

The Contractor

Keeping the Industry Informed



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Addressing Financial Challenges

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Editor

Eng. H. N. Ilahuka
MediaCom Ltd
P. O. Box 105122
Dar es Salaam
Tel: + 255 22 2617082
E-mail:mediacomltd@hotmail.com

Editorial Committee

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The Contractor is published quarterly by the Contractors Registration Board
Floor 3, TETEX Building
Pamba Road
P. O. Box 13374
Dar es Salaam
Tel: + 255 22 2131169 / 2137962-3
Fax: + 255 22 2137964
E-mail: crbhq@crbtz.org
Website: www.crbtz.org

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Cover photo : The Dar es Salaam City skyline is changing fast, but small contractors are not participating fully in the change because of the challenges they are facing

From the Editor

Financing the construction industry: The blame game has to stop

That it is very difficult for small local contractors to obtain bank loans for their businesses is a well known fact in the Tanzanian construction industry. What is not known is where to place the blame for the situation, because it seems to be an exercise in a classic blame game.

First, as always, contractors contend that the banks are to blame for being "reluctant to provide a helping hand" in that they set conditions many of which are difficult to fulfill. They also blame the government for failing to pay them on time, thereby worsening their plight, they say.

But banks, on their part, blame Tanzania's laws and the contractors themselves. They say the country's laws stipulate that banks should not lend without security. Also the banks blame the contractors for not being transparent in their transactions, for being "conmen who divert funds" and for presenting 'forged documents' to the banks.

It is high time the industry and its supporting partners stopped this game. Fortunately, some key players and some partners have already taken the lead.

Foremost of the partners is BancABC. For a start, while noting the stipulation of the country's banking laws, the bank's Deputy Managing Director, Clergy Simatyaba, says they "don't necessarily insist on collateral." Also, Simatyaba says, despite his bank's concern about the lack of transparency, which often makes it hard to establish the 'genuineness' of some contracts, his bank provides advance payment guarantee, performance guarantee and asset financing - among others.

Indeed banks are here to support businesses - that is their business - and some have come up with products that are designed specifically to meet the needs of contractors. For example, CBA now offers bank guarantees such as Bid Bond, Performance Bond and Advanced Payments, which are the main challenges faced by local contractors. This bank also provides project financing in which the contract serves as collateral.

Furthermore, they also offer finance for purchase of construction equipment as well as working capital or overdraft. At CBA, contractors can even get project finance, guarantee and working capital - all at the same time.

Contractors too could do a number of things: Foremost, they should satisfy themselves that they know what is required to secure a loan. We note, for example, that one contractor believed that since he had done business with a particular bank for two years without applying for a loan, that meant he was a good customer and that the "bank should have looked at my record." But surely, by his own account, there was no record of *borrowing* to go by over that period. In this case, lack of awareness on his part, was to blame.

Contractors could also emulate the spirit of the directors of KMM (2006) Entrepreneurs Limited, namely, to dare go beyond the commonplace 'deliberating on the problem'. The directors of the Sumbawanga-based company decided to think outside the Tanzanian box by going abroad to investigate the possibility of teaming up with others to solve an intractable problem. Their story, reported herein, shows how unusual actions can provide solutions.

Another company that has thought outside the usual box is Effco. Instead of simply blaming the banks they have put in place an operating lease of their own.

Contractors should also heed the advice of banks and forthwith employ and work closely with professional accountants in order to have proper documentation that would facilitate quick processing of their loan applications.

Another worthwhile measure for the contractors would be to strengthen their associations so that they fight for their rights effectively, for example, by lobbying Parliament to reform certain banking laws in their favour and pushing government into paying contractors promptly.

Finally, the industry should think of establishing a bank and put an end to the blame game. ■



From the Desk of the Registrar



Dear Readers,
Greetings!

May I start the first message of Year 2011 with thanksgiving to Almighty GOD who has allowed us the privilege of another opportunity to participate in the realization of our contracting dreams.

Year 2011 promises to be an exciting and interesting year with the Board intent on embarking with vigour on the second year of implementation of the Board's Strategic Plan 2010 – 2014 with a primary focus on contractor development. Preparatory arrangements are continuing for the implementation of the Deliberate Programme for Development of Selected Civil Works Contractors, a programme which we believe will be so successful that it will be replicated in the other trades. The programme is assured to take off during the next financial year, following an affirmative statement by the Minister for Works, Dr. John Magufuli, when he visited the Board's offices.

The Board will also seek to address the skills challenges facing the industry through collaboration with VETA, to enhance training, to improve its research facility for the benefit of contractors in their daily endeavours and to address equipment and finance challenges.

Other areas of the Corporate Strategic Plan that will also be earmarked this year include enhancing compliance and conduct of contractors and other stakeholders through raising awareness, collaboration with other stakeholders and to enhance enforcement and scrutiny of contractors. Efforts to enhance Occupational Health, Safety & Environment will continue through awareness and enforcement campaigns. CRB as an institution will also seek to improve its performance by launching the long awaited Service Charter, to improve communication channels with stakeholders as well as to improve its Management Information System (MIS).

This year, after a two year break, the Board will be awarding the best contractors.

Contractors in different categories will be awarded on merit based on how they are compliant to the various CRB requirements, including project registration, safety and occupational health compliance, participation in training, workshops and development initiatives, submittal of annual returns and payment of fees. The awards will also be given to contractors who have exhibited exemplary performance in terms of quality, timely completions, innovation and best practices.

I would also like to inform the Contractors that there will only be one CRB Annual Consultative Meeting 2011 and it will be held in Dodoma in July 2011. All Contractors should avail themselves every opportunity to attend, as there will be a lot of serious issues to address.

The Board would also like to challenge contractors on their preparedness to seize opportunities presented by the East African Common Market. While developments indicate that the removal of barriers for the construction industry may be phased to allow harmonization by the different actors, Tanzanian Contractors should prepare themselves and ensure that they are in a position to be competitive in the region. I was very encouraged by the profile which appeared in the last issue of a Tanzanian Contractor who has ventured and opened up offices in Kenya, Uganda, Zimbabwe, Egypt and Congo. We would very much like other contractors to emulate this and to thereby demonstrate that it is indeed possible for Tanzanian Contractors to venture locally, regionally and internationally. This year, as has been for the previous three years, we will continue exposing our Contractors to what their counterparts abroad are doing, so that they gain from networking, best practices and partnerships that have helped push contractors further.

You will agree with me that we have a lot for this year. And all can be accomplished if each of us play their role.

B.C. Muhegi
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Bankers say to finance subcontracting 'creates difficulties'

It is very difficult for small local contractors to obtain bank loans.

At least this is what many contractors in the country will tell you today. They site lack of finance as the major stumbling block to their growth and point an accusing finger at the increasing number of banks, most of which have been reluctant to provide a helping hand.

Eng. Andrew Mwaisemba, the Managing Director of Cool Care Services Limited says finance is a very big problem affecting local contractors. "This is because most contractors start a firm without any capital since they come from poor families. Because most of them are peasants' children, they start to accumulate whatever small capital they can get by working in different places," he says.

Since it is difficult to access bank loans, most contractors start with labour based projects that don't require them to have huge amounts of money. "This is where they get their capital," Mwaisemba says.

And because they need to grow, most dare to compete in tendering despite the risks involved. According to interviewed contractors, there are a lot of obstacles in the tendering process which are so frustrating. These include the purchase of the tender document hardly knowing what's inside. They purchase the all-important document without being sure whether they would be able to fulfill the tender conditions. One is also required to attach bid security, of which contractors have been relieved a bit through the bid security declaration - though some entities still insist on it.

While the motive is to help nationals be able to compete in the bidding process, after winning the tender and receiving the letter of award, however, one must still submit a performance bond that is equivalent to ten percent of the contract value before signing the contract. This is where

the problem lies, since not many small and medium contractors can manage to raise the said amount of money. This is where they would wish financial institutions to intervene. But they say the bank conditions are in most cases difficult for small contractors to fulfill, like in cases where they are required to provide property as collateral.

"How do you get a bank loan if you don't have security? This is a regulation of the Bank of Tanzania. You need to have collateral to get a bank loan," says Wolfgang Michael, the Director of Works Contractors Limited, a Class IV contractor. He however says that for those who have collateral, 'hidden' bank regulations and conditions apply. He accused banks of not being open about these conditions and regulations.

BancABC's Deputy Managing Director, Clergy Simatyaba agrees with Michael, saying according to Tanzania's laws, banks cannot lend without security. One has to raise the acceptable security to get a bank loan, something he says, is difficult for most contractors.

He does not think the bank conditions are difficult if one "comes clean to the bank." "The conditions we give are meant to safeguard the financing we are providing," he says, adding that people find the conditions difficult because there is a notion that banks are there to make it hard. "But our aim as a bank is to facilitate business, we want them to be successful," he says.

Simatyaba says his bank is ready to assist contractors who need loans but find the conditions difficult to meet. "We encourage them to register themselves, come to us and discuss with us so we can give them certain products to help them carry on their contracts. We know security is a problem," he said adding "we need the contractors to first of all come to the bank with full disclosure. We realize most of them may not have property or may be start ups...we

can go into some of these contracts as partners where we provide finance and they provide technical skills. We then can do profit sharing at the end of the contract. That's feasible if they come clean."

But a Class One contractor, who identified himself by only one name of Adam, does not buy Simatyaba's idea. "Hayo ni maneno tu," (Those are mere words) he said, before adding: "I can assure you those kind of talks will involve corruption. I'm saying this through my experience with banks."

Adam says he had approached three banks with which he operated accounts, submitted all the required documents, including collateral, but was made to wait for months. In one case, after waiting for three months, the bank decided to give him less than the amount of money he had applied for. He never took the money for "how would I have repaid it while it was not sufficient for the project that I was about to undertake?"

"I had done business with the bank for two years without applying for a loan. I was a good customer and the bank should have looked at my record." Adam thinks the bank officials "wanted to be bribed" but had avoided being explicit about it. "All these were signs of corruption."

Interviewed bankers distanced themselves from corruption, saying getting a loan is a right for everyone who qualifies to get one. They maintained that banks have to be sure the person they are lending to would perform and added that subcontracting, which most small contractors do, "creates difficulties."

BancABC's Simatyaba says the security aspect and finding out the 'genuineness' of the contract is one challenge they face as financiers. "The biggest problem with most of them [contractors] is identifying the genuine ones because there is a lot of subcontracting and so getting to give a performance guarantee is quite a challenge." Simatyaba added.

(Continued on page 7)



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According to him, the major problem with small contractors is lack of transparency. On not giving the amount requested when lending, Simatyaba says that is not necessarily true. He says most contractors "come with a notion to ask for more than they need for the work." They come with exaggerated financials and what the banks do is evaluate the transaction. "We go through them to see if they make sense and provide what we think is needed to undertake the project. We also expect commitment," he said. Sometimes, when one requests for 50m/-, the bank gives them 30m/- so they can put in 20m/- as their commitment to ensure the contract succeeds.

Contractors wishing to get assistance from BancABC can get advance payment guarantee, performance guarantee and asset financing - among others.

While some contractors claim that banks shun small contractors and prefer lending to big ones, a banker who preferred anonymity said banks serve all customers equally provided one meets all the bank's requirements. The bank official said banks take precaution because "some contractors are conmen who divert funds." The banker also cited forgery as being rampant among contractors, saying some present forged documents to the banks. "There are too many forged documents," said the banker and one contractor agrees, saying that since people believe more in papers than in the truth, there is no document which you can fail to obtain in Tanzania.

Michael, the Works Contractors Director, concedes that not all contractors are genuine. In his own words, he said *'penye msafara wa mamba na kenge wapo'*, meaning not all that glitters is gold.

The nature of projects local

contractors get is said to be among reasons they are not credit worthy. Many small local contractors, out of necessity, chase and get municipal projects, which are low-rated and which foreigners shun. Michael says if there were banks that offered soft loans, contractors wouldn't be feeling the pain caused by lack of financial capacity.

The trumpet usually blown for local contractors to be given jobs is said to be mere politics since the conditions attached are tough. For example, one is required to have a turn over of 20bn/- to get a certain project, an amount which most local contractors can not raise.

Another challenge facing contractors is failure to get advance payment when they win tenders since they cannot get guarantee from the bank due to lack of collateral. Contractors therefore have to find other means of getting the necessary finance, the consequences of which may not always be good. What when you have a hungry contractor looking for a job but has no money to execute a contract, and you have another hungry consultant and client who wants to get money without sweat? The contractor needs to survive and so "the trio could enter a deal for a consultant to issue a forged certificate for the contractor to claim payment." He then has to pay the two a certain percentage in return. The contractor has no choice but to do so lest he either loses the contract or be deregistered by the Contractors Registration Board (CRB) for failure to execute a project.

Giving his personal experience on problems to do with lack of advance payment, Michael says he has worked without advance payment several times and the experience was nasty and frustrating. He has had to endure waiting for long periods to get his payments after finishing projects. This he says has a lot of implications,

like workers losing confidence in you as well as hampering the speed and quality of work.

"The way most payments are made, especially those by the government, frustrate projects and the contractors' integrity. What do you expect from a Class Four contractor when you delay his her payment?" Michael queries. He says in the end, the contractor is unfairly being judged incompetent.

Another challenge that contractors face during execution of the contract is the retention money deductions. Ten per cent is deducted from each payment claim made during the first half of the contract period. This is lowered to five percent in the second half. The problem is you may never get this retention money back, or it could take years to get it. Consultants have their share of blame in this for they are the ones who determine the amount one should be paid when claiming payment. They in some cases are said to lower the amount claimed by the contractors. The time taken to get a Claim Certificate from the consultant is said to be long after which one has to wait for another 28 days to get paid.

If banks are there to support businesses, as they claim, they should come up with products made specifically to meet the needs of the construction sector, many contractors say. Michael thinks banks should study the trend of construction business and devise tailor-made programmes to support them.

On his part, Mwisemba says as far as public projects are concerned, the BOT should devise means whereby the procuring entity will be required to pay the contractor through the bank. He also says contractors should strengthen their associations so that they will be able to fight for their rights effectively. They should also think of establishing their own bank. ■

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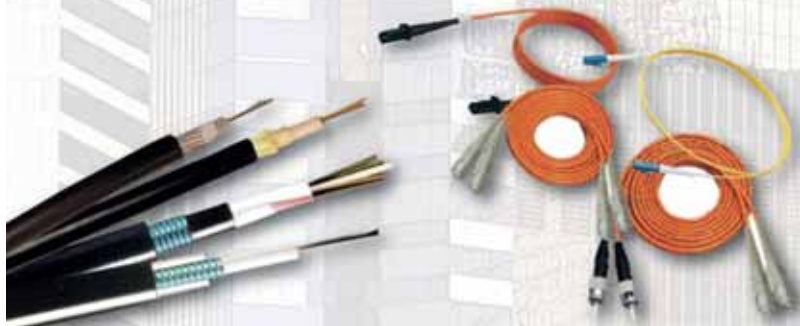
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CBA sets aside 100bn/- for construction industry

It has been said many times before that one of major challenges facing contractors in the country today is lack of finance. Some projects require a contractor to have a huge working capital at the initial stage and throughout the entire period of project execution. This being the case, there is no way a contractor can avoid approaching a bank for financial assistance. However, despite the fact that there are currently over 30 banks operating in the country, getting a bank loan has not always been an easy ride for contractors.

The Contractor interviewed Kunegunda Dedede, the Trade Sales Manager for Commercial Bank of Africa (CBA) on the important matter of finance for the construction industry practitioners, and looked at what CBA has in store for the construction business. Here are excerpts.

Q. Access to finance is one of the challenges facing local contractors. Does CBA have any specific tailored products for contractors?

A. Yes we do. We offer Bank guarantees such as Bid Bond, Performance Bond and Advanced Payments which are the main challenges faced by local contractors.

We issue these depending on contractor's business transactions. We also provide project financing, especially to contractors who manage to secure projects from reputable companies and other organizations. The contract here serves as collateral. The condition here is that all payments must be channeled through clients' accounts with CBA. But we only finance one project at a time. The client should be able to repay the loan in the project period.

Another product that we have for contractors is Asset financing which is purchasing of construction equipment such as excavators, rollers and graders among others. These equipment can be obtained either locally or internationally.

Working capital or overdraft is another kind of assistance we give contractors to help them ease their cash flows. Contractors however can enjoy two or more products at a time depending on the type of project they have. For example they can get project finance, guarantee and working capital all at the same time.

Q. What prompted CBA to put such products in place?

A. Construction and infrastructure are among the fastest growing industries in Tanzania. Even the budget allocation for this sector last year was significant. About 60% of the Government Development Budget was allocated to the construction industry. In addition to that, we need to help local contractors succeed in their businesses. We understand the challenges they face and would like to give them a helping hand. We believe in so doing, we will help contractors grow while the economy goes up in return.

Q. Some players in the sector have it that it's difficult for businesses in Tanzania, including contracting to secure bank loans. Is this true?

A. That is not true. However some contractors find it difficult because they do not regularly keep their money in the bank and also they do not keep proper financial/accounting records. As a result they can not provide such

information as and when requested by the banks. As a bank, we have to conduct know your customer (KYC) and due diligence to perfection. However, it's only a small percentage of people who do not qualify to get bank loans due to the above mentioned reasons.

The majority do get loans.

Q. Concern has been raised that banks go for only big contractors and avoid small ones. It is also said that it's always difficult getting the requested amount when borrowing.

A. We at CBA do not favour some contractors over others. We go for all, namely Class 7 to 1 both in local and foreign categories. As for not getting the amount requested, it all depends on the company's business performance in terms of turnover, costs containment, profitability and experience.

Q. Bank loans are said to go with difficult conditions and that excessive focus is put on collateral. Please comment on this.

A. We don't necessarily insist on collateral. Security depends on the type of product requested from the bank.

For instance we have managed to start a product like Project Financing whereby the contract serves as collateral. CBA accepts Contracts from reputable organizations/institutions which can easily mobilize funds and pay in time.

We advise contractors to work closely with their accountants in order to have proper documentation to be availed to the banks when required to facilitate quick processing of the facility.

Q. How about the high interest rates that come with bank loans?

A. Interest rates are high due to some reasons which are in the market such as cost of funds, business environment, economic conditions, customers characters etc. It is important to note that banks lend depositors funds which are obtained from the market at a price and mostly on short term. For the Banks to lend long-term such as in leasing/asset financing they have to secure funds on long-term basis which is very expensive. As a result, contractors perceive that banks charge high interest rates for reasons of making more money which is not the case.

(Continued on page 10)

EFFCO upbeat on operational lease and more

Since the late 90's, Tanzania has attracted immense Direct Foreign Investments (FDIs), perhaps more than any other East African country. Mining, construction and other economic activities shot up tremendously in value from year to year. This development has necessitated serious investments in infrastructure, construction and mining.

The obvious result therefore is that there is also an increased demand for construction equipments and logistical services directly associated with mining and construction. These include cranes, forklifts, reach stackers, heavy and abnormal haulage, earth moving equipment, loaders and the list is endless.

The awesome costs of investment in such projects requires tailor made leasing services that will fill in the gap. It is for this reason that EFFCO has started its operations in Tanzania.

"There exists a chasm in as far as provision of affordable leases is concerned. It is in this light that EFFCO has stepped in to guarantee availability of cranes with higher load capacity, management of transport logistics for heavy and abnormal loads. We are bent on moving from financial lease to operational lease," said Mr Daniel Mikenze, the General Manager of EFFCO Tanzania.

With its headquarters based in Gaborone, in Botswana the company has its branches in Namibia, South Africa and Tanzania that will serve as the hub for East Africa.

Predominant activities in the company's portfolio entail availing access to suitable credit facilities to the local contractors reach their goals of completing projects. The company eyes a wide multi-sector spectrum of mining, telecommunications, energy and construction sectors. It is hoped that with the company's strong entry into the economy will see a marked stimulation entrepreneurial development in Tanzania.

"We are geared to becoming the leading supplier for construction and other lease facilities for Tanzanian miners and contractors," said Mr Mikenze.

Tanzanian contractors have decried the lack of lease facilities for so long. The banks that purport to offer such leases have put in place mile-long stringent and impossible-to-fulfil conditions that make it virtually

impossible to realize their dreams.

Operating Leases

In an operating lease, the risks and rewards associated with ownership of the leased equipment are substantially borne by the leaser. An operating lease usually involves the lessee paying a rental for the hire of equipment for a period of time, which is substantially less than its economical useful life. The leaser effectively retains a significant amount of the risks and rewards of ownership of the equipment.

As there is no transfer of ownership, the asset remains on the lessor's balance sheet and is depreciated over its estimated useful life to a set residual value. For lessees the lease is not included in the balance sheet and usually only summarised in the note to the financial statements.

'Yellow Machine' strategy

The company is embarking on a long-term project of acquisition of construction heavy machinery that includes earthmoving machines. This project is dubbed "Yellow Machine Strategy."

Effco is embarking on the 'yellow machines strategy' that will see them equip construction industry with latest state-of-the-art construction equipment. It envisions investing and penetrating Tanzanian market by offering services that are according to the GM, way above the customer expectations. Already, the company is hiring cranes of capacity ranging from 25 and 35 tons. All cranes have local and international certifications. All are insured up to USD 1 million per lift.

Besides cranes, the company leases heavy earthmoving equipment. These are excavators, graders, bulldozers, rollers, front-end loaders, and articulated dump trucks for mining as well as construction companies.

Haulage and transport logistics use Volvo extra heavy haul trucks with towing capacity of 130 ton coupled to a 3-axle famoville hydraulic suspension and steering low loaders with a 60 ton capacity. Forklifts hoisting capacity range from 3 ton to 16 ton. Mobilization and demobilization is provided by delivery truck specially designed to transport forklifts. ■

(Continued from page 9)

Q. How long does it take to get a loan from CBA?

A. It takes a very short period of time, provided one has submitted all the required documents in time.

Q. How much has CBA given out to contractors so far?

A. The bank has given out facilities amounting to more than 30bn/- in terms of overdrafts and guarantees which takes the lead in the products, followed by project financing and the rest of the products have been given out at medium rates.

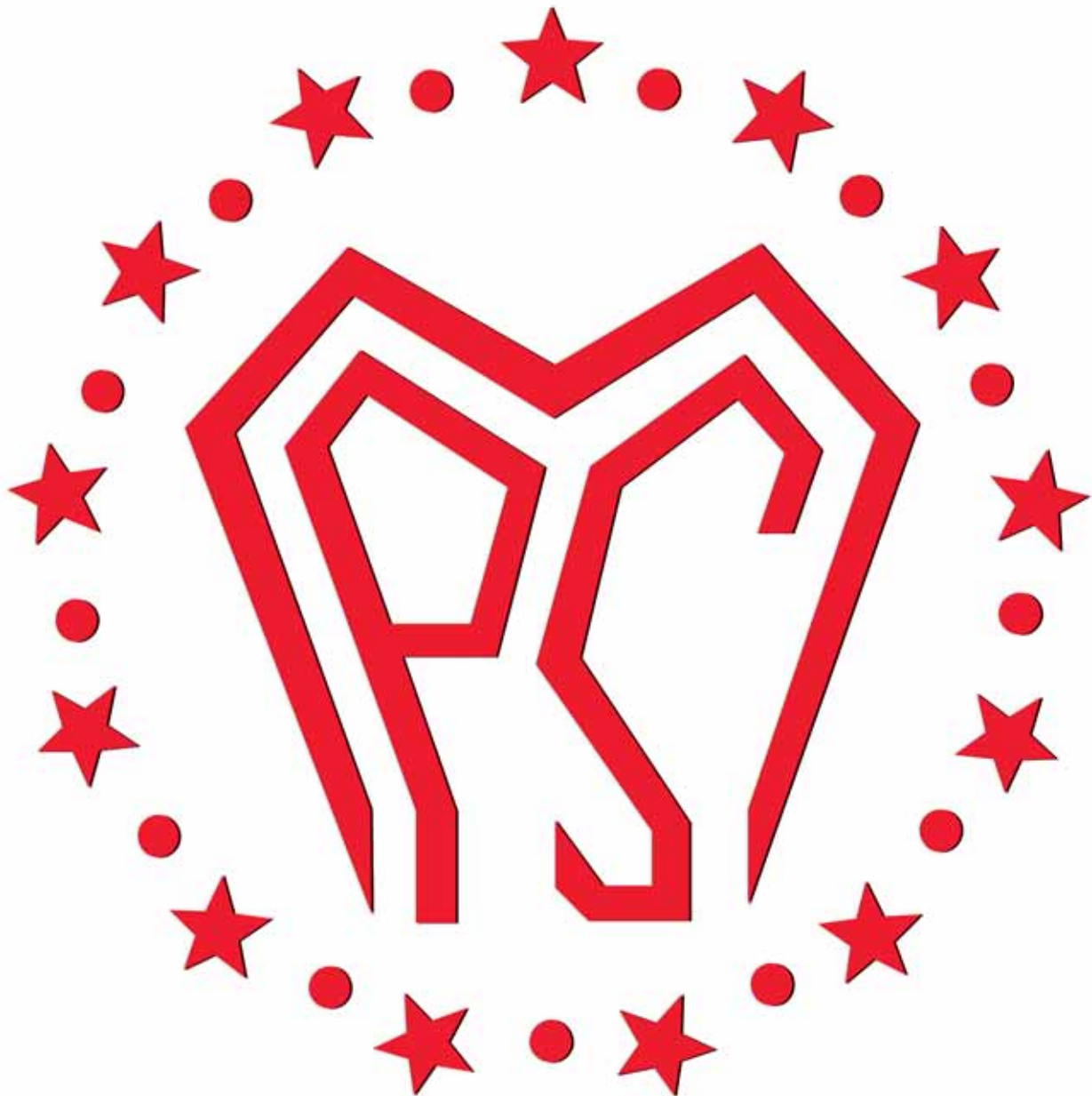
Q. What is the default rate?

A. The rate is low and within the market margins. It is around 4%.

Q. What future plans does CBA have for the construction industry?

A. We are committed to innovate more products apart from what we have at the moment in order to meet the needs of the construction industry. In the year 2011 we expect to lend up to 100bn/- to the construction industry. We call upon more and more contractors to use our services. We are here for them. ■

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The Contractor revisits the issue of very low bids

Generally the issue of very low bids has been of concern in many jurisdictions and there are efforts to include provisions in procurement laws and regulations to curb this trend. One such provision can be found in the proposed revisions to the UNCITRAL Model Law on Procurement of Goods, Construction and Services, in which it is proposed to introduce the following article:

Rejection of abnormally low submissions

(1) The procuring entity may reject a submission if the procuring entity has determined that the submitted price with [and/or] the constituent elements of a submission is, in relation to the subject matter of procurement, abnormally low and raises concerns with the procuring entity as to the ability of the supplier or contractor to perform the procurement contract, provided that:

- The procuring entity has requested in writing from the supplier or contractor concerned the details of the constituent elements of a submission that give rise to concerns as to the ability of the supplier or contractor to perform the procurement contract;

- The procuring entity has taken account of the information supplied, if any, but continues, on a reasonable basis, to hold those concerns; and

- The procuring entity has recorded those concerns and its reasons for holding them, and all communications with the supplier or contractor under this article, in the record of the procurement proceedings.

(2) The decision of the procuring entity to reject a submission in accordance with this article and grounds for the decision shall be recorded in the record of the procurement proceedings and promptly communicated to the supplier or contractor concerned.

Clarification on Lowest Submitted and Lowest Evaluated Bids

There has been cases of poor performance of contractors¹ reported by Procuring Entities (PEs) which can be traced back to very low prices offered by the winning bid. Unfortunately these PEs often puts a blame on the Public Procurement Act that it forces them to select the lowest bid. Most PEs have been interpreting the lowest bid to mean the lowest submitted bid without bothering to go into details to establish whether the selected bidder can actually deliver at his/her quoted cost.

PEs need to distinguish between "lowest submitted bid" and "lowest evaluated bid". The lowest submitted bid is one which is the lowest amongst the bids read out in the bid opening while the lowest evaluated bid means the price offered by a supplier, contractors or consultant that is found the lowest after consideration of all relevant factors including time for executing the contract, rates offered by the bidders, and any other risk elements associated with accepting a particular bid. The Public Procurement Act requires PEs to select the lowest evaluated bid and not otherwise.

Before a PEs goes out to invite bids for a particular assignment it is required to prepare an accurate detailed estimate based on the contract schedules and market

prices². It is further required to review the estimate and update it where there are significant delays between the preparation of the estimate and the date of bids submission.

In the case of PEs problems start in the preparation of the estimates. An estimate below the actual cost of the assignment will lead to selection of a bid that appears to be within the estimate but with low rates that will not deliver the required quality. It will also lead to rejection of what are seen to be high bids but with reasonable rates for the execution of the contract. A very high estimate above the actual cost of the assignment will lead to selection of a bid that is within the estimate but with high rates. This will obviously enable execution of the contract to the required quality but will cause loss to the government for paying more than the actual cost of the assignment.

A properly prepared estimate can easily facilitate comparison of bids. A bid which is very low or too high from the estimate should not be selected. It is usually advised to select bids which are plus or minus ten percent from a "well prepared and accurate estimate". We however shy away from recommending this as a rule of thumb because as discussed above we have cases where the estimates themselves are more that twenty percent above or below the cost of the assignment. Bidders on the other side have a role of ensuring that they give prices which will enable them execute the assignment to the required quality and completion time, and make profit which is necessary for the growth of their business. For some bidders their bidding strategy is to give very low rates in order to win. This strategy only works in a short term. A bidder with low rates will fail to deliver to the satisfaction of the employer and in the long run he/she will have a bad track record of non-performance thus jeopardizing his/her chances to win future tenders.

We therefore urge bidders to quote realistic prices which will enable them to deliver. It is better not to win any bid than to win a bid and execute it unsatisfactorily. We also urge the PEs to prepare realistic estimates which will assist them in the selection of a bidder with realistic rates for the execution of the assignment.

Abnormally low offers - too good to be true?

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A High Court injunction has been granted against Norwich City Council, preventing it from entering into a contract for the maintenance of its public housing.



(Continued on page 15)



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(Continued from page 13)

Reports state that Norwich C.C. is now having to find £1 million a month to obtain an interim solution pending the full trial of the issues, expected to be held this summer. This is bad news for Norwich City Council which according to press reports was already having to save £8 million in the budget for this year.

According to the press, the existing contract was worth around £34 million a year. When it came up for renewal, the challenger, Morrison Facilities Services Limited (MFS) submitted a bid of around £23 million. However, it was beaten by the £17 million bid of Connaught PLC. The MFS bid and the other bids received were all around 25 per cent to 33 per cent higher than the Connaught bid.

At the hearing, a witness for MFS deconstructed Connaught's prices to show that, in MFS' view, it was simply physically impossible for Connaught to actually deliver the requirement at that low price. There was also evidence that the Council itself had queried Connaught's price and had twice sought confirmation. MFS' argument on the abnormally low tender point had two elements to it, as follows:

1. *Obligation to reject an abnormally low bid? Regulation 30(6) of The Public Contracts Regulations 2006 gives contracting authorities a right (not an obligation) to reject an abnormally low bid, provided proper investigation has taken place. The wording of Regulation 30(6) is as follows:*

If an offer for a public contract is abnormally low the contracting authority may reject that offer but only if it has:-

- *requested in writing an explanation of the offer or of those parts which it considers contribute to the offer being abnormally low;*

- *taken account of the evidence provided in response to a request in writing; and*
- *subsequently verified the offer or parts of the offer being abnormally low with the economic operator.*

However, MFS claimed that the wording of the EU Directive itself, from which the Regulations are derived, actually imposes a requirement on contracting authorities to reject bids that are abnormally low once they have been investigated. The wording of Article 55(1) in the parent Directive is as follows:

If, for a given contract, tenders appear to be abnormally low in relation to the goods, works or services, the contracting authority shall, before it may reject those tenders, request in writing details of the constituent elements of the tender which it considers relevant. MFS argued that the use of the word "shall" was enough to imply that Norwich had a duty to investigate Connaught's bid and a further duty to reject it if it was abnormally low. The judge commented that "at a minimum, it seems to me that it is arguable that the true ambit of the obligation is as stated in the Directive and not as stated in the 2006 Regulations"

2. *Norwich had a duty to investigate. MFS' second argument was based on case law. It argued that case law imposes a duty on a contracting authority to investigate all bids that appear to be low. In the case of Renco SpA v Council of the European Union, the judge said that "although [the procurement Directive] does not require the Council to check each price in each tender, it must examine the reliability and seriousness of the tenders which it considers to be generally suspect, which necessarily means that it must ask, if appropriate, for details of the individual prices*

(Continued on page 19)

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Comments on the Proposed Public Procurement Act, 2010

The originator of the following comments is Eng. Andrew R. Mwaisemba, who can be contacted through P.O. Box 12001 Dar es Salaam Tel: +255 222861532 Fax: +255 222860004 Cell: +255 754449944 E-mal: mwaisemba@coolcare.co.tz Due to space limitations, these comments will be serialized -Editor

1.0 AIMS OF THE PROPOSAL

Before discussing the proposed Act item by item, let us look at its objectives as given on page 74, which are;

- (a) To address the weaknesses experienced during the implementation of the PPA, 2004;
- (b) To give PPRA and PPAA more powers to discharge their respective functions under the proposed Act.
- (c) To improve the public procurement system with view to increase efficiency, accountability and discipline;

1.1 Weaknesses of PPA, 2004

When you go through the proposal, you find several good sections of the PPA, 2004 which have been changed into corruption loop holes, basic right of suppliers, contractors, service providers, asset buyers and consultants to seek review has been taken away; this must be addressed properly by making necessary amendments to the respective provisions to march with the objectives.

1.2 More powers to PPRA and PPAA

The proposed Act shall not enable PPRA and PPAA to discharge their functions effectively because, the proposal has not provided them with the necessary mechanism which shall empower them to do so. In order to achieve the proposed objective, the Authorities should be given power to prosecute. The bureaucratic procedure which has been proposed to deal with the defaulters, shall not be able to discipline those breaching the law on the contrary, it will only increase corruption and indiscipline in the public procurement.

1.3 Improvement of public procurement system

Transparency is the only tool which can be used to improve the public procurement system. On paragraph 8.2.8 (a) of a small book about Construction Industry Policy of 2003; it said that, reasons for corruption include bureaucracy, greed, lack of transparency and accountability, and inadequate remuneration of employees; these reasons are still valid until now. The government may not be able to get rid of each and every of these problems at once, but I believe it can eliminate bureaucracy by increasing transparency. This can be done in many ways including the following:

- (a) by having a provision in the Act which shall allow participation of members of the public in the protection against misuse of public money in the manner that shall be described in the regulations; ways of communication between the Authority and any member of the public including feed back on measures taken by the Authority pertaining the reported matter should be clearly described.
- (b) After award of the contract, there should be a way to let members of the public to inspect any bidding document (except schedule of rates) or activities during and after the execution of the contract;
- (c) All provisions which do not advocate transparency should be omitted.

After this general observation, I will touch on some few

provisions of the proposal which in my opinion need some changes or amendments.

2.0 PART I

PRELIMINARY PROVISIONS

2.1 Definition of "tenderer"

Section 3 (1) defines "tenderer" as any natural or legal person or group of such persons submitting a tender with the view of concluding a contract and includes a supplier, contractor, service provider or asset buyer. This definition is misleading and confusing; let us look at few examples:

- (a) Section 49 (1) up to (4); Section 50 (1), Section 52 (1) and Section 66 (1) – each of the persons referred to in these sections is addressed as "tenderer", but according to the definition given above, these persons have not reached a stage in the procuring proceeding which qualifies them to be addressed as tenderers;
- (b) Section 45 (a); Section 65; Section 66 (2); Section 67 (2) – the status of the persons referred to in these sections and those mentioned in (a) above is the same; but here they are not addressed as tenderers any more, they are prospective tenderers or potential tenderers!

If the aim of using the word tenderer is to represent suppliers, contractors, service providers or asset buyers then, this confusion may be removed by replacing the proposed definition by the following, "tenderer" means any natural or legal person or group of such persons participating or wishing to participate in the procurement proceeding with view to submit a tender in order to conclude a contract and includes a supplier, contractor, service provider or asset buyer.

3.0 PART II

THE PUBLIC PROCUREMENT REGULATORY AUTHORITY

3.1 Action on recommendation of the Authority

I reproduce Section 18 (1) as following; **The Authority may, where there is persistent or serious breach of this Act or regulations or guidelines made under this Act, recommend to the competent authority,-**

- (a).....
- (b).....
-
- (d).....

To avoid misuse of power, and in order to discipline the defaulters fairly in accordance to measures proposed in (a) up to (d), the extent of breach of Act which warrants to be addressed as "persistent" or "serious breach" must be known, therefore definitions for "persistent breach of Act" and "serious breach of Act" are required here; also, I advice the word "shall" be used instead of "may".

Let us look at section 18 (3) which I reproduce as following;

(Continued on page 19)

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(Continued from page 17)

where the competent authority rejects or fails to implement the Authority's recommendations under subsection (1) without giving satisfactory explanation, the Authority may-

(a) Request the competent authority for any other appropriate action which may be taken within the circumstances.

Rejection of legal and official recommendation without giving satisfactory explanation is **insubordination**, the Authority is discharging its functions not for any other than public interest; therefore there is no point for the Authority to go back to the so called competent authority **to beg** for any other action; therefore the said competent authority should decide for such action on its own.

4.0 PART III

TENDER BOARDS

4.1 Third party procurement

Section 41 (1) - Where there is lack of technical capacity and, subject to guidelines of the Authority, a procuring entity may engage the Agency or Third party procurement services.

We have an experience of some procuring entities engaging public procurements to some firms or companies which are also players in the same procurement proceeding, therefore it is important to define **"Third part procurement"**

5.0 PART IV

PUBLIC PROCUREMENT PRINCIPLES

5.1 Black listing

5.1 I reproduce Section 60 (3) as following; A tenderer shall be debarred and blacklisted from participating in public procurement or disposal proceedings if-

- (a)
- (b)

- (c) the tenderer he breaches a procurement contract;
- (d) the tenderer he makes false representation about his qualifications during tender proceeding.

I think a phrase; "the tenderer he" at the beginning of item (c) and (d) is not supposed to be there; but also, I advice to remove item (c) completely because of the following reasons;

- Punishment against defaulters of the contract are stipulated within the contract itself, therefore blacklisting the tenderer for breach of contract means punishing him/her twice, this is contrary to human rights.
- Procuring entities are the major defaulters of the contracts; as a matter of fact delays in completion of public procurements are mainly due to procuring entities not adhering to the terms and conditions of contract including delay of payments to tenderers, how are they going to be punished?
- Section 18 (1) requires the Authority to recommend actions to competent authority against procuring entities for persistent or serious breach of the Act, likewise the Authority should recommend to CRB, ERB, AQRB and other competent professional authorities, actions against serious breach of contract;
- Which specific clauses of the contract warrant blacklisting punishment?

To avoid misuse of power, **"false representation"** requires definition in order to establish an extent or type of representation which warrants to be termed **"false"**; qualifications include many things such as registration with appropriate authorities, technical personnel, statistics about experience, financial resources, etc; **which of these are included in the list of false representation which warrants blacklisting?**

(To be continued)

(Continued from page 15)

which seem suspect to it". Norwich tried to argue that this duty only applies if the Council had suspected that the tender was abnormally low in the first place, which it did not. It further argued that in any case the duty is there for the protection of the low bidder, to ensure that its bid is not rejected summarily without proper investigation. However the judge did not think these arguments sufficiently strong to change his view that MFS had an arguable case that the Council had thought the bid was abnormally low and had failed to investigate it in detail. The judge considered it well arguable in the spirit of the procurement legislation generally that the duty to investigate was one owed to all the competing bidders. He also considered that MFS had an argument that the Council had indeed suspected that the tender was abnormally low, given the evidence of the Council's seeking to confirm prices with Connaught on two occasions. In addition to the claims about the allegedly abnormally low tender, MFS' claim also had a further element to it, around non-disclosure of evaluation criteria, on which it was also successful in persuading the judge that it at least had an arguable case.

The full trial of the issues is expected to be held in June of this year; the above judgment in no way predicts the likely

outcome as this was only an interim application for an injunction to preserve the status quo pending resolution of the claim. In order to succeed at the interim hearing, MFS only needed to demonstrate that it had a case that was at least arguable, and it did so. But the full evidence and arguments have not yet been presented, and ultimately the case could still go either way at full trial.

Given the tough economic times, contracting authorities are likely to be receiving a greater number of low-priced bids from bidders desperate to get a foot in the door. This case shows that contracting authorities will do well to be on their guard; if a contracting authority intends to award a contract to a very low bidder, it should make sure that proper investigation does take place and that there are objectively reasonable reasons for the low-price of the bid.

¹ Contractors as used here means a person or a firm awarded a contract for works, supplies, or services by a Procuring Entity.

² Regulation 53 of the Public Procurement (Goods, Works and Non-Consultant Services and Disposal of Public Assets by Tender) Regulations of 2005 ■



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KMM (2006) Entrepreneurs Limited explores business opportunities in USA

Seeing is believing: When the directors of a Sumbawanga based civil and building works firm KMM (2006) Entrepreneurs Limited wanted to advance their company by way of diversifying into equipment and plant hire services, they decided to visit the United States of America to see what was on offer. They were not to be disappointed. In fact, their visit gave them much more beyond their wildest dreams. This is their story, as told to *The Contractor* by two of the directors when they visited Dar es Salaam recently.

Local Contractors in Tanzania have always been very much aware of the shortage of construction plant and equipment hire facilities, so probably it is not surprising that sometime this year the directors of KMM (2006) Entrepreneurs Limited, namely, Mr. Gaudence C. Kipesha, Mr. Anyosisye T. Kiluswa and Mr. Salum Mselem were deliberating on how to make such facilities available. What is surprising – and this is untypical – is their decision to go beyond the commonplace ‘deliberating on the problem’. They decided to visit suppliers in the United States of America in order to investigate the possibility of getting into some arrangement to make those facilities available here. Now, everyone knows that going to the United States of America these days is not a simple matter of getting into a travel agency and buying a ticket. Except for the case of top diplomats, one encounters a lot of hassle and – more so for residents of remote regions like Rukwa – many expenses, before they get to purchase a ticket. However, *Penye nia pana njia* (where there is a will, there is a way), an old adage says, and a way for the adventurous directors came via a chance contact with two Tanzanians, Mr. Richard Mfuko and Mr. Daudi Mwanjala, both engineers living and working in Wichita, Kansas, who happily provided them with the necessary ideas and other insights into their planning.

The much anticipated tour materialized on 17 July 2010 when the trio arrived in Wichita, in the State of Kansas, as guests of two companies, namely Hall Industrial Services, which deals with plant and equipment hire; and Andale Ready Mix, which – as the name suggests – makes and sells different varieties of concrete to building and civil and works contractors.

Andale Ready Mix is where the two US-based Tanzanian engineers are employed. Here, the visiting directors from Tanzania were shown the concrete-making plant, which “can produce more than 1000 types of concrete with tightly controlled specifications,” according to Kipesha. Each type of concrete contains appropriate chemicals to suit the application. “We were informed, to our amazement that with these

chemicals roads cure fast enough for all types of vehicles to be driven on them within four hours,” he says, adding: “Similarly, story buildings can be constructed at a very fast pace because there is no specific timeframe set aside for curing.”

The directors also visited a road construction project being undertaken by Buzz Construction Company, where they witnessed chemicals being applied on the concrete surface just laid to aid curing, unlike the method of pouring water which is used in Tanzania. The trio visited the construction site for a vehicle assembly plant at Chattanooga – Tennessee.

The 24-day tour, which enabled them to see the activities of several construction companies in 12 states of the United States, also included the city of San Antonio, Texas, where they visited Plant Architect and Outfitters, a company well known for the manufacture of ready mix concrete plants. And it was this area of business which eventually caught their business eye, although it had not been their original motivation behind the tour.

Perhaps the best news they brought home for their fellow local contractors is that there is now a possibility that ready mix concrete is about to make its debut in a big way: the trio was able to negotiate a TSh 3.2b/- joint venture with the Americans for the establishment of a concrete ready mix plant in Tanzania. Construction of the plant, which will be built on 7.7 hectares of land at Pugu Kajiungeni, a suburb of Dar es Salaam, is set to begin in 2011 and will be completed in 2012.

The envisaged plant includes a concrete-testing laboratory to ensure client specifications are met as well as equipment like concrete mixing trucks and pumps that can pump concrete to over a height of 35m. “In



this business, clients that is, contractors, will specify the type of concrete and the volume required and we will deliver on site," explained Mr. Kipasha.

But, as they say, if one allows the mind to wander about productively, rewards can come in many ways – some quite unexpected. According to Mr Kipasha, concrete making had not been on their mind at from the beginning. "It was long after we had been making enquiries about the possibility of importing and selling or hiring out equipment like excavators and graders, when the Americans told us about the business of making concrete and selling it – a concept which does not exist here," he said. He explained that all the three directors decided to do the tour together so that it would be easy to discuss and make informed decisions fast.

However, it was not all business for the directors of KMM (2006) Entrepreneurs Limited and they made the most of their tour, including visiting world famous enterprises. These included the media giant CNN and the nearly 40km long Lake Pontchartrain Causeway, consisting of two parallel bridges crossing Lake Pontchartrain in southern Louisiana in the State of New Orleans. The 38.42 km long bridge was for a long time –up until only recently – the longest bridge in the world.

At both individual level and as a group, the directors gained much from the interaction which the tour facilitated between them and the various stakeholders



in the American construction industry.

One among the many insights they gained is the highest level of commitment to excellence which American contractors seem to attach to their work. For this reason, American contractors ensure that they employ highly skilled personnel with very good qualification for the position and they pay them well, Mr. Kipasha explained.

Another issue that is taken quite seriously is adherence to the safety code at construction site for the protection of both workers and the general public. Elaborate signs are placed accordingly and the use of appropriate safety gear is enforced strictly. "On this matter there is strong cooperation between the contractors and the police who stay on site solely to ensure that the traffic movement is smooth ... they are not there to check vehicles or driver's licences," Mr. Kipasha said.

On their way back, the three directors continued to explore the world of construction by visiting Dubai where they witnessed a large concentration of top-notch architects, contractors and many other professionals offering stiff competition to each other and putting up fantastic structures which, "even in Europe they don't have such structures".

They would wish to encourage fellow local contractors to also make similar trips because, "when you see how others tackle the challenges you also face, you very much broaden your outlook."

The Contractor met two of the directors at CRB offices where they had gone to brief the Registrar whom, they say, did much to encourage them to make the trip.

The Lake Pontchartrain Causeway bridges, which the KMM (2006) Entrepreneurs Ltd directors from Tanzania visited in July 2010, stretch into the horizon. Midway, neither shore can be seen. Until quite recently the longest highway bridge over water in the world at just under 40 kilometres, it links Metro-New Orleans on the south shore of the lake with the town of Mandeville in St. Tammany Parish, on the north shore. The first span of the Causeway opened in 1956 and it was considered a remarkable feat of engineering at the time. During construction, pieces of the bridge were loaded on barges and towed to the spaces they were needed on the lake. The bridges are supported by 9,500 pilings, over 1.27 m in diameter. They were the largest pilings ever driven at the time.



China builds world's longest bridge

China has set a new record with the construction of the world's longest bridge over water.

At 26.4 miles long, the Qingdao Haiwan Bridge is almost three miles longer than the previous record-holder, the Lake Pontchartrain Causeway in the American state of Louisiana.

Built in just four years at a cost of £5.5 billion, the sheer scale of the bridge reveals the advances made by Chinese engineers in recent years.

No longer dependent on western expertise for such sophisticated projects, the six-lane road bridge is supported by more than 5,200 columns and was designed by the Shandong Gausu Group. When it opens to traffic later this year, the bridge is expected to carry over 30,000 cars a day and will cut the commute between the city of Qingdao and the sprawling suburb of Huangdao by between 20 and 30 minutes.

At least 10,000 workers toiled in two teams around the clock to build the bridge, which was constructed from opposite ends and connected in the middle in the last few days.

A staggering 450,000 tons of steel was used in its construction – enough for almost 65 Eiffel Towers – and 2.3 million cubic metres of concrete, equivalent to filling 3,800 Olympic-sized swimming pools.

Chinese officials said that the bridge will be strong enough to withstand a magnitude 8 earthquake, typhoons or the impact of a 300,000 tonne vessel.

Qingdao's residents have hailed the bridge as a long overdue

marvel.

"I'm so happy the bridge is finished. The old road between Qingdao and Huangdao is so crowded and now my journey will be much easier. We are a tourist city with beautiful beaches, so it is important we have good transport links," said one commuter on sina.com, China's biggest internet portal.

But people from other parts of China have denounced the huge cost of the bridge, especially as it only cuts the distance between Qingdao and Huangdao by 19 miles.

"To spend billions to save 20 minutes driving time is a waste of taxpayers money. It's just a show project to make the governor of Shandong look good," complained one commentator from Jilin

Province in China's northeast.

China is already home to seven of the world's 10 longest bridges, including the world's lengthiest, the 102 mile Danyang-Kunshan rail bridge, which runs over land and water near Shanghai.

And with Beijing pumping billions into boosting China's infrastructure, the Qingdao Haiwan Bridge will not be the world's longest sea bridge for very long.

In December 2009, work started on a 31 mile bridge that will link Zhuhai in southern Guangdong Province, China's manufacturing heartland, with the financial centre of Hong Kong. The £6.5 billion project is expected to be completed in 2016.

Source: *The Telegraph* 08 Jan 2011



Contractors Registration Board Announces Events for 2011

Sustainable Structured Training Programme Short Courses

Centre	Description	Date
DIT, Dar es Salaam	SC 120/ MC 220 – Construction Pre-Contract Practice	21 - 25/02/2011
Mwanza	SC 130/ MC 230 – Resources Management	14 - 18/03/2011
Tanga	SC 140/ MC 240 – Contracts Management	11– 15/04/2011
Mbeya	Financial Management/ Business Skills	25 – 29/07/2011
DIT, Dar es Salaam	Financial Management/ Business Skills	22 – 26/08/2011
Singida	SC 140/ MC 240 – Contracts Management	19 – 23/09/2011
DIT, Dar es Salaam	Revised Resources Management	17 – 21/10/2011

Annual Consultative Meetings 2011

Event	Centre	Date
Annual Consultative Meeting 2011	Dodoma	21 - 22/07/2011

For further inquiries, please contact:

Contractors Registration Board, 3rd Fl., Tetex Hse, Pamba Road, P. O. Box 13374, DAR ES SALAAM

Tel No: 2131169/2137963, Fax No: 2137964, E-mail: crbhq@crbtz.org; Web-site: www.crbtz.org

Contractors Registration Board, Lake Zone Office, TANROADS Compound, P. O. Box 2815, MWANZA

Tel/ Fax No: 028-2502212, E-mail: crb@mwanza-online.com; crblz@crbtz.org

Contractors Registration Board, Southern Zone Office, TANROADS Compound, P. O. Box 1690, MBEYA

Tel/ Fax No: 025-2502480, E-mail: crbsz@crbtz.org

Contractors Registration Board, Northern Zone Office, 4th Floor Block B Summit Centre, P. O. Box 16795, ARUSHA

Tel/ Fax No: 027-2547107, E-mail: crbnz@crbtz.org

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CONTRACTORS ALL RISKS INSURANCE

Construction is a high risk industry not only in Tanzania but in other parts of the world as well. Accidents, including personal injuries and property damage happen all the time, therefore the construction contracts in Tanzania commonly require the contractor to take out insurance to cover the contractual obligations arising under the construction contract.

Our 'Contractors All Risks Policy' is a comprehensive insurance policy which provides complete protection against all types of civil construction risks.

It covers all types of civil engineering works, ranging from small buildings to massive roads and dams construction which are exposed to damage from a wide range of causes such as fire, lightning, flood, inundation, storm, cyclone and allied perils, landslide, subsidence and rockslide, burglary and theft, faults in erection, human errors, negligence, short circuiting, arcing, excess voltage, electrical and mechanical breakdown and structural collapse.

This policy can be taken jointly by the owner/ principal covering the interest of all other parties like the main contractor, sub contractor, financial institution, bank etc.

The sum insured for this policy should not be less than the full value of the contract works on completion of the construction. In other words, the insurance should basically be for the contract price.

Our cover can be extended upon payment of an additional premium to include: Cross liability, Cost of removal of debris, Express freight, Overtime charges, Air freight, Additional customs duty, Escalation, Owner's surrounding property, Storage risk at Fabricator's Premises, Breakage of glasses, Maintenance cover-Visits, Extended



maintenance, Cost of tools and tackles and material handling equipment used for construction purposes.

Some of the exclusions under the policy are: War Invasion, Nuclear Reaction Nuclear Radiation or Radioactive Contamination, Insured's Contribution Deductible, Willful Act or Willful Negligence of the Insured, Cessation of Work, Defective Material or Bad workmanship, Wear Tear Corrosion Oxidation Deterioration, Normal Maintenance or Making Good, Disappearance or Shortage (Inventory Losses), Faulty design, Loss of files, drawings, cash, cheques etc, Consequential Loss and Terrorism.

By Shazmah Ladak
Marketing Manager – Broking
Real Insurance Tanzania Limited



CONTRACTORS REGISTRATION BOARD

SUBMISSION OF ANNUAL RETURN FORMS FOR THE YEAR 2010

The Contractors Registration Board reminds all contractors that the deadline for submission of Annual Return Forms for the year 2010 is on 31st March 2011. By that date all the forms should reach any of the CRB offices in Dar es Salaam, Mwanza, Mbeya and Arusha.

The forms were sent by post but may also be downloaded from the Board's website, www.crbtz.org and are available at any of the CRB offices.

Failure to submit the forms by the deadline attracts a penalty of 0.1% of the contractor's class limit pursuant to article 20(6) of the by-laws 1999.

Incomplete or forms submitted after the deadline will not be accepted.

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Mbeya
Tel: +255 25 250 0992
Fax: +255 25 250 0993

Moshi
Tel: +255 27 275 1711
Fax: +255 27 275 1709

Mwanza
Tel: +255 28 257 2202/3/4/5
Fax: +255 28 257 0353

Tanga
Tel: +255 27 264 2987
www.mantractanzania.com

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CONTRACTORS REGISTRATION BOARD

REGISTRATION OF PROJECTS

Recent trends in the Construction Industry show that some Developers prefer to provide construction materials hence engaging contractors on “Labour – Only” basis. Furthermore, due to financial constraints, some Developers execute their projects in “Phases”, i.e. Contractors are engaged for execution of only a part of the project at a time depending on the availability of finance.

In line with these current trends and to ensure safety of consumers and efficient delivery of the projects, the Board would like to remind all Contractors and Developers the following regarding registration of projects executed either as “Labour-Only” or in “Phases” :-

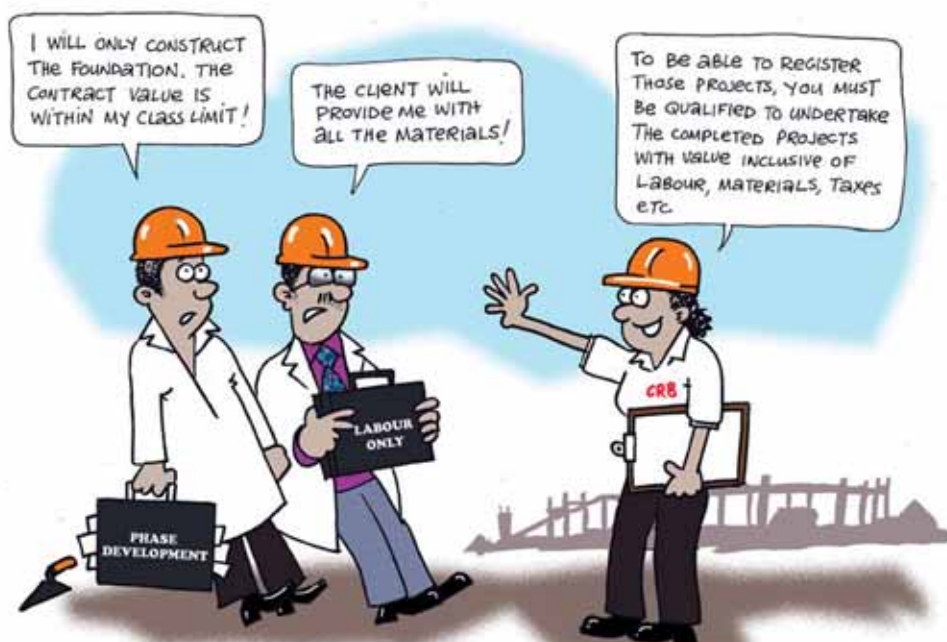
Labour - Only projects

In applications for registration of “Labour – Only” projects, the Contractor has to submit the **Entire Project Value** as well as the **Contract Value** based on the labour to be provided by the Contractor.

The **Project Value** is the total amount of costs for materials, labour, taxes and any other costs incurred in execution of the project from the **beginning to completion** as estimated by the Project Consultant. This is the value that shall be compared to the Contractor’s **Class limit** during assessment of the application.

Phase Development projects

Applications for registration of Phase Development projects will be assessed based on the Contractor’s Ability (Class Limit) to undertake the entire project from Start to Finish. The Contractor’s **Class Limit** will be compared to the entire **Project Value** and not the **Contract Value** for the respective phase. This is to ensure that every project is executed by a contractor qualified to execute the entire project.



For further details on guidelines for project registration, visit www.crbtz.org or contact any of the CRB offices.

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