

Annual Report 2015/2016



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SAFCEC

#ReadyToDeliver

Strategic Corner Stones

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

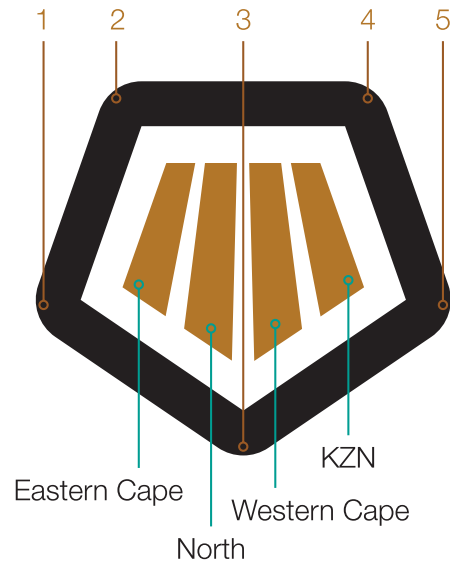
We promote a fair and equitable business environment in which our members can conduct their business in a credible manner.

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.



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.

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President's Report

“SAFCEC has the expertise, experience and thought leadership to engage all our stakeholders on unlocking the private sector balance sheet for public infrastructure investment.”

Investment Led Growth

South Africa's public purse is not sufficient to fully fund the immense infrastructure constraint on the economy and to deliver the non-negotiable imperatives of human development and economic inclusion of all South Africans into the main stream economy.

Private Sector investment into public infrastructure is part of the solution to our developmental needs and economic growth targets. Contractors who have the balance sheet can evolve from service providers to investors on projects where there is alignment on the pursuit of value for money, return on investment and project delivery efficiency.

Good projects don't chase money, money chases them. The challenge is to create and package public sector projects with the commercial architecture for private money to chase them. The goal is to package investable projects on the basis return on investment for investors while balancing and contractually securing the social value of the project.

- Profit Motive vs. Social Value: do not have to conflict
- Private sector balance sheets can be committed to projects with a reasonable expectation, adequate return and certainty of the fundamental project parameters over the life of the project.

A contractor can evolve from service provide to investor only in the context of an iterative versus linear procurement model, where contractor comes at the end. Co-investment necessitates codevelopment of a project for early phases.

SAFCEC has the expertise, experience and thought leadership to engage all our stakeholders on unlocking the private sector balance sheet for public infrastructure investment.

Business Confidence

The industry finds itself at a low point of business confidence. The volume of work in the market has decreased significantly, coupled with the challenge of low conversion rates between tenders advertised and actually awarded.



Thembinkosi Nzimande | SAFCEC President

The industry requires urgency on acceleration, certainty in packaging and bringing to market sufficient volume of projects. This leads to certainty of market opportunity, thereby improving business confidence for construction and materials manufacturing companies; resulting in capacity investments and balance sheet building.

Transformation

SAFCEC has lead from the front through challenging negotiations in the drafting of the new sector charter code. The professionals in the SAFCEC Transformation Committee and Charter Negotiation Team have demonstrated the immense capability and commitment that exists within SAFCEC through its members. The industry wishes to pass our gratitude to Ms. Ingrid Campbell and Mr. Charles Wright, for their immense efforts. Transformation is a challenge our members continue to pursue with the support and facilitation that SAFCEC provides. This is further demonstrated by the Voluntary Rebuilding Programme initiated by SAFCEC which will radically change the structure and makeup of the top competitors in our industry.

SAFCEC, through its members has at its disposal the best minds in the South African construction industry. We leverage this strength to deliver support and advisory services to our emerging members, clients and stakeholders.

I wish to thank our SAFCEC staff for yet another year of delivering services to our members and stakeholders, always striving to ensure that SAFCEC remains the industry body of choice. The executive team, comprising our CEO Mr. Webster Mfebe, Ms. Pheli Mbambo and Frederik Oosthuizen.

Through their leadership and service, they have demonstrated what can be achieved when an organization is well led.

I am privileged to have led SAFCEC, and wish to thank my Council and ManCo members for their continue support and contribution to making our industry great and always Ready to Deliver.

SAFCEC President

CEO's Overview

“What we can all hope for is the calibre of leadership that can propel the country into prosperity rather than into a political and economic quagmire as that would be tangential to all efforts aimed at emancipating the majority of South Africans from the tight grip of the tentacles of poverty, unemployment and inequality. And no business can thrive within a crisis-prone environment.”

Ready to Deliver

In my review last year, I highlighted the road we have traversed as a memberbased organisation since my appointment as a new CEO in January 2013. It was a reflection on the implementation of the turn-around strategy based on five pillars, namely:

- Fixing the fundamentals;
- Raising the bar;
- Creating a strategy-focussed organisation;
- Ensuring good financial health; and
- reating a new 10/10 SAFCEC Team member

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Although a lot was achieved then, the strategic turn-around pillars continued to be implemented in the year under review, resulting in, among other things, increasing our membership across all categories. For example, over the last 6 months of our financial year, ordinary member companies increased by 34 from 398 in December 2015 to 412 in June 2016, and associate members increased by 18 from 80 in December 2015 to 102 in June 2016. In the year under review we also changed our tagline from “**Quality Service**” to “**Ready to Deliver**” in congruence with our Mission, which is: “To promote 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”.

“**Ready to Deliver**”, therefore, epitomises SAFCEC member companies' abilities, to professionally deliver at any given time and as a go-to industry body for both the public and private sectors. As a seal of approval and assurance, SAFCEC has developed an on-line membership directory (established and emerging

contractors), who have what it takes to deliver on the clients' expectations. However, SAFCEC does not take responsibility for any breaches by its members as this a matter of a contractual relationship between parties (employer and contractor).

This review takes place against the current backdrop of shifting political and economic sands in our country with the ratings agencies watching like a hawk every move we make and opposition parties being emboldened by their political gains in the local government elections by chiselling away support from the ruling party, the ANC.

Although the new political landscape in local government is heralded as a maturity of our young democracy, it also begets uncertainty about the sustainability of the newly formed coalitions and strategic partnerships and their concomitant effect on policy cohesion and continuity.

What we can all hope for is the calibre of leadership that can propel the country into sustainable prosperity rather than into a political and economic quagmire as that would be tangential to all efforts aimed at emancipating the majority of South Africans from the tight grip of the tentacles of poverty, unemployment and inequality. And no business can thrive within a crisis prone environment.

Illustrated hereunder is my analysis of the calibre of undesirable and desirable leadership, basically contrasting dealership (self-interest = predatory kleptocratic leadership) with leadership (national interest = ethical leadership):

Right now, we do have a leadership crisis across the board in our country which is precipitated, in the main, by two types of viruses that create a particular syndrome. POP (protect own pap) virus + RSM (rock star mentality) virus = AHS (acquired human selfishness) syndrome. The combination of these two lethal viruses manifest themselves in self-aggrandisement, unmitigated greed and complete disregard for principles, values, truth and the plight of others.

Webster Mfebe | Chief Executive Officer



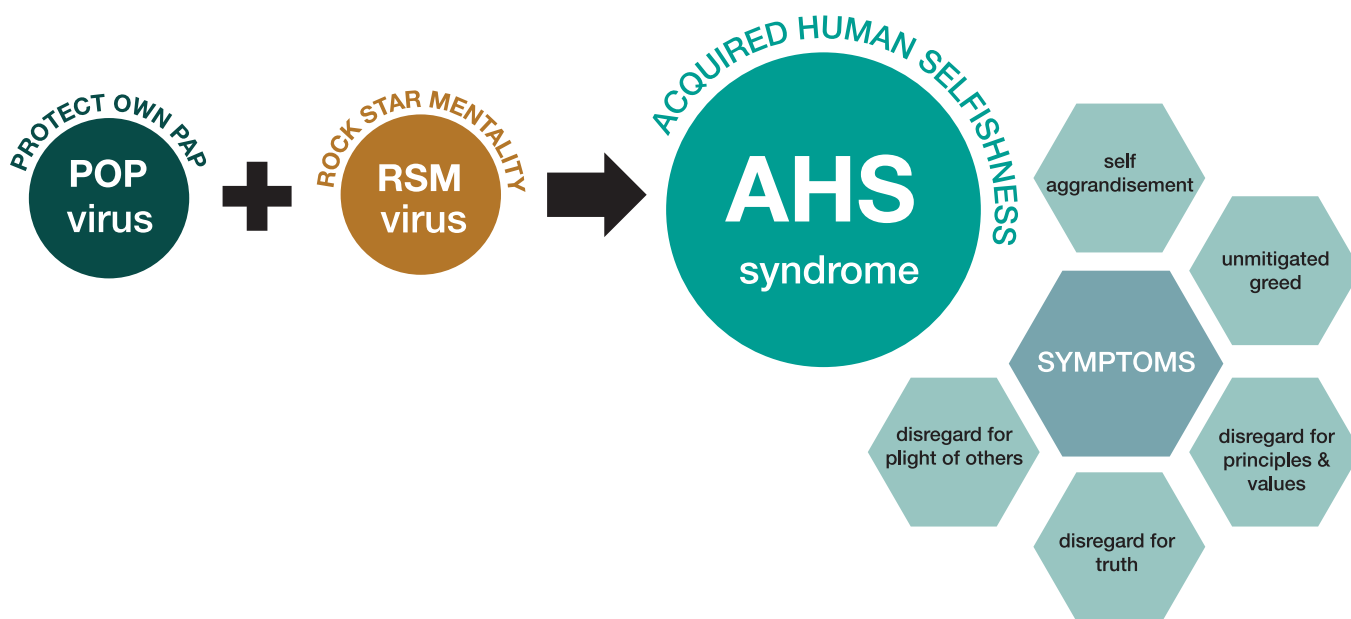
When this AHS syndrome, driven by predatory and kleptocratic tendencies, is inflicted upon a nation in socio-economic transition with the majority of people being destitute and in despair, it reverses every gain that has been made; it deflowers every garden that has been planted; it obliterates every hope that has been ignited. It has a great potential to literally marinate a nation in a quagmire of internal conflict and sends it into an economic and political downward spiral, which can only be reversed by **ethical leadership** possessive of honour, integrity, trust, deep empathy for the plight of others and an unadulterated pursuit of national interest. It also requires an active and vigilant citizenry that can stand united and declare: **“for the good of the country, we all say, YES; but for the bad of the country, we all say, NO; NOT in our name and NOT in our time”**.

From the national perspective, I think our industry in particular and business in general, should embrace and applaud an initiate by the Presidency together with

National Treasury, to engage social partners to find joint solutions to our country’s economic woes, thereby, among other things, averting further ratings downgrade. I should, however, hasten to caution that the sustainable success of such an initiative does not rest solely on the shoulders of its champions, but on the moderation of arrogance on the part of some public officials, who are responsible for various economic sectors, which is characterised by what I call “absentee leadership”, whereby the industry and its captains are made to beg for an audience and when such an audience is ultimately granted, they are treated with utter disdain and palpable mistrust. On the other hand, some in the private sector must stop their ill-conceived superiority complex of thinking that all public sector officials are just an ignorant and incompetent bunch, who don’t know what they are doing. Such a tit for tat stereotypical profiling represents an ill wind that blows anybody good.



CEO's Overview



General Economic Environment

Projected global growth continues to be revised downwards, and is now expected to increase by 3.1 percent in 2016 and 3.4 percent in 2017, however, prospects are uneven across the various countries and regions. A significant contributing factor is the IMF's less optimistic outlook on global growth, is the expected negative impact of Brexit. Had it not been for Brexit the IMF would probably have left its outlook for 2016 largely unchanged from initial projections. However the impact of Brexit is not expected to be too severe as forecasts are now based on the assumptions that uncertainty following the UK referendum would gradually wane, the EU and the UK would manage to avoid a large increase in economic barriers, and that the financial market fallout would be limited. The reality is however, that the full outcome of Brexit on the world economy remains to be seen, adding elements of economic and political stability. The slowdown in China's economic growth is expected to continue, slowing to 6.2 percent in 2017 (from 6.6 percent in 2015), while Brazil and Russia may just merge out of recession by 2017. India's growth is also expected to slow somewhat in the next two years, averaging 7.4 percent in 2016 and 2017, from 7.6 percent in 2015. The IMF expects South Africa's economy to barely avert a recession in 2016, growing by 0.1 percent, improving slightly to 1.0 percent in 2017. Thus as far as BRICS are concerned, all member economies (except perhaps to some extent India) are facing tough economic conditions in the next two years.

The domestic economy grew by an estimated 1.3 percent in 2015, from 1.4 percent in 2014, and is not expected to breach a growth rate of 0.5 percent in

2016. The economy contracted by 1.2 percent y-y during the first quarter of 2015 (seasonally adjusted annualised rate), largely due to a contraction in the mining and agriculture sector, as well as electricity and transport. Manufacturing sector recorded marginal growth of 0.6 percent, while growth in construction (on the production side), slowed to 0.5 percent year to year. The dismal performance in the economy is accompanied by an increase in the unemployment rate in the 1st quarter of 2016, to 26.7 percent, with a marginal to 26.6 percent in the second quarter. Further job losses were recorded in the service, agriculture, transport and mining sectors. South Africa is clearly not able to achieve the target set out in the National Development Plan (NDP) to increase the labour absorption rate to 61 percent, currently at a mere 42.5 percent. Business confidence remains well below the neutral level of 50 and dropped to a level of 32 in the 2nd quarter of 2016 from an average of 36 in the two previous quarters, clear evidence of the declining state of the South African economy.

Gross Fixed Capital Formation (GFCF)

Gross fixed capital formation (GFCF) contracted by 1.3 percent in the 1st quarter of 2016, following an increase of 2.5 percent in 2015. This includes investment in all asset classes such as construction, machinery, transport and equipment. The contraction was largely due to a 5.0 percent contraction in private sector investment accompanied by a slowdown in the annual growth of public corporations to 1.0 percent. Government expenditure on investment continued to increase by

double digit rates, but also slowed to 11 percent y-y in the 1st quarter of 2016. Growth is likely to be contained by financial constraints experienced by both public corporations and government departments, while the private sector is unlikely to increase investment alongside weak business confidence, a factor of poor economic growth, rising prices and growing political instability.

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 a cut down in government financial support from the fiscus. Business confidence, a pre-requisite to encourage stronger levels of private investment, has further deteriorated in the first six months of 2016, and is currently at a level of 32, the most depressed level since 2009. A level above 50 suggests that people are positive whereas a level below 50 suggests that people are feeling more pessimistic regarding business conditions in

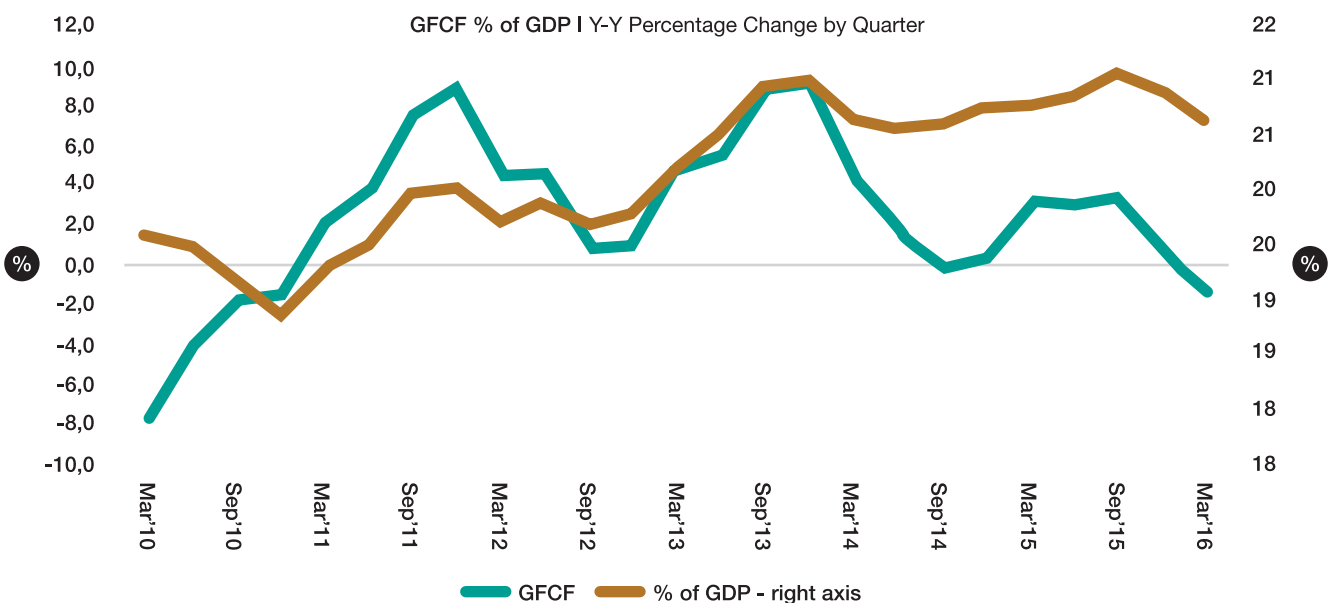
the country, and therefore less likely to invest or expand. Based on this, the outlook for private sector investment growth therefore remains fairly muted.

Overall GFCF's contribution slowed to 20.6 percent of GDP in the 1st quarter of 2016, from an average of 20.9 percent in the 2015. Latest available figures released by the Reserve Bank for the 1st quarter of 2016 reported a decrease of 1.3 percent yy in total investment.

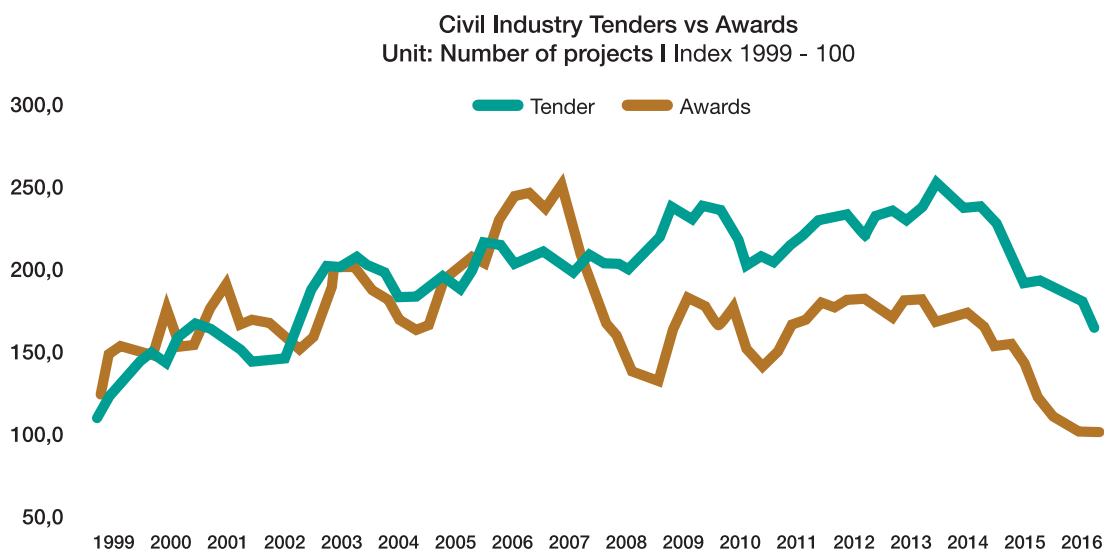
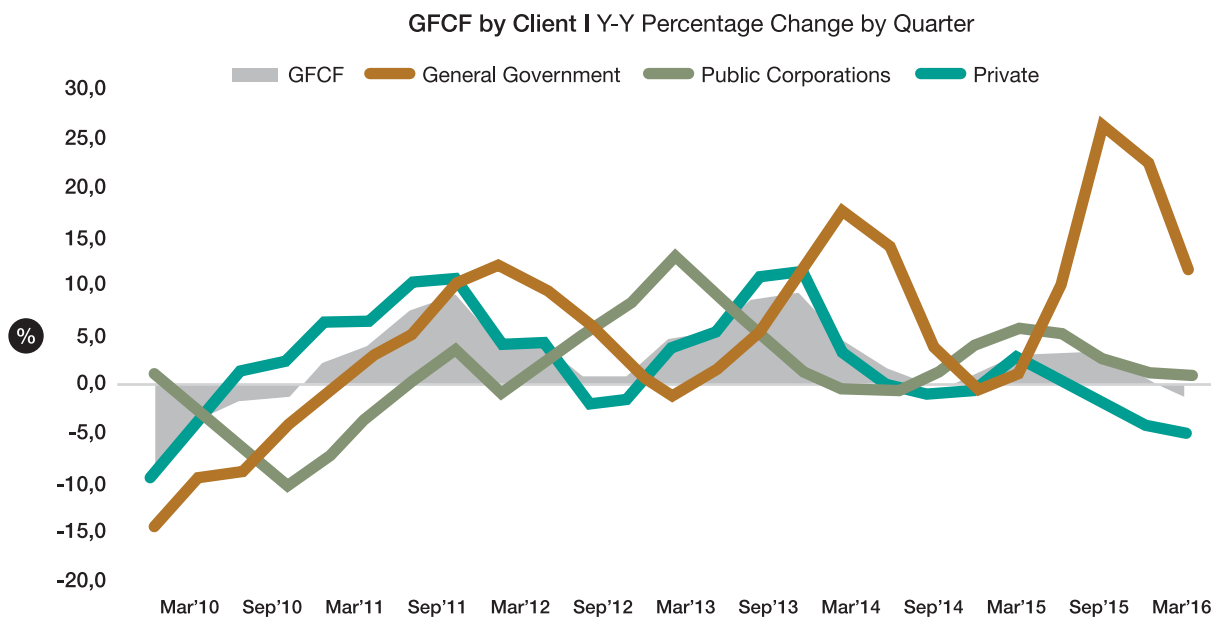
Investment by government slowed to an annual growth of 11.0 percent while less than 1 percent growth was reported by public corporations and a contraction of 5.1 percent y-y was reported for private sector investment.

Government investment on fixed capital assets (including assets such as machinery, equipment and construction) thereby represented 7.8 percent of GDP in the 1st quarter of 2016, against a target of 10 percent of GDP as stated in the National Development Plan.

Thus, in spite of South Africa's ttempts 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 and poverty.



CEO's Overview



Although tender activity has shown a gradual improvement since 1999, with a 141 percent increase over the last 16 years, growth has slowed by an average of -5 percent over the last three years. Tender activity has fallen by 37 percent by June 2016 since the peak in 2013, and has not as yet shown any meaningful recovery. During the first six months of 2016, a further contraction of 12 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 five years and after having contracted by 10 percent y-y in 2014, awards fell by

a staggering 38 percent in 2015. On the upside, there has been some improvement in award activity in the first six months of 2016, with a 14 percent y-y increase, mainly in the awarding of smaller to medium size road contracts. In line with a decrease in tender activity fewer projects were postponed during 2015, but since March 2016 there has been a concerning increase in project cancellations.

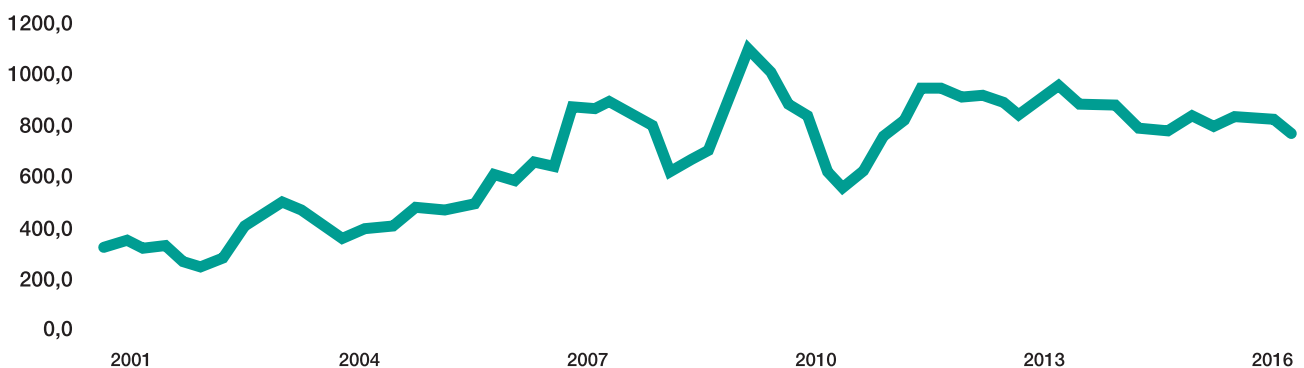
The nominal rand value of civil contracts awarded, an independent indicator that measures current civil construction activity, rose 10 percent y-y in 2015, following the 1 percent y-y decline in 2014, but this more positive trend has been reversed in the first six months of 2016, as the nominal value of awards fell by 7 percent y-y compared to the same period in 2015, as fewer higher value projects were awarded.

The weak environment in terms of awards is also reflected in the quarterly opinion surveys conducted by SAFCEC amongst its members. There has been some improvement amongst member firms regarding their opinions related to the awarding of contractors (mostly amongst medium and smaller size firms), with 54 percent stating that they were satisfied with conditions in the 2nd quarter 2016 survey, compared to the majority stating low levels in the 2015 surveys. Opinions related to tender activity however remain depressed with 75 percent stating levels were low in the 2nd quarter survey, relatively on par with conditions experienced in 2015.

profitability, ranging from 0.3 percent to 9.0 percent in their respective latest financial results.

Although the short-to-medium term outlook for civil industry turnover remains bleak, there has at least been some encouraging improvement in recent indicators suggesting that the recent decline in the industry has started to stabilize. Any indication of a “recovery” unfortunately remains elusive. Infrastructure allocations in the 2016/17 Budget presented by Minister of Finance, Mr. Pravin Gordhan, in February 2016, followed on the 2015 announcements that government needed to re-balance the economy, or face the ultimate consequence

Value of Civil Contracts Awarded | Rm, constant prices



Opinions by members regarding the collective state of their “two-year forward order book” was relatively unchanged since our review with less than 40 percent satisfied with the current state of affairs. The net percentage satisfied however improved to -17.8 percent, and although still negative (suggesting there are still more companies that are pessimistic compared to those that are more optimistic) it has improved from a level of -30.1 percent in the first quarter of 2015. Majority of the listed contractors reported an increase in order books (albeit marginally and influenced by factors other than strictly the civil engineering sector in South Africa), except for two companies.

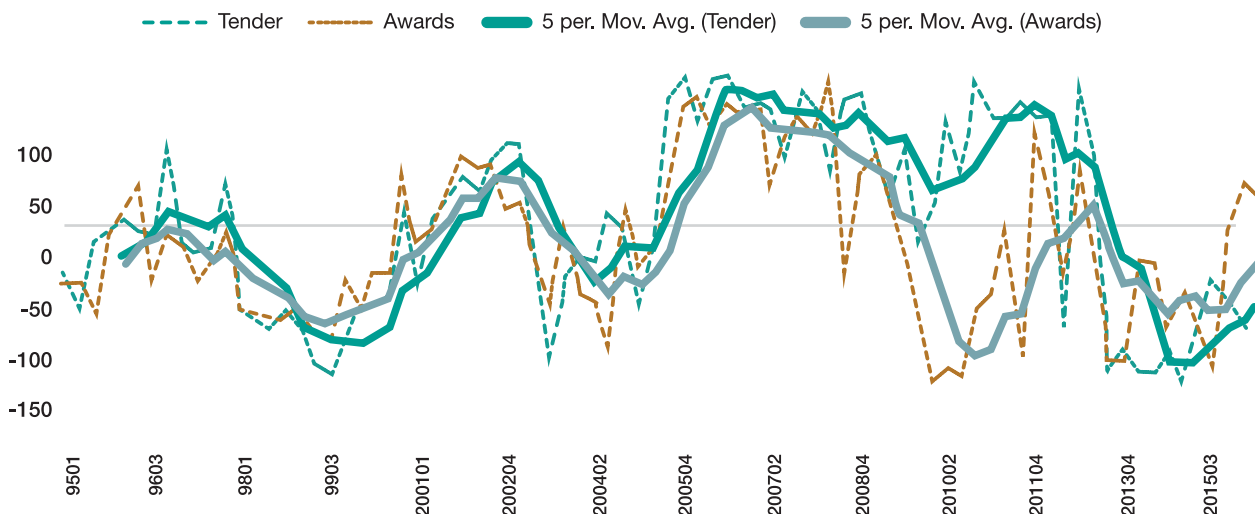
of a credit rating downgrade, due to ballooning current account deficit. Cutting back on infrastructure expenditure was unavoidable, although this too will have a damaging impact on the sustainability of the economy in the long run. Amidst reduced expenditure on infrastructure it is therefore critical for government to resolve poor spending patterns where allocated budgets are simply not spent due to mismanagement and/or corruption.

Opinions related to profitability improved in the first six months of 2016, a factor of the completion of loss making contracts, internal restructuring, shedding non-core assets and integrating and stream lining business functions as well as cutting overheads, to a positive net satisfaction rate of 26.7 percent in the 2nd quarter of 2016, compared to (negative) -53.6 percent in the same quarter in 2015. Over 60 percent of companies were satisfied with profitability in the last survey. Most of the listed companies managed to restore to some level of

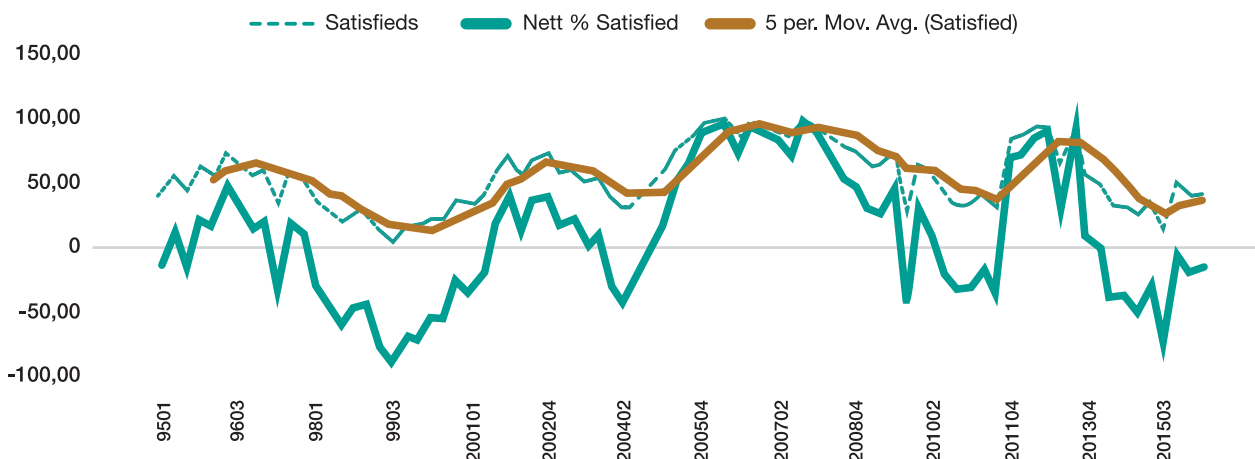
The civil industry is a major job creator in the sector, employing an estimated 100 000 people in the civil construction sector, significantly lower profitability, amid a particularly poor tendering environment poses a serious challenge to firms attempting to continue operating profitably alongside tough labour negotiations. Construction executives have warned of 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 two years and the industry may face further job cuts as difficult conditions are expected to remain over the medium term. The major job creators in the industry,

CEO's Overview

Confidence Indices: Tenders and Awards (% Satisfied)



State of Orderbooks



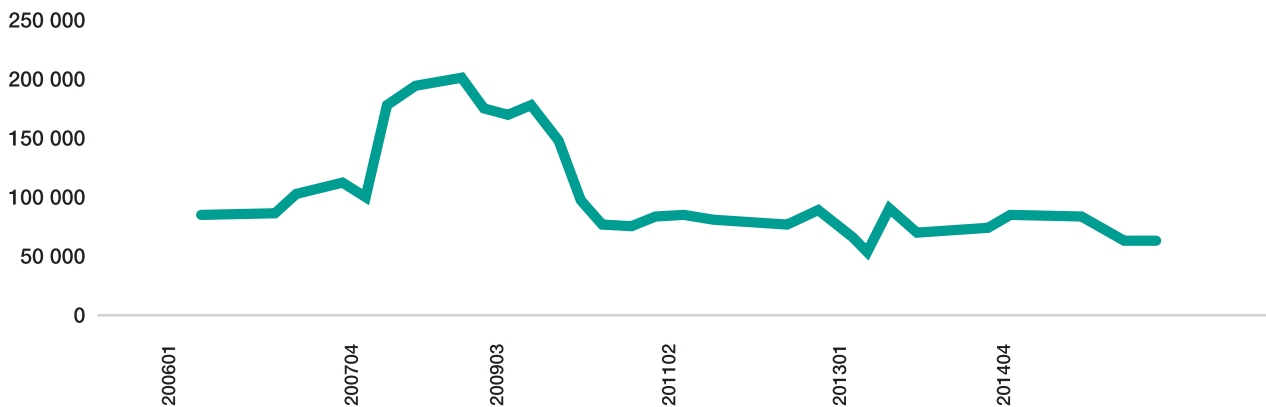
will shortly no longer be the listed companies, but job creation will have to be more focused on the medium size firms. The boom leading up to 2008/09 is unlikely to return, considering the structural changes that have taken place, including China's shift from an investment to consumption led economy, creating a new norm globally to which many countries including South Africa will have to adapt. The dilemma the industry faces is that with the build up to the 2008/09 boom, lack of skills and resources resulted in extensive investment to raise capacity levels, now much of which is being underutilised. Late payments were also reported to have increased more robustly in the 1st quarter of 2016, and now represent 22 percent of total turnover in the industry (compared to between 15 and 17 percent in 2015), with no real legislative progress in terms of the Prompt Payment Regulations, issued by the CIDB for public comment in July 2015. According to the CIDB, the Prompt Payment Regulations have regrettably been

delayed as the CIDB may face a possible constitutionality conflict should the regulations be published in its current form, as the Act / mandate does not explicitly make reference to issues of payment. The Office of the Chief State Law Advisor has advised accordingly in this regard. The CIDB is awaiting a ruling by the National Department of Public Works regarding the way forward.

Late payments are considered 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.

An analysis of the listed companies showed a diverse set of results, with some companies outperforming the industry trend, delivering relatively successful results, amidst a difficult trading and operating environment in the construction sector.

SAFCEC Quarterly Employment Trend



Most of these companies were able to diversify from the more beleaguered civil construction sector to a more buoyant recovery in the housing and commercial building sectors.

The following chart is a summary of the market capitalization value of contractors listed on the JSE, compared to the overall industrial index. Each contractor's weighting in this index is shown in the accompanying table, with WBHO carrying the highest weighting of 29.7 percent.

Over the last 12 months, the listed contractors total market capitalization has grown by approximately 11 percent. The aggregated contractors' index outperformed the overall industrials index (the sector within which the contractors fall), over the last 4-5 months, providing some relief following the negative trajectory in market capitalization over the last three years.

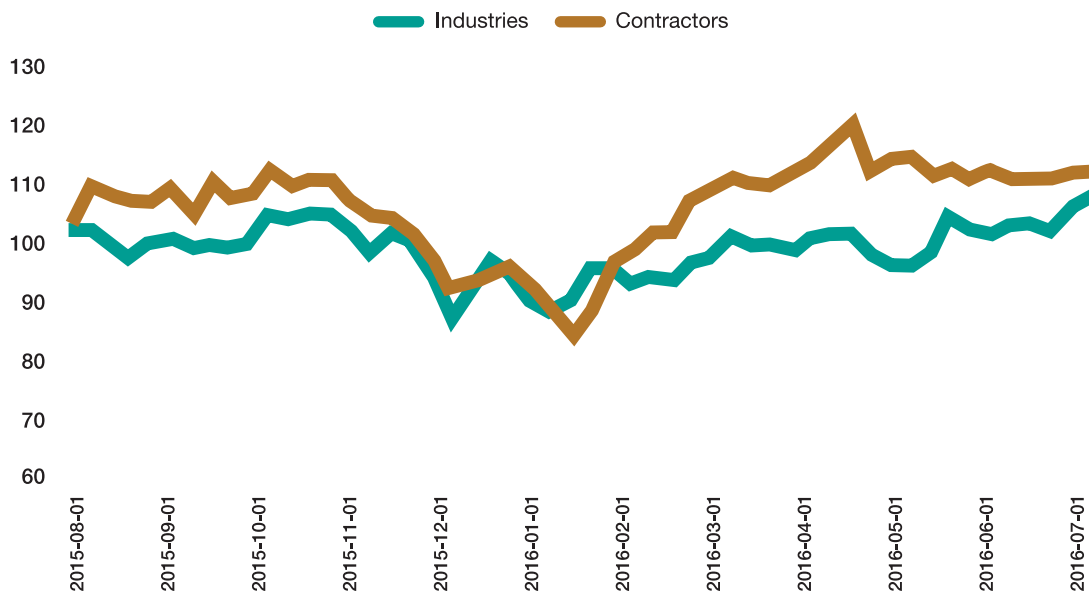
Although several companies including Aveng, Murray and Roberts, and Basil Read experienced a free fall of share prices over the last three year period, there has been a greater level of price stability over the last 12 months, evident that the industry may have reached its lower turning point. Amidst difficult trading conditions Raubex nonetheless recorded the strongest increase in revenue, up 9.4 percent with a higher than average profit margin.

Due to a scarcity of work in the domestic construction sector, an increasing number of firms are looking to expand into Africa and elsewhere. Lack of information makes it difficult to isolate the impact of operations in Africa. However as noted previously 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.

The NDP requires economic growth in excess of 5 percent to achieve its targets with regards to employment, and poverty alleviation. Compared to average growth in Sub-Saharan Africa, this may not seem too unrealistic, but South Africa has consistently underperformed Sub-Saharan countries, and is unlikely to achieve growth in excess of 2 percent in the next three to five years. The looming credit rating downgrade, higher inflation combined with a tightening of monetary policy is likely to put an even more prolonged damper on economic growth. Nonetheless, infrastructure expenditure is seen as a catalyst by many countries, faced by similar poor economic fundamentals, to encourage job creation and foster stronger economic growth. The difference between South Africa and many African counterparts are that South Africa aims to rely solely on either State owned enterprises or its own fiscal coffers to finance much needed and critical economic infrastructure. There are several other operational challenges facing the construction industry, including the issue of late or delayed payments, delays in awarding of contracts, under spending of budgetary allocations, project fragmentation, inadequate training programmes to improve the skills basis, and general lower levels of productivity in the industry. From a legislative aspect the industry is further challenged by lack of localisation of locally produced materials, lack of clarity (and recent amendments) to the BBBEE scorecard that has let the construction industry unfairly disadvantaged in public procurement practices. Delays in finalising past issues related to the Competitions Commission findings against

CEO's Overview

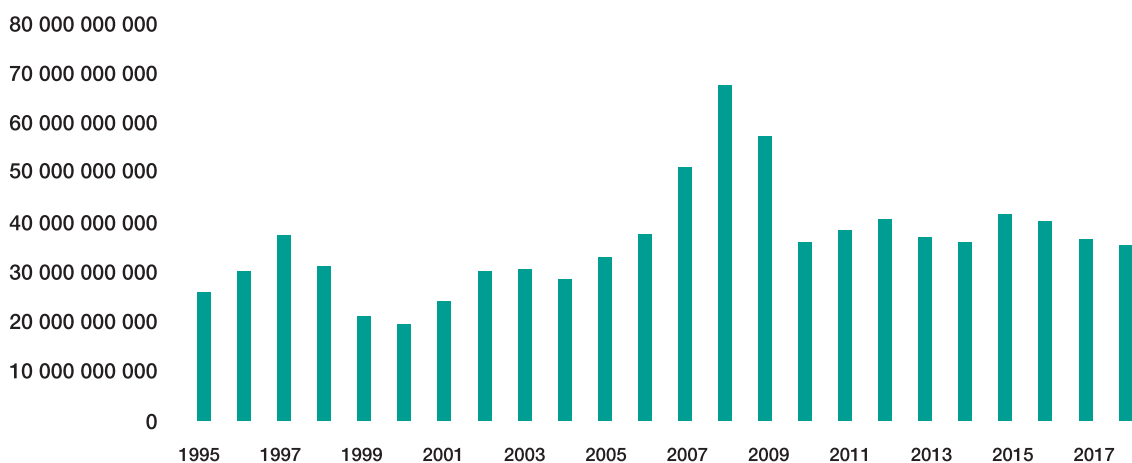


certain industry players in the 2008/09 build up to the Soccer World Cup, is also damaging to the industry's profile.

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. Solutions on how to deal with the current environment are broad based, and some are easier to implement than others (while some require a longer lead time): strong partnerships between small, medium and larger contractor; combating corruption particularly in the awarding of contracts to contractors that are either not registered on the CIDB contractors registrar, or are not at the stipulated grading level; and fast tracking the

Contractors index weighting	
WBHO	29,7%
M&R	22,7%
Raubex	14,5%
Calgro	11,3%
Group 5	10,1%
Aveng	6,7%
Stef Stocks	3,0%
Basil Rd	1,4%
Esor	0,5%

Turnover Civil Industry (2012 prices) | 1995 - 2018

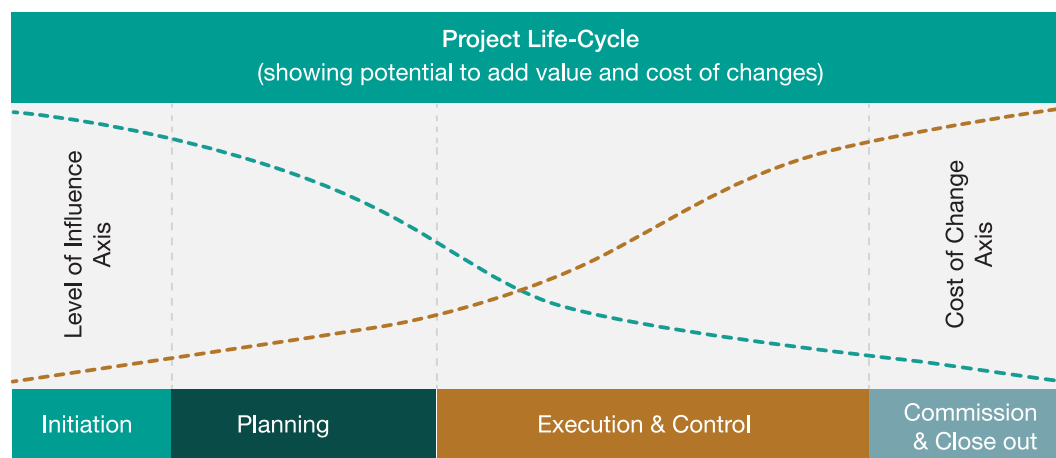


promulgation of legislation around prompt payment regulations, are but a few, practical and implementable solutions that can support the industry through these more difficult times. But of cardinal importance are issues around understanding the project pipeline and improved planning and project implementation by increasing early contractor involvement by encouraging a more collaborative approach between the employer, designer and contractor to ensure, among other things that, projects don't come to market prematurely, with

a scope poorly defined with the concomitant problems of high cost variations during implementation phase as it is much better to influence changes at the very begin of the planned project as the rationale of this approach as best illustrated by the graph below: These figures illustrate that contrary to popular belief that construction companies are making huge profits, ours is a very low profit margin and high risk industry. For almost a decade now, there has been a muted single digit growth in the industry.

State of the Organisation: Membership

Rationale for Early Contractor Involvement



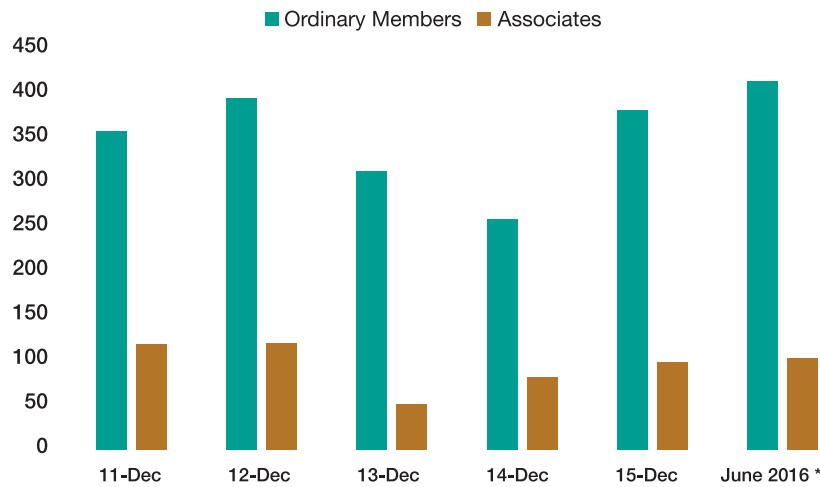
Profit after tax ratio of listed construction companies' vs other industries

Profit after Tax (%)									
Construction Companies	2016	2015	2014	2013	2012	2011	2010	2009	2008
Aveng	-0.2%	-1.2%	-0.7%	0.9%	1.3%	3.4%	5.5%	6.2%	7.8%
Basil Read	2.7%	3.5%	-9.9%	1.6%	-3.6%	1.6%	4.7%	5.8%	6.1%
Group Five	3.3%	2.0%	2.9%	3.0%	2.5%	5.0%	3.0%	4.6%	4.8%
Murray & Roberts	3.5%	3.4%	2.7%	2.9%	-2.0%	-3.5%	3.6%	6.6%	7.4%
Raubex	5.9%	5.9%	6.0%	5.7%	6.8%	9.8%	12.9%	12.7%	13.8%
Steffenutti	2.7%	2.5%	1.7%	-1.8%	3.3%	4.8%	5.3%	5.1%	5.7%
WBHO	2.5%	1.7%	3.0%	2.8%	4.0%	5.3%	6.8%	6.5%	7.1%
Average	2.9%	2.5%	0.8%	2.2%	1.8%	3.8%	6.0%	6.8%	7.5%
Other Industries	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tiger Brands	10.6%	10.9%	6.2%	8.9%	12.1%	12.6%	11.3%	12.4%	9.1%
MTN	-7.9%	16.0%	25.7%	22.5%	19.7%	19.5%	14.7%	15.3%	16.7%
SAB	14.7%	16.1%	16.4%	15.0%	20.6%	13.2%	11.5%	11.5%	10.7%
Standard Bank									
Sasol	17.2%	16.8%	15.0%	16.0%	15.2%	14.2%	13.4%	10.0%	18.8%
BHP Billiton	-20.1%	9.8%	26.3%	26.2%	23.6%	33.4%	24.6%	12.6%	26.8%
Kumba	21.5%	2.0%	29.7%	37.3%	36.2%	45.9%	47.3%	37.6%	42.5%
PPC	7.8%	7.2%	9.4%	11.2%	11.5%	12.7%	16.3%	16.6%	24.0%
Average	6.3%	11.3%	18.4%	19.6%	19.9%	21.6%	19.9%	16.6%	21.2%

*Interim results used for Basil Read, WBHO, Tiger BRands, MYN, Sasol, Kumba and PPC

CEO's Overview

Turnover Civil Industry (2012 prices) | 1995 - 2018



	'11 Dec	'12 Dec	'13 Dec	'14 Dec	'15 Dec	June 2016*
Ordinary Members	356	392	310	258	378	412
Associates	117	118	53	80	98	102

Full membership statistics reported 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 2016

The above figures demonstrate an increase in our membership across all categories. For example, over the last 6 months of our financial year, ordinary member companies increased by 34 from 398 in December 2015 to 412 in June 2016, and associate members increased by 18 from 80 in December 2015 to 102 in June 2016. This is due, in the main, to the continuous and concerted effort of implementing the *membership drive strategy, with its two key pillars of recruitment and retention*, notwithstanding the fact that we lost some members for a variety of reasons, chief amongst them being the lack of work due to the slow rollout of public sector infrastructure projects, some of which get arbitrarily cancelled at award stage after contractors have incurred huge bid preparation costs. 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 as was the case in the previous year. 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. I wish to reiterate what I said last year that, you can't 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.

State of the Organisation: Governance

The SAFCEC ISO 9001 Quality Management system successfully withstood its first surveillance audit.. Successful management review meetings during the year under review have seen the organisation review and revise our quality objectives to ensure relevance. Although negligible, initial business benefits are starting to be experienced within the organisation

from the quality management system. The organisation will commence with aligning to the new standard in the upcoming financial year in order to maintain certification.

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. Although revenue has steadily improved due to the strategy implementation, 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, instead we can even consider reducing fees if the alternatives prove to be solid and sustainable. Whilst we are looking at approaching other strategic stakeholder in this regard, our decades long relationship with PPC in terms of sponsoring all our major events is being taken to a new level, on a pilot basis, whereby we encourage our member organisations to increase their consumption of cement tonnage so as to augment SAFCEC's income, whilst at the same time we are looking at similar arrangements with all cement companies.

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

Within the context of our organisational values, 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, and
- Results-oriented.

State of the organisation: transformation at industry level After protracted negotiations, the construction sector codes have now been agreed to by the established and emerging sector and subsequently submitted to the minister of trade and industry for gazetting. All our members and industry players in general are encouraged to regard the transformation targets contained therein as minimums to be surpassed rather than maximums to be reached and that will have the effect of a totally inclusive and transformed industry within a short space of time, with enormous benefits to the bottom-line of all companies involved.

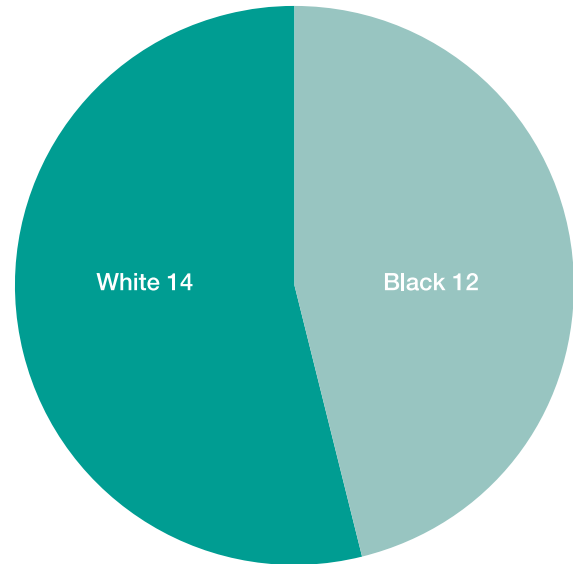
After almost three years of delicate negotiations, the Voluntary Rebuilding Programme (VRP) is gaining momentum with the eminent historic signing of the agreement between the South African Government and the seven listed construction companies, acting under the auspices of SAFCEC. The VRP represents an historic, unprecedented and profound initiative to propel the construction industry into developmental, transformational and growth trajectory for the benefit of both established and emerging contractors.

CEO's Overview

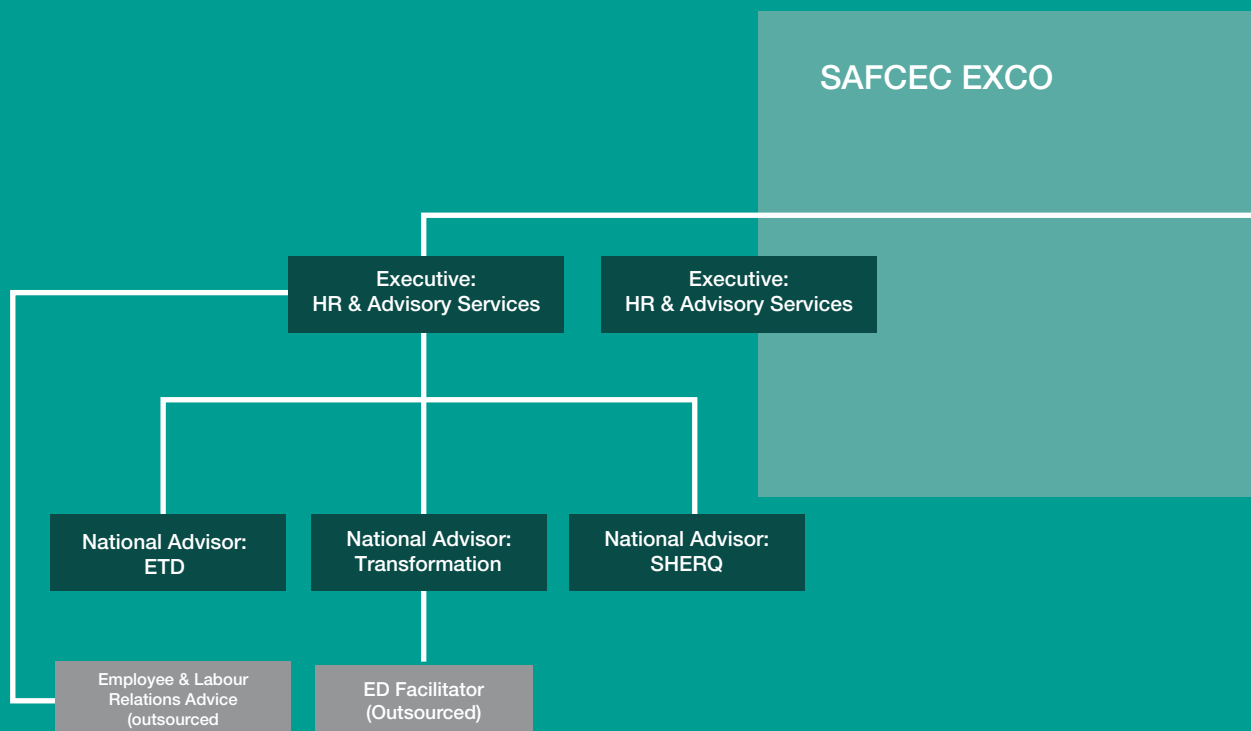
State of the Organisation: Transformation at Organisational Level

Council Demographics

	Totals	Male	Female	White	Africa	Coloured	Indian
Elected Members	12	11	1	10	2	0	0
Co-opted Members	5	2	3	1	4	0	0
Regional Chairpersons	4	3	1	3	1	0	0
Regional Emerging Member	4	2	2	0	4	0	0
Ex Officio Memebr	1	1			1		
	26						

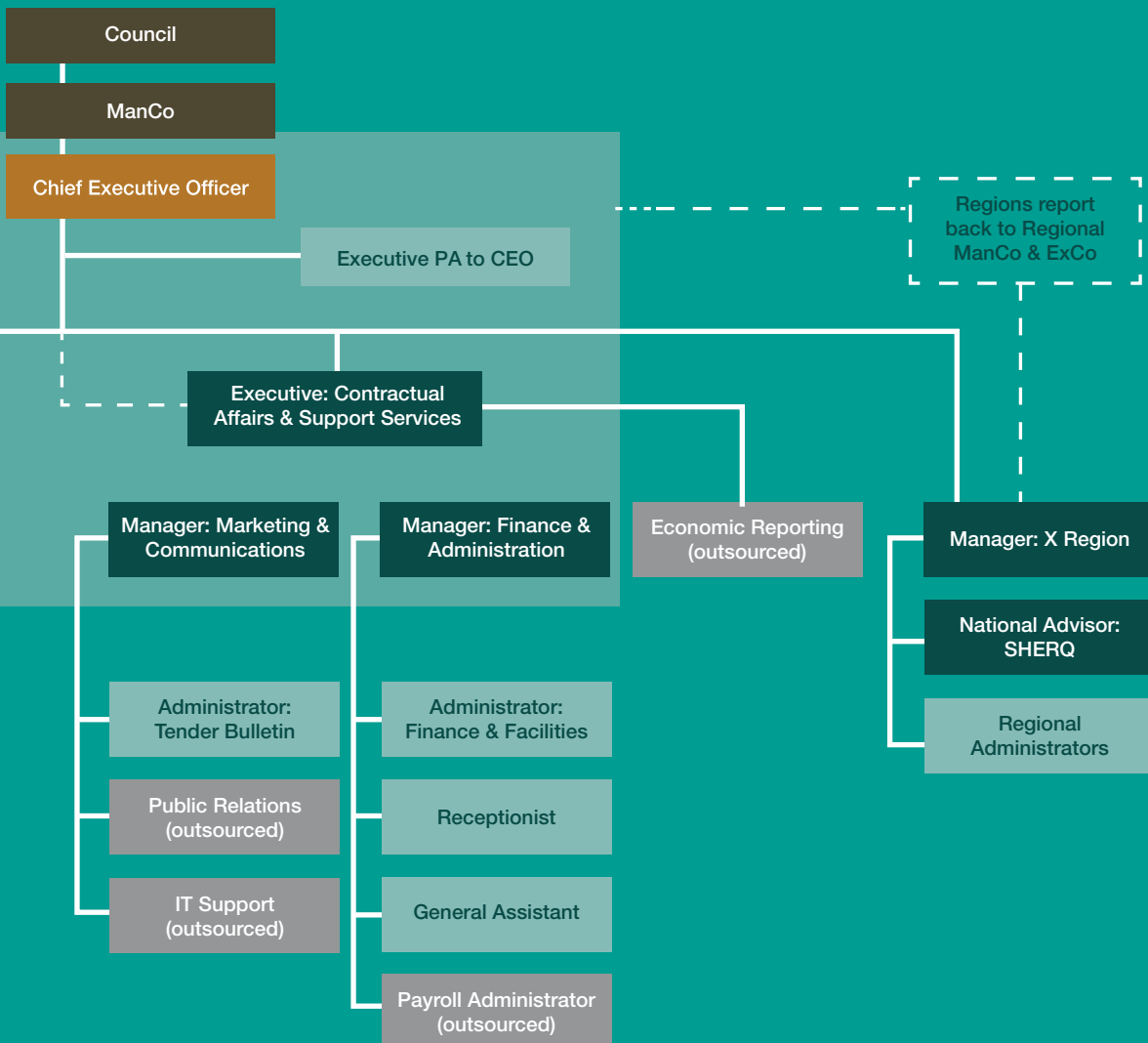
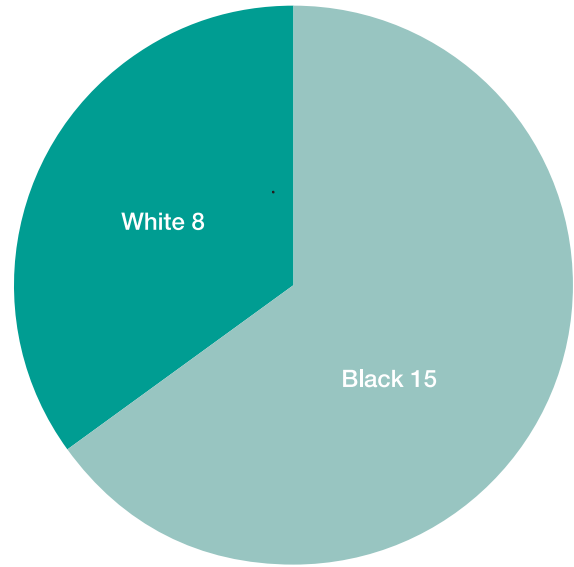


Organisational Structure



Council Demographics

Gender	White	Coloured	African	Indian	TOTAL
Females	3	4	7	2	16
Males	5	0	2	0	7
					23



Contractual Affairs & Support Services

Executive Contractual Affairs and Support Services:

Frikkie Oosthuizen

Contractual Affairs Committee Chairperson: Steve Ryninks

Economic Affairs Committee Chairperson: vacant

Highlights and Milestones

This year, both the Contractual and Economic Affairs Committees continued to meet regularly and discuss topics relevant to the civil engineering industry. The SAFCEC economic survey that is undertaken on a quarterly basis, continues to form an integral part of the function within the Economic Affairs Committee. It is with regret that we announce the resignation of Neil Cloete of Liviero from the committee. Neil has been the pillar of the committee during the past four years and recently held the position of chairperson.

Nevertheless, the Economic Affairs Committee oversaw the publication of the State of the Industry Report for the first three-quarters of the year, as well as a synopsis for the fourth quarter, providing overall feedback to members on important aspects impating upon civil engineering contracting. The State of the Industry Report is also provided to Government, relevant stakeholders and other interested parties to make them aware of issues faced by the civil engineering industry. The success of this report is mainly due to the continued support and participation of members. Data is collected internally, but analysed and interpreted by an external market intelligence provider, Industry Insight, who we thank for their services.

The Contractual Affairs Committee, over the past year, dealt with a number of important developments in the industry. The latest version of the General Conditions of Contract (GCC, 3rd edition 2015) was approved by the CIDB, and issued under the auspices of the South African Institution of Civil Engineering (SAICE). SAFCEC played a fundamental role in the production of the latest version of the GCC, bringing about a more balanced, standard form of construction contract. For example, a contractor is now able to suspend works as a result of an employer failing to pay on time. A number of workshops and presentations on the new GCC were undertaken in all regions of SAFCEC.

Another significant development was the issuance by National Treasury of the Standard for Infrastructure Procurement and Delivery Management (SIPDM). This new standard for managing the development and

construction of infrastructure projects in South Africa became effective on 1 July 2016 for all organs of state. Municipalities are due to implement the standard in 2017. The purpose of this standard is to distinguish between the supply chain management of general goods and services, and that of infrastructure and construction projects.

A significant aspect of the SIPDM is that only registered professionals in the built environment will be allowed to administer construction contracts with respect to planning and construction activities in the public space. The construction industry as a whole, owners and contractors alike, will find this requirement beneficial as professional built environment administrators have an advanced understanding of the nature and peculiarities of construction activities as compared to typical supply chain managers. No longer will construction language be lost in translation, as issues related to payment certificates, variations and claims will be properly dealt with.

Contractual Affairs also continued to provide assistance and support to members on a number of related construction and contractual issues. Contract Price Adjustment Provisions (CPAP) and its indices being at the core of further investigations and analysis. Members were assisted with queries with the CIDB, and other State entities which included payment related delays. Problems related to the old and new B-BBEE scorecards were also addressed through meaningful interactions with relevant state institutions.

Stakeholder Participation

Stakeholder information and management remain key components for a successful and thriving SAFCEC. The National Register of Stakeholders is updated on a monthly basis and underpins any reference to stakeholders including planning and followup requirements.

SAFCEC made significant contributions to a number of important aspects governing the civil engineering industry. The most significant of these being the new PPPFA Regulations proposed in Government Gazette 40067, dated 14 June 2016. SAFCEC members were actively involved through their valuable contributions to the document. This resulted in a substantial submission document that correctly emphasised the transformational goals required for the construction industry in South Africa.



Contractual Affairs & Support Services

Interactions with stakeholders took place at regular intervals with NECSA, SANRAL and ECSA. NECSA provided well-founded arguments for continuing to develop nuclear energy as the better alternative to provide for electricity needs of South Africa. Good relations with SANRAL, who is considered an important stakeholder will be further developed and broadened. SAFCEC will continue to pursue recognition by ECSA through full participation and support of the development of engineers, particularly civil engineers.

Impacts of proposed new legislation on the construction industry

Amendment of Regulations issued in terms of the Construction Industry Development Board Act (Act No. 38 of 2000)

The amendments of the above-captioned Act include the addition of two new parts for (1) prompt payment provisions, and (2) adjudication. Part IV B is added to regulate the requirement for payments in the construction industry to be made in 30 days. The proposed provisions have two prominent features; the introduction of automated interest on invoices not paid within the 30-day period, and the “pay when paid” principle being banned.

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 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) 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 Industry Development Regulations, issued in terms of this Act, define 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, equipment and 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 makes corruption and related activities an offence and 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 gives 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 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 and tax clearance certificates

The Municipal Finance Management Act (MFMA) of 2003

This 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 and the delegation of municipal supply chain management powers and duties including to officials.

The Public Protector Act of 1994 (Act No. 23 of 1994)

The Constitution provides for the establishment of the office of the 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

National Transformation Advisor: Xolisile Zondo
National Committee Chairperson: Charles Wright

Alignment Process of the 2009 Construction Sector Code to Amended B-BBEE Generic Codes of Good Practice

SAFCEC is represented by Ingrid Campbell from WBHO and Charles Wright from Steffanutti Stocks in the negotiations to align the Construction Sector Code to the amended 2013 B-BBEE Codes of Good Practice.

The consultations on the process of alignment were expected to resume on the 20th to the 24th of July 2015 in order to finalise the negotiations, after having deadlocked in the beginning of July. However, no agreements were reached and the process deadlocked again mainly on Ownership targets and the Skills Development targets for the sector, which have always been contentious.

In an effort to bring all parties together to continue with the negotiation process, there was an extraordinary meeting planned for September. The meeting took place as planned; however, no tangible results were achieved in this meeting as some partners in the negotiation process were not in attendance.

In an effort to continue and finalise the alignment process, on the week of 8th February, the established contractors submitted a document to the Chairperson of the Construction Sector Charter Council (CSCC) for consideration by the emerging contractors in terms of aligning the Sector Code to the Amended Generic Codes.

On the 17th February 2016, the dti gazetted a Repeal Notice of the Construction Sector Code as there was no submission to the dti by the industry. The repeal meant that the Construction Code no longer exists and the Generic Codes were applicable.

This is a challenge for SAFCEC members and other contractors in the economy whose B-BBEE certificates were near expiration, as this meant that the verification would be based on the revised Generic Codes. The immediate application of the revised Codes would disadvantage other contractors when doing business in the economy as their overall scores would have a major shift towards non-compliant levels.

In March 2016, the Minister of Public Works, Thulas Nxesi, convened a high level meeting of construction industry captains and principals and urged them to find an urgent way forward in the finalisation of the gazette of the Construction Sector Code.

The CSCC then brought in a team of negotiators, Chris Jiyane – a director of Franki Africa, Mike Wylie – chairman of WBHO, and Nazir Ali as Lead Negotiator, to unlock the deadlock and sort out the disagreements. This mediation brought about a breakthrough in a very short time, bringing an end to a very long process of negotiations and deadlocks since 2014 when the alignment process began.

The process of finalising the draft Construction Sector Code was completed at the end of May and was tabled before a full Council of the CSCC where it was approved for submission to the Minister of the Department of Trade Industry (the dti) who will then gazette it for the public commentary.

The CSCC made a request to the dti to consider a shorter gazette period of 30 days, so that the final gazette of a new Construction Sector Code is finalised before the end 2016, to finally bring an end to all the confusion and uncertainty on matters of transformation compliance in the construction industry.

The new Construction Sector Code to be gazetted will not have a transitional period when the new Code becomes applicable. This means that the new Code will be applicable as from the day of the final gazette by the Department of Trade and Industry after the public commentary.

Enterprise Development Facilitation Programme

The concept of the Enterprise Development Facilitation Programme was developed by SAFCEC for its members who are established contractors. SAFCEC plays a facilitator role by providing a platform for sustainable enterprise development initiatives between established contractors and emerging contractor beneficiaries.

Ms Sylvie Blinkhorn, from Oregon Services, facilitates the ED Programme which currently serves 4 established contractors and 13 enterprise development beneficiaries.

The table below shows established contractors and their beneficiaries currently using the SAFCEC ED model.

Established Contractor	ED Beneficiaries
ASLA (Pty) Ltd.	ATN Group
	Inter Coastal Civils
	Saclawa
King Civil	Lettam Building & Civils
	Ludonga Construction
Group 5 (KZN)	Umsimbithi
	Pan African Development
	Dweba
	Morecare
	Jambo Construction
Basil Read	Mamokete Project
	Triple E Construction
	Medja Construction

SAFCEC Diamond Academy

The SAFCEC Diamond Academy was held over a number of Saturdays in May 2016. The programme was attended by twelve participants, comprising both owners and employees of emerging construction companies. Programmes and presentations, are all presented by SAFCEC members. Subjects facilitated include

- Human Resources
- GCC 2015 & CPA
- Introduction to a Construction Business (Profit, Overheads and P&G's)
- Health & Safety:
 - Construction regulations
 - H&S plan
 - Protective clothing
- Tendering:
 - Tender documents
 - Pricing
 - Suppliers
 - Labour cost
 - P&G's
- Contracts & Commercial Issues
 - Contract documents
 - Types of contracts
 - Contractual claims
- Project Execution & Control
- Business Skills

Construction Cares Fund

The Construction Cares Fund was re-established in 2016 after being dormant since June 2012. The first meeting was held on 7 March 2016 with the following four fund trustees being nominated:

Craig Werner – Aveng Grinaker LTA

Jennifer Becker – Bophelong Construction

Charles Wright – Steffanutti Stocks

Xolisile Zondo – SAFCEC (administrative trustee)

Charles Wright, of Steffanutti Stocks, was nominated as the Chairperson of the Fund.

Lodgement for the change of trustees to those named above has been submitted to the office of the Master of the High Court in Johannesburg, however, the process has yet to be finalised.

Unaudited financial statements are available for the Fund for the 2011/2012 financial year however this is the last record of the Fund's finances. The trustees have identified the Fund's finances as their current main objective.



Education, Training & Development

National Advisor: Dazerene Du Plessis

Chairperson: Robert Simelane

Training

The National Training Committee (NTC) recently reassessed our contribution and value added to SAFCEC members and the industry. The training space within the construction industry is constantly changing. SAFCEC's NTC are committed to adapting and aligning our objectives accordingly. NTC team members are committed and ready to make a difference in the skills development arena.

Quality Council for Trades and Occupations (QCTO)

This year we focused our efforts on developing the curriculum for the three identified qualifications registered with the QCTO. Qualifications were structured in a way so as to offer delegates different exit points. The agreed part qualifications are as follows:

Roads constructor:

- Earthworks and layerworks hand
- Surfacing hand
- Road drainage hand
- Road maintenance hand
- Road marking hand
- Road signage hand
- Kerb layer

Structures constructor:

- Construction hand
- Concrete hand
- Shutter hand
- Reinforcing hand

Services constructor:

- Sewer pipe layer
- Stormwater pipe layer
- Water pipe layer
- Kerb layer

The Community of Experts (CEP) worked hard at completing the information to be included in the modules identified for each qualification. We have facilitated various workshops in order to receive meaningful input from industry. Drafts of the proposed modules and curriculum were circulated to industry for comment. The final draft was completed and submitted on 30 June 2016. The

next step is for the QCTO to circulate the qualifications for public comment and have them registered. We envisage this process to be completed towards the end of 2016.

We would like to extend our sincerest thanks to all member companies and experts who were involved in the process, with special thanks to the experts from the eThekweni Municipality who offered their valuable time to travel from Durban to assist.

A workshop will be scheduled in conjunction with the Human Resources Committee to address the impact of the qualifications on the current industry task grades and possible alignment.

Technical Vocational Education and Training (TVET) Colleges

SAFCEC, in partnership with the National Business Initiative (NBI), continue to work on improving the curriculum and quality of training offered by the TVET colleges. A mapping exercise was conducted by Abeeda and Associates to map the TVET curriculum for industry qualifications and courses resulting in a report being compiled outlining the outcomes. Going forward, the outcomes will be explored further in conjunction with the Construction SETA.

Construction Industry Partnership

Completion of work-readiness institutional training

28 TVET graduates in Civil Engineering and Building Construction studies have completed their institutional training. The TVET graduates were split and hosted by Group Five and Aveng Grinaker-LTA's Skill Training Centres for bricklaying- and carpentry learning programmes. Of the total 28 graduates, 17 graduates are female with 9 of these of them participating in the carpentry learning programme. Currently, the candidates are placed on various construction sites for structured workplace-based learning for a 9-month period. The member companies and number of graduates are as follows:

Aveng Grinaker-LTA - 18 graduates

Murray & Roberts - 2 graduates

Basil Read - 8 graduates

Construction Education and Training Authority (CETA)

SAFCEC continues to work with CETA and strengthen the relationship. A representative from CETA attended our quarterly NTC meeting on 24 May 2016 where they presented funding models, process flows for various applications, completed audit statistics and future plans for CETA to the NTC team members.

Assessment Quality Partner (AQP) Pilot Model

CETA has committed to use the SAFCEC qualification once registered with SAQA on the NQF to pilot an AQP model for such occupational qualifications. CETA's current pilot approach is to fund the AQP functions in collaboration with an expert industry body or entity.

National Skills Development Strategy (NSDS) and Sector Education and Training Authorities Landscape (SETA)

In November 2015, Dr Blade Nzimande, the Minister of Higher Education and Training (DHET), announced draft proposals for a new National Skills Development Strategy (NSDS) and Sector Education and Training Authorities Landscape (SETAs). The NBI held consultative discussions with its members on the proposed changes to the NSDS and SETA Landscape. SAFCEC gave comments on some of the proposals and posed broader questions related to the ideal skills development system for South Africa.



Human Resources

Bargaining Council for the Civil Engineering Industry (BCCEI)

The BCCEI has performed well and is executing its mandate in accordance with expectations. Financial controls are in place and the financial position is sound.

During May 2016, SAFCEC and the BCCEI conducted roadshows throughout the country to inform and train members and afford members the opportunity to interact with the BCCEI. SAFCEC was able to concurrently showcase the two safety vehicles and their capabilities at the roadshows.

During the 2015 negotiations, parties agreed to investigate and discuss provisions in the Conditions of Employment Agreement which relate to Limited Duration of Employment Contract (LDC) employees. Organised labour felt that the clauses contradicted the provisions on such contract employees in the amendments to the LRA. Employers considered this to have been negotiated and promulgated by the Minister. The matter is currently in arbitration. The HRC are meeting on the matter, however, at the time of writing this report no conclusion had been reached.

The Bargaining Council is currently locked in a demarcation dispute with Andru Mining where the company considers itself not to be a part of the construction industry. SAFCEC has, through the HRC, assisted the BCCEI in providing the information required. The outcome was not known at the time of compiling this report.

SAFCEC members have responded well in nominating council and sub-committee members to the BCCEI. Succession planning has been taken into account in the process.

Wage Negotiations

Though the wage negotiation agreement was signed and promulgated last year, SAFCEC has already begun the process of planning for 2018. The negotiating team has met twice thus far: firstly to consider the wording of all the agreements and secondly to review the 2015 process and its shortcomings. The SAFCEC Chief Negotiator has retired and his services will be utilised on an as-and-when basis going forward.

The next round of negotiations, scheduled for 2018 could see new employer and labour bodies participating which may provide further challenges for our industry.

Construction Industry Retirement Benefit Fund (CIRBF)

The CIRBF still operates fully, however, the fund is a R1 billion fund and has been struck by various exits resulting from the construction down turn which has led to a number of retrenchments.

It has been a challenge to have employer representatives nominated as trustees. The fund has been fortunate that Jennifer Becker from Bophelong Construction has agreed to assist. Jennifer comes with a wealth of finance knowledge which will add to the strength of the current employer team.

Overview of Mega Projects (PLA)

The only mega projects currently in execution with a PLA are the Kusile and Medupi power-station construction projects. These projects started with the SAFCEC and MEIBC negotiated PLAs. Through client (Eskom) intervention the PLAs were abandoned and a Partnership Agreement (PA) and a Site Specific Agreement (SSA) were negotiated and implemented in its place.

SAFCEC has noted the progress in this matter and reminds its members to be vigilant as the projects end and expectations transfer onto future mega projects.

Currently no mega project PLAs have been requested or are envisaged. Collective bargaining for mega projects is an important matter on which SAFCEC members are encouraged to interact with the HRC well in advance of the commencement of any mega- or multi-disciplinary projects. The projects had their own challenges, most of them have been resolved and have become part of the lessons learnt from projects of this magnitude going forward.

HRC Performance

The National Human Resources Committee (HRC) held all the scheduled meetings for the year and these were well represented and well constituted. A number of additional meetings were held on special request. These were well attended and added value to members and the industry at large. SAFCEC is privileged to be able to rely on the expertise of its members in this regard. SAFCEC wishes to thank all the members of the HRC committee for their participation and support throughout the past year.



National SHERQ Committee Chair: Andre Coetzee (Group Five)

National Advisor: James Flint

The year under review has seen the SHERQ department grow in its role of serving members and operating in the best interests of the industry. The relationships built up over the last four years with key stakeholders have been further reinforced and SAFCEC took the lead in a number of industry related SHERQ matters and initiatives. The National Committee was proactive in addressing a number of issues affecting the industry through the leadership of the Chair.

Federated Employers Mutual Association (FEM) The Federated Employers Mutual Assurance Company's (FEM) continued support of the SHERQ department through their generous annual safety grant is once again extremely appreciated. Further to this, FEM sponsored two dedicated safety vehicles to facilitate inductions, training, general SHERQ awareness while raising the profile of health and safety in the sector. One vehicle is active out of the Western Cape office and the other serves members and FEM policy holders out of the North Region and National Offices. The vehicles have proven to be extremely successful to date and members are encouraged to make use of their free services. The vehicles were launched in February 2016 and during the year so far have:

- Covered a total of 6249 km's
- Visited 5 major cities
- Been on display at Civilution and the BCCEI roadshows
- Inducted 167 employees
- Trained over 80 supervisors in scaffolding awareness

SAFCEC has been supportive of the SAFEmember initiative in association with the Master Builders South Africa and FEM. SAFCEC has conducted high impact interactive scaffolding training in conjunction with Essential Services as a way of not only supporting the ideals of SAFEmember but also to 'give back' to the sector. The workshops were aimed at supervisors and was a reminder of legal liabilities.

Department of Labour

Advisory Council for Occupational Health and Safety (ACOHS)

The Council's primary function is to advise the Minister of Labour on matters of policy with regards to the provisions and application of the Occupational Health and

Safety Act and its associated regulations. SAFCEC's term to serve on ACOHS officially expired during the course of the year which is a concern for SAFCEC's ability to give input in legislative development from our sectors perspective. During SAFCEC's tenure on the Council we managed to be instrumental in the following Technical Committees:

Occupational Health and Safety Bill

SAFCEC gave valuable comment and input to the various drafts of the Occupational Health and Safety Bill. The version presented to the Council following deliberations at NEDLAC proved to be substantially different from the version initially submitted. It is believed that the Department of Labour's intention is to release the Bill for public comment during the course of 2016 still. SAFCEC eagerly awaits the public comments stage to submit their comments for consideration.

2014 Construction Regulations

The SAFCEC SHERQ department has lead the way in getting the proposed guidance notes for the regulation composed, with the National Committee submitting numerous points of clarity and proposed interpretations. SAFCEC believes the notes are crucial for a better and a common understanding of certain components of the Regulation.

Ergonomics Regulations

The proposed ergonomic regulation has been finalised and awaits approval from ACOHS to go out for public comment. With significant biomechanics utilised in construction work activities the sector has the potential to be significantly impacted by this proposed regulation.

South African Council for Project Managers and Construction Management Professionals (SACPCMP)

The year under review has been characterised by a general uneasiness with regards to the Council's Construction Health and Safety Registration. Although improvements in both registrations and administration at the SACPCMP have assisted in improving the registration process to a certain degree, there remain significant challenges in turning applications in to registrations. It bears noting the SACPCMP's will to maintain a high standard of assessment has, to a certain degree, facilitated some of these challenges, yet it has also ensured that the process is credible.



SANRAL

A productive health, safety and environmental committee has been established between SAFCEC and SANRAL. Amongst other exciting initiatives, SAFCEC is looking forward to agreeing upon a standardised health and safety specification for SANRAL jobs as well as initiatives to improve the protection of workers in road construction zones.

SAFCEC Management System – ISO 9001

The SAFCEC ISO 9001 Quality Management system successfully withstood its first surveillance audit with only 1 minor finding and 2 suggested areas of improvement. Successful management review meetings during the year under review have seen the organisation review and revise our quality objectives to ensure relevance. Although negligible, initial business benefits are starting to be experienced within the organisation from the quality management system. The organisation will commence with aligning to the new standard in the upcoming financial year in order to maintain certification.

Regional Report | North Branch



Regional Manager: Amos Mtephe

Regional Administrator: Brenda Gogwana

Management Committee Chairperson: Marina Dumakude

Management Committee Vice-Chairperson: Mike Stevenson

Emerging Contractor Representative: Zipho Matsoso

Overview

“After climbing a great hill, one only finds that there are many more hills to climb.” This quote by our great leader Mr Nelson Mandela could not be more appropriate to the many challenges that the North Branch experienced and set out to overcome during the year. There were many challenges such as increasing membership, retaining current memberships, finding appropriate sponsors for our annual sports day, collecting of fees as well as dealing with the many operational issues on a daily basis to address the queries, concerns and suggestions of existing members and applicants.

The biggest challenge faced by our members (and non-members) is the diminishing work opportunities available. Another issue members have to deal with are the late and sometime lack of payment by the clients. For the smaller members, the preservation of their CIDB status by avoiding downgrading and a skills shortage are of concern.

Regional ManCo Structure

The Regional ManCo is made up mainly by established contractors, with the Johannesburg Securities Exchange (JSE) listed companies being represented by eight out of the fifteen ManCo members nominated and elected at the Annual General Meeting held in September 2015. Going forward, the Emerging Contractors will be:

- Ashley Thorn | Aveng
- Berto Smit | WBHO
- Dave Bennett | Group Five
- Devendra Lalbasanth | Franki Africa
- Ele Tshikovhi | Aveng
- Eric Wisse | Murray and Roberts
- James Popper | Bophelong Construction
- Marina Dumakude | Tangeliza Projects
- Michael Knight | Basil Read
- Mike Stevenson | Stefanutti Stocks
- Negi Molefe | TN Molefe Construction
- Sakkie Haartman | Saxon Developments
- Nico Visser | WK Construction
- Tommie Venables | Raubex
- Tsakani Maluleke | Ntombani Trading

Membership

In terms of payment patterns the following was recorded as at the end of May 2016 (with only one month to the end of the financial year):

Established members: 95 %
 Emerging members: 76%
 Associate members: 95%
 New applicants: 36%

CIDB Grade	Existing Members as at	Member Resignation	Total Members
1CE	30	14	16
2CE	3	1	2
3CE	3	0	2
4CE	12	1	11
5CE	10	3	7
6CE	17	4	13
7CE	16	4	12
8CE	10	1	9
9CE	18	1	17
No Grading			
Associate	41	3	39
TOTALS	160	40	120

Membership Recruitment and Retention

The total number of applicants for the financial year 2015/2016 stands at 108. The challenge for the Branch over the year has been converting the new applicants into fully paid SAFCEC members.

CIDB Grade	New Applicants
Associates	22
1CE-3CE	58
4CE	5
5CE	3
6CE	7
7CE	6
8CE	4
9CE	0
No CIDB	3
	108

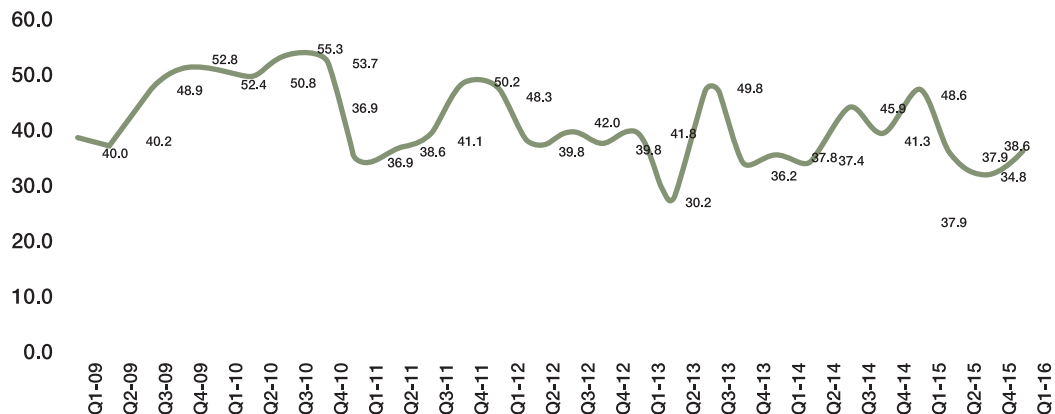
To recruit new members we utilise the database from both the BCCEI and the CIDB in targeting those companies that are currently non-SAFCEC members. According to the CIDB, there are more than 400 CIDB graded 7CE/GB and higher companies. The CIDB is a useful source for us for recruitment purposes.

Market Conditions

The SACCI Business Confidence Index

The latest South African Chamber of Commerce and Industry (SACCI) Business Confidence Index (BCI) for May 2016 is shown in Table 4 below. The trend is again downwards (significantly below the average for the 2015 calendar year). The BCI is trending towards the low 80s levels, which have not been seen since 2008. It should be noted that the South African Chamber of Commerce and Industry has rebased the confidence index level as from the end of June 2016.

SMME Business Confidence Index



North Branch

City of Johannesburg

The City of Johannesburg entities that have the largest capital expenditure budgets are listed below:-

- **Human Settlements** - development of bulk infrastructure mainly in informal settlements;
- **JRA** - new roads, widening of existing roads, bridges and tarring of gravel roads;
- **Johannesburg Water** - renewals, upgrades of reservoirs, water and sewer reticulation; and Transportation.

Division Name	Budget 2016/17	Budget 2017/18	Budget 2018/19
City Parks and Zoo	R56 970 000	R51 500 000	R60 000 000
City Power	R1 393 329 674	R1 339 716 326	R1 138 798 000
Community Development	R160 284 074	R167 192 000	R238 904 000
Development Planning	R451 086 000	R457 232 000	R606 451 000
Economic Development	R13 466 000	R10 000 000	R -
Environment and Infrastructure	R48 930 000	R39 800 000	R67 000 000
Finance	R3 047 000	R1 500 000	R5 300 000
Group Corporate and Shared Services	R774 261 000	R376 175 000	R420 000 000
Health	R99 704 000	R133 050 000	R128 100 000
Housing	R943 978 000	R1 108 650 523	R1 313 600 000
JDA	R437 130 000	R450 500 000	R317 800 000
Joburg Market	R123 724 000	R96 429 000	R160 723 000
Johannesburg Theatre Management	R4 997 000	R5 930 000	R10 000 000
JOSHCO	R652 800 000	R663 800 000	R715 963 000
JPC	R273 700 000	R146 547 678	R165 757 000
JRA	R1 439 941 252	R1 148 295 000	R1 008 100 000
Johannesburg Water	R736 636 000	R1 235 494 000	R1 197 666 000
Legislative Arm of the Council	R93 000 000	R50 550 000	R60 700 000
Mayors Office/City Manager	R110 420 000	R98 796 000	R153 296 000
Metrobus	R231 610 000	R90 000 000	R221 300 000
Metropolitan Trading Company	R -	R -	R -
Office of Ombudsman	R -	R -	R -
Pikitup	R108 676 000	R86 800 000	R78 000 000
Public Safety	R182 106 000	R162 028 000	R136 143 000
Social Development	R38 500 000	R36 000 000	R13 000 000
Transportation	R1 011 508 000	R1 509 558 978	R1 270 369 000
Grand Total	R9 415 804 000	R9 472 545 000	R9 450 970 000

Source: 2016/21 Draft Integrated Development Plan

City of Ekurhuleni

The flagship capital projects in Ekurhuleni for the next three years are the Aerotropolis (the promotion of industrialisation through maximising the location of the airport within the jurisdiction), Integrated Rapid Public Transport Network (IRPTN), the building of an R1bn factory for Gibela Rail Transport Consortium for the manufacturing and building of trains. The breakdown of the budget is shown below.

Capitalisation Investment Framework Category	MTREF Budget 2016/17	%	MTREF Budget 2017/18	%	MTREF Budget 2018/19	%
Economic Development	R1 570 889 000	31%	R1 998 244 000	34%	R2 014 744 000	32%
Upgrading and Renewal	R2 044 696 075	40%	R2 400 841 270	41%	R2 599 981 471	41%
Urban Restructuring	R1 515 376 362	30%	R1 475 341 161	25%	R1 654 554 487	26%
Total	R5 130 961 437	100%	R5 874 426 431	100%	R6 269 279 958	100%

Source: City of Ekurhuleni's Integrated Development Plan 2016/17-2018/19.

Bloemfontein

In Bloemfontein, the largest of the CapEx in the next three financial years will be in Engineering, Water, Waste and Fleet and Electricity. Some of the major projects are upgrade/new roads in the various wards of the City.

Expenditure per vote	2016/17 (R)	2017/18 (R)	2018/19 (R)
City Manager	80 142 000	120 042 000	135 045 000
Corporate Services	32 159 070	31 600 000	30 955 000
Finance	3 162 300	5 096 458	5 685 240
Social Services	52 801 287	69 154 025	78 760 660
Planning	12 500 000	16 500 000	17 000 000
Econ & Rural Dev	54 282 105	42 218 000	39 339 000
Human Settlements	53 620 482	69 800 000	68 474 100
Market	-	2 409 000	2 400 000
Engineering	729 419 283	610 592 248	598 013 908
Water	275 689 001	141 220 777	185 388 938
Waste and Fleet Man	104 656 000	75 603 475	31 422 642
Strategic Projects	193 579 000	194 543 000	198 242 000
Naledi Infrastructure Projects	13 741 000	19 124 000	20 175 820
Electricity	200 342 641	196 789 558	194 140 976
	1 806 094 169	1 594 692 541	1 605 043 284

Source: Reviewed Integrated Development Plan 2016/17.

SANRAL

The Northern Region's capital budget for the three years is tabulated below.

Financial Year	2016/17	2017/18	Oct 2018
	Rm	Rm	Rm
Non Toll Roads	5 194 752	6 208 269	7 858 473
Toll Roads	2 845 681	3 071 231	2 620 623

SANRAL Northern Region has indicated concern that only a few companies are taking the opportunity to benefit from their RRM projects. There is scope for more companies to benefit from this programme. Another of their concerns is decrease in quality of work. SANRAL Northern Region are giving a two year leeway period, within which, contractors working for SANRAL must become registered with the South African Council for the Project and Construction Management Professions (SACPCMP) for the various professional roles as required by the Construction Regulation 2014 under the Occupational Health and Safety Act, 1993. Members are encouraged to make applications for registrations as soon as possible.

Industry Organisations

The Branch thanks the South African Association of Concrete Manufacturers and the Concrete Manufacturers Association for establishing a relationship

with SAFCEC for the mutual benefit of our respective members.

The CIDB National Stakeholder Forum held in March 2016 attempts to find lasting solutions to the challenge of transformation in the industry. The meeting, attended by the Minister of Public Works, was an opportunity for the DPW to introduce the new chairperson of the CIDB Board.

Branch Activities and Highlights

At the Annual General Meeting held in September 2015, new branch leadership was elected.

We thanked Mr Stuart Knight, the then outgoing branch chairman, and welcomed Marina Dumakude as the incoming branch chairperson.

Together with an Associate member, Maccaferri Africa, we held two successful gabion workshops. The workshops are both of a theoretical and practical nature and suitable for both consulting engineers and contractors. The popularity of the workshop dictates that we hold more workshops in the coming year.

We held our much anticipated annual Sports Day at the Huddle Park Golf Estate and Recreation Centre which was well attended with about five hundred participants in

North Branch

the various sports categories: golf, mountain biking, trout fishing, volleyball, netball soccer, fun run/walk.

Without sponsorship this event would not have been a success and we would like to take this opportunity to thank the following companies for their continued sponsorship:

- Barloworld
- Driver Trett South Africa
- Evra Consulting
- Maccaferri Africa
- Murray and Roberts
- RMS

Appreciation

I would like to thank the North Branch ManCo members, under the leadership of Marina Dumakude and Mike Stevenson, our CEO, Webster Mfebe, the branch Administrator, Brenda Gogwana and fellow colleagues for the support throughout the year.

Lastly I thank you, all the North Branch members, for your continued support.





Regional Report | Kwa-Zulu Natal



Regional Manager: Peter Kendal
Regional Administrator: Shamila Moodley
Regional SHERQ Advisor: Marilyn August
Management Committee Chairperson: Kevan Rocher
Management Committee Vice-Chairperson: Currently vacant

The industry in the KZN Region has had a very disappointing year. The anticipated roll-out of work to provide employment creation failed to materialise which has caused increased unemployment, increased community protests, created dissatisfaction amongst those without jobs and has increased service delivery protests. Desperate job seekers and criminals have approached successful tenderers demanding sub-contract work and some criminal elements have resorted to extorting work from contractors at higher than tendered rates. Marginal contracts became loss-making contracts.

These conditions have led to some contractors facing liquidation or being forced to restructure in order to cut costs. SAFCEC membership have experienced a direct negative impact as a result of this as members have been unable to afford membership fees.

Regional ManCo Structure

The financial downturn and membership resignations led to our ManCo reverting to being populated predominantly by representatives of the large corporate companies. During the second half of the financial year, two local members were recruited as ManCo representatives.

Currently, the following members make up our ManCo team:

- Kevan Rocher (Raubex) - Chairman
- Richard Moore (AVENG Grinaker LTA)
- Monty Soobramoney (Group Five)
- John Woodburn (Stefanutti Stocks)
- Sydney Pillay (Pilcon Construction)
- Andile Zondi (NRT Construction) - Emerging Contractor Representative

Having changed companies during the year, Steve Poorter has decided to step down from his position as Vice Chairperson. This position is yet to be filled.

Membership

Membership in the KZN region has suffered over the past year. Unfortunately, a former Chairman and council member who was instrumental in recruiting many members, submitted his resigned.

Membership Statistics as at 30 June 2016

CIDB Grade	Existing Members as at 30 June 2014	Member Resignations	New Members	Total Members
1CE	13	1	5	10
2CE	3	1	0	2
3CE	2	0	2	4
4CE	10	1	1	7
5CE	7	2	0	8
6CE	19	1	1	19
7CE	5	1	0	5
8CE	2	0	1	4
9CE	2	0	0	2
1G	1	0	0	1
No Grading	1			1
Associate	14	3	0	11
TOTALS	79	10	10	74

Membership Recruitment and Retention

We had a very successful intervention last year when our CEO, HR Executive and former Finance Manager visited KZN and managed to persuade four of our former members to return to SAFCEC. Added to this, we have recently received a number of new applications for SAFCEC membership.

Market Conditions

The market has reached a new low this year. Although we recorded a total of 1 390 tenders on our tender system, it is unknown how many of these were awarded however members reported insufficient work being awarded.

A number of contractors are facing liquidation which in turn has an effect on other contractors, service providers and suppliers. Tender prices are reduced significantly and subsequently, risks are high. Government budgets are underspent which may result in budget cuts next year. Underspending may be attributed to the following:

Under-resourced: Government organisations are not sufficiently resourced to manage the increased tender load which is a result of the policy requiring smaller tenders to be advertised in order for lower graded contractors to benefit.

Disruptions by others: Increased protest action has disrupted contractors and prevented them from carrying out the works.

Cashflow: Late payments from Government Institutions result in cash-flow problems for Contractors resulting in delays.

Incompetence: Contractors with insufficient experience or skills, may be forced to perform repair work before work is accepted lose time and money.

Corruption: Tenders which are not awarded in accordance with the Tender rules are challenged and time is lost before the work begins, resulting in delays and underspending.

Drought: In many cases, weather conditions may have a negative impact on contracts.

Stakeholder Engagement

University of Kwa-Zulu Natal

SAFCEC holds meetings with UKZN twice a year and regularly contribute to the KNUCS Fund which provides subventions to the lecturing staff's salaries. This is done in an effort to attract and retain good quality lecturers. At the last ECSA Accreditation Audit, it was noted that the Engineering School of the University is understaffed by approximately five lecturers. In their attempts to employ staff in line with the demographics of the country, positions are advertised internationally but with little success which poses a concern about losing ECSA Accreditation.

Durban University of Technology

SAFCEC raised concerns regarding the quality of DUT graduates. DUT's previously technically aligned programme meant that graduates were capable of becoming productive very shortly after graduating. The reduction of the practical session from two years to six months, which is comparable to the length of the BSc graduate training period, means this is no longer the case.

Department of Public Works

In April 2016, SAFCEC was invited to attend a Drought Disaster Management meeting which was hosted by the DPW. The purpose of the meeting was to sensitise stakeholders in the Construction Industry to the effects of the drought. Various speakers presented rainfall statistics which illustrated that we are experiencing the worst drought since 1921. The Premier of the province had stated that no further drinking water was to be used in construction projects. Brian Perry of the Concrete Society advised under which conditions it was possible to mix concrete using non-potable water. Road construction using water from rivers was also possible provided that the required permits were obtained. Treated water was also available from various sewage treatment works with permission from the plant managers. It was agreed that further meetings would be held and that these would be

chaired by the CIDB who would draw up a list of best practices.

BCCEI

In May this year, the BCCEI presented a roadshow in Durban explaining their procedures with regard to dispute resolution. They introduced their local representatives: Vincent Naidoo whose area covers Durban to East London and Bonga Zulu who covers Durban to Pongola.

Client Liaison

Client liaison meetings were held with the following clients:

SANRAL

Two meetings a year are held between SANRAL and SAFCEC in order to discuss specifications, conditions of contracts and existing and future projects. COLTO is under review and SAFCEC was invited to take part in the revision process.

The contract for the upgrade of the N2 from Umtintzini to Empangeni was recently awarded to Murray and Roberts for approximately R1 billion. Intimidation tactics from a local business forum has resulted in a number of delays.

The resistance to e-Tolling has affected the planned roll-out of work as the funding is now in doubt. The Wild Coast Toll Route is gaining momentum as SANRAL has invited contractors to pre-qualify for the construction of the two main bridges of this project. The estimate for these bridges is approximately R3,5 billion.

Planning for the contracts for the upgrade of the N3 from Cato Ridge to Cedara is underway and this is expected to be the next major project to be rolled out.

eThekweni Municipality

Three to four meetings per year are held with the City Engineer's Department. Currently, there are concerns about running contracts between R1 million and R3 million in value in each of its 130 wards. Workshops were proposed to address their concerns resulting in the proposal to appoint larger managing contractors to oversee a number of smaller contractors.

Another concern is the delays to the IRPTN project caused by disputes within the Taxi Owners Association.

Umgeni Water

Meetings with UW are held yearly. Concerns regarding their previously disadvantaged appointment targets are

high, however a significant portion of their work has been prioritised owing the drought meaning a possible rise in tenders from Umgeni Water being realised in the near future.

KZN Department of Transport

Efforts to restore a previous relationship with the KZN DoT are underway.

Industry Organisations

The KZN Building Industries Federation (BIF) held a special meeting to discuss the appearance of a number of groups who falsely pose as Emerging Contractor Organisations. The BIF decided to engage with one of these groups, Delango Kubona, in an attempt to stop the intimidation on sites. After discussion with SAFCEC CEO, Webster Mfebe, it was decided that the issue would be addressed internally. The Building Industries Federation has subsequently engaged with two Business Forums in the interim.

Branch Activities and Highlights

One of the highlights this year was the appointment of one of our ManCo members, Mr Thembinkosi Nzimande as SAFCEC President. Mr Andile Zondi has subsequently been appointed as the newest ManCo member. Andile has been very active in the regional meetings and encourages emerging members to express their concerns to him to raise at ManCo meetings.

The KZN Branch's Regional Safety Advisor, Marilyn August has kept in contact with the safety representatives in the region through attending numerous safety meetings on various sites at the request of members. She has also assisted members with issues related to compliance with new Construction Regulation requirements. SAFCEC KZN holds regular meetings with the members' safety practitioners and it is pleased to note a steady increase in attendance figures from an average of 10 in 2012 to an average of 18 in 2015.

On the Social and Networking front we hosted a very successful Cocktail Party in November 2015. Entertainment was provided by Carvin H Goldstone, who was very well received.

This year's annual golf day was a great success with a full field of golfers. We would like to extend our sincere thanks to our members and sponsors for their unwavering support of the event.



Regional Report | Eastern Cape



Regional Manager: Dave McIntosh
Regional Administrator: Jane Murcott
Branch Chairperson: Calvyn Ferreira of SJW Civils
Branch Vice-Chairperson: Ayanda Ntlama of Simnikwe Civils

An occupation in the Civil Engineering Industry has never been considered easy, however the adaptive nature of contractors shows them surviving through industry lows. In the Eastern Cape this past year, there has once again been a significant number of tenders advertised and a low number of awards and keen pricing. The number of tenders advertised for the lower CIDB grades has increased, however, SAFCEC members report particularly keen pricing and dubious tender awards. We remain ever hopeful that between the CIDB and National Treasury, concerted efforts will be made to demand that Government and Quasi-Government clients conform to the correct procedures in tender advertisements, tender awards and timeous payments for work done.

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 on will be considered at our quarterly Branch Meetings.

Membership

Currently, the following applications are pending:
 2 Full Members
 3 Emerging Members

CIDB Grade	Existing Members as at 30 June 2014	Member Resignations	New Members	Total Members
1CE	4			4
2CE	5			5
3CE	2			2
4CE	5		1	6
5CE	5			5
6CE	11	1		10
7CE	9			9
8CE	4		1	5
9CE	2			2
1SK	1			1
4SQ	1			1
Associate	6			6
TOTALS	55	1	2	57

Membership Recruitment and Retention

This past year has seen our membership grow from 44 to 57 - this is a pleasing 30% increase since our previous Annual Report.

Only one full member has resigned owing to all their existing contracts with the Amatola District Municipality being suspended due to the Client's cash flow problems. That said, it is still a challenge extracting the annual subscription fees from some of our members especially from our emerging contractors who, not surprisingly, derive the most benefit from SAFCEC's services for minimum fees.

Going forward, recruitment is on-going, through online enquiries, recommendations and visits to non-member companies.

It is pleasing to see that our membership in the Mthatha area has increased.

For the higher CIDB graded, prospective members from privately owned companies, the justification of the perceived high annual subscription fees is the normal stumbling block that we attempt to overcome. In our opinion, considering the high revenue stream by these companies, SAFCEC's fees should not be a problem. However, any victorious persuasions are most satisfying.

Market Conditions

As detailed in the Introduction, the Civil Construction Industry in the Eastern Cape remains highly competitive. The workload of our members is extremely varied through all the CIDB grades and especially amongst our lower CIDB graded members.

As reported, the total number of tenders advertised this year has increased but unfortunately the awarding of tenders remains extremely disappointing. Timeous payments remain varied very much depending on the Client.

Recently SANRAL advertised 18 tenders of various sizes for the upgrading of gravel roads the "Old Transkei" region. As expected this created huge interest, resulting in many tender submissions for each project. Award of these tenders is imminent.

In the Nelson Mandela Bay Municipality area, contracting, especially in the townships, has become extremely difficult and at times dangerous due to the unreasonable demands of the SMME groups. The Metro's officials are either unable or unwilling to attempt to normalise this situation, despite our members accepting that a percentage of the contract is to be subcontracted to SMME's.

It has reached the point that some of our full members, in order to avoid putting their staff and plant in potentially dangerous situations, are seeking and receiving work outside of the Nelson Mandela Bay Municipality.

The Buffalo City Municipality remains a low priority client for our members as the tender process and awards remain dubious. One of SAFCEC's Western Cape members reported working for this municipality extremely difficult.

One of our Emerging Members is experiencing endless problems with their Client, the Department of Basic Education, who through their incompetence and uncaring attitude refuse to finalise outstanding contract payments which is resulting in this member company approaching bankruptcy.

In another instance there is an Amatola Water tender advertised which is worth approximately R300 million. This contract requires that 25% of the contract must be subcontracted to SMME's however each SMME is limited to a portion of work to the value of R650 000.00. That works out to over 100 different SMME's during the duration of the contract. This is an unworkable situation, in which the client has not thought the process through but considered this to be politically correct.

Although specific problems have been highlighted above, the overall status of the Civil Construction Industry in the Eastern Cape remains positive.

Stakeholder Engagement

Our efforts to have closer liaison with the two main Metro's in the Eastern Cape, namely the Nelson Mandela Bay Municipality (NMBM) and the Buffalo City Metropolitan Municipality, has met an uphill battle. Our opportunity to liaise with the Nelson Mandela Bay Metro's mayor, Danny Jordaan, was unfortunately unsuccessful due to unforeseen circumstances. Whatever the outcome of the Municipal elections, SAFCEC is determined to arrange a liaison meeting with at least the NMBM.

Eastern Cape

Introductions are needed with officials in the Eastern Cape Provincial Roads and Public Works Department and, if possible, the Mthatha area official.

Webster Mfebe has indicated that he has contact with the correct persons and at a suitable time in the future will assist in this matter.

Coega Development Corporation

Liaison meetings are held with the Coega Development Corporation (CDC) on a regular basis. These are particularly informative meetings with details of all current and future projects.

The CDC manage multiple projects outside the Nelson Mandela Bay Municipality, Buffalo City Municipality and the IDZ's however, the majority of these projects involve the construction of schools which are of greater interest to MBA Members.

Most of the basic infrastructure work (roads and essential services) has reached completion in the IDZ's and civil-related projects only arise when private developers decide to establish in either of these areas.

Client Liaison

Client liaison meetings are held with SANRAL in Port Elizabeth twice a year. These meetings are very informative for our road construction members as SANRAL reports on all current contracts and proposed future contracts under their responsibility that will be advertised for tender in the foreseeable future.

Industry Organisations

SAFCEC attends regular liaison meetings with the Joint Practices Committee.

These meetings predominantly focus on discussions concerning the Nelson Mandela Bay Municipality and the ever present frustrations in dealing with the ever decreasing numbers of technically qualified personnel.

The SAFCEC/CESA liaison meetings are in the process of being re-engineered. The previous Chairperson has recently retired and with the difficulty experienced by both bodies in liaising with the Nelson Mandela Bay Municipality, discussions remain on-going in order to change the format and areas of importance of both organisations to work towards closer ties between SAFCEC and CESA.

The difficulties around liaising with the CIDB and National Treasury in the Eastern Cape are now handled by SAFCEC's Executive Contractual Affairs, Frederick Oosthuizen. We appreciate his assistance and attention to detail.

Branch Activities and Highlights

As usual, three Branch Meetings were held in Port Alfred this past year. The attendance of both full and emerging members was good at all meetings, and constructive discussions were had on various important topics.

At our most recent Branch Meeting, Vicky Landman of WK Construction and our Chairlady of the Eastern Cape SHERQ Committee presented and guided an informative discussion on Health and Safety matters. Important information dealt with was most appreciated by all members present.

Our AGM and Cocktail Party was held in Port Elizabeth last year. Our Guest Speaker was from the Mandela Bay Development Agency who gave an interesting talk showcasing the many developments and building improvements in the Nelson Mandela Bay.

Our sporting highlight of the year, our Eastern Cape Golf Day, was held in November 2015 at the Fish River Sun. The event was well supported, with over 100 players taking part in the golf event and attending the dinner. Unfortunately, the Eastern Cape Golf team were unable to successfully defend the Quad Golf Trophy won in 2015. Nevertheless, our 12 participants made up for lack of expertise by enjoying a social weekend.

It was disappointing that North Branch were unable to field a team for this popular event.

General

Increasing membership and provided a high level of service to our members is the foremost focus of this Branch. Our membership successes this last year have been predominantly in the lower CIDB grades which swell our transformative members but with small contribution to our overall fees. We are mindful of this and continually strive to catch the "bigger fish" in our industry.

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. Calvyn's strong leadership skills are appreciated.

We thank John Skinner, of John Skinner Construction, for his time spent representing the Eastern Cape Region in this year's Bargaining Council matters.

Our Vice Chairman, Ayanda Ntlama of Simnikwe Civils, has willingly offered his thoughts and advice on Eastern Cape matters despite having various challenges to deal

with in his own company. For these reasons and due to the lack of experience, Ayanda has requested that he remain in his position for another year. Calvyn Ferreira has very kindly agreed to continue his Chairmanship for 2016/2017.

Our Eastern Cape office in Port Elizabeth continues to be efficiently managed by our Regional Administrator, Jane Murcott. Our thanks go to her from me and our members for her friendly help and service which are never underestimated and are appreciated by all.



Regional Report | Western Cape



Regional Manager: Rudolf Murray
Regional SHERQ Advisor: Lalie Louw
Regional Administrator: Marion Matthews
Management Committee Chairperson: Chris Escreet
Management Committee Vice-Chairperson: D C Geldenhuys
Chairperson of Emerging Contractor Forum: Nosiphiwo Msitweni

The Western Cape Regional Office is responsible for and accountable to members located in the Western and Northern Cape Provinces of the Republic.

Regional ManCo Structure

Chairperson: Chris Escreet
Vice-Chairperson: D.C. Geldenhuys
Members: Mike Winfield
Martin Maree
Albie Laker
Jeremy Donnely
Pierre Blaauw
Nosiphiwo Msitweni

Membership

The success of an employer organisation can be measured by the manner in which it retains existing members and attracts new ones. It is thus a priority for this branch to be ready to deliver the quality service and advice that members are entitled to. Queries and requests are attended to as soon as possible and we remain grateful to our members for all the positive feedback that we receive. Applications for membership are increasingly registered on our Membership Platform which has shown to be a valuable addition to our membership process. We engage personally with new applicants in order to fully explain the benefits and services offered by SAFCEC.

Unfortunately, and owing to the tough economic circumstances currently experienced by our industry, we have seen some member resignations. The numbers indicate 6 member resignations during the period under review and a gain of 8 new members, resulting in a net growth of 2 members. Recruitment efforts will be maintained and expanded going forward.

Membership Statistics as at 30 June 2016

CIDB Grade	Existing Members as	Member Resignations	New Members	Total Members
1CE	3	0	3	6
2CE	3	1	1	3
3CE	4	0	0	4
4CE	5	1	0	4
5CE	6	1	0	5
6CE	5	1	1	5
7CE	8	0	0	8
8CE	6	0	0	6
9CE	10	0	0	10
1GB	0	0	0	0
2GB	0	0	0	0
3GB	0	0	0	0
4GB	0	0	0	0
5GB	0	0	0	0
6GB	0	0	0	0
7GB	0	0	0	0
8GB	0	0	0	0
9GB	1	0	0	1
No Grading	0	0	0	0
Associate	35	2	3	36
TOTALS	86	6	8	88

Market Conditions

As can be seen from the graph below, there has been steady growth in the number of tenders advertised in the region. Budget spendings by the City of Cape Town, the Western Cape Government and SANRAL do not amount to the total allocated funds which has had a spin off effect. It needs to be pointed out that the underspend is not solely the Client's doing.

We have seen the roll out of several large road infrastructure projects, such as the improvements of the N1 and N2 and it is suspected that more large infrastructure projects are planned to be rolled out soon. The proposed developments at Cape Town International Airport have yet to come to fruition, although some smaller sections of work have been put to tender. The delays are reported to be due to challenges with the Environmental Impact Assessment and has put the realignment of the main runway on hold.

Summary of tenders for the past 3 years			
	2015/16	2014/15	2013/14
Number of tenders	655	603	557
Approximate value of tenders	R9.637bn	R9.908bn	R8.046bn

Stakeholder Engagement

We remain grateful for our continued engagement with entities such as SARF, SABITA, ASPASA, CESA, the Cape Chamber of Commerce, CPUT, CETA, the CIDB and Business against Crime. Relations remain cordial and positive.

Client Liaison

Over a period of years, the Western Cape branch has managed to build and maintain an excellent working rapport between SAFCEC and major clients. We realise that this is vital in ensuring that members' interests are considered and addressed. Regular liaison meetings are held with SANRAL; the Western Cape Government and the City of Cape Town. These meetings have become known for the positive atmosphere in which they are conducted and the many issues and challenges have been addressed and resolved at such events.

Engagement with other clients such as Eskom, ACSA and Transnet have begun during the course of this year. Members have requested that we engage with the Northern Cape Government on various issues which is currently underway. As circumstances dictate, liaison with other clients such as local municipalities and other utilities will be initiated.

Industry Organisations

We maintain positive and mutually beneficial relationships with our fellow employer organisations, MBA Western Cape and MBA Boland. The Western Cape Branch also enjoys a good working relationship with the BCCEI and took part in the Regional Roadshow, held on 11 May 2016.

Branch Activities and Highlights

The Branch hosted the 2015 SAFCEC Annual Conference, which was held at the Atlantic Beach Golf Club and the Bay Hotel in Camps Bay from 6 to 8 October 2015. We enjoyed being a part of this successful event.

Western Cape

Our Regional Sports Day for 2016 was held on 11 March at Somerset West Country Club. Attendance was good and – as has become the norm – a good time was had by all. The next item on our sports calendar was the Quad Golf tournament which was held in the scenic Southern Cape this year. Twenty eight players participated in the event which was held by some of the most beautiful golf courses in the country. Congratulations is extended to the Kwa-Zulu Natal team who, despite being the smallest team, reigned victorious.

The highlight of our year, namely the AGM and Cocktail Event, is scheduled for 15 September 2016. Our guest speaker is the well-known civil engineer, and now author, Tony Murray.

On the SHERQ front, it has been quite a busy year for the Western Cape branch. After a demanding recruitment and selection process, Lalie Louw was appointed as the Regional SHERQ Advisor. Lalie is well-known to the industry as a dedicated SHERQ professional, already familiar with SAFCEC, having served for three years as the chairperson of the Regional SHERQ Committee. Lalie has already made her mark as she eagerly assists members with all SHERQ related concerns.

SAFCEC's second FEM sponsored training vehicle was delivered during this year. This has already proven its worth as a valuable tool towards greater SHERQ awareness. SAFCEC's Western Cape branch would like to express their gratitude to FEM for their unwavering support.





Team SAFCEC



Webster Mfebe
Chief Executive Officer



Frikkie Oosthuizen
Executive: Contractual Affairs
and Support Services



Pheli Mbambo
Executive: HR and
Advisory Services



Liselle Govender
Manager: Finance and
Administration



Steph Swanepoel
Manager: Marketing and
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:
Kwa-Zulu Natal



Dave McIntosh
Regional Manager:
Eastern Cape



Lalie Louw
Regional Advisor SHERQ
Western Cape



Rudolf Murray
Regional Manager:
Western Cape



Marilyn August
Regional Advisor:
SHERQ Kwa-Zulu Natal



Brenda Gogwana
Regional Administrator:
North Branch



Shamila Moodley
Regional Administrator:
Kwa-Zulu Natal



Jane Murcott
Regional Administrator:
Eastern Cape



Marion Matthews
Regional Administrator:
Western Cape



Shantal Pillay
Administrator:
Finance and Facilities



Cleo Lentshwenyo
Administrator: Tender Bulletin



Martha Gaeje
Executive PA to CEO



Alice Zikalala
Receptionist



Frida Mathabatha
General Assistant



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