront or pay interest for credit.

Anti-Dumping – The anti-dumping law is clear but too often investigations are lengthy and onerous, resulting in no impact on the perpetrators. The law states that action can only be taken when enough harm to the local company is proven – e.g. shutting down.

Recommendation:

- The law on this needs to be reviewed and adjusted.
- TTBS to regulate with enforcement
- Heavy fines to be put in place and implemented swiftly.
- Temporary stop on business while the investigation is undergoing and banning companies from operation for a time period if convicted.

Conclusion

Ladies and Gentlemen, a vibrant construction and manufacturing sector are essential for a vibrant economy. Blocking their development are issues ranging from US dollar shortages, payment delays, local content, quality control, anti-dumping, work ethic, labour shortage, and limited infrastructure.

To blast away these obstacles, Policymakers could:-

- Invest in Infrastructure , and package it in a way that supports local contractors
- Channel USD to manufacturers
- Focus Training on needed skills
- Improve and Build New Industrial Parks
- Provide performance incentives that encourage investment in manufacturing
- Promote a vibrant, productive working population of the highest integrity through targeted training and correcting the deficiencies of the IR system

Manufacturers also have to play a role in their own salvation by:

- Investing in technology
- Investing in their staff
- Becoming a USD earner
- Exploring and practicing their IR rights

With a competitive, supportive business climate, local manufacturers could export, expand our production lines and become the manufacturing hub of the Caribbean we so badly want to be. And then, who knows, maybe President-elect Trump would be talking about stopping Trinidad & Tobago from taking away American jobs!

Let me close by saluting the tremendous work that the JCC has done and is doing to get our business climate right. My presentation focuses on issues that need improvement, and the list is daunting, but as a current and the future of a manufacturing company I am passionate about this because I have immense dreams and hopes. This country has immense resources that are gifts to our nation and people who are creative, vibrant and genuine – when inspired. Our landscapes are bountiful with opportunity for almost every industry imaginable. We have all the ingredients to become a manufacturing force to be reckoned with – we just need to get the recipe right to make an amazing product – and that is what we are discussing today.

Thank you for your attention and I look forward to hearing your ideas about how we can work together to make T&T great again.

Thank You.