



**Publication:** TheCitizenKZN - BuyinginBulk  
**Title:** SMEs 'can survive high costs'  
**Publish date:** 27 Jul 2023  
**Page:** 1

**Reach:** 44390  
**AVE:** R 43988.14  
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# SMEs 'can survive high costs'

» **Modularisation can help to reduce construction charges.**

Roelof van den Berg

**S**kyrocketing construction and operational costs in South Africa are making it incredibly difficult for small and medium-sized construction businesses to survive, let alone thrive.

Notably, the latest Construction Materials Price Indices report released by Statistics South Africa reveals that total construc-

tion material costs had risen by 9.1% year-on-year in February – well above inflation.

This can be attributed to noteworthy increases in the costs of concrete, metal roofing, electrical reticulation, and other important construction components.

Combined with the financial impacts of load shedding, these rising costs are placing extreme pressure on small and medium-sized enterprises (SMEs) in the sector, with a significant knock-on effect on the country's economic growth.

For SMEs, the rising costs of material, alongside the already high costs of labour and power, make it exceptionally challenging to remain competitive and profit-

able, and risks seeing a decline in the number of businesses operating in this sector.

However, diligent cost management and public-private partnerships (PPPs) can play a crucial role in helping SMEs cope with these high prices while attaining the South African government's lofty infrastructure goals in 2023.

## **Combatting rising prices by lowering other input costs**

There are a few simple ways companies can combat high prices and reduce costs, such as implementing efficient procurement processes.

For example, to reduce material costs, SMEs can seek to negotiate better deals with suppliers or

consider bulk-buying materials.

Likewise, leveraging the power of technology, such as project management software and Building Information Modelling systems, can help SMEs to better manage their resources and reduce expensive surveyance costs.

Modularisation can also help to reduce construction costs. Constructing components off-site and assembling them on-site where possible can minimise waste and time spent on-site while improving safety standards.

## **The public sector's role in strengthening SMEs**

Another way to help SMEs improve their efficiency and resiliency against rising construction

costs and other issues is by leveraging the immense power of public-private partnerships. The relationship between government and the private sector is critical for infrastructure development, as highlighted by Public Works and Infrastructure Minister Sihle Zikalala.

Speaking at an investment conference, Zikalala emphasised the importance of PPPs.

"We are in discussion with the National Treasury with regard to the issue of private sector accessing funding," he said.

"We need to explore other avenues with the private sector in as far as financing is concerned."

► *Van den Berg is CEO of the Gap Infrastructure Corporation*