

TARCON AFRICA

MODELS OF DEVELOPMENT



MODELS OF DEVELOPMENT

As Zimbabwe emerges from a challenging decade Tarcon Private Limited is finding inventive ways to keep its business, and the country's economy, in growth

WRITTEN BY: **JOHN O'HANLON**
RESEARCH BY: **ABI ABAGUN**



Tarcon Grader at work
at Ngezi Mine

Tarcon is a private Harare-based company with operations throughout southern Africa, active in Mozambique and Zambia as well as its home market in Zimbabwe. It employs over 800 people. Although the company formally began operations in its present form in 2001, its foundations go back to 1981 and Tarcon was the result of the merger of a number of earthmoving, plant hire and later, civil contracting companies.

Over the years Tarcon has built an impressive portfolio of civil engineering projects in the region including many roads, dams, sewers, water reticulation systems and bridges. A separate division focuses on mining activities. “We do not own mines, but we have been very successful in contract mining,” says CEO Lawrence Gudo. “We offer specialised services to the mining companies. Between 2009 and 2012, the mining sector has been a very significant contributor to Zimbabwe’s GDP accounting for around 17 percent, with sector-average growth of 30 percent over the period.” The mining division generates around 20 percent of Tarcon’s annual turnover, he adds.

The work Tarcon does for mining major mining houses, is typified by its long-standing engagement with Rio Tinto, which contracts out the heavy earth works at its Murowa diamond mine located near Zvishavane in South Central Zimbabwe. “Tarcon does a lot of work for RT particularly where the scope of work involves excavation, loading and hauling,” Gudo explains. The company has been involved since 2004. Tarcon’s

STRATEGIC PARTNERS



Born and bred right here - Bell is Africa's very own global equipment supplier. With Bell you get machines built tough for our harsh environment and support from Africa's most comprehensive network of people dedicated to your success. Best of all, while you are creating infrastructure and jobs, so are we.

Choose Bell as your equipment partner and enjoy the pride of knowing you're not just boosting your business but helping make Africa a better place too.

Tel: +263 (4) 661090 / www.bellequipment.com
 Mark Johnson. Cell: 0772 263 448. E-mail: markjo@bell.co.za
 Keith Bydowell. Cell: 0772 215 110. E-mail: keithb@bell.co.za

Strong Reliable Machines
 Strong Reliable Support **BELL**

input includes extraction of kimberlite, removing overburden, and hauling the ore and waste from the pits. In addition it maintains access roads, dumps, access ramps, haul roads, ore stockpiles and waste dumps. Since the resource has the potential to be expanded to six or seven times its current production level, this is work that could go on for a very long time.

Tarcon has just completed its most recent infrastructure and roads project for platinum miner Zimplats at its mine on the Zimbabwean Great Dyke approximately 150 kilometres south-west of Harare.

Currently it is involved in putting up infrastructure for the mine housing project at Anglo American's Unki mine, also on the Great Dyke.

However the activity that has underpinned Tarcon throughout its life, and is certain to do so in the future, is infrastructure development. Apart from the need for publicly funded roads, dams, water pipelines and reticulation and sewerage infrastructure in central southern Africa, these services are greatly demanded

BELL PTA

Since the mid 1980's, TARCON Africa have been associated with the 'yellow metal' business, initially in the 'plant-hire' sector, then diversifying into 'civil engineering' and 'contract mining'.

TARCON's fleet of equipment grew steadily with their successes throughout the Southern African region undertaking major projects in Mozambique, Zambia and Zimbabwe. BELL Equipment's 'regional support network' set the platform in the formation of BELL equipment being the backbone of their fleet. Today TARCON Africa currently operates 38 units, supplied and serviced by BELL PTA. The 'partnership' continues to grow today.

BELL PTA congratulates TARCON Africa for their 'excellence in Africa'.

www.bellequipment.com

\$450 MILLION

.....
 Estimated FDI in Zimbabwe in 2012



Tarcon workers in front of a Reclaimer

Advert 22/10/12

by the mining sector as these tend to form fully fledged communities in the proximity of their operations, he points out. Mining projects always need some level of access infrastructure and in remote areas, this could be considerable. Civil roads account for 50 percent of Tarcon's turnover, though this is a challenging and highly competitive market.

The region is in dire need of road, water and energy infrastructure, says Lawrence Gudo. "Like Zimbabwe, Zambia and Mozambique provide huge opportunities because historically these countries have lagged behind in implementing developmental projects due to political and economic reasons." The struggles of these economies, Zimbabwe's in particular, are well documented. At this moment there's pressure to find ways to upgrade road networks as fast as possible in order to cater for industry and social developmental demands. Infrastructure plays a critical role in attracting investor into the market: it allows easy of access and movement of products. Zambia's Road Development Agency recently launched its Link Zambia 8000 road project, also known as the Accelerated National Roads Construction Programme. A total of 8,201 kilometres of roads will be built or upgraded over a period of five years.



Island dam core trench excavation

"Zambia has been on a fast growth path," comments Gudo. Its \$750 million euro bond was oversubscribed signifying indications of investor trust on the economy. This presents exciting opportunities."

Under his leadership, however, Tarcon has adopted a cautious policy, not wanting to get its fingers burnt by taking on every opportunity. "We are trying to reorganise, and create a very lean structure that is cost

conscious and operationally viable for us. We are focusing on improving customer experience through service delivery enhancement as we continue to build the right levels of capacity." Zimbabwe in particular has been a very difficult environment to sustain businesses over the last ten years, given the hyperinflationary conditions. Companies that survived had resources and ingenuity to sustain them, otherwise many fell by the wayside. "Unfortunately our government did not have the financial muscle and resources to undertake major public infrastructure projects over that period."

20%
.....
Of Tarcon's turnover comes from the mining sector

But on the positive side, the lean years did create major opportunities, he continues. "Now that the country is coming out of the woods major projects are getting unlocked and soon opportunities to revamp and build our roads,dams, water facilities among others

will open up." But the greatest challenge still remains that of funding. An essential part of any new infrastructure project is how it will be financed. The way forward, he suggests is the PPP model, where the financial risk is shared between the public and private sector. This model works well for road construction as exemplified by a recent domestic highway

"WE ARE TRYING TO REORGANISE, AND CREATE A VERY LEAN STRUCTURE THAT IS COST CONSCIOUS AND OPERATIONALLY VIABLE FOR US"

project the government has partnered the private sector (local and foreign) to fund and implement road rehabilitation projects such as the Plumtree-Harare-Mutare Highway. Would the road users accept having to pay toll fees? “Road users are already paying toll fees, but the tolling system has very basic infrastructure and is inefficient. Major concerns from road users have been the lack of improvement in the state of the roads despite the toll fees

being collected. They have paid their money but witness no improvements or even repairs – rather they continue to experience potholes on the roads. In fact the roads are deplorable. Road users want to see new and improved roads – and they will be happy to pay toll fees!” says Gudo with confidence.

PPP and BOT (build, operate, transfer) models have worked well elsewhere, even in neighbouring South Africa, he says. In

“NOW THAT THE COUNTRY IS COMING OUT OF THE WOODS MAJOR PROJECTS ARE GETTING UNLOCKED”



Vibrator at work



Island dand trench

general such projects will have a pay-back period of about 15 years, depending with the level of investment and thereafter they continue to generate funds for maintenance and repairs.

Disrepair in the road network is mirrored in the water supply, sewage and energy infrastructure. The opportunities for civil engineering companies like Tarcon are limitless. But foreign direct investment (FDI) is an essential ingredient to get these projects moving. Though levels of FDI are currently low, indications of potential growth are there and will most likely happen in the next few years to come if certainty is created around the political environment and our economic policies.. Despite its political instability Zimbabwe succeeded in increasing FDI nearly

eightfold over four years from just \$51.6 million in 2008 to \$387 million in 2011. In 2012 it is estimated that FDI continued to grow, reaching \$450 million.

China does present some options for the economic recovery suggests Gudo. “We have gone into strategic alliances with Chinese equipment manufactures in order to address challenges faced in accessing equipment to resource major projects. Access to meaningful credit lines in Zimbabwe is limited at the moment.

Another opportunity he sees, heavily disguised as a problem, is Zimbabwe’s brain drain. More than four million highly qualified people, accountants, engineers and managers among them, have been lost to neighbouring countries or departed for the



Unki Works

“OUR OWN STAFF AND THE COMMUNITIES AROUND US, HAVE SUSTAINED US THROUGH THE DIFFICULT TIMES”

UK. “We want to target those people in the diaspora and bring them back.” Most will come back better equipped with enhanced skills sets, he adds, from his experience of working in first world organisations.

This approach has given Tarcon the chance to re-evaluate its skill base, plan future requirements and reorganise its operations.

Tarcon depends very much on its people, and as an organisation, we value our

employees, Lawrence Gudo emphasises. “Our own staff and the communities around us, have sustained us through the difficult times,” he says. “We have operated in some harsh and remote environments, where we interact with some of the most disadvantaged members of society. As a way of giving back and empowering communities we have embarked on very successful HIV and Aids campaign programmes to educate

communities which are otherwise totally excluded from any form of media coverage and have no access to formal education.” Tarcon employees give their time after hours to talk about HIV and how to prevent it as well as demystifying the myth and stigma that goes with it. The recipients of these programmes are really appreciative, he says, since these programmes impact their lives positively. “These social integration programmes are very close to our heart and we will continue with them, especially in the remote areas we operate in. Further still, the local community members we employ are integrated into our Tarcon ‘on the job training’ programmes which impart formal skills.”

Lawrence Gudo has other plans for the

company once the restructuring is complete. Among the entities that made it up originally was a property development enterprise. Though this remained dormant over recent years, Tarcon land banked packages suitable for commercial, industrial and residential development. The group has immediate plans to embark on property development which will commence during the course of 2013. The first phase will be targeting high income residential housing market. It’s all part of the green shoots of a recovery that Zimbabweans truly deserve. **BE**

For more information about
Tarcon Africa visit:
www.tarconafrika.com



TARCON AFRICA

T +263-4- 486501

www.tarconafrika.com

Produced by:

ACHIEVING BUSINESS EXCELLENCE ONLINE

BE Business Excellence

www.bus-ex.com