



Annual Report  
2014/2015



**SAFCEC**



# Strategic Corner Stones

## OUR VISION

To be the leading construction industry representative body in South Africa.  
Our vision is what we strive for at all times. It ensures we all pull in the same direction.

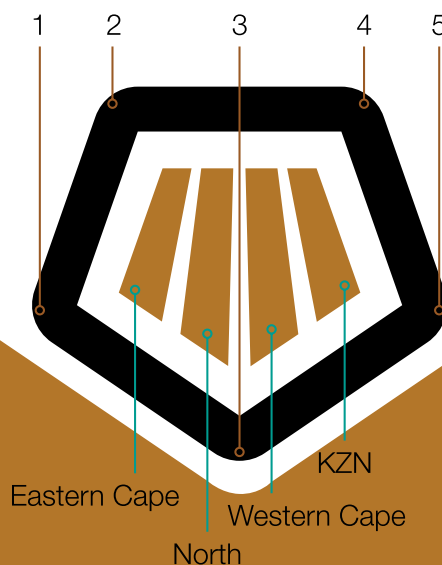
## OUR VALUES

Humanity | Harmony | Democracy

Our values enhance our strategic corner stones, guide our behaviour as an organisation and underpin the way we do business and support our members.

## OUR MISSION

To promote the image of the civil engineering constructing industry by enabling members to deliver a professional construction service and encourage them to take care of their employees' safety and welfare, the environment and the community, thus providing a foundation for our country's development.



### 1. PROFESSIONALISM

Actively striving to enable our members in delivering construction services to their clients in a professional manner.

### 2. KNOWLEDGE

We encourage continuous development in providing knowledge to our members and their clients.

### 3. CREDIBILITY

We promote a fair and equitable business environment in which our members can conduct their business in a credible manner.

### 4. DEVELOPMENT

We provide a foundation for the development of our members to enable them to grow in the industry.

### 5. CARE

We encourage our members to take care of the safety and welfare of their employees, the environment and community.

# Contents

President's Report	4
CEO'S Overview	6
Contractual Affairs and Support Services	28
Transformation Advisory Services	32
Education, Training and Development	34
Human Resources	36
SHERQ	38
Regional Report: North Branch	42
Regional Report: KwaZulu-Natal	48
Regional Report: Eastern Cape	52
Regional Report: Western Cape	56
Staff Members	58





# President's Report



## INFRASTRUCTURE DEVELOPMENT AND ITS CONSTRAINING EFFECT ON THE ECONOMY IS ONE OF BIGGEST STRATEGIC IMPERATIVES FOR SOUTH AFRICA. SAFCEC AND ITS MEMBERS REPRESENT THE COUNTRY'S CAPACITY TO DELIVER INFRASTRUCTURE AND THUS THE ONUS IS ON US TO BE PRESENT AND AVAILABLE TO CHALLENGES THAT RESTRAIN THE SPEED OF INFRASTRUCTURE DELIVERY.

Our theme **'Ready to Deliver'** manifests itself in a number of initiatives, one of which is a strategic thrust of **'unblocking the pipeline'**. Unblocking the pipeline has seen SAFCEC engage various stakeholders from National Treasury, provincial governments, the South African Reserve Bank, and client liaisons amongst others. Our contribution as an organisation in these various engagements has been focused on factors that block the pipeline of projects, and the challenge of money available that does not translate into projects on the ground, thus exacerbating the infrastructure constraint on the economy and the frustrations of communities.

## UNBLOCKING THE PIPELINE

- Early contractor involvement in the planning cycle of complex projects through SAFCEC expert committees and retired construction experts and/or engineers.
- Innovation around the procurement models for infrastructure.
- Capacity-building initiatives.
- Leveraging the immense expertise within the SAFCEC collective for meaningful contribution where SAFCEC is given a seat at the table in various government and stakeholder platforms.

SAFCEC has a number of voluntary committees and sub-forums that are the core of the organization's operations, through which we add value to our members. These include Contractual Affairs; Economic Affairs; Education and Training; Human Resources; National & Client Liaison; and SHERQ.

I would like to pass our thanks and appreciation for the people who come from our member companies and who contribute their time, energy and expertise in our committees. It is their work and efforts that we take to engagements with stakeholders and the quality content which earns SAFCEC the voice and credibility as an industry body. This was demonstrated in our recent invitation to participate in a working group for the formulation of an export council for construction that will focus on exporting and being competitive in construction in the rest of the African continent. A call was made by government leadership that SAFCEC should be at the forefront of contributing to the development, architecture and strategic operations of the export council, as SAFCEC members are the only companies that have done significantly large construction projects on the African continent. Not only do our members have the capacity to deliver infrastructure for South Africa, but through a strategic collective we are the capacity to deliver infrastructure on the continent as whole.

The state of the industry and the economy has led to contractions in our member companies and their performance, with too many companies in distress or in liquidation - especially our SMME members. The impact on jobs has been significant and SAFCEC's efforts in the development of the Bargaining Council for the Civil Engineering Industry (BCCEI) could not have come

together at a better time when it was needed most. We have no alternative but to walk a difficult journey hand in hand with our partners in Labour and Government to make an impact on the three critical macro and sector issues that drive the state of the industry:

1. Mining sector investment: currently in turmoil and uncertainty.
2. Private sector sentiment and confidence: currently declining in private sector investment - specifically those impacting construction projects.
3. Delay in South African infrastructure development program – the effect is immense in the de-industrialization of construction and related industries, as many companies can no longer afford to maintain their capacity without the volumes coming through.

## READY TO DELIVER

I would like to thank SAFCEC staff at both the national office as well as our regional offices for their continued hard work and maintaining a culture of quality service to members. There have been a number of operational and structural changes (elaborated on in the CEO's report) that our staff have taken in their stride and I am thankful for the renewed energy in SAFCEC offices. This energy is critical, with our staff at the frontline of the challenges that face us as an industry, especially in the regions. I would like to thank and commend our CEO, Webster Mfebe, for his efforts in leading the organization and enabling SAFCEC staff to serve our members by leveraging their immense capabilities and experience. I would also like to take this opportunity to congratulate him for being a worthy recipient of the prestigious Kaelo Award which is granted to thought leaders in our country by the Black Business Executive Circle.

I would also like to thank my management committee for their contribution, robust debate and tireless efforts in the operations of SAFCEC. My deep appreciation

also goes to SAFCEC Vice President, Werner Jerling; SAFCEC Deputy President, Dr. Danisa Baloyi; and SAFCEC Continuity Advisor, Mr. Norman Milne. As members of SAFCEC, we are privileged to reap the rewards of the tireless work done by these individuals, their insight and expertise.

The first step to solving any problem is to get the right person in the right seat facing the problem. For SAFCEC, having a seat at the table is not enough - we have to bring our 'A' game and contribute to South Africa. South Africa is not lacking in resources (money) and capability like other developing countries, our challenge lies in harmonising human effort and people so that our immense resources are impactful on society as a whole.

SAFCEC is ready to deliver - our members are our strength.

**Thembinkosi Nzimande**  
SAFCEC President

# CEO's Overview

“OFTENTIMES WHEN THINGS ARE GOING RIGHT AS THEY SHOULD, WE TEND TO FORGET THE ARDUOUS ROAD SO TRAVERSED, BECAUSE THE ONCE ABNORMAL SITUATION IS NOW NORMAL AND PALATABLE”



## LEST WE FORGET

Oftentimes when things are going right as they should, we tend to forget the arduous road so traversed, because the once abnormal situation is now normal and palatable. We therefore need to regularly present a narrative that continues to awaken our memories as to the kind of journey we have undertaken to turn around the organisation towards an inclusive entity that is home for all its members, irrespective of the gender and race ownership, and company size of our current 367 individual member companies of which 51.23% are emerging contractors. Today, we pride ourselves on being one of the most representative industry bodies in terms of diverse leadership and membership.

The 75<sup>th</sup> Congress of SAFCEC in October 2014, was an epoch making event as it saw the election of the first african president, Theminkosi Nzimande, since the organisation's establishment in 1939. This was made

possible by yet another important milestone of ushering in a new constitution of October 2013, which laid a foundation to guarantee an inclusive organisation in terms of gender and race in all decision-making structures of the organisation. Moreover, the new constitution of 2013 enabled the election of Dr. Danisa Baloyi, the first female and African deputy president in the history of the organisation's 74 years existence.

Lest we forget, when I was appointed CEO in January 2013, I was given a clear mandate to turn around the organisation, which at the time was not representative of the demographics our country; whose profile was low; had no proper systems in place; had very low staff morale and was in bad financial health. I responded and still continue to respond to the mandate, together with my turn-around team and the valuable support of Council members, by focussing on the five pillars of my turn-around strategy, namely;

### 1. Fixing the fundamentals

- Guaranteeing inclusivity through constitutional reforms and strict implementation thereof.
- Introducing and inculcating a new organisational value system towards a **humanised, harmonised** and **democratised** organisation, which constantly encourages its members to prioritise and take leadership of the industry's transformation agenda, not as a cumbersome option, but as a business imperative and the right thing to do.

### 2. Raising the bar

- Putting systems in place and the attainment of an ISO9001 certification by operating on an international standard quality management system in line with our tagline of **quality service** and our vision **to be a leading construction industry representative body in South Africa**.
- Our online members' directory - active for the last year - aims to profile and promote our members' services to key prospective clients. We encourage our members to constantly update their profiles.
- Promoting the image of the civil engineering industry through active participation in key industry events and forums.
- Aggressively lobbying for and advancing the interests of our members, including unblocking the public sector infrastructure roll-out programme, and

procurement and payment related challenges.

- Keeping members constantly abreast of industry developments through the new membership platform and the newsletter, which are key communication tools to interface with our members.

### 3. Creating a strategy-focussed organisation

- Keeping alive the SAFCEC's strategic cornerstones of knowledge, development, professionalism and care.
- Developing and implementing a **membership drive strategy** for the recruitment and retention of members to mitigate haemorrhage of members, especially during tough economic conditions.

### 4. Ensuring good financial health

- Prudent financial management.
- Drastic improvement of the membership subscription collection rate.
- Exploring alternative revenue streams to mitigate loss of revenue due to late and non-payment by some members, especially during tough economic times.

### 5. Creating a new 10/10 SAFCEC team member

- Values-driven
- Self-motivated
- Self-critical
- Self-disciplined
- Independent
- Team player
- Knowledgeable
- Passionate
- Accountable
- Results-oriented

## GENERAL ECONOMIC ENVIRONMENT

Projected global growth remains moderate at 3.5 percent for 2015, in line with January 2015 forecasts, however, prospects are uneven across the various countries and regions. The outlook for advanced economies continues

to improve, whilst growth in emerging and developing economies is projected to be lower, primarily reflecting weaker prospects for some large emerging market economies and oil exporting countries. The weakening of the Chinese economy recently has resulted in China devaluing the yuan in an attempt to improve their exports. This could lead to devaluations in other countries and in turn have a major impact especially on emerging economies of which South Africa is one.

One of the highlights over the last 12 months includes the moderation in the price of Brent Crude Oil which has moderated by 45 percent since September 2014. A variety of factors have played a part: weaker than expected global activity, weaker demand for oil (given activity), but the most significant impact are supply factors which include the steady rise in production of countries not belonging to the Organization of the Petroleum Exporting Countries (OPEC) especially the United States. This had a temporary positive spin off for domestic inflation but because of a weaker currency South Africa didn't experience the full benefit. Just a small increase in the price of oil, amidst greater current currency weakening will put upward pressure on inflation.

As expected, the domestic economy continued at a snail pace, due to the lack of broad based momentum across its production sector, investment, as well as consumer and government expenditure. Over the years, economic woes have deepened. As the International Monetary Fund (IMF) casts a critical eye on the economy's performance and constraints, credit rating agencies are equally critical of the country's ability to manage its current account deficit without significantly sacrificing service delivery.

# CEO's Overview

Unfortunately, 2015 started off on an unbalanced footing as electricity supply constraints worsened leading to increased levels of load shedding. Inflationary pressures have increased and although it has not breached the upper 6 percent target there is evidence that prices are fuelled by supply constraints, and currency devaluation fears as the US Federal Reserve anticipates the timing of their own monetary policy tightening. The Reserve Bank has increased the repo rate by 25 basis points to 6 percent.

The domestic economy grew by an estimated 1.4 percent in 2014, from 1.8 percent in 2013, and is not expected to breach a growth rate of 2.0 percent in 2015. The economy recorded a 1.6 percent y-y real (unadjusted) increase during the first six months of 2015, with growth slowing from 2.1 percent in Q1 to 1.2 percent in Q2. The seasonally adjusted annualised growth slowed from 1.3 percent in Q1 to negative -1.3 percent in Q2. Weighing down on the economy is a sharp contraction in agriculture, which posted its' second quarter on quarter double digit negative growth (16.5 percent and 17.4 percent respectively), and a two quarter contraction in manufacturing production. Mining also recorded negative growth, down 6.8 percent q-q in Q2, after having recorded a 10 percent recovery in the 1st quarter of this year following the contraction in mining last year caused by the five month long platinum industry strike action.

## GROSS FIXED CAPITAL FORMATION (GFCF)

Growth in construction output (seasonally adjusted annualised rates) slowed to 0.2 percent q-q in Q2 from 0.9 percent the previous quarter. In the first six months of 2015, at unadjusted rates, construction output recorded a marginal 1.8 percent real increase, slightly above economic growth. Investment in construction generally slumps at a stronger pace during economic downturns and similarly exceeds Gross Domestic Product (GDP) growth during upswings.

Gross fixed capital formation (GFCF) contracted by 0.4 percent in 2014, the first negative growth rate since 2010. This includes investment in all asset classes such as construction, machinery, transport and equipment. The contraction was largely due to a 3.4 percent contraction in private sector investment accompanied by a slowdown in the annual growth of public corporations to 1.6 percent.

Government expenditure on investment continued to increase by double digit rates, but also slowed marginally to 10.3 percent.

Investment by government contributed 17 percent to total GFCF whereas public corporations and the private sector contributed 19.5 percent and 63.5 percent respectively. It is clear that the private sector plays a critical role in supporting growth and investment in the country. Government interventions can however cushion downturns by playing a counter cyclical role. The current scenario paints a relatively bleak picture for the outlook for investment.

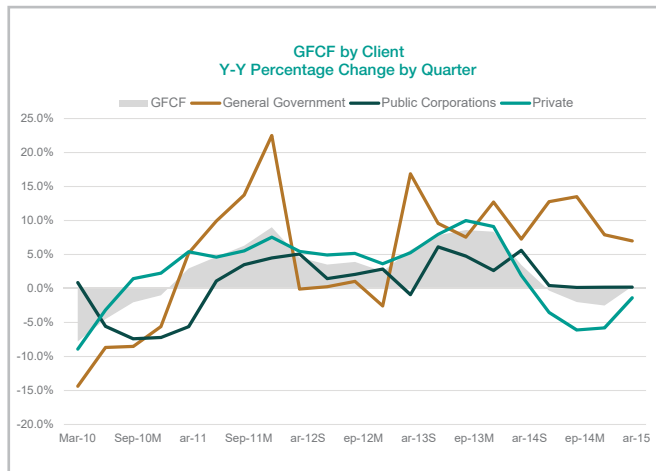
Government expenditure, including expenditure on infrastructure, has been cut while public corporations have all announced reduced capital expenditure in view of lower than expected tariff increases and resistance to e-tolling. Business confidence, a pre-requisite to encourage stronger levels of private investment, has shown no real improvement since 2007 and remains at a relatively neutral level of close to 50. A level above 50 suggests that people are positive whereas a level below 50 suggests that people feel pessimistic regarding business conditions in the country. The outlook for private sector investment growth therefore remains fairly muted. Overall GFCF's contribution slowed to 20.7 percent of GDP in 2014, from 21.1 percent in 2013. Latest available figures released by the Reserve Bank for the 1st quarter of 2015 reported a marginal increase of 0.3 percent y-y in total investment. Investment by government slowed to an annual growth of 7.0 percent while no growth was reported by public corporations and a contraction of 1.4 percent y-y was reported for private sector investment. This slowed the contribution of GFCF to 20.6 percent of GDP in the 1st quarter of 2015.

Thus, in spite of South Africa's attempts to accelerate investment and expenditure on infrastructure, it is clear that South Africa no longer has the ability to restore the growing imbalances in economic and social infrastructure requirements. Without the participation and support by the private sector and increased foreign investment the infrastructure deficit is likely to continue to expand, dampening South Africa's growth potential and ultimately making it near impossible to increase job creation and reduce inequalities.

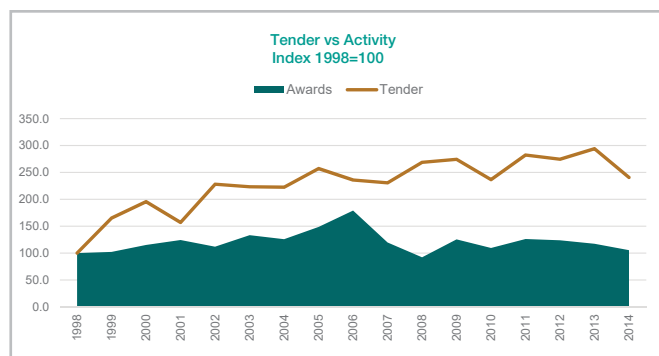




# CEO's Overview



## CIVIL INDUSTRY ENVIRONMENT



Although tender activity has shown a gradual improvement since 1998, with a 141 percent increase over the last 16 years, growth has slowed by an average of -5 percent over the last three years. Conditions were particularly strained in 2014 as tender activity contracted by 18 percent, the strongest contraction since 2001 when activity levels fell by 20 percent. During the first six months of 2015, a further contraction of 18 percent was reported which means at the current rate another year of double digit contraction in civil industry tender activity is expected.

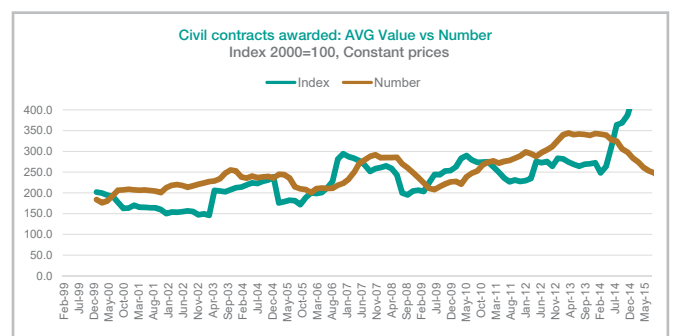
Although the declining pace in tender activity is a major concern for the industry, the real concern is the slow pace by which tenders are being converted into projects. The number of projects awarded has declined steadily over the last four years and after having contracted by 10 percent y-y in 2014, awards fell by a staggering 50 percent during the first six months of the year. The number of projects postponed increased by 44 percent y-y in 2014 and this has spilled over into cancellations in

2015, with a 75 percent increase reported in the number of civil projects cancelled in the first six months of 2015.

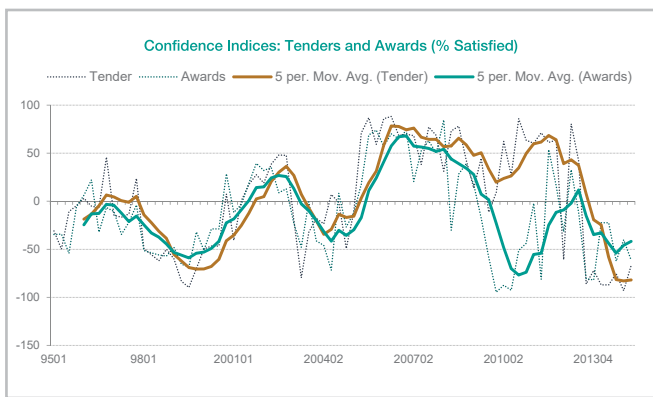
Nominal turnover increased by 2.5 percent in 2014 following a 5 percent contraction in 2013. In real terms, this translated to a 10.1 percent and 2.5 percent contraction in 2013 and 2014 respectively, allowing for an average construction cost inflation of between 5 percent and 6 percent in the last two years.

The nominal rand value of civil contracts awarded, an independent indicator that measures current civil construction activity, fell by 1 percent in nominal terms in 2014 following an increase of 10 percent in 2013. This more positive trend experienced in 2013 has to some extent spilled over, positively affecting turnover in 2014. The more depressed conditions experienced in the value of awards during 2014 has already impacted industry turnover in 2015, although there has been some growth recently reported in the value of projects awarded, albeit marginally up by 4 percent y-y in the first six months of 2015. Growth was mainly supported by the awards of a few larger projects as activity levels - in terms of the number of projects awarded - remained depressed down by 50.0 percent y-y in the first six months.

The average value of contracts awarded, according to the index below, moderated after 2010 with the completion of several large infrastructure projects. Project sizes were fairly stable between 2011 and 2013 with a slight deterioration reported in 2014. The awarding of several large projects in the first six months of 2015 resulted in a recovery of the index to levels last recorded in 2009. This "recovery" was, however, amid a falling level of activity as the number of projects awarded have reached record low levels in comparison to 1999 at an index level of 72.8.

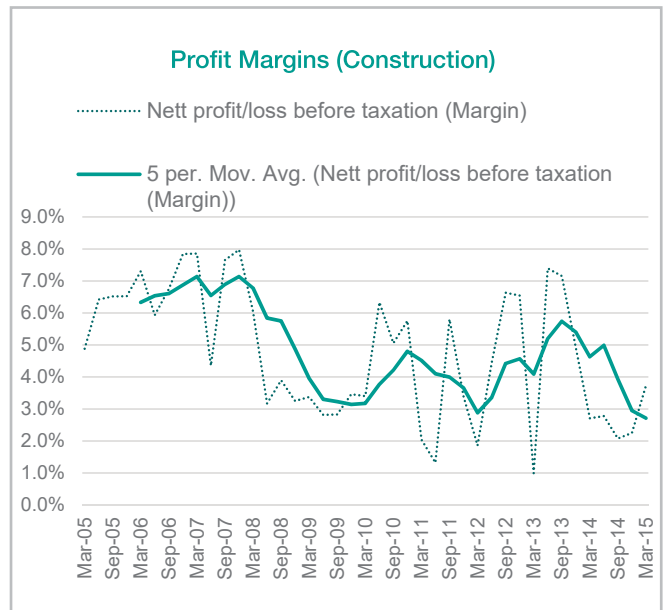


The weak environment in terms of awards is also reflected in the quarterly opinion surveys conducted by SAFCEC amongst its members. An increasing number of firms have become dissatisfied, with on average over 70 percent of firms saying the awarding of contracts was low over the last four quarters compared to 90 percent saying that tender activity was also low. The majority of firms are therefore rather pessimistic about both tender and award activity.



Opinions by members regarding the collective state of their **“two-year forward order book”** deteriorated since our review with less than 40 percent satisfied with the current state of affairs. The net percentage satisfied deteriorated to -30.1 percent in the first quarter of 2015 and has been in the red (meaning an increasing number of firms are more pessimistic) since the beginning of last year (1<sup>st</sup> quarter 2014).

Opinions related to **profitability** further deteriorated to a negative net percentage satisfaction rate of -76.8 in the first quarter, averaging -35.0 percent over the last five quarters. The net satisfaction rate has been in negative territory since 2011, and started deteriorating after reaching a peak in 2009, when the net satisfaction rate was close to 100 percent. These opinions are supported

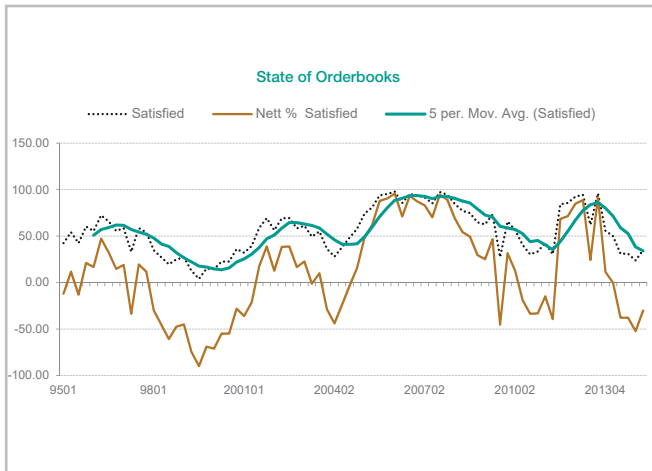


by the overall slowdown in profitability in the construction sector as reported by Stats SA's Quarterly Financial Statistics. (Refer to chart). Measured over a five quarter period, average profitability in the construction sector fell to below 3 percent, the lowest rate since 2005.

The short-to-medium term outlook for civil industry turnover is consequently overall bleak. Allocations in the 2015/16 Budget presented by Minister of Finance, Mr. Nhlanhla Nene, in February 2015 may have disappointed but it showed a clear commitment from government to reduce expenditure and, through prudence, improve economic financial management and stability. The long term (negative) economic impact on the industry without these measures being taken will be more severe and longstanding. By rebalancing the economy and lowering



# CEO's Overview



the current account deficit, government may be able to convince credit rating agencies to restore their views from negative to a more stable outlook. Further downgrades will have a severe impact on the bond market and the currency and could lead to a rapid increase in capital outflows, while increasing the cost of government's borrowing. In the 2015 Budget, growth in public sector estimates for infrastructure expenditure is projected to end flat (0.5 percent) over the next three years, referred to as the medium term expenditure framework (MTEF). In real terms, allowing for inflationary increases, expenditure is therefore expected to contract over the medium term. The slowdown in infrastructure spending is broad based and effects both economic and social infrastructure, with the strongest decrease projected in energy (down 16 percent over the MTEF period).

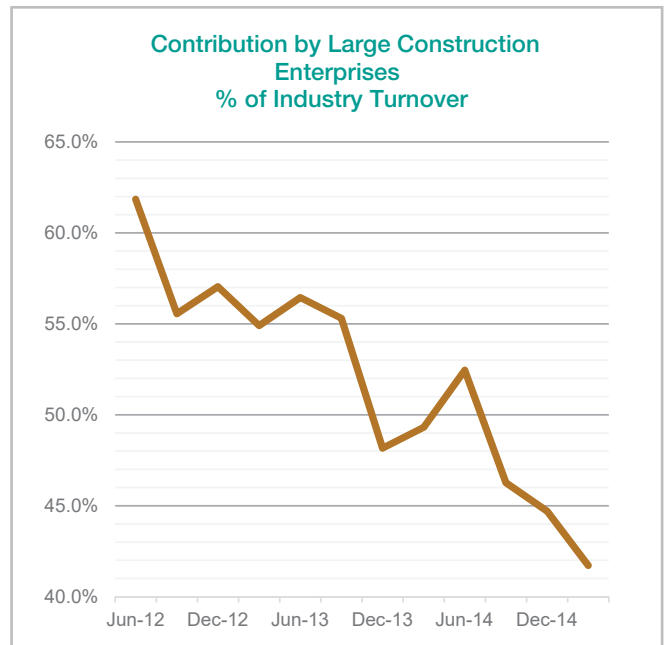
Over the MTEF period, the role of local government is expected to increase to the extent that by 2017 they will be the largest client in the construction industry, surpassing Eskom and provincial governments. The need for municipalities to urgently improve their implementation, management and execution of projects cannot be stressed enough.

## CHALLENGES

The construction landscape, particularly economic infrastructure, is changing. The role of clients are evolving while the contractual landscape is faced with several challenges.

- The civil industry is a major job creator in the sector, employing an estimated 100 000 people in the civil

construction sector, significantly lower profitability, amid a particularly poor tendering environment poses a serious challenge to firms attempt to continue operating profitably alongside tough labour negotiations. Construction executives have warned of further job losses in the industry, due to slow economic growth, low commodity prices and the slow roll out of infrastructure projects. Most of the listed construction companies have already engaged in retrenchments during the last year and the industry may face further job cuts as difficult conditions are expected to remain over the medium term.



- The contribution by larger construction enterprises, defined by Stats SA as business enterprises with an annual income of more than R169 million, moderated to 41.7 percent in the 1<sup>st</sup> quarter of 2015 from 61.8 percent in the 2<sup>nd</sup> quarter of June 2012. This means larger contractors are getting a smaller piece of the cake. According to Stats SA, construction turnover (including the building sector), increased by 30 percent in the 1<sup>st</sup> quarter of 2015 which certainly contradicts the more depressed status reported by the Reserve Bank. Nonetheless, alongside an increase in turnover (according to Stats SA), larger firms played a lesser role. This will inevitably negatively impact on employment, skills development and training as well as transformation in the sector. These



critical aspects cannot be left to medium and small size firms who often operate in a more fragmented manner and may not adhere to the normal regulations including tax compliance or transformation. More than likely, many of these firms may not belong to an employers' organisation and as a result lack the necessary formal support in health, legal and other support services.

- Late payments have shown a steady increase over the last few quarters, reaching an estimated 18 percent of turnover according to the 2nd quarter 2015 economic survey from just more than 10 percent in 2013. Late payments are a major cause for company closure, while medium to smaller size firms are often harder hit due to their inability to carry the additional cash flow burden. We are therefore encouraged by the new Construction Industry Development Board (CIDB) regulations to prevent late payments from escalation in the industry. The Department of Public Works' new proposed regulations (under the CIDB Act 2000) could pave the way for a more affordable and efficient resolution of disputes over non-payment of contractors and subcontractors. The CIDB Prompt Payment Regulations and Adjudication Standard contained in the draft amendment proposed necessary changes that would enable a fair resolution of payment disputes and provide contractors with a platform to take a more hard-line stance in demanding timely payment for work done. A recent CIDB study found that out of 900 contracts, 43 percent of payments to contractors were made more than 30 days after invoicing.
- Due to a scarcity of work in the domestic construction sector, an increasing number of firms are looking to expand into Africa and elsewhere. This will result in a loss of institutional capacity much needed to deliver on South Africa's infrastructure program which is directly linked to the success of the National

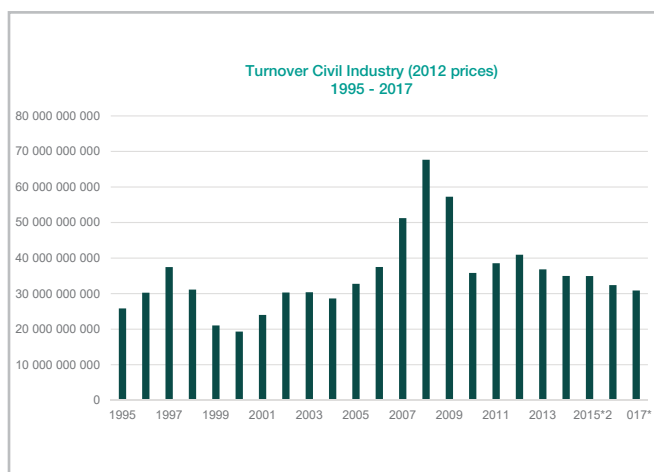
Development Plan (NDP). The delay in government's infrastructure expenditure on critical economic infrastructure, including energy, water and road construction, not only poses a serious challenge for suppliers to the industry but also to the economy as a whole.

## EXPECTATIONS

- There is a more muted outlook for public sector expenditure on infrastructure in the next three years following a downward adjustment in growth estimates as announced in the 2015/16 Budget. Growth is projected to average 0.5 percent in nominal terms over the 3 year forecast period. Public Sector infrastructure, as a percentage of GDP, targeted to reach 10% by 2030, is projected to fall back to 5.4 percent by 2017/18.
- Weak economic growth and possible further downward revisions to GDP growth for this year will further erode future funds allocated towards infrastructure expenditure.
- There are several risks to the economy with the most paramount being the views expressed by credit rating agencies on South Africa's ability to manage its current account deficit and electricity crisis.
- South Africa is further faced by the conundrum that close to 40 percent of bonds are held by foreigners, increasing our vulnerability to currency volatility and worsening the impact should South Africa face a further downgrade by credit rating agencies.
- The pending interest rate hike, expected to be announced by the US Federal Reserve in the next 12 months, will have a negative impact on the currency unless South Africa continues to increase interest rates.

# CEO's Overview

- State owned enterprises (SOE) infrastructure programmes are being delayed due to financial constraints as tariff increases are deemed insufficient to finance pipeline projects. As the completion of Medupi and Kusile nears completion, there are no new pipeline projects ready for roll out by Eskom to fill the void in the next three years.
- Private sector confidence remains elusive and insufficient to stimulate renewed investment growth. This combined with policy uncertainty in the mining sector and labour tensions in the mining sector will continue to delay much needed infrastructure spending.



Tough conditions are expected to prevail in the civil industry over the medium term, with the real annual growth likely to remain in negative territory over the next three years. Pending changes to construction cost inflation, growth is likely to end flat this year, before falling by an average of 6 percent in the following two years. Forecasts are regularly updated pending current and ongoing developments in the sector.

The figures below, illustrate that contrary to popular belief that construction companies are making huge profits, ours is a very low profit margin and high risk industry. **From 2009 to 2014, profit margins of the construction industry have been on a downward spiral, averaging a dismal 0.6% in 2014, since the heydays of huge spend on the 2010 Soccer World Cup Infrastructure.**

This also underscores the pessimistic view of the captains of industry on the economy, driven, in the main, by the slow roll-out pace of the public sector Infrastructure programme. Any attempts to destabilise the industry could spell disaster for job creation and economic development of our country as envisaged in the NDP. That is also why SAFCEC, in the main, expeditiously and amicably concluded the 2015 wage settlement with labour, without any blood on the floor in terms of industrial

## Profit after tax ratio of listed construction companies vs other industries

PROFIT AFTER TAX (%)								
Construction Companies	2015	2014	2013	2012	2011	2010	2009	2008
Aveng	-1.2%	-0.7%	0.9%	1.3%	3.4%	5.5%	6.2%	7.8%
Basil Read	1.4%	-11.4%	1.6%	-3.6%	1.6%	4.7%	5.8%	6.1%
Group Five	2.0%	2.9%	3.0%	2.5%	5.0%	3.0%	4.6%	4.8%
Murray and Roberts	2.8%	2.7%	2.9%	-2.0%	-3.5%	3.6%	6.6%	7.4%
Raubex	5.9%	6.0%	5.7%	6.8%	9.8%	12.9%	12.7%	13.8%
Steffenutti	2.4%	1.7%	-1.8%	3.3%	4.8%	5.3%	5.1%	5.7%
WBHO	2.1%	3.0%	2.8%	4.0%	5.3%	6.8%	6.5%	7.1%
Average	2.2%	0.6%	2.2%	1.8%	3.8%	6.0%	6.8%	7.5%
Other Industries	2015	2014	2013	2012	2011	2010	2009	2008
Tiger Brands	7.5%	6.2%	8.9%	12.1%	12.6%	11.3%	12.4%	9.1%
MTN	20.0%	25.7%	22.5%	19.7%	19.5%	14.7%	15.3%	16.7%
SAB	16.1%	16.4%	15.0%	20.6%	13.2%	11.5%	11.5%	10.7%
Sasol	16.8%	15.0%	16.0%	15.2%	14.2%	13.4%	10.0%	18.8%
BHP Biliton	9.8%	26.3%	26.2%	23.6%	33.4%	24.6%	12.6%	26.8%
Kumba	16.0%	29.7%	37.3%	36.2%	45.9%	47.3%	37.6%	42.5%
PPC	6.2%	9.4%	11.2%	11.5%	12.7%	16.3%	16.6%	24.0%
<b>Average</b>	<b>13.2%</b>	<b>18.4%</b>	<b>19.6%</b>	<b>19.9%</b>	<b>21.6%</b>	<b>19.9%</b>	<b>16.6%</b>	<b>21.2%</b>

N.B. The 2015 figures only represent the first six months up to June.



action as this could have inadvertently led to massive retrenchments and/or closures of certain operations because the industry is currently walking on a very tight rope due to unfavourable business conditions. In the light of the economy not doing well currently, it is imperative and exigent for the construction industry to honestly and earnestly engage the public sector to unblock the Infrastructure build programme, whose expenditure will provide the much needed catalyst to ignite the economy.

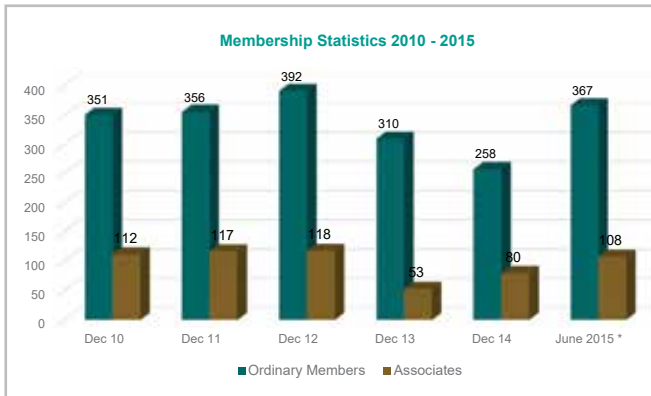
As part of an ongoing engagement with strategic stakeholders in the economy, SAFCEC is scheduled to meet with the South African Reserve Bank (SARB) early in September 2015 to, among other things, discuss issues affecting our industry and the economy.

## STATE OF THE ORGANISATION: MEMBERSHIP

In terms of the Section 98, 99 and 100 of the Labour Relations Act, 1995, SAFCEC as an employers' organisation is legally required to submit, among other things, membership figures to the Registrar by the 31 March of each year, which figures should reflect the status of membership as at 31 December of each preceding year. The table hereunder depicts the membership figures as reported to the Registrar in the past five years.



# CEO's Overview



	Dec '10	Dec '11	Dec '12	Dec '13	Dec '14	June '15 *
Ordinary Members	351	356	392	310	258	367
Associates	112	117	118	53	80	108

Ordinary membership statistics reported as at 31 December of each year to the Department of Labour in terms of the Labour Relations Act, 1995: Legal requirements in terms of Section 98, 99 and 100. \* Membership as at the end of financial year, 30 June 2015

The above membership figures show a marked increase in membership over a period of six months between December 2014 and June 2015 due, largely, to the continuous implementation of the **membership drive strategy**, notwithstanding the fact that we lost a lot of members for a variety of reasons, especially from December 2013 to December 2014, chief amongst them being the lack of work due to the slow roll-out of public sector infrastructure projects, some of which get arbitrarily cancelled at award stage after contractors have incurred huge bid preparation costs. The year 2014 also saw profit margins reaching an all-time low of 0.6% as evidenced by the profit after tax ratios of listed construction companies compared to other industries' listed entities with very high profit margins. Taking this as a barometer for the non-listed and emerging sector, the conditions were even more dire, resulting in a number of closures.

The other challenge we have, in addition to the one already stated above, although not wide spread as yet, is losing members for two unfortunate reasons.

Firstly, some of the established members regrettably left because they were clearly opposed to SAFCEC's agreed transformation trajectory towards an inclusive industry and then camouflage the real reasons for their resignations. Secondly, some black emerging contractors tend to resign immediately after ascending higher cidb grading scales, which then requires them to pay higher subscriptions like all other members in the same category. This is an unfortunate trend as it seems to wrongly suggest that the role of rebuilding the industry and country is the sole responsibility of the so-called white-owned companies, and white people, in general. When we all reach equal heights and responsibilities in life, we must all accept everything that comes with the territory, because when you buy a dog, it comes with the fleas. Therefore, you can't say you want the dog, but you don't want the fleas. I believe that taking equal responsibility for equal status goes at the very heart of creating an equal and inclusive society, whose very foundation and moral edifice derives from the **equality clause** of the **Bill of Rights**. Yes, as the country's Constitution requires, special measures must and should be diligently undertaken to empower black-owned companies to reach equal status with their white counterparts, but when equal heights are reached, equal responsibilities must apply, lest we create unintended consequences of a perpetual dependency syndrome for benefits without responsibilities. **Allowing equal benefits without equal responsibilities is in fact creating a graveyard for entrepreneurship and the nation's enterprising spirit.**

Both examples as stated above are part of the challenges faced by a young democracy in its nation building project of creating an equal and inclusive society. This, therefore, does not require our condemnation, but our pointed and consistent educational efforts so that they too can see that an equal and inclusive society begins from within and that equality by its very nature is colourless and classless.

SAFCEC regional offices need to aggressively and consistently implement the membership drive strategy and drastically improve the subscription collection rate, especially the ones faced with serious challenges such as KZN and Eastern Cape.

Members are advised to actively participate in the activities of the organisation at all levels, especially at branch level because a branch is the epicentre of





# CEO's Overview

organisational activities through which members perceive and experience the value of their membership as they become key participants in articulating the members' collective challenges and proposed solutions thereto. These proposed solutions become mandates to be acted upon by activating the organisational machinery and resources. It is indeed very sad to note that some members are crisis or issue-driven and only attend meetings on those basis, whilst remaining absent for the rest of the time and thereby depriving the organisation and, in actual fact, themselves, of the valuable collective wisdom and contribution to address current and future challenges.

Members are kindly requested to always submit their turnover declarations and pay their subscriptions on time as this is a constitutional obligation. ***It is indeed contradictory to complain of the late and non-payment by the public sector, when we ourselves don't pay our dues on time and in some cases don't pay at all. Leadership is always by example.***

## STATE OF THE ORGANISATION: GOVERNANCE

Systems are now firmly in place and are being operated in terms of ISO9001 requirements and we are determined to maintain our ISO certification, which we proudly attained in November 2014, as promised, driven by our quest of building a world class industry body, firmly dedicated to providing a quality service to all its members.

All decision-making structures such as Council, ManCo, Branches and SAFCEC Standing Committees and the administration, are all operating in terms of the SAFCEC Constitution and policies.

There is strict compliance with all applicable legislative requirements.

SAFCEC has displayed prudent financial management during difficult times experienced by members as evidenced by the monthly financials and the audited financial statements. We are currently exploring alternative revenue streams to augment the unstable subscription based revenue, to ensure the sustainability of the organisation. And members are requested to



support these initiatives as and when they are implemented because, among other things, it will ensure that we don't have to increase the membership fees in order to survive.

## STATE OF THE ORGANISATION: ACCOUNTABILITY

Apart from being accountable to its members in terms of its Constitution, SAFCEC is legally accountable to the Registrar in terms of the Labour Relations Act, 1995. In terms of Section 106(2a), the Registrar may cancel the registration of either a trade union or employers' organization by removing its name from the register if the trade union or employers' organization has failed to comply with Section 98, 99 and 100 of the Act.

As already stated under governance above, SAFCEC has duly complied with all its obligations as required by law and the SAFCEC Constitution.

## STATE OF THE ORGANISATION: DISCIPLINE

Discipline at all levels of the organisation has drastically improved and the cavalier attitude of yesteryear has been slowly obliterated by a collective commitment to new organisational values of humanity, harmony and

democracy, driven the unmistakable understanding that our first and foremost responsibility is to serve our members' best legitimate interests. There are, however, certain areas that need to be put under the microscope with a view to improving performance and attitude, going forward.

The strategic turnaround pillar of creating a new 10/10 team member shall continue to be implemented through, inter alia, staff meetings, annual staff nexus, and through an Employee Assistance Programme (EAP), where necessary, with a view to developing an individual with or very close to the total of following traits or characteristics:

- Values-driven
- Self-motivated
- Self-critical
- Self-disciplined
- Independent
- Team player
- Knowledgeable
- Passionate
- Accountable
- Results-oriented

## STATE OF THE ORGANISATION: TRANSFORMATION AT INDUSTRY LEVEL

Despite the reported progress made by the construction sector in the recently released baseline study on the state of transformation in the construction industry by the Construction Sector Charter Council (CSCC), there is a widely held view by the intended beneficiaries of transformation that no substantive change has taken place to their benefit. This is an issue about which SAFCEC cannot be found wanting. We need to lead from the front and confront these issues head on, in close collaboration with other key industry role players. We must all be driven by a common objective of ensuring that we put our industry on a transformative, developmental and

growth trajectory for the benefit of both the emerging and established contractors.

Very tough negotiations are currently underway in the CSCC to ensure that our construction sector is aligned to the DTI's new Codes of Good Practice (CoGP). Hopefully a consensus based solution will be reached within the spirit of the CSCC Constitution, in an inclusive, fair and transparent process. It is also of cardinal importance to sincerely commit to the construction sector alignment process as SAFCEC is one of the foremost architects, who brought about the CSCC, in the first place, due to the peculiar and the complex nature of the construction industry. However, genuine members' concerns should be adequately addressed whenever they arise during the process. It is advisable for SAFCEC members to always try and regard whatever targets are mutually agreed as minimum rather than ultimate targets as this will help fast-track transformation as a self-driven business imperative, which, in the end, will positively reflect in the individual companies' bottom line.

The seven listed member construction companies, under the auspices of SAFCEC, are currently discussing with the PICC Ministers a voluntary industry rebuilding programme, with a view to fast-tracking transformation for the benefit of both emerging and established contractors in the post collusion environment. Whilst there is a need to move with speed to achieve the stated objective, it is imperative to exercise patience in order to give government enough space to adequately apply its mind on such proposals. As an employer's organisation, SAFCEC has also been very instrumental in transforming the bargaining landscape in favour of collective bargaining for the civil engineering

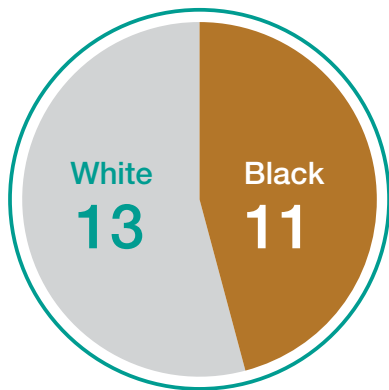
# CEO's Overview

industry. True to its commitment, SAFCEC has been single-handedly funding the Bargaining Council for the Civil Engineering Council (BCCEI) for the past two financial years and all monies advanced as bridging finance have been accordingly reimbursed as the BCCEI is now self-funded through its own levies. **Although the BCCEI is in its second year of its existence, it is encouraging to note that it has quickly reached high levels of maturity in terms of normalising relations between labour and employers, which is an important prerequisite for stability and sustainability in the industry and the economy.**

## STATE OF THE ORGANISATION: TRANSFORMATION AT ORGANISATIONAL LEVEL

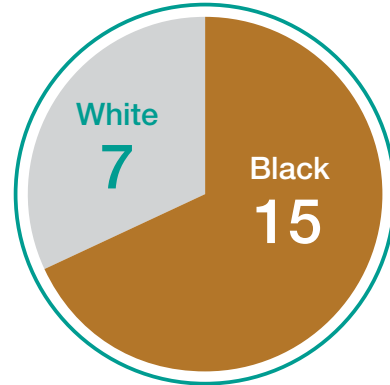
At an organisational level, we have made significant strides towards an inclusive organisation in terms of diverse leadership, membership and administration.

## COUNCIL DEMOGRAPHICS



	Totals	Male	Female	White	African	Coloured	Indian
Elected	12	11	1	9	2		1
Co-opted Members	5	3	2	1	4		
Regional Chairpersons	4	3	1	3		1	
Regional Emerging Member	2		2		2		
Ex officio member	1	1			1		
	24						

## STAFF DEMOGRAPHICS



Gender	White	Coloured	African	Indian	Totals
Female	3	4	7	2	16
Male	4		2		6
					22

## STATE OF THE ORGANISATION: COMMUNICATIONS

One of the most important needs for SAFCEC as an employers' organization is to communicate with our members in order to disseminate and acquire information on the immediate environment. Sharing knowledge internally and promoting our capabilities and successes externally, is especially important in an environment where reputation for excellence in service delivery is key. Our communication strategy is very much member-driven and is designed to promote SAFCEC in a strategic and consistent way, both to the public and to our members. To date content in the weekly newsletter was improved to reflect industry related news. Content will receive continuous improvement. Our brand, communication strategy, our values, and our people were aligned to reflect a cohesive organisation.

Our membership platform is an effective interactive communication tool between members and the organisation, as well as the online community as a whole. It is an excellent tool that allows members to connect, collaborate and share and also offers members an online presence – vital in today's fast-paced world. Members have the ability to create their own website, upload



company profiles, create their own blogs and forums and upload their CV's to a searchable database in the form of a career centre. As in any information-driven system, the membership platform's effectiveness is dependent on the input of information, and members are therefore encouraged to constantly update their profiles and explore the many tools available to them.

During the year, we launched a membership guide booklet, which tabulates membership benefits and services. The SAFCEC Annual Member Directory 2015/2016 will be published in December 2015 and will showcase our current members that are in good standing. The directory will be available in a hard copy print format, as well as an e-book on our website.

## STATE OF THE ORGANISATION: HUMAN CAPITAL MATTERS

Compared to other employers' organisations, SAFCEC runs a very lean outfit with a total staff complement of 22 (including regional staff as at 30 June 2015), whilst currently servicing 367 individual member companies of which 181 (51.23%) are emerging contractors, plus 108 associate members. SAFCEC staff are therefore servicing a total of 475 individual companies, some of which are JSE listed. Staff will be capacitated to meet the challenges of a progressive employers' organisation and to fit into a new organisational culture of humanity, harmony and democracy as part of an on-going turn around programme of fixing the fundamentals.

The following staff movements occurred during the year under review (1 July 2014 – 30 June 2015):

### Appointments

- **Pheli Mbambo** (Sep 2014)  
Executive: HR & Advisory Services

- **Stephanie Swanepoel** (Sep 2014)  
Manager: Marketing & Communication
- **Marion Matthews** (Jan 2015)  
Administrator: Western Cape
- **Shamila Moodley** (Feb 2015)  
Administrator: KwaZulu-Natal
- **Xolisile Zondo** (Mar 2015)  
National Advisor: Transformation

### Promotions

- **Rudolf Murray** (Jun 2015)  
Regional Manager: Western Cape

### Resignations

- **Rory De Wet** (Dec 2014)  
Executive: Contractual Affairs & Support Services
- **Nomzamo Landingwe** (Dec 2014)  
National Advisor: Transformation
- **Annemie Cowley** (Jun 2014)  
Manager: Marketing & Communication

### Retirements

- **Sonja Hannan** (Dec 2014)  
Administrator: Western Cape
- **Denise Strydom** (Jan 2015)  
Administrator: KwaZulu-Natal
- **Roz Messenger** (May 2015)  
Regional Manager: Western Cape

# CEO's Overview

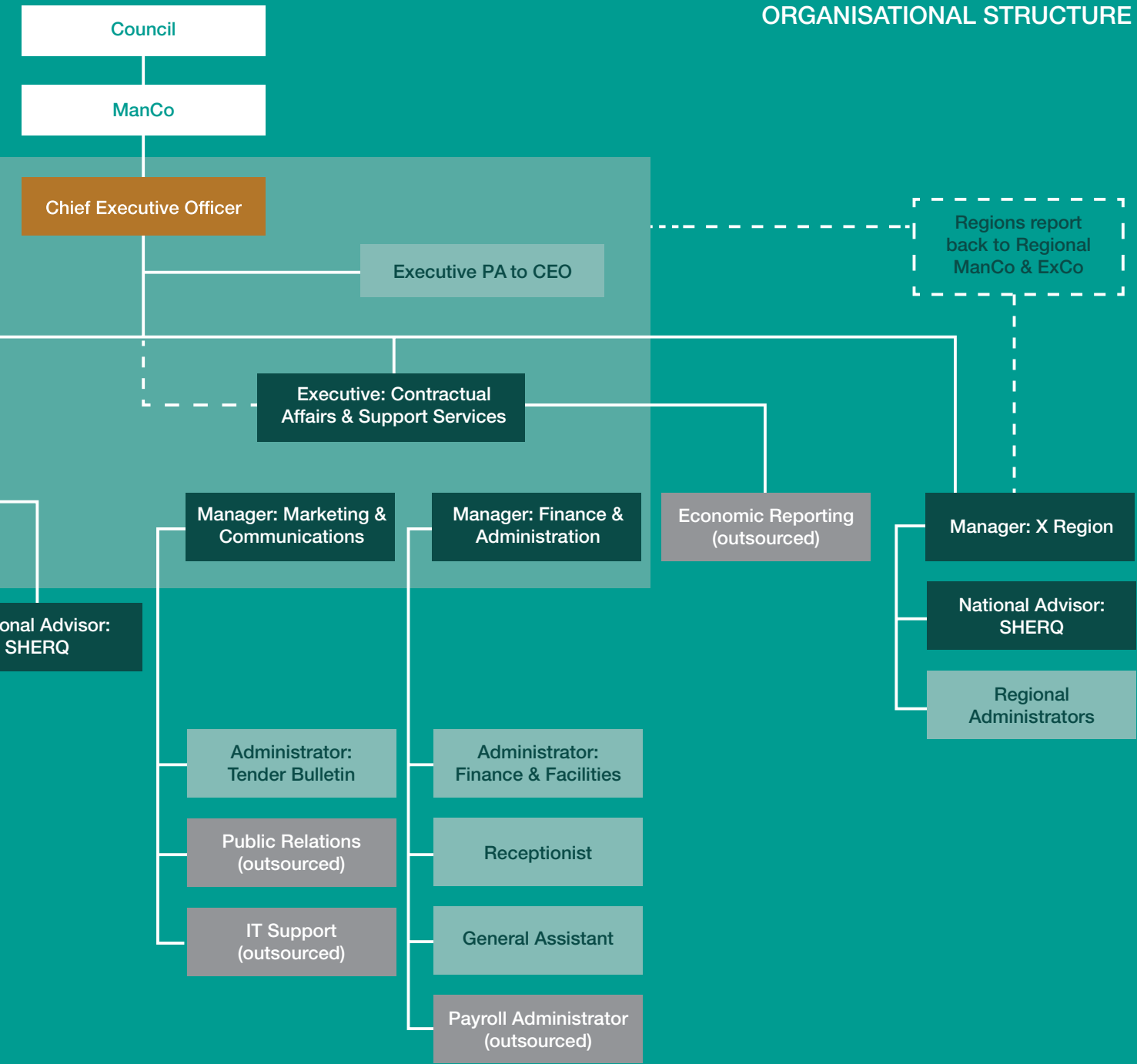
## State of the Organisation: Stakeholder Relations

SAFCEC has sound relations with the following strategic stakeholders notwithstanding the fact that there are still unresolved issues with some of them:

- Bargaining Council for the Civil Engineering Industry (BCCEI)
- Black Business Council (BBC)
- Construction Industry Development Board (cidb)
- Council for the Built Environment (CBE)
- Construction Education and Training Authority (CETA)
- Consulting Engineers South Africa (CESA)
- Development Bank of Southern Africa (DBSA)
- Engineering Council of South Africa (ECSA)
- ESKOM
- Government (all spheres)
- KwaZulu-Natal Department of Transport (KZN DoT)
- Master Builders South Africa (MBSA)
- National Business Initiative (NBI)
- National Economic Development and Labour Council (NEDLAC)
- National Treasury/CPO
- South African National Roads Agency Limited (SANRAL)
- South African Institution of Civil Engineering (SAICE)
- South African Council for Project and Construction Management Professions (SACPCMP)
- TRANSNET
- Trans-Caledon Tunnel Authority (TCTA)
- The Concrete Institute
- Progressive Business Forum (PBF)



# ORGANISATIONAL STRUCTURE



# CEO's Overview

The three values of humanity, harmony and democracy are key drivers in the creation of a positive industry-wide organisational culture that is conducive to the realization of a prosperous civil engineering construction industry and a prosperous South Africa. These enhance SAFCEC's five strategic cornerstones of professionalism, knowledge, credibility, development and care.

## Humanity

- Restoring and protecting the inherent human dignity of every employee or person.
- Caring for the safety and welfare of every employee.
- Caring for the environment and communities in all areas of operations.
- Being alive to the triple challenges facing the country, i.e. unemployment, inequality and poverty.
- Generally inculcating and practicing the values of UBUNTU in all spheres of operations.
- Upholding all the values enshrined in the Bill of Rights of the RSA Constitution.

## Harmony

- A unified voice for the civil engineering industry.
- synergy of efforts to continuously professionalize the industry.
- Promoting and maintaining labour peace and stability through collective bargaining and dispute resolution mechanism.
- Establishing sustainable mutually beneficial relationships with strategic stakeholders.
- Generally striving and advocating for consensus-based solutions.

## Democracy

- Serving members' best "legitimate" interests.
- demographic representation of all members irrespective of company size, gender or race.
- Transformed management and decision-making structures at all levels.
- Consultation with and participation by employees on critical issues affecting them.
- Promoting and honoring the rule of law, SAFCEC constitution and code of conduct, and good corporate governance.
- transparency, openness and accountability

## DBSA/SAFCEC Memorandum of Agreement (MoA)

This agreement was signed on 27 February 2015. The objective of this MoA is to establish and formalise a collaborative framework between the Parties to optimise the cost, time, quality and socio-economic outputs of infrastructure delivery programmes in South Africa.

The areas of co-operation are as stated hereunder:

- a. Promote a collaborative approach to the planning, costing and resourcing of specific infrastructure programmes developed by the DBSA at pre-development stage (Delphi model/ panel approach);
- b. Promote alternative building technologies and innovative procuring/contracting models on pilot programmes led by the DBSA;
- c. Develop sustainable, large-scale mentoring programmes between established and emerging contractors, which maximise local community involvement and job opportunities for the youth, on pilot programmes led by the DBSA.

## RECOGNITION AND AWARDS FROM INDEPENDENT BODIES

In July 2014, SAFCEC CEO, Webster Mfebe, was recognised and awarded by the Black Business Executive Circle (BBEC) the prestigious KAELO AWARD for being one of the thought leaders in business in South Africa, along with other luminaries in the private and public sector entities. BBEC recognises and rewards excellence in thought leadership in the country and its executive committee is made up of the most respected thought leaders under the chairmanship of Mr. Hangwani Mathebula, who is the head of communications and strategy at the South African Reserve Bank (SARB).





## BIDDING FAREWELL TO OUTGOING SANRAL CEO, NAZIR ALI

SAFCEC wishes to place on record its profound appreciation and gratitude for the sterling role played by Nazir in delivering quality road infrastructure during his tenure as CEO of SANRAL, with a particular focus on transformation by ensuring that both the emerging and established contractors benefit from inclusive tendering, and that prompt payments were made for certified work.

We believe that his legacy and integrity will remain solid for years to come despite having been sailing against a tsunami of resistance against the user-pay system, which is a government policy decision he and his team had to implement.

Under his sterling leadership SANRAL became one of the

well run state owned enterprises (SOEs), notwithstanding the difficult challenges.

SAFCEC, therefore, wishes Nazir the best in his future endeavours. Well done!

## CONCLUSION

SAFCEC is committed to achieving an inclusive organisation, which can be described in just three words: “Humanised. Harmonised. Democratised”. We believe that a solid foundation of a shared value system is a key ingredient in successfully creating a world class industry body, which strives “to be a leading construction industry representative body in South Africa”.

The SAFCEC Team shall continue to implement the turn-around strategy, which is already starting to yield results in terms of:

- improved finances despite difficult trading conditions of our members;
- membership recruitment and retention drive;
- diverse leadership and membership;
- participation in key industry events and platforms;
- maintaining an online directory to profile and promote services rendered by our members;
- membership interface through the membership platform and newsletter;
- maintaining our ISO9001 status;
- development of mutually beneficial relations with key stakeholders, particularly in the public sector; and
- aggressively lobbying for and advancing the interests of our members, including unblocking the public sector infrastructure roll-out programme, and procurement and payment related challenges.

# CEO's Overview

## ACKNOWLEDGEMENTS

I would like to place on record my appreciation for the contribution made by the people mentioned hereunder.

- SAFCEC Presidency for support and guidance: President, Thembinkosi Nzimande; Deputy President, Dr Danisa Baloyi; Vice President, Werner Jerling; including our immediate past president and current advisor, Norman Milne;
- Elsie Snyman, CEO of Industry Insight, for the valuable economic research and support for our industry;
- The entire leadership at both ManCo and Council for granting me the opportunity to embark on a process of turning the organization around and their continued support;
- All committee chairpersons and committee members for their dedication to serve SAFCEC on a voluntary basis;
- ExCo and staff for their support and willingness to chart new waters;
- All SAFCEC members for their continued loyalty to the organisation, even during tough economic times; and
- The CEOs of our 7 listed JSE member companies, Stefanutti Stocks; Aveng; WBHO; Group 5; Murray & Roberts; Raubex; and Basil Read, for their notable financial support, whenever requested, and total commitment to the success and sustainability of SAFCEC as an industry representative body, and transformation of the industry as a whole.

**Webster Mfebe**  
SAFCEC CEO







# Contractual Affairs and Support Services

## **Frikie Oosthuizen**

Executive: Contractual Affairs and Support Services

## **Steve Ryninks**

Contractual Affairs Committee Chairperson

## **Neil Cloete**

Economic Affairs Committee Chairperson

## HIGHLIGHTS AND MILESTONES

The Contractual Affairs and Economic Committees held successful meetings during the year which were well attended by members. However, the attendance of these committees by members can be improved upon. Plans are being put into place to encourage participation by all members, with a specific outreach planned for emerging members to join the discussion.

The Executive for Contractual Affairs continued to support members with assistance and guidance on a wide range of contractual matters. The main topics included apparent unfair tender practices, CIDB registrations, unfair supplier conditions, preparing EOT claims, CPA calculations, method of measurement and late payments. Members are reminded that support services are for all members whether large or small, established or emerging.

Discussions with relevant stakeholders regarding CPA, the indices and make-up of the formulae are ongoing. A number of queries were received from non-members regarding the indices and related CPA information on our website which are only available to and for the benefit of SAFCEC members.

The Economic Affairs Committee finalised and published the "State of the Industry Report" on a quarterly basis. These reports are based on survey questionnaires completed by SAFCEC members, the results of which are analysed and interpreted by an external market intelligence provider – Industry Insight. The Committee wishes to thank all members who made the effort to complete these surveys, as well as Industry Insight for their continued service in the provision of the reports.

## STAKEHOLDER PARTICIPATION

SAFCEC continues to develop relationships with relevant stakeholders at all levels within national and

local organisations. Noteworthy are the contacts being maintained at the CIDB, SANRAL, SARB and the Western Cape Government to name a few. Close cooperation also continues with our engineering counterparts at SAICE and CESA.

It is hoped that future endeavours will also include developing continued and deeper relationships with diverse organisations such as Transnet, Trans-Caledon Tunnel Authority, and The Concrete Institute. SAFCEC was also requested to take part in the international symposium of the ICOLD (International Commission on Large Dams) which will be held in South Africa during May 2016.

Developments regarding the Construction Export Council are eagerly awaited, with SAFCEC making meaningful contributions at the task team meetings held at the CIDB. SAFCEC's approach to the discussions is that the Construction Export Council should not be solely for the benefit of emerging contractors. Large and established organisations are crucial in this process, and ensure that the export of South African construction expertise into Africa will be successful.

## Proposed New Legislation that will Impact the Construction Industry

A number of new legislative proposals were put forward for comments during the year. A significant development was that of a proposal regarding prompt payment provisions. Also, in the same proposal - with respect to dispute resolution - adjudication will be prescribed as the initial process by which all disputes are to be initially addressed. SAFCEC actively participated in the consultative process and obtained many meaningful contributions by members. A description of these new provisions are highlighted below.

The CIDB was also considering developing a guide for clients with respect to the working capital requirements of contractors in assessing their over-commitment in cases where multiple tenders are secured. Comment by SAFCEC members was mostly negative, with progress in this regard stalled for the moment. It is however expected that the CIDB will in due course call for a working group to address the concerns of contractors, and in particular those raised by SAFCEC.



The DTI is proposing an amendment to the National Building Regulation Act (NBR) and requests feedback from the industry. SAFCEC has responded positively and confirmed support for reviewing the National Building Regulations and Building Standards Act, Act 103 of 1977. The motivation for reviewing the aforementioned Act stems from a number of complaints that were received from issues related to non-compliance, accountability, administration, interpretation, and capacity of authorities in so far as the application and implementation of it. Members will be kept abreast of developments in this regard.

### **AMENDMENT OF REGULATIONS ISSUED IN TERMS OF THE CONSTRUCTION INDUSTRY DEVELOPMENT BOARD ACT (ACT NO. 38 OF 2000)**

The amendment of the above captioned Act include the addition of two clauses: (1) prompt payment provisions, and (2) adjudication. Part IV B is added to provide regulations making it a requirement for payments in the construction industry to be made within 30 days. The proposed provisions have two prominent features. These are the introduction of automated interest on invoices not paid within the 30 day period, as well as the banning of the “pay when paid” principle.

Part IV C of the proposed regulations prescribe that every construction contract must provide for an adjudication procedure. Verbal contracts and contracts failing to provide for an adjudication procedure are to be dealt with in terms of the provisions stipulated in the regulations. The standard for adjudication - as set by the CIDB – includes provision for a process that is fair, rapid and inexpensive.

### **CURRENT LEGISLATION IMPACTING CONSTRUCTION PROCUREMENT**

#### **Auditor-General Act of 1995 (Act No. 12 of 1995)**

The Auditor-General Act of 1995 (Act No. 12 of 1995) which requires that the Auditor General reasonably satisfy himself or herself that satisfactory management measures have been taken to ensure that resources are procured economically and utilised efficiently and effectively. (The Auditor General has wide powers to investigate and enquire into procurement matters and related control and is obligated to report findings either to parliament or a provincial legislative, as relevant.)

#### **The Broad-Based Black Economic Empowerment Act of 2003 (Act No. 53 of 2003)**

The Broad-Based Black Economic Empowerment Act of 2003 (Act No. 53 of 2003) requires that organs of state and all public entities take into account and, as far as is reasonably possible, apply any relevant code of good practice issued in terms of this Act in developing and implementing a preferential procurement policy.

#### **THE CONSTRUCTION INDUSTRY DEVELOPMENT BOARD ACT OF 2000 (CIDB ACT)**

The Construction Industry Development Board Act of 2000 (CIDB Act) defines the construction industry as “the broad conglomeration of industries and sectors which add value in the creation and maintenance of fixed assets within the built environment.” The Construction

# Contractual Affairs and Support Services

Industry Development Regulations issued in terms of this Act defines construction procurement as “procurement in the construction industry, including the invitation, award and management of contracts.” Accordingly, construction procurement involves not only engineering and construction works contracts, but also supply contracts that involve the purchase of construction materials and equipment, services relating to any aspect of construction including professional services, disposals of surplus materials and equipment and demolitions.

The CIDB Act establishes a means by which the CIDB can promote and implement policies, programmes and projects aimed at procurement reform, standardisation and uniformity in procurement documentation, practices and procedures within the framework of the procurement policy of government. The Construction Industry Development Regulations require that all organs of state only award construction works contracts to contractors who are appropriately registered with the CIDB, advertise tenders and calls for expressions of interest on the CIDB’s web based i-tender service and record the award of contracts and any cancellation or termination of a contract in the register of projects on the CIDB website.

## **THE COMPETITION ACT OF 1998 (ACT NO. 89 OF 1998)**

The Competition Act of 1998 (Act No. 89 of 1998) provides for the establishment of a Competition Commission responsible for the investigation, control and evaluation of restrictive practices, abuse of dominant position, and mergers. This Act also provides for the establishment of a Competition Tribunal responsible to adjudicate such matters and for the establishment of a Competition Appeal Court.

## **THE PREFERENTIAL PROCUREMENT POLICY FRAMEWORK ACT OF 2000 (ACT NO. 5 OF 2000)**

The Constitution requires the public procurement system to be “fair, equitable, transparent, competitive and cost effective.” The Constitution does, however, establish a procurement policy providing for “categories of preference in the allocation of contracts” and “the protection or advancement of persons, or categories

of persons, disadvantaged by unfair discrimination” provided that such a policy is implemented in accordance with a framework provided for in national legislation. The Preferential Procurement Policy Framework Act of 2000 (Act No. 5 of 2000) gives effect to these Constitutional provisions by providing a framework for the implementation of a preference points system which includes requirements for transparency in the awarding of points and the limiting of the potential economic rents associated with such a system.

## **THE PREVENTION AND COMBATING OF CORRUPT ACTIVITIES ACT OF 2004 (ACT NO. 12 OF 2004)**

This Act deems corruption and related activities an offence; establishes a Register of Tender Defaulters in order to place certain restrictions on persons and enterprises convicted of corrupt activities relating to both tenders and contracts and places a duty on certain persons holding a position of authority to report certain corrupt transactions.

## **THE PROMOTION OF ACCESS TO INFORMATION ACT OF 2000 (ACT NO. 2 OF 2000)**

The Bill of Rights makes provision for granting to everyone the right of access to information held by the state. The Promotion of Access to Information Act of 2000, (Act No. 2 of 2000) gives effect to this right. The Act maintains and protects South Africans’ right to access any information held by the State and/or information held by another person that is needed to protect or exercise any rights. Access to information will be granted once certain requirements have been met. The Act also recognises that the right of access to information may be limited if the limitations are reasonable in an open and democratic society (e.g. a limitation that protects privacy

## **THE PROMOTION OF EQUALITY AND PREVENTION OF UNFAIR DISCRIMINATION ACT OF 2000 (ACT NO. 4 OF 2000)**

This Act expressly prohibits the state and all persons (natural and juristic) from discriminating unfairly against

any person on the grounds of race or gender through the denial of access to contractual opportunities for rendering services or by failing to take steps to reasonably accommodate the needs of such persons.

## THE PUBLIC FINANCE MANAGEMENT ACT (PFMA) OF 1999

Section 76(4) of the PFMA permits National Treasury to make regulations or issue instructions applicable to all institutions to which the Act applies concerning “the determination of a framework for an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective”. Supply Chain Management Regulations, Guidelines, Practice Notes, Circulars and Instructions have been issued in terms of the PFMA. These documents are applicable to all departments and public entities with the exception of major public entities e.g. ACSA, DBSA, DENEL, ESKOM, IDT, Transnet, Telkom and TCTA. These documents address issues such as ethical standards, restricting suppliers from doing business with the public sector, codes of conduct, compliance monitoring, improving transparency, prohibition of restricted practices, tax clearance certificates etc.

## THE MUNICIPAL FINANCE MANAGEMENT ACT (MFMA) OF 2003

The MFMA Act requires each municipality and municipal entity to have and implement a supply chain management policy which is “fair, equitable, transparent, competitive and cost-effective” and complies with a prescribed regulatory framework for municipal supply chain management. This regulatory framework covers the range of supply chain management processes that municipalities and municipal entities may use, procedures and mechanisms for each type of process, disclosure of any conflicts of interests, participation in the supply chain management system of persons who

are not officials, the barring of persons from participating in tendering or other bidding processes, measures for combating fraud, corruption, favouritism and unfair and irregular practices in supply chain management, the promotion of the ethics of those involved in municipal supply chain management, the delegation of municipal supply chain management powers and duties including to officials etc.

## THE PUBLIC PROTECTOR ACT OF 1994 (ACT NO. 23 OF 1994)

The Constitution provides for the establishment of the office of Public Protector. The Public Protector Act of 1994 (Act No. 23 of 1994) permits the public to raise issues and empowers the Public Protector, acting as an ombudsman, to investigate, report on and take the necessary remedial action on any conduct in state affairs or in the public administration, that is alleged, or suspected to be improper or to result in any impropriety or prejudice. Information or evidence that suggests criminal activity is referred to the South African Police Services and the Director of Public Prosecutions. Non-compliance that renders expenditure irregular or unauthorised is referred to the Auditor General.

## CONSTRUCTION LEGISLATION

### CIDB Regulations:

The CIDB publishes regulations in terms of its mandate.

### CIDB Standards:

The CIDB publishes standards in terms of its mandate.

# Transformation Advisory Services

## Xolisile Zondo

National Advisor: Transformation

## Charles Wright

Transformation Committee Chairperson

## CONSTRUCTION SECTOR CODES: ALIGNMENT PROCESS

SAFCEC plays a very key role in the negotiations regarding the alignment of the 2009 Construction Sector Codes to the revised Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice of 2013. Mr Charles Wright and Ms Ingrid Campbell represent the established contractors in the negotiations. Matters under discussion for alignment are ownership targets, skills development targets, EME levels and turnover thresholds.

Parties to the negotiations have not been able to agree to each other's proposals, leading to negotiations reaching a deadlock on more than one occasion. The industry must note that if the Construction Sector Codes are not aligned and ready for gazetting by the end of October 2015, the dti will consider having the Sector Code repealed as per gazette no. 38764 of 5 May 2015. Should this happen, the dti's Generic B-BBEE Codes of Good Practice will become effective for the construction industry.

## TRANSFORMATION COMMITTEE

The SAFCEC Transformation Committee comprises individuals from SAFCEC member companies as follows:

- **Jennifer Becker** Bophelong Construction (Deputy Chairperson)
- **Sheldon Mayet** Murray & Roberts
- **Vaneshree Pillay** Steffanutti Stocks
- **Ele Tshikovhi** Aveng Group
- **Ingrid Campbell** WBHO
- **Marina Dumakude** Tangeliza Services
- **Vino Govender** LA Consulting (KwaZulu-Natal Representative)
- **Christi Maree** Liviero Civils
- **Bobo Ramohapi** TN Molefe Construction
- **Nico Visser** WK construction
- **Michael Lawrence** Martin & East (Western Cape Representative)
- **Bradwell Klazen** Saclawa (Western Cape Representative)

Following a workshop held in 2014, the Transformation Committee has agreed to the following mandate:

1. Establish and maintain a common understanding of transformation issues affecting the industry and contractors;
2. Monitor the industry's transformation strategies, projects and efforts;
3. Report to the National ManCo and other relevant structures at SAFCEC on the transformation initiatives undertaken and the extent of progress made to address identified areas;
4. Create a database for all initiatives among members that will be shared with members only.

In order to deliver on the fourth mandate, the committee has requested that SAFCEC create an easily accessible database of SAFCEC emerging contractors to be used in conjunction with the current membership platform in order to bring emerging contractors and established contractors together. This database will be used for purposes of enterprise development and procurement opportunities. The committee has agreed on the format of the database template to be used.

## SAFCEC ENTERPRISE DEVELOPMENT PROGRAMME

The SAFCEC Enterprise Development Programme is a concept developed by SAFCEC for its members, aimed mainly at established contractors. The main objective of the programme is to provide capacity to established contractors to enable them to facilitate sustainable qualifying enterprise development initiatives.

The programme currently has 6 established contractors, who have 16 Enterprise Development beneficiaries between them.



Established Contractor	Enterprise Development Beneficiary
ASLA Pty Ltd	ATN Group Inter Coastal Civils Saclawa
King Civils	Lettam Building & Civils Ludonga's Construction
Group 5	Umsimbithi Pandev Dwebe Morecare Transcon
Roadcrete	Zwide Construction
Bophelong	K Chakane Kumani Projects Thina ZJ Maju Mafani Mega Phase Trading 441
Basil Read	Triple E Construction Medja Construction

# Education, Training and Development

## Dazerene Du Plessis

National Advisor: Education, Training and Development

## Robert Simelane

Chairperson

## NATIONAL TRAINING COMMITTEE

We would like to congratulate Robert Simelane on his appointment as Chairperson of the National Training Committee (NTC) effective 16 March 2015. Tim Meyer vacated this role at the end of 2014. We wish to thank him for the valuable contribution he has made and wish him well in his future endeavours.

It was time for the NTC to take stock of where we were and to assess the value that we add to our members and the industry. After an intense workshop the team adopted a new mandate and strategic objectives going forward. Team members recommitted to the outputs and are ready to make a difference in the skills development arena.

## QUALITY COUNCIL FOR TRADES AND OCCUPATIONS (QCTO)

SAFCEC had successful meetings with the CETA, who are appointed as the Development Quality Partner (DQP) to develop 3 civil engineering qualifications: Roads Constructor, Structures Constructor and Services Constructor. The Joint Project Management team (JPMT) developed a Terms of Reference and have appointed Abeeda and Associates to facilitate the process.

Qualifications are structured in such a way to allow delegates to have different exit points. Part qualifications are as follows:

- **Roads Constructor**  
Earthworks Hand, Layer Works Hand, Surfacing Hand, Drainage Hand, Maintenance Hand, Road Marking Hand, and Road Signage Hand
- **Structures Constructor**  
Construction Hand, Concrete Hand, Shutter Hand, Reinforcing Hand
- **Services Constructor**  
Sewer Pipe layer, Storm Water Pipe layer, Water Pipe layer, Kerb layer

The Community of Experts (CEP) have completed the

occupational profiles for the three qualifications. Modules for each qualification have been identified and the CEP is currently developing the content for these qualifications. Drafts of the occupational profiles and proposed modules were circulated to industry for comment. The aim is to complete the qualifications by December 2015 and have them registered with the QCTO early next year.

## TECHNICAL VOCATIONAL EDUCATION AND TRAINING (TVET) COLLEGES AND CONSTRUCTION INDUSTRY PARTNERSHIP (CIP)

SAFCEC, through the CIP with the Department of Higher Education (DHET) and Construction Education and Training Authority (CETA) are reviewing the TVET curriculum for civil engineering studies. The CIP was introduced by the NBI in 2006 to foster meaningful partnerships between TVET Colleges and industry. It is a privately funded partnership between Aveng, Basil Read, Group 5, Murray & Roberts and WBHO, as well as the MBSA and SAFCEC

The aim is to map NCV Civil Engineering and Building Construction curriculum to identified trades and occupations in the construction industry against QCTO qualifications in order to determine relevance, comprehensiveness and clarity of standards in curriculum, understand the gaps with respect to knowledge and practical skills, determine whether or not skills programmes should be developed to fill the gaps and determine whether or not there is a need for a revision of the NCV curriculum. This phase of the project has been completed and we await a detailed report which will be circulated to industry.

## CONSTRUCTION EDUCATION AND TRAINING AUTHORITY (CETA)

SAFCEC hold regular meetings with the CETA. A CETA representative also attends National Training Committee meetings to provide feedback to our members and deal with their queries.

There are currently two operator qualifications available. The one with lesser credits and value is currently being used by providers. The better CETA qualification is not being used as it takes more time to qualify. The CETA have applied to the QCTO to be the Development Quality Partner (DQP) in partnership with SAFCEC and CHPA.



## YOUTH IN CONSTRUCTION (YIC)

In partnership with the South African Institution for Civil Engineers (SAICE), Master Builders South Africa (MBSA), The Construction Industry Development Board (Cidb) and Consulting Engineers South Africa (CESA), SAFCEC continues to market the variety of careers in the civil engineering industry through exhibitions and distribution of Career DVDs to Schools and Technical Vocational Education and Training (TVET) Colleges.

A successful expo was hosted in March 2015 at the Sci-Bono Centre in Newtown with 3,592 scholars and college students attending the event. The exhibitors and participants included WBHO; Liviero; Murray & Roberts; SAFCEC; Transnet; SANRAL; the Gauteng Institute for Architects; R&H Rail; Gautrain; CBE; Worley Parsons; NYDA; SAICE; ECSA; CESA; CETA; Tshwane North & South Colleges; CIDB; GMBA; SA Paint Manufacturers; and Kevin Bates Flooring.

The steering committee will review the relevance of YIC and brainstorm methods to encourage better participation. CETA has indicated their interest in joining as a partner.

## ADVISORY COMMITTEES

SAFCEC is well represented on advisory committees at various institutions. Our role is to provide input on the quality of students that join the industry, give input to curriculum development and act as an interface between industry and institutions.

# Human Resources

## Pheli Mbambo

Executive: Human Resources and Advisory Services

## Werner Jerling

Chairperson

## BARGAINING COUNCIL FOR THE CIVIL ENGINEERING INDUSTRY (BCCEI)

The BCCEI continues to perform well under the leadership of its General Secretary, Nick Faasen, and in February 2015 moved to their new premises at 1 Kramer Road in Bedfordview, Johannesburg.

SAFCEC would like to thank the following companies for assisting with bridging finance that ensures the sustainability of the BCCEI.

- Aveng Grinaker-LTA
- Basil Read
- Group 5
- Murray & Roberts
- Raubex
- Stefanutti Stocks
- WBHO

The BCCEI had its budget approved by ManCo and now seems to be on a solid financial footing. The bargaining council has commenced handling industry disputes, and Tokiso was appointed as the service provider.

In February 2015, the BCCEI hosted the pre-bargaining conference, as well as its 2nd Annual General Meeting in March 2015. Strike Makutu of the Building Construction and Allied Workers Union (BCAWU) was elected as the Chairperson of the Management Committee, with Muller Uys of Stefanutti Stocks appointed as Deputy Chairperson.

## ANNUAL NEGOTIATIONS

The 2nd annual negotiations took place at the BCCEI offices. Parties to the negotiations were SAFCEC, the National Union of Mine Workers (NUM) and the Building Construction and Allied Workers Union (BCAWU). This year, care was taken to facilitate proper mandating processes, particularly in the SAFCEC regions (North Branch, KwaZulu Natal, Eastern Cape and Western Cape).

The SAFCEC negotiating team consists of:

- **Dirk Theron** Murray & Roberts (Chief Negotiator)
- **Muller Uys** Stefanutti Stocks
- **Stefan Strauss** Stefanutti Stocks
- **Lourens le Roux:** Raubex
- **Johan Matthee** Moolmans
- **Pheli Mbambo** SAFCEC
- **Ruth Maseko** Aveng Grinaker-Lta
- **Mandla Mtshali** Basil Read
- **Chris Escreet** Martin East (Western Cape representative)
- **John Skinner** John Skinner Construction (Eastern Cape representative)
- **Johan Gouws** WK Construction (North Branch representative)
- **Peter Kendal** SAFCEC (KwaZulu Natal Representative)

The Chair of Human Resources Committee acted as the SAFCEC Management oversight and convenor.

The negotiating process started with the technical team reviewing all conditions of employment and the regions had to finalise their mandates. All mandates were consolidated and the proposal was sent to the BCCEI. The wage negotiations began in Mid-March 2015. The unions declared dispute in round two of the negotiations which was registered with the BCCEI.

The third round of negotiations resumed and the unions changed their approach. SAFCEC had placed their position on the table and the issues were as follows:

1. Minimum wages,
2. Across the board increase (ATB)
3. Duration of agreements
4. Policies:
  - i. Housing
  - ii. HIV/AIDS – existing
  - iii. HSE – existing
  - iv. Employment Equity
  - v. Skills Development
5. LDC (Limited Duration Contract) employees to receive the same benefits as permanent employees after a period of 3 months' employment
6. Date of implementation

Following intensive national wage negotiations, an agreement was reached on July 27, 2015 between



BCAWU; NUM and SAFCEC. The three year agreement has been submitted to the Minister of Labour for promulgation.

## OVERVIEW OF THE PROJECT LABOUR AGREEMENTS (PLA) & SITE SPECIFIC AGREEMENT (SSA)

Project Labour Agreements (PLAs) are nothing new in the construction industry. Clients - in their IR policies – include this as a requirement for multiple industry ‘mega projects’ such as Medupi and Kusile.

Medupi signed a PLA during December 2008, regulating terms and conditions for the Medupi Project. Kusile followed suit by signing its PLA in December 2009.

As a result of labour unrest at Medupi during December 2012 and early 2013, Eskom organised labour and contractors agreed to enter into a tri-party agreement. Within the ‘Partnership Agreement’ (better known as the PA), a requirement exists that one SSA for both projects be negotiated.

During 2014, the SSA was completed, agreed and accepted at the LPF (Leadership Partnership Forum) level, and was further agreed to be implemented.

### **Kusile**

Four trade unions and the Employer Organisations signed the SSA and was implemented on 01 October 2014.

### **Medupi**

The trade unions have refused to sign the SSA and continue to operate with the PLA even though one of the trade unions (NUMSA) resigned from the PLA. The SSA was eventually unilaterally implemented on 01 April 2015. The Employer Organisations signed the SSA.

On 25 March 2015, trade unions at Medupi marched to Eskom offices on site and handed over a memorandum

of demands to Eskom. This erupted into industrial action and the site was closed for approximately six to eight weeks, resulting in the dismissal of approximately 1,500 employees. The majority of employees are now on final warnings.

### **Kusile**

During the Medupi unrest, Kusile was on tenterhooks, but with good and continuous communications between organised labour, contractor’s and Eskom, the Kusile Project saw continued productivity.

At present both projects are stable and working. The future of project-specific collective agreements must be seriously debated and reconsidered when the next mega-project commences.

## CONSTRUCTION INDUSTRY RETIREMENT BENEFIT FUND (CIRBF)

In terms of representation, employers have 12 trustees and 12 alternates at CIRBF. The fund still requires 1 more employer trustee and one alternate. There is some concern over the constant struggle to get sufficient employer trustees.

The CIRBF is a R1 billion fund and has 125 employers and 20,000 employees.

## LABOUR LAW REVIEW

Ian Macun of the Department of Labour conducted a presentation on the Labour Law Amendments on in May 2015 for both SAFCEC & BCCEI Members.

## James Flint

National SHERQ Advisor

## Graeme Yates (Aveng Grinaker LTA)

National SHERQ Committee Chair

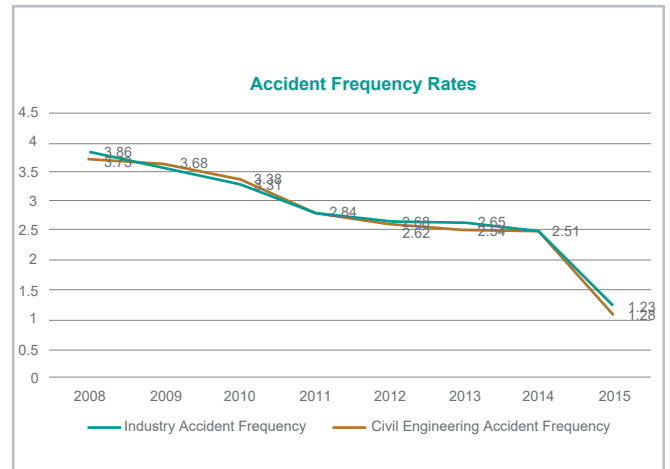
## Andre Van Der Merwe (Umso Construction) National

SHERQ Committee Vice-Chair

THE YEAR UNDER REVIEW HAS SEEN THE SAFCEC SHERQ DEPARTMENT ACTIVELY FACILITATING LIAISON BETWEEN MEMBERS AND VARIOUS INDUSTRY STAKEHOLDERS WITH THE FOCUS ON THE INTEREST OF MEMBERS. THE LEAD-UP TO THE FULL ENFORCEMENT OF THE 2014 CONSTRUCTION REGULATIONS AND THE REGISTRATION OF CONSTRUCTION HEALTH AND SAFETY PRACTITIONERS HAS RAISED THE PROFILE AND AWARENESS OF HEALTH AND SAFETY IN OUR SECTOR, FURTHER PROMOTING THE USE OF THE SAFCEC SHERQ DEPARTMENT. COMMITTEE MEETINGS REMAIN WELL ATTENDED WITH ROBUST DEBATE AND CLEAR MANDATES FROM MEMBERS ON SAFCEC'S STANCE TO SHERQ IN OUR SECTOR.

## FEDERATED EMPLOYERS MUTUAL ASSOCIATION (FEM)

The SAFCEC SHERQ department is hugely appreciative of the continued support from The Federated Employers Mutual Assurance Company (FEM). The annual safety grant is fundamental to the continued operations of the SAFCEC SHERQ Department which services SAFCEC members and FEM Policy holders nationally.



SAFCEC is unequivocally supportive of FEM's 'Safetember' initiative which has a focus on reducing injuries and fatalities in the leading three injury categories, namely: Motor Vehicle Accidents; Falls From; and Struck By. Significant reductions in industry Health and Safety statistics can be achieved through focussing our efforts in particular on these three categories, which continues to negatively impact our sector.

The civil engineering sector continued to function below the accident frequency rate of the construction industry for the year under review as shown in Figure 1. It is also worth noting that a number of SAFCEC members reported significant achievements in hours worked without LTI's (Lost Time Injuries), especially on the country's major build programs.

## DEPARTMENT OF LABOUR

### Advisory Council for Occupational Health and Safety (ACOHS)

Although the Advisory Council has been largely ineffective during the year under review, with no meetings convened for 2015, in an unfortunate turn of events this year. SAFCEC went from being appointed to the Council's Exco to being removed from the Council. The unprocedural removal has since been appealed to the Minister of Labour. This exclusion has effectively ruled SAFCEC out of further input at the developmental phase of Health and Safety legislation as well as limiting SAFCEC's ability to advise the Minister on our sectors specific requirements, concerns or queries. During our involvement in the Advisory Council, SAFCEC was instrumental in the following technical committees:

### **Occupational Health and Safety Bill**

SAFCEC made comment and gave valuable input in the drafting of the Occupational Health and Safety Bill before it was escalated to Nedlac. It is believed the Bill has been returned from Nedlac with comment and instruction for further reviews and revision to be made.

### **2014 Construction Regulations**

The SAFCEC SHERQ Department has regularly engaged with the Department of Labour (DoL) on behalf of members in the lead up to the enforcement date of the Regulation. SAFCEC also formed part of the DoL's panel at their Construction Health and Safety seminar attended by over 600 health and safety professionals at Emperor's Palace in Johannesburg, with a focus on the enforcement phase for the Regulation. The SHERQ component of the SAFCEC website continues to feature the latest information on the DoL's exemptions and key contacts relating to the 2014 Construction Regulations.

### **Ergonomics Regulations**

SAFCEC and the Department of Labour collaborated on an Ergonomics workshop for members, fostering a relationship of mutual goodwill between Business and Government. This was an opportunity for the appointed experts developing the expected Regulation to engage with our members on the benefits of good ergonomic practices.

### **SOUTH AFRICAN COUNCIL FOR PROJECT MANAGERS AND CONSTRUCTION MANAGEMENT PROFESSIONALS (SACPCMP)**

SAFCEC has been intimately involved in attempting to address the various challenges the Council has experienced in the year under review. Slow progress with the registration process masks the efforts that are being put in by SAFCEC and some of the other stakeholders involved in the process. The lack of

progress to date and seeming ineffectiveness of the Council to execute on its mandate for registration is of major concern to SAFCEC.

SAFCEC continues to engage with the SACPCMP regularly on behalf of members and has been influential in the development and structuring of various key components of the Construction Health and Safety registration process. SAFCEC chairs various principal committees and continues to assist the Council in the absence of a Construction Health and Safety Executive.

### **SAFCEC SAFETY AWARDS**

SAFCEC launched a safety awards programme during 2015. This is a compliance-based project audit system that is intended to positively reinforce good health and safety practices. Although the project is still in its infancy, it is hoped that these safety awards will evolve into a recognised industry initiative.

### **SAFCEC NATIONAL ENVIRONMENTAL COMMITTEE**

This year has seen SAFCEC launch a National Environmental Committee. Members felt that core environmental issues were not receiving the necessary attention through the National SHERQ Committee. Included in the Committee's focus areas is the potential impact on the sector of the proposed Carbon Tax, as well as a need to be proactive and self-regulate as a sector prior to enforcement.

## **GREENROADS COUNCIL SOUTH AFRICA (GRCSA)**

After a turbulent relationship the Greenroads Council, South Africa has finally received approval to use the Greenroads manual from the United States based organisation as the basis for its sustainability rating tool in South Africa. The final form of this rating tool is yet to be finalised, however the interim Board, with SAFCEC as Chair of the Technical and Development Committee, will finalise this in the year to come.

## **SAFCEC MANAGEMENT SYSTEM (ISO 9001)**

The SAFCEC ISO9001 Quality Management System continues to function with only minor findings during internal and external audits. The accreditation remains an assurance of SAFCEC's ongoing commitment to deliver on its promise of Quality Service to its members.

## **QUALITY COUNCIL FOR TRADES AND OCCUPATIONS (QCTO)**

SAFCEC has in principle endorsed the registration of the Occupational Health and Safety Qualification as developed through the Mines Qualification Authority (MQA) and the Quality Council for Trades and Occupations (QCTO). DQS has been appointed as the Assessment Quality Partner for the qualification which has allowed for its registration and unlocked the final steps for the qualification to be realised. SAFCEC looks forward to remaining involved in the qualification as it progresses.



# 3 LEADING CAUSES

of accidents in the SA Civil Engineering sector

{ FEM's industry SAFETEMPER focal points }

**1**

**MOTOR VEHICLE ACCIDENTS**



average cost per incident  
**R66476**

**879** incidents in 2014

causes approximately  
**50%**  
construction industry related  
**FATALTIES** annually

equates to  
**10%**  
of all industry incidents  
resulting in significant injuries,  
multiple fatalities and various  
permanent disabling injuries



**SAFCEC**  
promotes



Driver Training;  
Employing skilled  
and experienced drivers and  
operators; and In-vehicle  
motoring devices tracking  
units)

**2**

**STRUCK BY**



average cost per incident  
**R19399**

**1256**  
incidents for 2015

accounts for approximately  
**40%**  
of the industry's incidents

incidents range  
from contact with  
a hammer to  
contact with a  
counterweight




**SAFCEC**  
promotes



Exclusion zones  
around operating  
plant and training on blind  
spots



**3**

**FALL FROM ONE LEVEL TO ANOTHER**



average cost per incident  
**R1186**

**393** incidents in 2015

accounts for approximately  
**10%**  
of all industry incidents

Not just  
work at height  
includes  
falls into  
excavations




**SAFCEC**  
promotes



Barricaded  
excavations;  
Fall protection devices;  
and fall arrest devices



Stats taken from FEM, acknowledged as the industry leader for health and safety statistics. Statistics include building construction and represents the majority but not all of the construction sector.

# Regional Report: North Branch

## Amos Mtephe

Regional Manager

## Brenda Gogwana

Regional Administrator

## Stuart Knight

Management Committee Chairperson

## Marina Dumakude

Management Committee Vice-Chairperson

The North Branch is made up of 5 provinces. These being: Gauteng, Limpopo, North West, Free State and Mpumalanga. The majority of membership in terms of size and numbers comes from the Gauteng province.

In 2015 there were no appointments or resignations by the current North Branch staff members.

We continued with our Recruitment and Retention Drive strategy. Together with the CEO, we visited identified companies in the CIDB range of 7CE to 9CE. Although the discussions with these potential members do go in the right direction, there is still lack of follow up payments from these companies.

## REGIONAL MANCO STRUCTURE

The regional Manco structure is made up of 11 elected members, ranging from Emerging Contractors to Established Contractors. All in all there were sixteen ManCo members elected at the 2014 annual general meeting. The ManCo held four branch meetings and there were two branch meetings held as well as annual general meeting.

## MEMBERSHIP

Since the restriction of access to certain sections of the SAFCEC website, there has been an increase in the number of applicants, the majority of which seek access to the indices for the calculation of escalations. Access to this type of information is a benefit of membership, and the region continues to endeavour to convert these queries to memberships.

CIDB Grade	Existing Members as at 30 June 2014	Member Resignations	New Members	Total Members
1CE Emerging	55	5	37	97
2CE Emerging	9	1	2	
3CE Emerging	1			1
4CE Emerging	17	1	6	24
5CE Emerging	9	1	2	12
1CE Established			2	2
2CE Established	1			1
3CE Established	1			1
4CE Established	1			1
5CE Established	4			4
6CE Established	26	3	12	41
7CE Established	18	3	6	27
8CE Established	10	1	7	18
9CE Established	24		2	26
9GB				
No Grading				
Associate	35	2	21	58
TOTALS	211	17	97	325

## MARKET CONDITIONS

### SACCI Business Confidence Index

The latest South African Chamber of Commerce and Industry (SACCI); Business Confidence Index (BCI) for June 2015 is shown in the table below: The trend is downwards which does not bode well. The BCI is trending to the lower 80's levels; levels not seen since 2008.

“The BCI continues to lose momentum and fosters an inhibiting business mood that is detrimental to future economic activity.”

The sub- indices show that the business confidence level for the building construction continues to higher, improved levels compared to last year.

Month	2008	2009	2010	2011	2012	2013	2014	2015
January	110.7	97.2	95.8	103.1	97.1	94.0	90.5	89.3
February	110.9	99.7	97.9	101.9	99.5	93.0	91.9	92.8
March	110.8	93.1	97.9	104.2	95.7	90.4	92.7	89.1
April	110.2	96.6	97.9	102.5	94.3	92.3	92.6	89.9
May	109.7	96.5	96.7	101.2	92.8	90.4	88.9	86.9
June	109.2	98.0	100.0	102.4	94.9	90.2	89.7	<b>84.6</b>
July	109.5	98.1	99.4	99.0	90.9	90.7	87.9	
August	106.8	97.9	103.3	98.6	95.0	90.5	89.0	
September	106.1	100.9	103.6	98.4	91.7	91.4	89.2	
October	99.3	97.0	101.3	97.5	92.0	91.1	88.8	
November	102.3	99.2	102.6	97.4	91.7	90.8	90.8	
December	98.9	98.5	103.3	99.1	93.00	91.9	88.3	
Average	107.0	97.7	100.0	100.4	94.1	91.4	90.0	

Source: SACCI Business Confidence Index Report June 2015

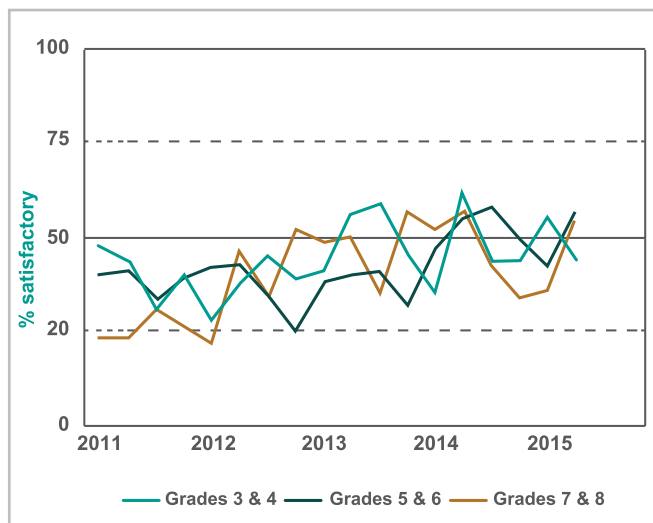
# Regional Report: North Branch

It should be noted that the average for the calendar year 2014 is 90.0 index points, while the average for the first six months of calendar 2015 is only 88.8 points.

For some of those companies listed in the Johannesburg Securities Exchange (JSE) they have seen share losses; in some cases, more than half of the value in the past reporting period.

## THE CIDB SME BUSINESS SURVEY 2015 - Q2

‘During 2015 Q2, civil contractors in the grades 3 & 4 experienced a worsening in general business conditions.’ This group also reported a sharp slowdown in the construction activity. Contractors in the CIDB grades 5 & 6 and 7 & 8 experienced a slight improvement in business conditions to be above the critical 50 index point’s level.



### Conclusion

Market conditions are hampering the progress in growth of the Construction industry with resultant negative consequences such as lack of skills transfer and subdued contractor development on a sustainable level, growing of unemployment levels and skills being lost- as reported in last year report.

As for implications to SAFCEC, we have seen growing default rates, and reduced turnover declarations that will result in reduced levels of membership fees.

## STAKEHOLDER ENGAGEMENT

### University of Johannesburg

The branch has established a relationship with the University of Johannesburg Civil Engineering Society. The university has requested that SAFCEC works with the members to facilitate discussions with engineering students on topics that will be of interest to students.

Liviero were the first members to take the opportunity to talk to possible future employees, and showcased the various areas in the company that staff can engage in. They candidly shared with the students the challenges (and the rewards) that are present for anyone that follows the field as a career.

There will be more such visits in the future with the support from both Established Contractors and Associate members, as the dialogues do offer member companies a marketing opportunity and the possibility of identifying of suitable future talent.

### Go for Gold

This is an ‘education-to-employment’ public-private partnership that started in the Cape and has now commenced their activities in the Gauteng region. The North Branch participated by communicating the civil construction industry in totality, as well as providing encouragement to current learners participating in the programme. The partnership, amongst others, assists learners to improve in mathematics and science at high schools.

## CLIENT LIAISON

### The East Rand Water Care Company [ERWAT]

The branch continued to engage with ERWAT in the year under review. The Project Planning and Implementation Plan that is shared with SAFCEC members show to have a three year cycle: Feasibility Study; Project Design; and Construction and Commission. The majority of the projects will have construction and commission in the financial year 2016/2017.

ERWAT have agreed that their maintenance department will in future form part of stakeholder liaison meetings. This is due to the maintenance work that is advertised. It was felt that this will be benefit Emerging Contractors, since the bulk of the tendered work falls within this category



## SANRAL

The North Branch of SANRAL shared some interesting topics with our members at a branch meeting:

- Changes required due to the new Construction Regulations effective August 2015.
- Professional status of site agents/construction managers.
- Enterprise development.
- Construction B-BBEE Charter progress- SANRAL reported that they are not part of the process- they will need to be updated if possible.

- Slow start to projects.
- SANRAL is seeing a gradual decline in the quality of work.
- A concern is that contractors are not being seen at the workshops dealing with revisions/update of the COLTO/COTO standards

Short term plans / budgets is shown below.

Description	RANSDS	
	Period 2015/2016	Period 2016/2017
Ad-hoc	10 265 777	
RRM	1 510 398 686	1 411 705 150
Periodic maintenance	89 421 023	137 794 604
Special maintenance	51 242 655	12 700 000
Strengthening	3 000 000	14 000 000
Improvement	473 429 407	810 066 125
New Facilities	520 477 688	578 005 900
<b>TOTAL</b>	<b>2 658 235 236</b>	<b>2 964 271 779</b>

Source: SANRAL North Branch Presentation

# Regional Report: North Branch

## **SANRAL Concessionaires**

The North Branch region engaged with the concessionaires that handle the upgrades and maintenance projects on some of the well-known national routes. Meetings were held during the year and working relationships were established with Bakwena (N1 and part of the N4); N3TC (N3 Heidelberg to Cedara); and Trac (N4). The concessionaires shared some of the projects still to be launched as well as the various challenges that they face.

## **City of Johannesburg: Jozi@work Programme**

An information sharing session with officials from the office of the Executive Mayor of the City of Johannesburg was held during the year under review. The City has developed a programme in all their regions to tackle unemployment. For all CoJ projects (including construction projects), local skills are used and they are encouraged to form part of the projects.

## **INDUSTRY ORGANISATIONS**

### **Consulting Engineering of South Africa (CESA)**

The regional manager was requested to assist CESA in the judging of the CESA Engineering Excellence Awards. The actual awards will take place later during the year.

### **Construction Industry Development Board (CIDB)**

The branch participated in the two CIDB Provincial Contractor Development workshops held in Gauteng and Limpopo. There is room for improvement as far as contractor development is concerned. At these workshops SAFCEC was given an opportunity to present on the programmes available to emerging contractors, such as the SAFCEC Diamond Academy.

### **South African Road Federation (SARF)**

Through publishing courses offered by SARF that carry CPD points, SAFCEC continues to assist our members in self-development.

## **BRANCH ACTIVITIES AND HIGHLIGHTS**

The much anticipated 2015 Sports Day was held in April. So that all the participants of golf and other sports share the day together, the event was held at a common venue. This year we introduced new events such as a putt-putt competition, a mashie dash, 'footgolf' (football

played on the golf course), mountain bike challenge, as well as a trout fishing competition.

This year, the SAFCEC Annual Quadrangular Golf Tournament was held in our region. The two golf estates in the Waterberg area in Limpopo hosted the golfers from all four SAFCEC regions. Unfortunately, hosting the event took its toll on the North Branch as they could only manage a wooden spoon finish, with top spots secured by Eastern Cape (1<sup>st</sup> place); Western Cape (2<sup>nd</sup> place); and KwaZulu Natal (3<sup>rd</sup> place).

The feedback received for the both the sports day and the quadrangular tournament will be used to assist in the planning of the day in the coming year(s).

The Management Committee (ManCo) ran the affairs of the branch through having regular branch meetings. The branch wage negotiations mandating sub-committee was formed by volunteering member companies and the sub-committee was able to deliberate successfully the position of the members in the branch. A word of gratitude goes to all volunteers.

## **CHALLENGES GOING FORWARD**

Our members continue to feel the pressures of the weak economic activity in the short term. This has resulted in some member companies going out of sector and out of business. We feel that this trend may unfortunately continue in the next reporting period. Payment of fees by members will in this scenario continue to pose cash flow challenges to members. We want to be close to the client bodies so that we establish a working relationship with all the public sector clients that eventually decided on the projects to be rolled out in a particular financial year. The common view is that urgent action to stop the decline in economic slowdown will need to be taken almost immediately.



In order to hold successful events, the branch relies heavily on assistance in terms of sponsorship from members, and we acknowledge the following member companies for their assistance during the year.

- abe Chemicals
- Barloworld Equipment
- Builders Warehouse
- Doka
- Driver Group
- Group Five
- Marsh
- Murray and Roberts Infrastructure
- Tjeka
- WBHO

## APPRECIATION

I would like to thank North Branch ManCo members under the stewardship of Stuart Knight; our CEO, Webster Mfebe; our branch administrator, Brenda Gogwana; and all colleagues at regional and national offices for the good working relationships and for guidance and assistance during the year. Lastly, we thank all the sponsors for their valued assistance notwithstanding the tough economic times.

# Regional Report: KwaZulu Natal

## Peter Kendal

Regional Manager

## Shamila Moodley

Regional Administrator

## Marilyn August

Regional SHERQ Advisor

## Kevan Rocher

Management Committee Chairperson

## Steve Poorter

Management Committee Vice-Chairperson

## REGIONAL MANCO STRUCTURE

The KwaZulu Natal ManCo is currently made up of four 9CE companies and one 5CE company in the CiDB grading categories. We have in the last two years seen the loss of some core members, with one 7CE resignation, two 9CE, and two 8CE resignations. The branch continues to work both harder and smarter in order to recruit and retain its core membership.

## MEMBERSHIP

Our Region has experienced a major loss of its local members in the 6CE grading and upwards. The branch had 88 Full and Emerging Members, and has since lost 34 members owing to resignations or liquidations, gained 17 new members, which a nett result of 71 members at the end of June 2015. This translates to a 19% loss over the year.

Amongst Associate Members, we have found that many of the small service providers were unable to absorb the increase in membership fees. More than 50% of these members resigned. With a total of 5 new members, this resulted in a loss of 36%.

The loss of members within the region will undoubtedly cause a reduction in income and will therefore be the subject of a special meeting to be held in the new financial year.

CIDB Grade	Existing Members as at 30 June 2014	Member Resignations	New Members	Total Members
1CE	21	11	5	13
2CE	2	1	2	3
3CE	0	0	1	2
4CE	8	0	3	10
5CE	11	4	1	8
6CE	24	9	3	19
7CE	11	6	1	5
8CE	4	3	1	2
9CE	1	0	0	2
1GB	1	0	0	1
Associate	22	12	5	14
<b>TOTALS</b>	<b>106</b>	<b>46</b>	<b>22</b>	<b>79</b>



## MARKET CONDITIONS

The KwaZulu Natal market is very harsh at present. Although we have notified members of 745 tenders from January to July, we have not experienced a proportionate award of contracts. Some of the tenders are used as budget prices by clients and others are not awarded because of budget constraints. Awards are often delayed and in some instances, shelved completely. This is placing extra costs on an already stretched industry with very little or no return. At our AGM held in 2014, it was evident that contractors had little or no work with bleak prospects on the horizon.

## STAKEHOLDER ENGAGEMENT

A meeting was held with the University of KwaZulu Natal, where we were informed of the progress of meeting the concerns raised at the last Accreditation Audit. At that time major concerns were around the shortage of suitable lecturing staff. This remains unresolved although there are two suitable candidates with whom they are in discussion with. This will reduce the shortage to six lecturer posts.

We are still a contributor to the KNUCS Fund which is used to sub vent lecturing staff salaries in order to attract and retain good staff.

A meeting was held with Durban University of Technology and some of our members made it clear that they were no longer considering employing graduates from this institution. The reason given is that they no longer seem to be training to meet industry needs but are more focused in turning out numbers to meet Government targets. The competency of the graduates is therefore not a priority.

## CLIENT LIAISON

### SANRAL

SAFCEC met with SANRAL in May when their planned projects were tabled. Many of the projects were dependent on funding since e-tolls are not bringing in the anticipated funds. Most of the upcoming contracts are located around the N3 from Durban to Cedara.

### eThekweni Municipality

All of the contracts making up the Integrated Rapid Personnel Transport Network have now been awarded and are under construction. Progress has been slowed by protests by local communities and taxi organisations. SAFCEC has facilitated meetings between Contractors and Client.

### Umgeni Water

A meeting was held in September 2014 when the Client tabled his future projects. Our next meeting is planned for 17th September 2015.

### KZN Department of Transport

Although we have been unable to meet with the DoT since last year, the branch continues to attempt to make contact with the procurement department. The award of emergency plant hire contracts in lieu of tenders for Capital Projects seems to have stopped, as no members have reported any such activities of late. The forensic audit that was carried out last year is reported to have led to criminal investigations and is ongoing. No progress is reported as the matter is ongoing and could prejudice a successful conviction.

# Regional Report: KwaZulu Natal

## Transnet Projects

SAFCEC met with Transnet in August and had sight of their future projects. Priorities have changed and the Durban Dig Out Port has moved to the back-burner. New priorities (which are funding dependent) are the berth deepening at Pier Number 2 and the Infill berth between Pier Number 1 and the Naval Base. The Durban Dig Out Port was partially because of the drop off in demand owing to the decision by some car manufacturers to relocate their production lines off shore in order to escape labour unrest and load shedding.

## INDUSTRY ORGANISATIONS

SAFCEC was represented at the meeting of the Built Industries Federation in August 2014. One of the concerns of the Federation was the deterioration of Building Regulations and Procedures which led to the collapse of the Tongaat Mall.

## BRANCH ACTIVITIES AND HIGHLIGHTS

SAFCEC hosted a very successful golf day at the Kloof Country Club on 19<sup>th</sup> June 2015. A field of 104 players took part, with our sponsors generously contributing prizes right down to the 19<sup>th</sup> position. Many of the holes were sponsored and beverages were supplied around the course to ensure that no-one suffered from dehydration. A painting by Moragh Dann was auctioned for R2,000 and a precast garden set raised R1,000. All in all a pleasant day was enjoyed, and a profit of approximately R40,000 was realised.

Unfortunately we did not have the same support for our planned sports day, and therefore this event has been postponed to September 2015. Challenges facing the success of this event is that all of our support in the past (including organisers and participants) came from members who have since resigned. The current economic climate does not lend itself to holding this event so we will have to reassess the viability of hosting this event in the future.

Our annual cocktail party was held in November 2014. This event attracts many of our clients, service providers and consulting engineers and allows a casual atmosphere in which to network. In keeping with the wishes of our ManCo who feel that life is serious enough, we tend to have light hearted entertainment with either sports icons or entertainers. With previous entertainers like Craig Joubert, Pat Symcox, Aaron McIlroy and Darren Maule it is a challenge to meet expectations. An illusionist entertained guests, and some are still trying to fathom how he performed some of his illusions. The next cocktail party will be held at the Westville Country Club on 6<sup>th</sup> November 2015 and the entertainer will be Carvin H Goldstone.



# Regional Report: Eastern Cape

## Dave McIntosh

Regional Manager

## Jane Murcott

Regional Administrator

## Calvyn Ferreira (SJW Civils)

Regional Chairperson

## Ayanda Ntlama (Simnikiwe Civils)

Regional Vice-Chairperson

## Pamela Mda (Likthemba Building & Civils)

Emerging Contractor Representative

## James Flint

SHERQ Advisor

relatively few and then only after lengthy delays. Late payment and non-payments by many clients have added to the woes of our members.

## REGIONAL MANCO STRUCTURE

As the Eastern Cape membership is drawn from many different centres in the Region, it has always been considered impractical to have a Manco structure. We accept that any important matters to be discussed and decided will be considered at our Branch Meetings which are held four times each year.

It must be considered that it has been a difficult year in general for civil engineering contractors, including our members in the Eastern Cape region. Despite the advertising of many tenders, actual awards have been

## MEMBERSHIP

At present, we have the applications pending for 4 Full Members, 7 Emerging Members, and 1 Associate Member.

CIDB Grade	Existing Members as at 30 June 2014	Member Resignations	New Members	Total Members
1CE	3		1	4
2CE	3		1	4
4CE	5		1	6
5CE	3	1		4
6CE	9	3	2	14
7CE	5	2		7
8CE	3	2		5
9CE	2			2
1SK	1			1
4SQ	1			1
Associate	4			4
<b>TOTALS</b>	<b>39</b>	<b>8</b>	<b>5</b>	<b>52</b>



## MEMBERSHIP RECRUITMENT AND RETENTION

Our membership drive is an important ongoing exercise drawn from online enquiries, recommendations and visits to civil engineering contractors listed on the Cidb register. In our membership drive it has been a year of ups and downs. Our new members are predominantly from the Cidb graded 6CE and downwards while our resignations are from the Cidb 7CE & 8CE members. In frank discussions with these members when their annual SAFCEC fees increase due to their increase in annual turnover, they maintain that this kind of expenditure cannot be justified as fees are often compared to the Master Builders Association fees. In discussions with the other regional managers this trend appears to be common throughout the Regions.

## MARKET CONDITIONS

The current market conditions are not the type of conditions that one would prefer to report. Unfortunately as the past year has progressed, market conditions have declined. Actual tender activity - especially in the lower Cidb grades - has been robust, but the actual award in tenders has been extremely disappointing. Tenders for the period October 2014 to August 2015 totalled 654 and a total amount of awards in the same period were 128.

Of concern is that the Nelson Mandela Bay Municipality, from whom many of our Port Elizabeth members rely on for work, have not advertised a civil engineering tender for the past four months.

Whether it is generally a lack of planning by clients who advertise tenders with contractors submitting their tenders only to find that the funds for the project are not available, or just the lack of urgency to award contracts – whichever the reason – the award of tenders is dismal.

As reported by our members, there is no noticeable improvement in the settlement of payment certificates by clients as per the conditions of contracts. This is illustrated by two notable examples:

1. Coega Development Corporation appear to have reverted to whatever means possible to delay payments – one of our members had to revert to court action to force this Client to settle large debts from numerous contracts on which our member was working.
2. We have been informed by our members that Amatola District Municipality has suddenly suspended approximately 22 of their current projects due to a lack of funds. The resultant effect on the civil engineering contractors and material suppliers involved in these projects is to say the least, catastrophic - as many of these companies will “close their doors”.

## STAKEHOLDER ENGAGEMENT

### Municipalities

Our efforts to have closer liaison with the two main Metro's in the Eastern Cape, the Nelson Mandela Bay Municipality and the Buffalo City Metropolitan Municipality remains an uphill battle. That said, following meetings with the CEO of the Nelson Mandela Bay Business Chamber and the Nelson Mandela Bay Municipality Municipal Manager, the commitment of liaison meetings with the Infrastructure & Engineering Department is now on track.

# Regional Report: Eastern Cape

Constructive engagement with the Buffalo City Metropolitan Municipality has proven to be a challenge, as movement of officials appears to be a regular occurrence. We have however kept communication channels open.

## **Eastern Cape Provincial Roads and Public Works Department**

This department has seen changes in personnel and communication is irregular.

## **Coega Development Corporation**

Liaison meetings have been held three times over the past year. These are most informative although only a small proportion of the projects in the near future relate to civil engineering construction work. The CDC organisation appears to have an ongoing serious cash flow problem which has therefore affected the advertising of tenders for new projects.

## **SANRAL**

Our bi-annual liaison meetings with this Client are both constructive and very informative. SANRAL present a detailed account of their current and proposed projects which is well received by our members involved in SANRAL contracts.

## **INDUSTRY ORGANISATIONS**

### **CESA**

Regular liaison meetings were held with CESA and the Joint Practices Committee during the year. These meetings are both informative and constructive. Unfortunately a common subject aired and discussed at both these meetings is the Nelson Mandela Bay Municipality's decline in the general operations of all construction related departments and the serious lack of informed technical staff required to man these departments.

### **Cidb**

Contact with the Cidb continues to be maintained through the Contractual Affairs Executive at our National Office. This assistance is much appreciated by our members.

## **National Treasury**

Our contact with National Treasury is ongoing. The rapid movement of officials within National Treasury makes for difficult liaison. Although we are not informed directly of the success in their efforts to follow up late and non-payment by Government and Quasi-Government organisations, our members do report that settlement of overdue payments is eventually made. We trust that our liaison with National Treasury has resulted in the settlement of these payments.

## **BRANCH ACTIVITIES AND HIGHLIGHTS**

Three regional branch meetings were held during the year. These meetings were all well attended by our members. Good participation - both informative and constructive - took place. The positive interaction with both Emerging and Full Members was of great benefit of all concerned.

Following two of these branch meetings, SHERQ meetings were held with good participation from many of our members. Rudolf Murray's (now Western Cape Regional Manager) participation in one of these meetings was appreciated.

Our AGM and cocktail party will be held in Port Elizabeth in the middle of September and we expect a good turnout at both events.

In November 2014 our annual golf day was held at the Fish River Sun and followed the success of past events at this venue. The golf and social post-golf activities attended by over 100 members, suppliers and guests was enjoyed by all.

The Eastern Cape regional golfing highlight of the year was the winning of the SAFCEC Annual Quadrangular Golf Competition for the first time in the history of the event. This was held in Gauteng and well organised by James Flint.



## GENERAL

It is of concern in these difficult times in our industry that the more established privately owned civil engineering companies have resigned their SAFCEC membership. Our new members are predominantly emerging members which is encouraging as they swell our transformation numbers, but unfortunately their fees fail to cover ongoing costs. We believe that this trend will remain and must be addressed going forward to look for a positive solution.

Our Regional Branch Chairman, Calvyn Ferreira of SJW Civils, has been a great asset to the Region. He has taken an active role in all branch matters despite his heavy work load in running his own company. This leadership is appreciated. Our member, John Skinner of

John Skinner Construction must be thanked for his time consuming representation of the Eastern Cape region in this year's wage negotiations.

Our Regional Administrator, Jane Murcott, is to be thanked for her efficient work in running the office and maintaining constant liaison with all our members.

# Regional Report: Western Cape

## Roz Messenger

(Until 31 May 2015 – succeeded by Rudolf Murray)

Regional Manager

## Rudolf Murray

Regional SHERQ Advisor

## Marion Matthews

Regional Administrator

## Theresa Cupido

Management Committee Chairperson

## Chris Escreet

Management Committee Vice-Chairperson

## REGIONAL MANCO STRUCTURE

The Western Cape ManCo is chaired by Theresa Cupido, whose term expires this year. The current vice-chairperson, Chris Escreet is to succeed Theresa. Chris' successor will be elected at the annual general meeting. Members include Mike Winfield; Martin Maree; Albie Laker; Jeremy Donnelly; Pierre Blaauw; and D.C. Geldenhuys.

## MEMBERSHIP

Retention of existing members and recruitment of new members are ongoing priorities of the Western Cape regional office. At the heart of member retention is the adherence to the SAFCEC promise of Quality Service, and to this avail the branch strives towards a 48-hour turnaround period regarding all queries and requests. We continuously liaise with members who have resigned their membership for various reasons, with the view to possible renewal. All leads and queries pertaining to potential new members are vigorously pursued, with the provision that standards of legal compliance and quality of workmanship, need to be maintained.

As part of the recruitment drive, non-members are regularly invited to workshops and seminars, thereby exposing them to the benefits of membership and the proactive role that SAFCEC fulfils in industry. The statistics indicate a loss of 5 members during the period under review, but also a gain of 17 new members, resulting in a nett growth of 12 Members, which represents 14% of the total.

CIDB Grade	Existing Members as at 30 June 2014	Member Resignations	New Members	Total Members
1CE	3	1	1	3
2CE	2	0	1	3
3CE	1	0	3	4
4CE	6	1	0	5
5CE	6	0	0	6
6CE	5	1	1	5
7CE	8	1	1	8
8CE	6	0	0	6
9CE	10	0	0	10
9GB	1	0	0	1
Associate	26	1	10	35
<b>TOTALS</b>	<b>74</b>	<b>5</b>	<b>17</b>	<b>86</b>

## MARKET CONDITIONS

As can be determined from the graph below, there has been growth in the number of tenders advertised in the region. Statistics further indicate that both City of Cape Town and Western Cape Government are doing well when it comes to the spending of budgets. Several large road infrastructure projects have been, or are in the process of being, rolled out.

The proposed further developments at Cape Town International Airport and Saldanha Harbour are eagerly awaited. There is also the hope that members could benefit from the latest round of approved renewable energy projects.

### Summary of Tenders for the Past 3 Years

	2014/15	2013/14	2012/13
Number of tenders	603	557	579
Approximate Value of tenders	R9.908bn	R8.046bn	R9.098bn



---

## CLIENT LIAISON

Strong and mutually beneficial relationships between SAFCEC and clients are crucial to SAFCEC fulfilling its role as spokesperson for civil engineering contractors. Meetings are frequently held with SANRAL; Western Cape Government and City of Cape Town, in order to discuss matters of mutual concern and to eliminate blockages. Contact has also been made with Eskom; ACSA and Transnet. As circumstances dictate, we would also liaise with other Clients such as local municipalities and other utilities. An example of this is the Lower Oliphant's River Water Users Association (LORWUA).

## INDUSTRY ORGANISATIONS

Over the past few years, lasting ties of friendship and mutual cooperation have been established with MBA Western Cape and MBA Boland. SAFCEC also forms part of the Construction Project hosted by Business Against Crime. This initiative has as its main purpose, the reduction of crime on construction sites and has had real and tangible successes, during the time that it has been operational.

## BRANCH ACTIVITIES AND HIGHLIGHTS

Hon. MEC for Roads and Storm Water, Donald Grant, was our speaker at the regional annual cocktail function in September 2014. The Annual Western Cape Golf Day was held in November 2014 at Stellenbosch Golf Club, with the winners being ATN Group. Going into 2015, we had our Annual Sports Day in March 2015. It was certainly not an unlucky Friday the 13th, as this event is going from strength to strength.

As a branch, we arranged a fitting farewell for Roz Messenger in May 2015. Roz retired as Regional Manager after 7 sterling years of diligent service.

The branch also hosted the SAFCEC National Council meeting in June 2015.

In a first for the Western Cape, the inaugural SHERQ Seminar was held on 5 and 6 August 2015. By all accounts, this was a huge success, with delegates confirming that they gained much value from the seminar.

During the period under review, the Regional SHERQ Advisor – Rudolf Murray – was kept busy with normal consultations with members; meetings and site visits and the like. A large amount of time was spent on instructing and assisting members and clients in regard to the SACPCMP registration process for HSE Practitioners and Construction Regulations 2014.

# Staff Members



**Webster Mfebe**  
Chief Executive Officer



**Frikkie Oosthuizen**  
Executive: Contractual Affairs  
and Support Services



**Pheli Mbambo**  
Executive: HR and  
Advisory Services



**Liselle Govender**  
Manager: Finance &  
Administration



**Steph Swanepoel**  
Manager: Marketing &  
Communications



**James Flint**  
National Advisor: SHERQ



**Xolisile Zondo**  
National Advisor:  
Transformation



**Dazerene du Plessis**  
National Advisor: ETD



**Amos Mtephe**  
Regional Manager:  
North Branch



**Peter Kendal**  
Regional Manager:  
KwaZulu Natal



**Dave McIntosh**  
Regional Manager:  
Eastern Cape



**Rudolf Murray**  
Regional Manager: Western  
Cape



**Marilyn August**  
Regional Advisor: SHERQ  
KwaZulu Natal



**Brenda Gogwana**  
Regional Administrator:  
North Branch



**Shamila Moodley**  
Regional Administrator:  
KwaZulu Natal



**Jane Murcott**  
Regional Administrator:  
Eastern Cape



**Marion Matthews**  
Regional Administrator:  
Western Cape



**Shantal Pillay**  
Administrator:  
Finance & Facilities



**Cleo Lentshwenyo**  
Administrator: Tender Bulletin



**Martha Gaeje**  
Executive PA to CEO



**Alice Zikalala**  
Receptionist



**Frida Mathabathe**  
General Assistant



**NATIONAL OFFICE &  
NORTHERN REGION**

12 Skeen Boulevard, Bedfordview, 2007 | PO Box 644, Bedfordview, 2008  
Tel. 011 409 0900 | Fax. 086 620 0777 | E-mail. info@safcec.org.za

[www.safcec.org.za](http://www.safcec.org.za)

**EASTERN CAPE**

39 Buffelsfontein Road, Mount Pleasant, Port Elizabeth  
Tel. 041 368 6367 | Fax. 041 368 6156 | E-mail. easterncape@safcec.org.za

**KWAZULU-NATAL**

40 Essex Terrace, Westville | PO Box 1485, Wandsbeck, 3636  
Tel. 031 266 0173 | Fax. 031 266 0981 | E-mail. kzn@safcec.org.za

**WESTERN CAPE**

5 Park Street, Durbanville, 7550 | PO Box 2742, Durbanville, 7550  
Tel. 021 976 8036 | Fax. 021 975 8059 | E-mail. westerncape@safcec.org.za