News_GEEN_2008-3.pdf

The Island - 26/09/08

Reawakening of the state engineering corporation

It is a well-known fact that most public sector institutions are running at a loss due to mismanagement and political interference, seriously affecting state income. A heavy responsibility devolves upon the treasury to keep these institutions in existence at the bare minimum affordable. The end result is employee dissatisfaction stemming from the pruning of their perks and benefits, seriously affecting productivity. Over a span of years, the snowballing of such losses would lead the organisation to bankruptcy and fall into the class of non-profitable public sector institutions.

Unfortunately, the State Engineering Corporation of Sri Lanka, which is a semi-government organisation, falls into the above category as it too has to depend solely on the Treasury for its working capital, which has to be paid back either leaving behind a meagre margin of profit, or incurring losses due to mismanagement of activities.

SEC was formed on 1 January 1962 following State Industrial Corporations Act No. 49 of 1957.

Since then, SEC has immensely contributed to the industrial revolution of Sri Lanka by constructing almost all the government industrial corporations and has a proud an unmatched history. However, the situation has deteriorated with the change of governments, mismanagement and uncertainty over privatisation that loomed in the past. This has made most of experienced personnel of SEC leave, creating a void that has not been filled yet.

Resurrection of SEC is a massive effort, even with the backing of the present government, as the damage done is impossible to undo. Due to the weak financial position of SEC and its heavy dependence on the Treasury, World Bank and other foreign funding agencies have kept clear of it in the past.

SEC took a turn for the better when it came under the purview of Minister of Construction and Engineering Services, Dr Rajitha Senaratne, who has taken a keen interest in re-establishing SEC.

The Minister has envisaged that resurgence of SEC would only be possible if it falls in line with the vision of World Bank and ADB by standing on its own in a profitable manner. This could only be achieved by causing SEC to become more stable on its own, with greater performance in the construction field, taking over contracts, bypassing the tender procedure and using the services of specialist contractors in projects undertaken. This way, SEC would be playing a major role in project management than confining itself to a mere construction contractor as in the past.

The acquisition of major contracts and utilising private sector service providers in such projects will be a qualifying factor for SEC to win the recognition of World Bank and other lending institutions such as ADB. The government will also be benefited in this collaboration by way of taxes and as a means of solving the employment problem to some extent.

A further approach made by the Minister in uplifting the corporation is to make use of all its unproductive property to be exploited in whatever possible manner. He has obtained Cabinet approval for his proposal to develop a land of 28 acres at a prime location on the outskirts of Colombo through a joint venture worth US$ 260 million. The returns will be further enhanced with the SEC undertaking construction work connected with this project.

Another property that belongs to SEC on the border of Malwathu Oya has also been earmarked for a Boutique Hotel for tourists. Some more property, after establishing the sole ownership of SEC, would also be put for development under various projects envisioned by the Minister.

While all the above projects are centred locally, Minister Senaratne has gone another step beyond in exploring even better avenues of income for SEC. On a recent trade delegation to the United Arab Emirates, he has taken SEC to the international arena of the construction industry by winning a major building project in Doha, Qatar.

At present SEC has a work force of about 2380 employees, whereas its competitors have a much smaller permanent work force. The reduced labour cost results in a higher profit than SEC.

SEC has to operate under further constraints in the form of red tape, instituted by the ministry under which it operates. This seriously interferes in taking timely decisions in securing contracts and recruitment of required professionals. Internal tender procedure limits SEC project cost to Rs. 15 million, and acquisition of projects of higher value is possible only upon the Ministry Tender Committee approval.

Similar difficulties have been posed by the ministerial sanction required in filling cadre positions. As this procedure has not been amended in keeping with the market rates for respective job categories, SEC finds it extremely difficult to attract qualified and experienced professionals for many vacancies that currently exist due to the meagre salaries paid, which fall as low as one third of the amount for similar positions in the private sector.

The above hindrances cause SEC to be on an unsteady footing, falling behind project completion targets, earning client dissatisfaction and losing their confidence. This eventually leads to further losses due to escalation of material cost over extended periods of time, non-availability of man power and shortfall of expected revenue.

The new Chairman of the State Engineering Corporation Mr Sarath Kumara de Silva, who assumed duties only a few months ago, has a vision to breathe life into SEC and bring it back to its former glory by closely following the guidelines laid down by the Minister as specified above.

Mr Kumara de Silva intends to take SEC out of its shackles and let it run on its own without being dependant on the government Treasury. First and foremost, he is keen on seeing that all functions that come under different departments are restructured and streamlined, incorporating the most efficient methods of operation. Mr de Silva has held key positions in SEC and State Development & Construction Corporation (SD&CC) in the past, where he has gained a wealth of experience in the construction industry. Being a successful businessman, Mr de Silva also has expertise and vast knowledge in an entirely different discipline. He intends harnessing these together to let SEC flourish to its fullest, if it could be carried out the way he wishes.

At the initial level this requires improving the quality of human resources and implementation of functional changes in operation for better productivity. With an excessive workforce, any changes for better seem difficult, unless it is trimmed down to a sensible minimum required for optimum productivity. This is a sensitive area to be approached, as even well-meant intentions may have adverse connotations, readily exploited by trade unions to their best advantage.

All this time, SEC has been functioning as a 'contractor' in the local building industry. The entire range of functions from the laying of foundations up to the finishes is carried out solely by the in-house workforce. This system seems out of place against the more efficient procedure adopted by the developed countries, where most such activities are out-sourced for maximum productivity and timely completion of work. In fact, many private sector competitors function as 'project managers' in this regard, a system widely used in the construction industry all over the world.

Mr Kumara de Silva's vision for developing SEC takes precedence in converting the organisation from a mere 'contractor' into an institution specialising in 'project management' in the future. To implement this vital change, it is necessary to outsource many activities to qualified and experienced specialist contractors who would be responsible for timely completion of assignments with high quality work in keeping with the existing standards. The main role of SEC will be to manage and supervise the activities undertaken by others, and also to function in areas where SEC excels.

The other important area for development is information technology, as it would enable the status of day-to-day operations to be readily available for review, rather than waiting for days and days as it happens at present. Once this is set up, on-line facilities would enable monitoring of work at sites all over the island done in a more efficient manner, with the provision of instructions and the rectification of errors made easy and fast. This facility would also make the monitoring of in-house activities more efficient.

With the successful securing of a major building project in Doha, Qatar, the importance in having more efficient communication facilities has been urgently felt by SEC, with heavy dependence on the planned streamlining of information technology. Priority has been given to overhaul the existing system and introduce new facilities that will encompass all aspects of communication.

The restructuring of SEC has come up for consideration at a most opportune time when SEC has entered the highly competitive field of international construction for the first time with the winning of Salwa Road villa project in Qatar. It can be inferred that this opportunity would give SEC relief from the financial constraints that have crippled the institution for a long time, severely affecting its progress.

SEC undertaking of the above project will enable many of the activities foreseen by Mr Kumara de Silva for the development of the corporation to be implemented without much hindrance, as it would obviously leave SEC on a better financial footing.

With the launch of the villa project in Qatar, SEC employees will get preference in filling its vacancies. Initially, Mr de Silva intends to have about 500 SEC employees working on this project, enabling them to obtain a better income and gain valuable experience under overseas contractors specialised in their domains. SEC workforce will be given a brief training before leaving for Qatar, and they will be advised to make use of their earnings in a meaningful manner to buy equipment or tools of their trade, so that they can start up on their own when they come back. This will let them become entrepreneurs who will be in a position to perform as contractors and sell their products or services back to SEC, rather than being minor employees of the corporation all their lives.

Securing of further overseas contracts by SEC will enable more and more employees to take advantage of the above scheme and to prosper without being a burden to the SEC. Eventually, this will let the excess manpower be constructively tailored down to the minimum required level for the efficient functioning of SEC and to emerge as a money-spinning public sector organisation.

The vision of Mr Kumara de Silva not only enable SEC to benefit but the government as well, when it gets its dues by way of taxes and valuable foreign exchange from various employees turned entrepreneurs.

As the vision is already there, what is now required is the obligation and total commitment of all at the State Engineering Corporation to take the Mission forward.

Manil Gunawardene
Via e-mail

> ***Resurrection of SEC is a massive effort, even with the backing of the present government, as the damage done is impossible to undo. Due to the weak financial position of SEC and its heavy dependence on the Treasury, World Bank and other foreign funding agencies have kept clear of it in the past. SEC took a turn for the better when it came under the purview of Minister of Construction and Engineering Services, Dr Rajitha Senaratne, who has taken a keen interest in re-establishing SEC.***