

SAFCEC
READY TO DELIVER

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

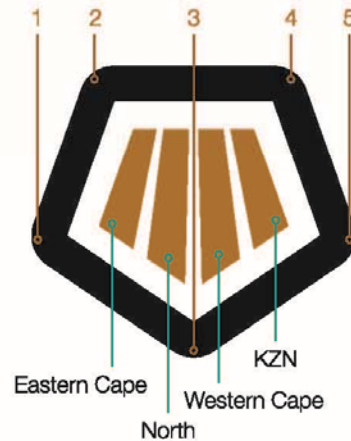
Our values enhance our strategic corner stones, guide our behaviour as an organisation and underpin the way we do business and support our members.

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.

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.



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PRESIDENT'S REPORT



READY TO DELIVER

This year and for the foreseeable future we shall continue to engrave in the minds of many constituencies, our brand of "Ready to Deliver" as a testament to our members abilities to deliver quality and professional construction services to all our clients, no matter the project size. Clients are being constantly made aware that SAFCEC is the go-to industry body for a guaranteed, best quality project delivery, any time, because our members always standing ready and professionally enabled. But it is also our collective industry voice that helps us to constantly engage relevant authorities, with a view to unblocking the project pipeline that gives true meaning to Ready to Deliver. Let the projects flow and our country will soon become a busy construction site as we are indeed Ready to Deliver.

DIFFICULT TRADING CONDITIONS

The year under review will go down in history as one of the difficult years for the South African economy, which was jinxed by a plethora of economic misfortunes. First, the double downgrading of our sovereign ratings in the last quarter of 2016 and then as if that was not enough, a technical recession in the first quarter of 2017. These developments spelt disaster for the contractors as it presented difficult trading conditions as some of our members could not survive the rising costs of financing projects, notwithstanding the fact that, thankfully, we got out a technical recession in the second quarter of this year. The unresolved issues around state capture allegations are also not doing any justice to guarantee a positive trajectory out of the woods in terms of the possibility of further downgrades.

UNCERTAIN POLICY ENVIRONMENT

It is disheartening to learn that after almost three years of negotiating and finally agreeing on the Construction Sector Codes, it is now over a year of waiting for the gazetting of these codes. The blame is squarely on the door of the Department of Trade and Industry for the inexplicable delays. The other problem we need to tackle with circumspection is the emergence of divergent procurement rules from different state entities. I agree with our CEO when he says such a situation constitutes policy noise and confusion, but needs sober minds to engage with relevant authorities. And an approach to the Chief Procurement Officer might be one of the options to pursue.

INTEGRITY PACTS

I fully support our CEO's strong recommendation that the SAFCEC AGM adopts the integrity pacts that have already been signed by seven of our members because, in that way, we shall be leading the ethical leadership crusade.

ACCOLADES FOR THE CEO

On behalf of all of us at SAFCEC, I wish to congratulate our CEO, Webster Mfebe, for winning, in August 2017, both the country and SADC Award in the category of building and construction, which is run by CEO Global. Best wishes for being a finalist for the continental Global CEO Award, to be decided later in the year. This is not only a good recognition for him, but also testament to the good standing SAFCEC has nationally, continentally and internationally. We need to build upon this positive profile so that SAFCEC remains one of the thought leaders in the construction industry as a whole.

ACKNOWLEDGMENTS

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 for the past three long years, and wish to thank my Council and Manco members for their continued support and contribution to making our industry great and always **Ready to Deliver**.

Thembinkosi Nzimande
SAFCEC President

CEO'S OVERVIEW



"Having observed a worrisome pattern of breaches of the Competitions Act across many economic sectors in South Africa, it is prudent and imperative that all SAFCEC members adopt and sign the integrity pacts that have already been signed by our 7 VRP participating companies, with a view to unequivocally committing to sound and ethical business practices within our sector and beyond"

The year 2017 marks the 78th anniversary since the founding of the South African Forum of Civil Engineering Contractors (SAFCEC) in 1939. SAFCEC has been metamorphosed into an inclusive organization in terms of race, gender, and diverse membership and leadership, since the drastic turn-around came into being upon my arrival as Chief Executive Officer, in 2013. In fact, it can be now be described in three words: **HUMANISED. HARMONISED. DEMOCRATISED.** And this is emblematic of our new values of Humanity, Harmony and Democracy. Notwithstanding the support and resilience of the majority of members, whose acceptance and quest for change maintained the requisite velocity and momentum, the organizational transformation trajectory has not been without challenges. We need to be always vigilant and alive to the fact that some within and outside our organization will be constantly trying to reverse, deny and undermine the gains we have made thus far. The past two annual reports fairly chronicle the road we have traversed and I would encourage all to visit the SAFCEC website to refresh memory.

One of the greatest legacies SAFCEC has created, which is expected to have profound positive impact on the ownership, management control and partnership patterns of the listed construction companies in South Africa, through ushering in significant black industrialists, is the Voluntary Rebuilding Programme (VRP), a SAFCEC conceived initiative, which was concluded in a watershed agreement with the South African government in October 2016. In terms of the agreement, the participating 7 JSE listed companies will invest **R1,5 billion into Tirisano Trust**, in addition to the penalties that were imposed by the Competitions Commission, towards supporting emerging contractors with funding; bursaries for black engineers and artisans, and also social upliftment projects in poor communities, among others. There is also an "equity model" and "partner model" that is destined to forever change the ownership patterns of big construction companies in South Africa. Furthermore, there are signed integrity pacts by VRP participants to ensure ethical business conduct, going forward. It is imperative that companies that have not yet concluded deals with emerging contractors, do so expeditiously and amicably.

Having observed a worrisome pattern of breaches of the Competitions Act across many economic sectors in South Africa, it is prudent and imperative that all SAFCEC members adopt and sign the **integrity pacts** that have already been signed by our 7 VRP participating companies, with a view to unequivocally committing to sound and ethical business practices within our sector and beyond. In fact, the integrity pacts must be integrated into SAFCEC 's own code of conduct and we

DECLARATION OF INTEGRITY

I; [Insert Name] in my capacity as Chief Executive Officer of, [Insert Company Name], do hereby declare and affirm that-

1. I will conduct business, and will do everything in my power to ensure that, [Insert Company Name] and all its associated companies ("the Group") conducts business in South Africa, in accordance with sound legal and ethical practice;
2. I will not be involved, and will do everything in my power to ensure that no one in the Group is involved, in any kind of bribery, corruption, collusion or unfair means of furthering our business interests;
3. I will do everything in my power to instil a culture of integrity, honesty and transparency in the Group consistent with this declaration;
4. I will develop and actively promote codes of conduct imposing ethical and legal standards on all personnel in the Group that are aligned with international best practice for the construction industry and impose appropriate penalties on those who don't comply;
5. I will use my best efforts, and take firm steps, in line with and pursuant to my executive management authority, to expose, confront, eradicate and prevent collusion and corruption in the construction industry and in all the construction industry's dealings with public entities, private sector institutions and with each other.

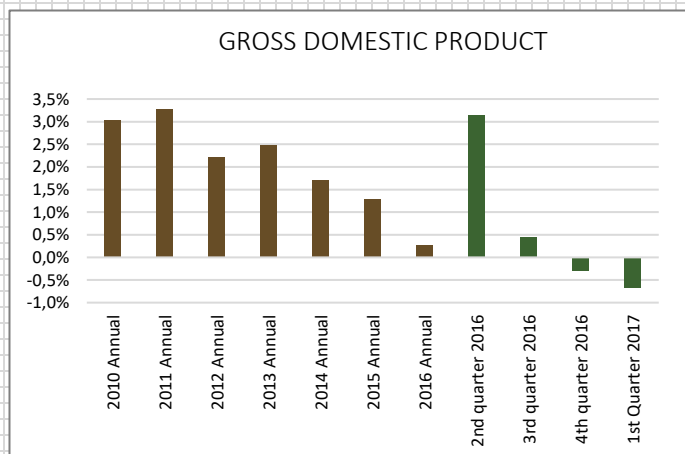
Signed at: on 2017

[Insert Name]

must also advise the cidb to integrate same into the **cidb code of conduct** so that all contractors are prohibited from participating in public sector contracts, without having signed these pacts. Needless to say, all economic sectors should follow suit as this would also profoundly assist in dealing with the unfortunate outbreak of the cancer of capture of state institutions. The content of the integrity pact is as stated hereunder.

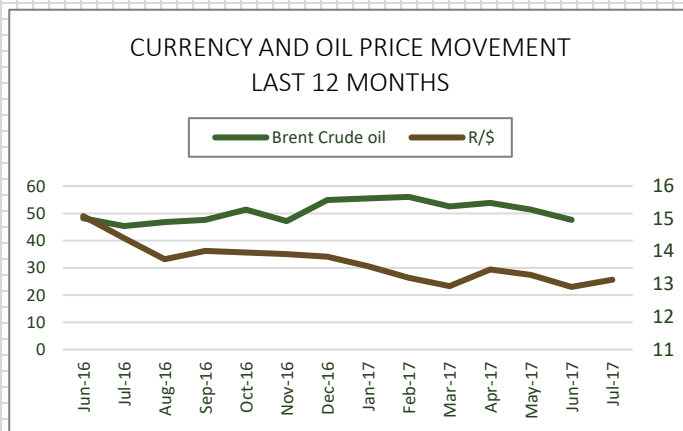
GENERAL ECONOMIC ENVIRONMENT

Global economic conditions have shown some improvement over the last year, a welcoming change following several years of consistent downward revisions in global growth projections. Growth has been revised marginally upward for 2017, now projected at 3.5 percent (from 3.4 percent expected this time last year), and 3.6 percent in 2018. Moderately encouraging as the stronger growth outlook may be, it remains below the pre-crisis average, especially for developing economies that are sensitive to commodity led exporting and advanced economies. Contributions nonetheless remain volatile at a country level. Performance in the United States disappointed somewhat, while growth in Japan and China was stronger than expected. The IMF warns in their July 2017 Global Economic outlook report that although risks to their global outlook remains fairly balanced, they remain skewed to the downside over the medium term. Risks broadly include, on the upside a cyclical rebound in the Euro area (as political tension subsides), while on the downside, higher levels of policy uncertainty and possibly monetary policy normalisation (especially in the US), could trigger a faster than expected tightening in global financial conditions, while risks related to a turn to inward-looking policies and geopolitical risks, continue to weigh on forecasts. China's growth is expected to remain at 6.7 percent on par with 2016 levels, and decline slightly to 6.4 percent in 2018 (compared to an initial forecast of



6.2 percent). Higher growth from China is likely to stem from the expectation that authorities will delay any immediate fiscal adjustments and maintain higher levels of public sector investment (although this also comes at a risk of increasing and higher debt levels). Against previous expectations of a slowdown in India's economy, growth is now expected to pick up further in 2017 and 2018. The outlook for Sub-Saharan Africa remains challenging according to the IMF, and although growth is expected to rise in 2017 and 2018, growth in real GDP per capita is unlikely to show a positive turnaround. Sub-Saharan forecasts was largely supported by a slightly improved outlook for South Africa, as the impact of the crippling drought on the agriculture sector has eased somewhat, with some hope of a mild recovery in mining output alongside a moderate rebound in commodity prices. Risks however weigh heavily on the downside, with elevated policy uncertainty, aggravated by weak investor and consumer confidence.

The **domestic economy** grew by a timid 0.3 percent y-y in 2016, from 1.3 percent in 2015, and 1.4 percent in 2014. Growth was weaker than expected, and following poor performance during the last quarter of 2016 and first quarter of 2017 the South African economy is now in what is considered a technical recession. Agriculture and Mining supported some growth in the 2nd quarter of 2017, both coming of a low base, while all other sectors in the economy took a knock in the 1st quarter. Manufacturing fell for the 3rd consecutive quarter (by more than 3 percent each quarter) placing this sector of the economy firmly in a recession. Adding to the country's woes is the downgrading of South Africa's sovereign debt ratings by major credit rating agencies, kicked started with the axing of Finance Minister Pravin Gordhan in January 2017. The dismal performance in the economy is also clearly having a deteriorating and rather depressing effect on employment. The unemployment rate in the 1st quarter of 2017 was at its worst level since 2003 and accelerated to 27.7 percent, with the hardest hit being younger job seekers with an education level of less than matric. 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 just 29 in the 2nd quarter of 2017 from an average of 37 in 2016, clear evidence of the declining state of the South African economy. The South African Reserve Bank eased monetary policy by 25 basis points in July 2017, lowering the repo rate to 6.75 percent and the prime lending rate to 10.25 percent. While this is welcomed by majority, fears have been expressed that the Reserve Bank may be succumbing to political pressure. Be that as it may, evidence of lower inflation supported the Reserve Bank's decision to lower lending rates for the first time in five years. Inflation eased to 5.1 percent in June 2017 (lowest level since November 2015), while factory price inflation (PPI) slowed to 4.0 percent during the same period.



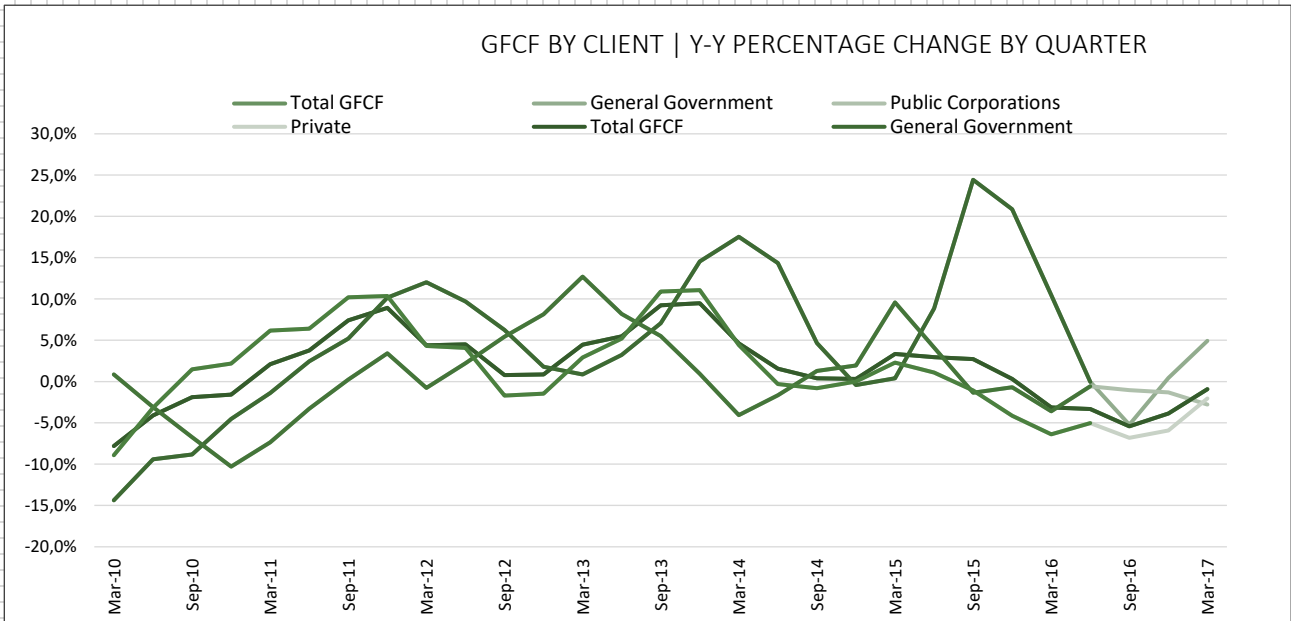
The **rand dollar exchange rate** appreciated since the start of the year, and averaged R13.13/US\$ during the month of July 2017, from an average of R13.54/US\$ in January and R14.7/US\$ in 2016. It would appear therefore that thus far the recent sovereign debt downgrades, two of which are now below investment grade, has had very little impact on the currency. The price of Brent crude oil accelerated slightly towards the end of 2016 and into the first quarter of 2017, but moderated again back to an average of \$47.60/barrel in June 2017.

GROSS FIXED CAPITAL FORMATION (GFCF)

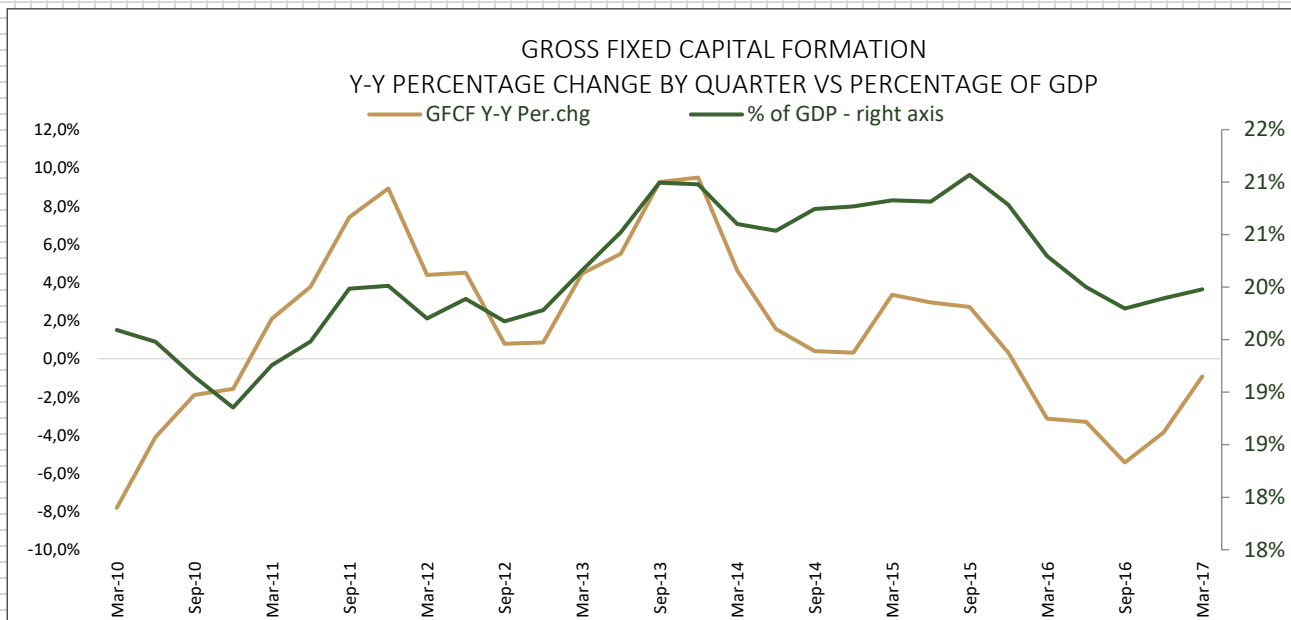
Gross fixed capital formation (GFCF) contracted for the 5th consecutive quarter in the 1st quarter of 2017, down by 1 percent (Q-Q seasonally adjusted an annualised rate) following an average decline of 3.9 percent in 2016, compared to moderate growth of 2.3 percent in 2015. Investment by the private sector fell for the second consecutive year down by 6.0 percent in 2016 and -0.5 percent in 2015, and continued to contract in the 1st quarter of 2017. Real growth also slowed in terms of investment by the general government, from 13.4 percent in 2015 to 1.1 percent in 2016, but did show some recovery in the 1st quarter of 2017, up by 4.9 percent, while investment by public enterprises fell by 1.6 percent in 2016, with further contractions reported in the 1st quarter of 2017. This includes investment in all asset classes such as construction, machinery, transport and equipment. 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.

Newly appointed Finance Minister Malusi Gibaba's 14-point action plan to revive the South African economy was met with little enthusiasm and is criticized by many as being unlikely to boost economic growth. Without clear direction, political and policy certainty and the will power to implement difficult changes necessary to turn the economy around, confidence will simply not be restored to a level deemed as conducive for higher levels of investment. Investment by government

contributed 18 percent to total GFCF whereas public corporations and the private sector contributed 20 percent and 62 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 more counter cyclical role, yet the current scenario paints a relatively bleak picture.



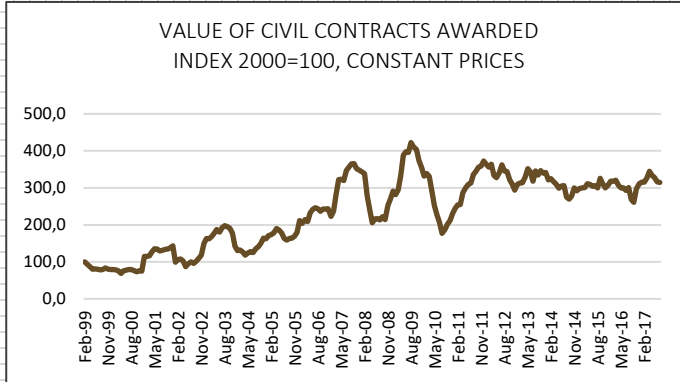
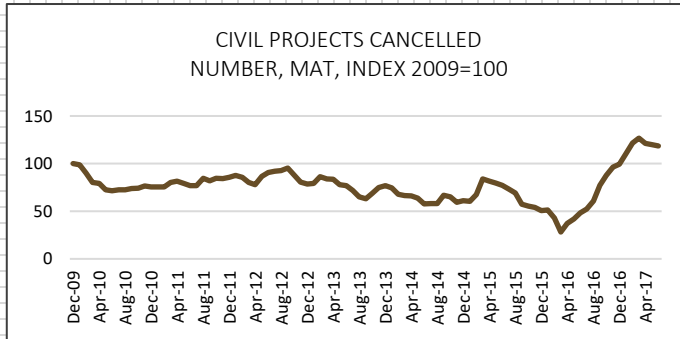
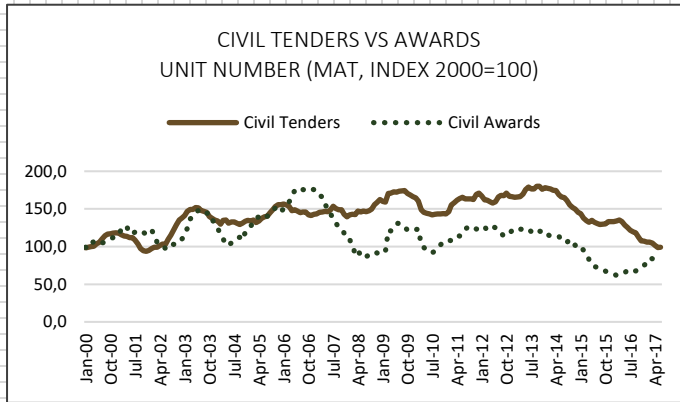
Government expenditure, including expenditure on infrastructure, has been cut while public corporations have all announced reduced capital expenditure in view of lower than expected tariff increases, and a cut down in government financial support from the fiscus. Business confidence, a pre-requisite 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 stabilised at 20 percent of GDP in the 1st quarter of 2017, on par with the average in 2016, but lower compared to the average of 20.9 percent in 2015. Thus, despite South Africa's attempts to accelerate investment and expenditure on infrastructure, it is clear that South Africa no longer has the ability to restore the growing imbalances in economic and social infrastructure requirements. Without the participation and support by the private sector and increased foreign investment the infrastructure deficit is likely to continue to expand, dampening South Africa's growth potential and ultimately making it near impossible to increase job creation and reduce inequalities.

CIVIL INDUSTRY ENVIRONMENT

Although tender activity has shown a gradual improvement since 1998, with a 141 percent increase over the last 16 years, growth has slowed by an average of -5 percent over the last three years. Tender activity has fallen by 45 percent by June 2017 since the peak in 2013, and has not as yet shown any meaningful recovery. During the first six months of 2017, a further contraction of 8 percent was reported since the beginning of the year, which means at the current rate another year of contraction in civil industry tenders can be expected.



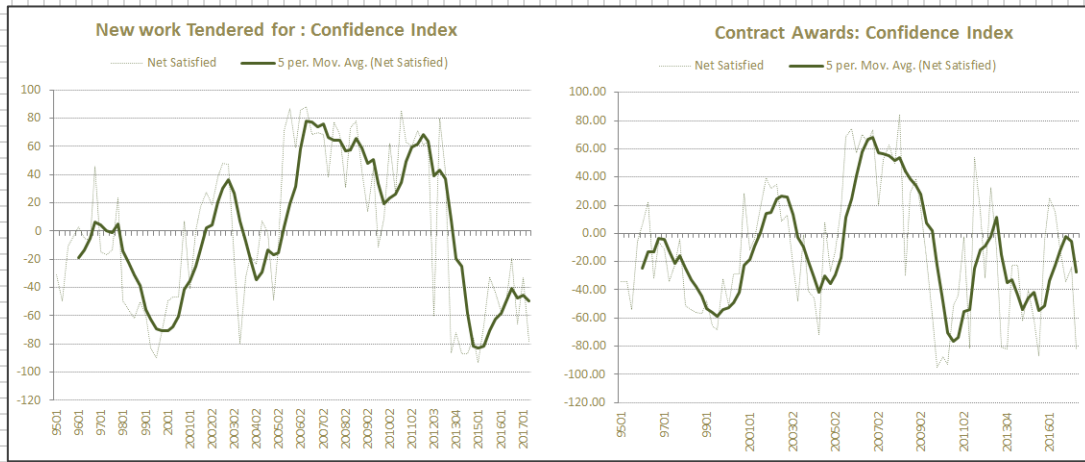
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Although the declining pace in tender activity is a major concern for the industry, a growing concern is the persistently slow pace by which tenders are being converted into projects. The number of projects awarded has declined steadily over the last five years and after having contracted by 10 percent y-y in 2014, awards fell by a staggering 38 percent in 2015, before recovering by 16 percent in 2016 (coming off a much lower base). On the upside, there has been a moderate improvement in award activity, since the beginning of the year, up by 7.7 percent, although we have noted a weakening in recent months. A growing concern however is the accelerated pace by which projects are either being postponed or cancelled. The number of civil projects postponed increased by 255 percent y-y in the first six months of 2017, while cancellations increased by 54 percent y-y during the same period.

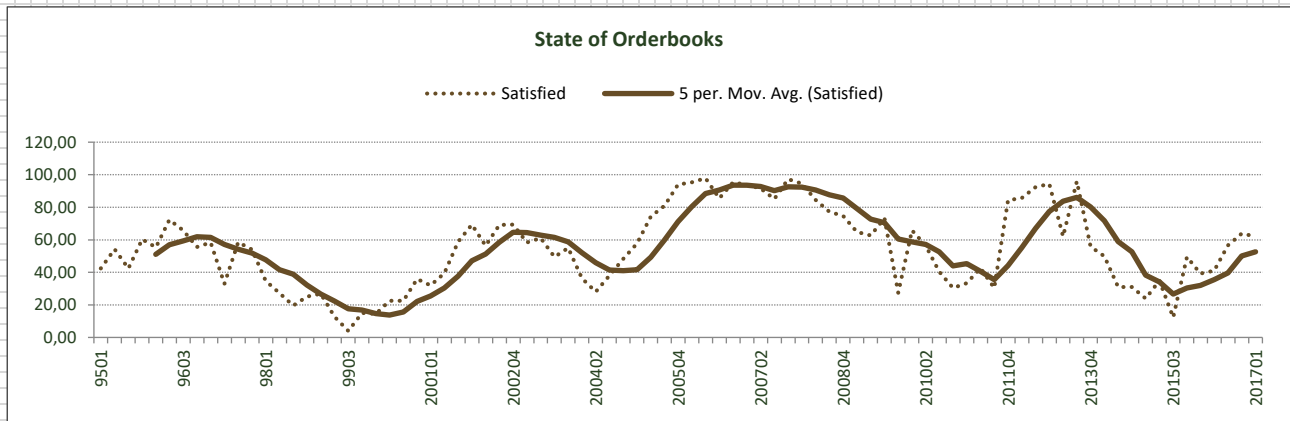
The nominal rand value of civil contracts awarded, an independent indicator that measures current civil construction activity, fell by 0.7 percent y-y in 2016, following a (revised) increase of 6 percent in 2015. The index has fallen by 4 percent since the start of the year, as fewer higher value projects are being out to tender and subsequently awarded.

The weak environment in terms of awards is also reflected in the quarterly opinion surveys conducted by SAFCEC amongst its members. After having shown some improvement amongst member firms regarding

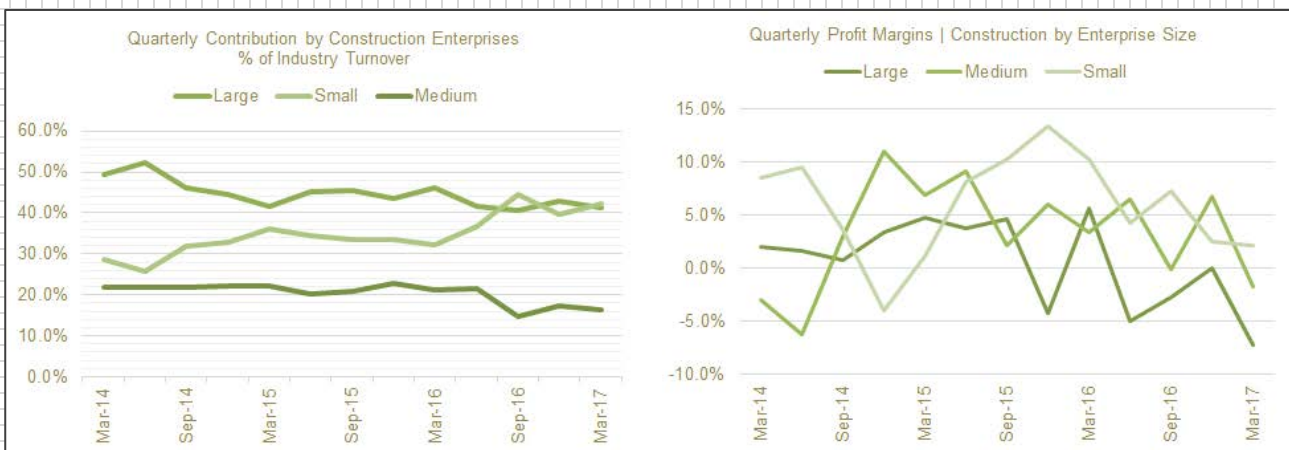
their opinions related to the awarding of contractors (mostly amongst medium and smaller size firms), conditions deteriorated during the 2nd quarter of 2017, with a negative net satisfaction rate of -82.9 percent. Less than 10 percent of members were satisfied with conditions, with majority of members saying the rate of awarding of contracts is low. Opinions related to tender activity remain depressed with 89 percent stating levels were low in the 2nd quarter survey, suggesting a further weakening in tender activity since this time last year.

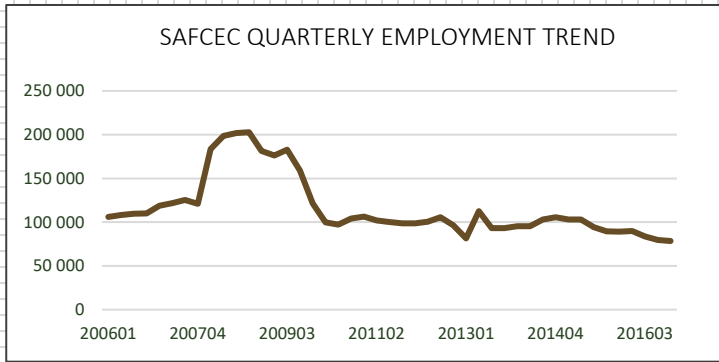


The overall nett satisfaction rate related to order books has been positive in the last four surveys (after having reported negative nett satisfaction rates between 2014 up to the 2nd quarter of 2016), but moderated rather significantly to just 2.0 percent in the current survey, from an average of 26 percent in the previous two surveys, mainly due to more a depressed outlook expressed by both larger and medium size firms. None of the firms reported satisfactory or better levels in terms of their current orderbook, suggesting depressed conditions to be maintained.



Following a period where firms were generally more satisfied with profitability, related largely to the completion of loss making contracts, internal restructuring, shedding of non-core assets and integrating and stream lining business functions and cutting overheads, firms have become increasingly concerned regarding poor levels of profitability. Latest survey results showed that fewer firms were satisfied with profitability, with only 18.0 percent reporting satisfactory levels during the 2nd quarter of 2017, (mainly amongst medium and smaller size firms) compared to 43.1 and 36.1 percent in the previous two surveys. Larger firms reported mainly on low (75 percent of respondents) to very low (25 percent of respondents) profitability in the industry. As a result, the nett satisfaction rate related to profitability deteriorated deeper into negative territory, reaching -64.1 percent by the 2nd quarter. The more fragile profitability environment is supported by data released by Stats SA, which showed negative profitability for the construction sector for the 1st quarter (latest available data) of -2.2 percent, compared to an average of 2.8 percent in 2016. Losses were reported (on average) by larger and medium size firms, while smaller firms still managed to achieve a moderate margin of 2.2 percent.

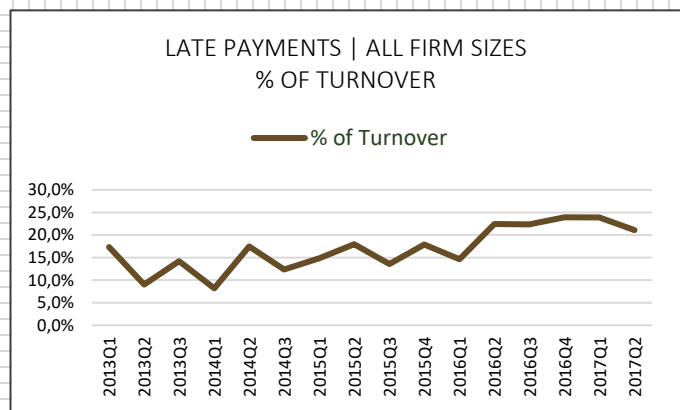




The civil industry is a major job creator in the sector, employing an estimated 100 000 people in the civil construction sector, but significantly lower profitability, amid a particularly poor tendering environment poses a serious challenge to firms attempting to continue operating profitably alongside tough labour negotiations. Although the spate of retrenchments (as announced by large construction firms during 2015/16) have eased somewhat over the last year, employment opportunities are waning. It is very possible that the major job creators in the industry, will shortly no longer necessarily be the listed companies, but job creation will be more focused on the medium and

smaller size firms. Cumulative turnover generated by smaller firms in the construction sector as a whole (including building and civil construction) is currently on par with total turnover generated by larger firms (firms with an annual turnover exceeding R409 million, according to Stats SA specifications). Despite these underlying changes to the dynamics in the construction industry, employment growth overall has been flat since 2010, following the boom leading up to the 2008/09 Soccer World cup preparation. 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 underutilized.

The value of late payments moderated slightly to 21 percent of turnover in the 1st quarter of 2017, compared to an average of 23.1 percent in 2016, but is still well above the average of 12.2 percent recorded in 2013. A more important indicator however is the ratio of payments that have been outstanding for longer than 90 days, as this can be financially debilitating to a construction firm. The value of payments outstanding for longer than 90 days may have dropped marginally to 7.0 percent of turnover (from 7.1 percent in the previous quarter), but there is clearly underlying pressure in terms of payment considering the increase from an average of 3.9 percent in the 2nd and 3rd quarters of 2016. During the 2nd quarter 2017 survey, smaller firms reported the highest rate of earnings outstanding for longer than 90 days, increasing to 25 percent of turnover, from less than 5 percent in previous surveys, largely due to late payments by the private sector, while larger firms reported on 3.9 percent outstanding and medium firms 13.3 percent. 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.



Current business conditions have come under increasing strain, aggravated by weak domestic economic growth, higher levels of political instability and policy uncertainty, slow awarding of contracts, decline in tender activity, and recently an increase in the number of projects being placed on hold or cancelled. This is having a negative impact on employment, skills development and training which in the long run will diminish the industry's institutional capacity to deliver on large scale, high volume contracts, when the sector finally starts to recover. When this will be is difficult to ascertain given the global and domestic economic uncertainties. Confidence levels among contractors remain weak and deteriorated in the 2nd quarter of 2017 to a net negative satisfaction rate of -78 (from an average of -48 in 2016. Majority of firms reported on quiet business conditions (73 percent) compared to 45 percent in 2016. This sets the scene for possibly another year of negative growth in real terms, projected to decline by 9 percent in 2017 (after having declined by an estimated 9.2 percent y-y in 2016), -5.2 percent in 2018 and -3.0 percent in 2019.

Solutions on how to deal with the current environment are broad based and have been outlined before but remain relevant in the current situation. Understandably some of these are easier to implement than others (while some require a longer lead time), but issues around understanding the project pipeline, improved planning and project implementation by increasing early contractor involvement, encourage a more collaborative approach between small, medium and larger contractors, reduce 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 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.

Figure 1

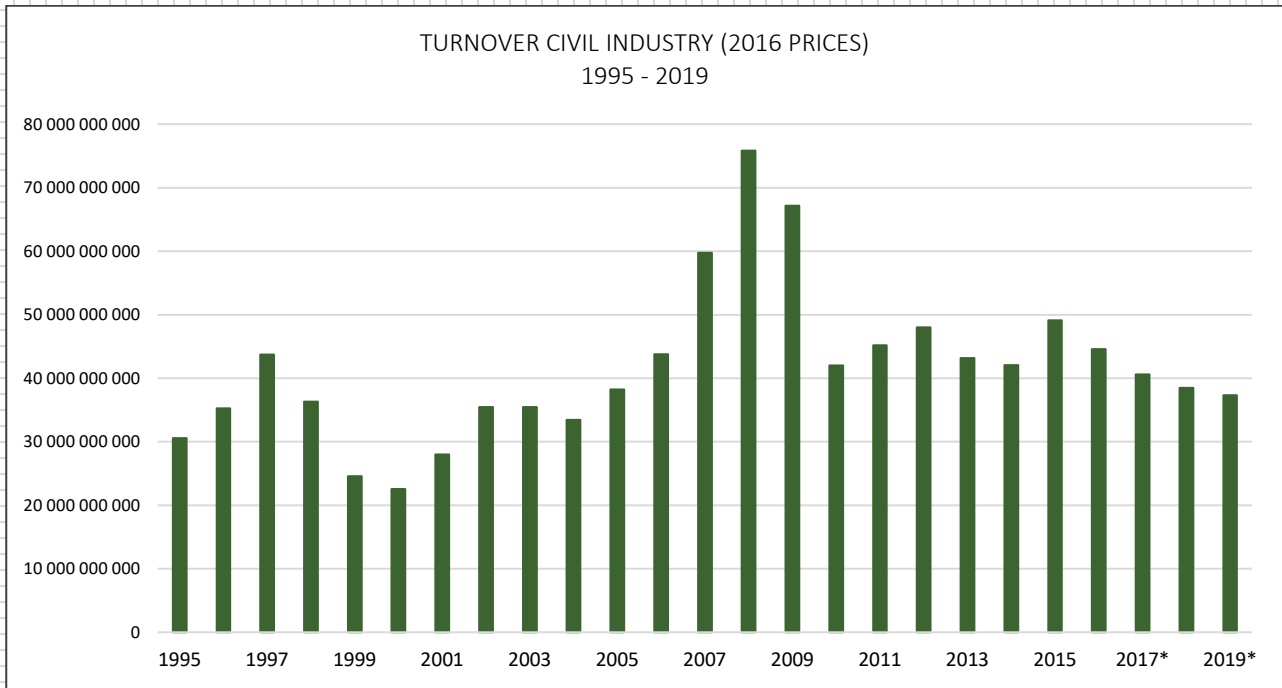
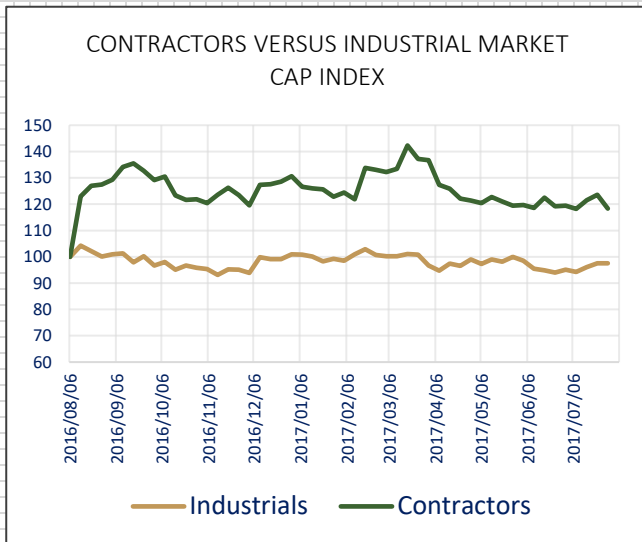


Table 1: Actual and expected turnover in nominal and real (2016) prices

	TURNOVER NOMINAL	% CHANGE (NOMINAL)	TURNOVER 2016=100	% CHANGE (REAL)
2001	11,723,000,614	35.2%	28,011,798,970	24.2%
2002	17,138,501,083	46.2%	35,462,083,710	26.6%
2003	17,701,840,728	3.3%	35,481,366,070	0.1%
2004	17,180,281,073	-2.9%	33,459,646,964	-5.7%
2005	20,999,901,277	22.2%	38,250,997,170	14.3%
2006	25,783,535,490	22.8%	43,789,298,565	14.5%
2007	38,084,310,982	47.7%	59,737,657,516	36.4%
2008	58,063,639,993	52.5%	75,823,132,197	26.9%
2009	51,147,261,584	-11.9%	67,176,926,137	-11.4%
2010	32,744,103,366	-36.0%	41,993,396,767	-37.5%
2011	36,888,136,573	12.7%	45,184,339,496	7.6%
2012	40,952,061,358	11.0%	48,002,150,896	6.2%
2013	38,920,982,014	-5.0%	43,161,222,056	-10.1%
2014	39,941,145,748	2.6%	42,063,178,880	-2.5%
2015	46,049,492,101	15.3%	49,134,808,072	16.8%
2016 (f)	44,590,770,821	-3.2%	44,590,770,821	-9.2%
2017 (f)	41,915,324,572	-6.0%	40,587,324,484	-9.0%
2018 (f)	42,334,477,817	1.0%	38,464,455,053	-5.2%
2019 (f)	43,604,512,152	3.0%	37,324,947,076	-3.0%

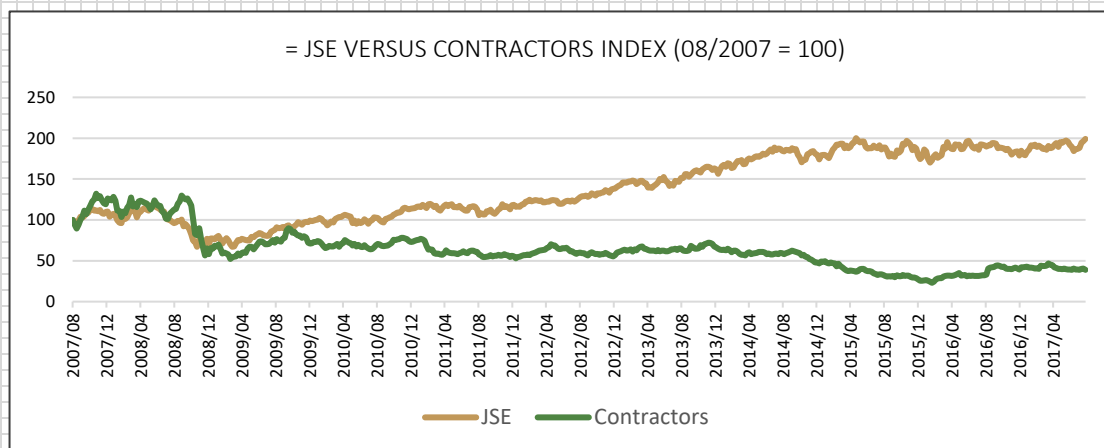
Listed contractors released diverse results during the first half of 2017. Some companies performed better than others in what can be described as an extremely tough environment particularly for the larger listed contracting companies. Many of these contractors have shifted their attention to diversify the type of work they do, while some engaged in more serious restructuring, in order to streamline strategies for the current environment. The current profile of the listed contractors in terms of the contribution based on Market Capitalization values is listed in the table below.

The chart below is a summary (over the last 12 months) of the market capitalization value of contractors listed on the JSE, compared to the overall industrial index. Although at historically low market caps and share prices, there has been somewhat of a recovery over the last 12 months, with contractors' overall market cap increasing from 100 index points 12 months ago, to 118.4 points at the end of July 2017, **growing by 18.4 percent over the last year.**



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%

The overall index showed some stabilization over the last few months, and the overall value of the index seems to have recovered somewhat from the downswing from the middle of 2014 to early 2016. Raubex and Calgro M3 released relatively good results, while results from both Stefanutti Stocks and Aveng were marginally negative. Group 5 recently released a trading statement reporting an expected loss, and also has plans to trim down the company. Murray and Roberts sold off most of their infrastructure and building divisions, and are no longer listed under the “construction and materials” index on the JSE. Many of the companies have looked for work in Africa and other countries to some success, but this has not yet showed any real benefits in terms of their market cap values. The graph (on the left) shows the cumulative contractors market cap, relative to the overall performance of the JSE, indexed to August 2007. While the JSE has doubled in value over the last 10 years, the contractor’s index have more the halved in value during the same time. The contractor’s index fell to a level of 39 in June 2017, which means that contractors together have lost 61 percent of their value in nominal terms since 2007, before the financial crisis.



COMPARATIVE STUDY OF PROFIT MARGINS OF OUR INDUSTRY VERSUS OTHERS

Profit after tax (%)										
Construction Companies	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Aveng		1,3%	-1,2%	-0,7%	0,9%	1,3%	3,4%	5,5%	6,2%	7,8%
Basil Read		-0,4%	1,4%	-11,4%	1,6%	-3,6%	1,6%	4,7%	5,8%	6,1%
Group Five		2,8%	2,0%	2,9%	3,0%	2,5%	5,0%	3,0%	4,6%	4,8%
Murray and Roberts		3,0%	2,8%	2,7%	2,9%	-2,0%	-3,5%	3,6%	6,6%	7,4%
Raubex	4,5%	5,5%	5,9%	6,0%	5,7%	6,8%	9,8%	12,9%	12,7%	13,8%
Steffenutti	-1,6%	2,0%	2,4%	1,7%	-1,8%	3,3%	4,8%	5,3%	5,1%	5,7%
WBHO		2,4%	2,1%	3,0%	2,8%	4,0%	5,3%	6,8%	6,5%	7,1%
Average		2,4%	2,2%	0,6%	2,2%	1,8%	3,8%	6,0%	6,8%	7,5%
Other Industries	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Tiger Brands	10,4%	3,0%	7,5%	6,2%	8,9%	12,1%	12,6%	11,3%	12,4%	9,1%
MTN	7,6%	-2,1%	20,0%	25,7%	22,5%	19,7%	19,5%	14,7%	15,3%	16,7%
ABINBEV		17,6%	16,1%	16,4%	15,0%	20,6%	13,2%	11,5%	11,5%	10,7%
BHP Billiton	18,4%	-36,5%	9,8%	26,3%	26,2%	23,6%	33,4%	24,6%	12,6%	26,8%
Kumba	27,9%	1,7%	16,0%	29,7%	37,3%	36,2%	45,9%	47,3%	37,6%	42,5%
PPC	0,3%	7,2%	6,2%	9,4%	11,2%	11,5%	12,7%	16,3%	16,6%	24,0%
Average		-1,5%	13,2%	18,4%	19,6%	19,9%	21,6%	19,9%	16,6%	21,2%

STATE OF THE ORGANISATION

MEMBERSHIP



MEMBERSHIP STATISTICS 2012 - 2016						
	12-Dec	13-Dec	14-Dec	15-Dec	16-Dec	June 2017 *
Ordinary Members	392	310	258	378	347	345
Associates	118	53	80	98	96	85

Full membership statistics reported at 31 December each year on 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 2017**

GOVERNANCE

Effective service provision is always aligned with effective quality management systems. To ensure that SAFCEC continues to conform to the requirements of the ISO 9001 standard we have started the migration to the new ISO 9001:2015 standard. Risk based thinking is at the core of the new standard and will therefore allow SAFCEC to effectively identify and manage our Internal and external interested parties' requirements by identifying and managing all risks and opportunities throughout our entire scope of services and reinforcing our commitment on being Ready to Deliver.

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. SAFCEC has duly complied with all its obligations as required by law and the SAFCEC Constitution.

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:

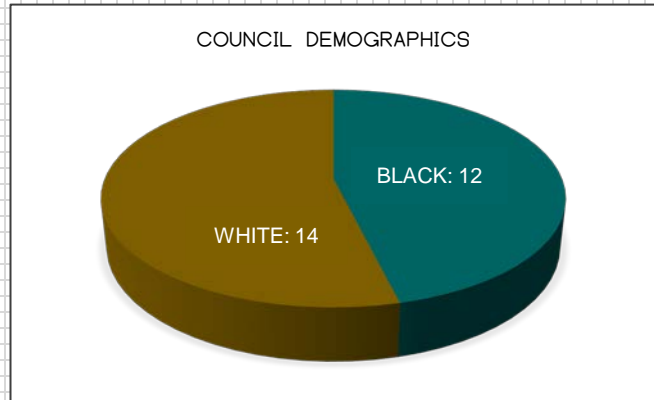
- values-driven
- self-motivated
- self-critical
- self-disciplined
- independent
- team player
- knowledgeable
- passionate
- accountable
- results-oriented

TRANSFORMATION AT INDUSTRY LEVEL

After 3 years of protracted negotiations, the construction sector codes were agreed to and signed by the established and emerging sector in May 2016, and subsequently submitted to the minister of trade and industry for gazetting. It is disappointing that the minister has failed to gazette these codes up to now, resulting in dire consequences for the survival of the industry as significant players in the economy have been rendered uncompetitive for public sector contracts, based on the generic codes. Once gazette, 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.

TRANSFORMATION AT ORGANISATIONAL LEVEL

At an organisational level, we have made significant strides in the right direction in terms of creating an inclusive organisation. The collective challenge we have is to maintain the momentum towards inclusivity and we dare not fail. The table below depicts the composition of the 2015/16 Council in terms of Section 7.2 of the new SAFCEC Constitution of 14 October 2013. It shows representation of 12 black council members vis-à-vis 14 white council members. This is a positive trajectory from a situation where, prior to the implementation of the new 2013 SAFCEC Constitution, no black and female candidates were guaranteed representation by the old Constitution.



	TOTALS	MALE	FEMALE	WHITE	AFRICAN	COLOURED	INDIAN
ELECTED MEMBERS	12	11	1	10	2	0	0
CO-OPTED MEMBERS	5	3	2	1	4	0	0
REGIONAL CHAIRPERSONS	4	3	1	3	1	0	0
REGIONAL EMERGING MEMBER	4	3	1	0	4	0	0
EX OFFICIO MEMBER	1	1			1		
	26						

APPOINTMENTS

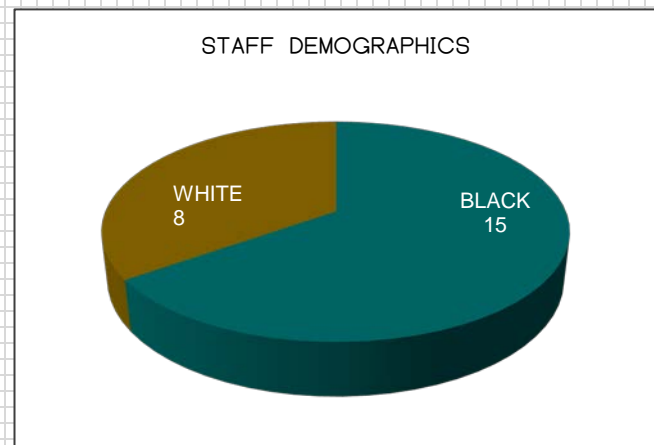
- **Cobus Coetzee** (February 2017)
National Advisor: SHERQ

RESIGNATIONS

- **Liselle Govender** (July 2016)
Finance & Administration Manager

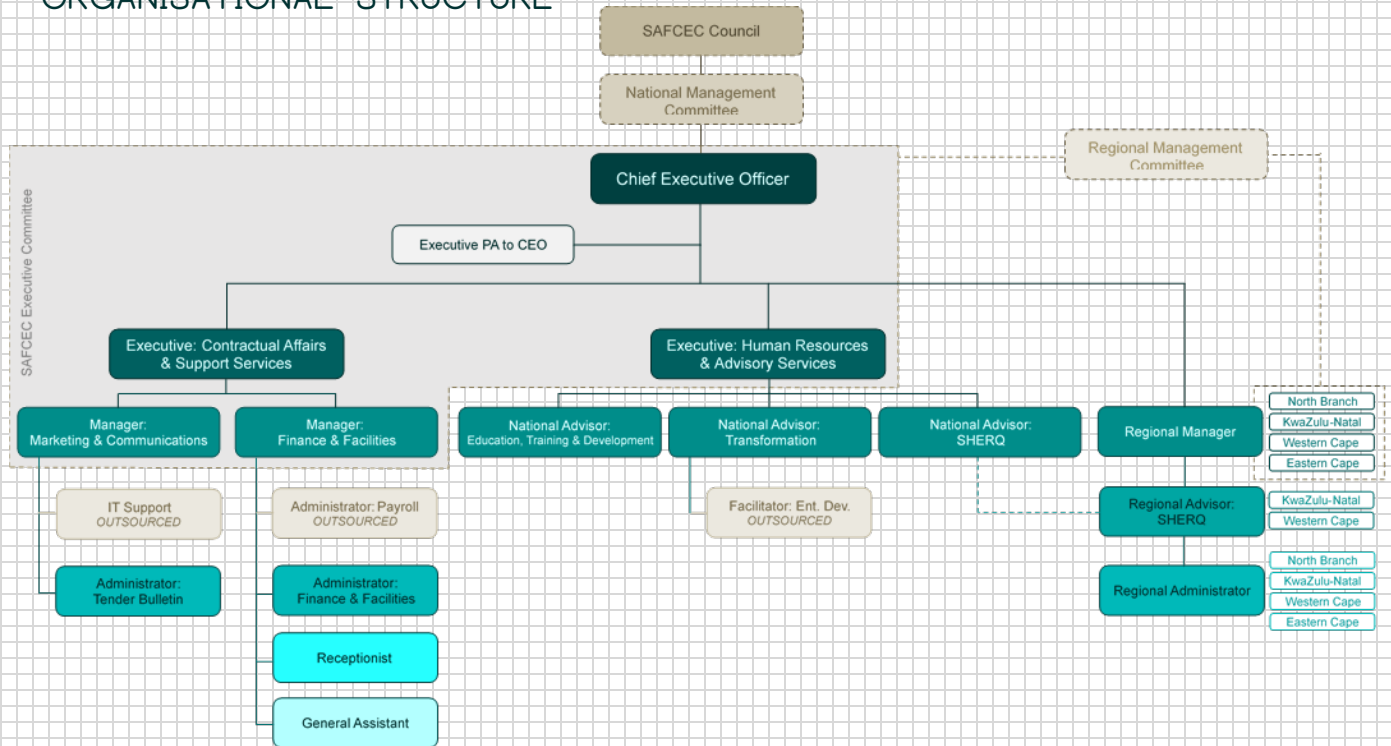
RETIREMENTS

- **Peter Kendal** (February 2017)
Regional Manager: KZN



GENDER	WHITE	COLOURED	AFRICAN	INDIAN	TOTAL
FEMALES	3	4	7	2	16
MALES	5	0	2	0	7
					23

ORGANISATIONAL STRUCTURE



STAKEHOLDER RELATIONS

SAFCEC has sound relations with the following strategic stakeholders:

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

ORGANISATIONAL VALUES

HUMANITY

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

HARMONY

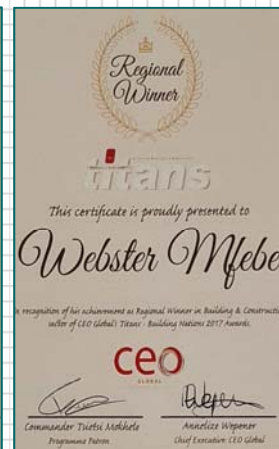
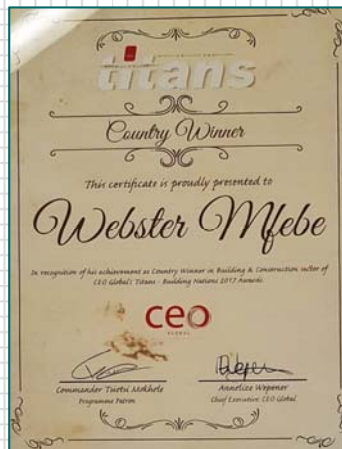
- A unified voice for the civil engineering industry.
- Synergy of efforts to continuously professionalize the industry
- Promoting and maintaining industrial peace and stability through collective bargaining and dispute resolution mechanism.
- Establishing sustainable mutually beneficial relationships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

DEMOCRACY

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

RECOGNITION AND AWARDS FROM INDEPENDENT BODIES

In August 2017, the SAFCEC CEO won a prestigious Country and SADC Award in the Building and Construction Sector and is now a finalist for the Continental CEO Global Award, which will be announced by CEO Global towards the end of 2017.



ACKNOWLEDGMENTS

I would like to place on record my appreciation for the people mentioned hereunder:

- SAFCEC Presidency for support and guidance;
- The entire leadership at both MANCO and Council for granting me the opportunity to embark a process of turning the organization around and their continued support;
- All committee chairpersons and committee members for their dedication to serve SAFCEC on a voluntary basis;
- EXCO and staff for their support and willingness to chart new waters;
- All SAFCEC members for their continued loyalty to the organisation.

Webster Mfebe
SAFCEC CEO

CONTRACTUAL AFFAIRS AND SUPPORT SERVICES

Executive: Contractual Affairs and Support Services: Frikkie Oosthuizen
Contractual Affairs Committee Chairperson: Andrew Oelofsen
Economic Affairs Committee Chairperson: Steve Ryninks

GENERAL

The past year was characterised by several political and economic events which have impacted the civil engineering construction industry in South Africa. The negative influences of these events are seen, for example, in the extent civil construction work that is made available for tendering by organs of state. It has been reported, and SAFCEC conveys the same message, that estimated tender values, on a year to year basis, are down by as much as 40% for each of the first two quarters of 2017.

The reduction in tender values could also be ascribed to a noticeable decrease in the number of cidb grade 9 projects, i.e. projects with a value of more than R130 million. In 2016, the number of grade 9 projects out to tender averaged 23 per quarter compared to the 10 projects per quarter in 2017. The drop in tender values, except for some minor exceptions, can be considered “broad based” and experienced at all levels of contracting across South Africa.

Nonetheless, the Contractual Affairs and Economic Affairs Committees continued their work and regularly held meetings to review aspects relevant to South African civil engineering construction. Foremost, is our respected *State of the Industry Report*, published quarterly after comprehensively surveying pertinent and appropriate components of our membership organisations. Once again, we must stress that the success of these reports is attributed to the continued support and participation of our member organisations. We collect data internally which is analysed and interpreted by our market intelligence service provider, Industry Insight. We thank them for their continued and professional services.

The effects of an industry under duress are also felt in the levels of participation of individual members within our committees. Accordingly, it is with regret that we report the resignation of both of our chairpersons during the year. The contribution and guidance of Kaizars Mfuneli (Economic Affairs) and Andrew Fairfax (Contractual Affairs) will surely be missed. Andrew Oelofsen and Steve Ryninks, having already served both committees for several years, replace our outgoing chairpersons and will continue to guide and lead their respective committees.

Several developments arose during the past year, beyond SAFCEC’s control, that threaten to impact the interests of all our members. In a recent study by the cidb of “red tape” in construction, it was noted that contractors identified five constraints that frequently affect their businesses. These include payment processes, access to work, access to credit, B-BBEE and corruption. With respect to the content of construction-related legislation and regulations, contractors pointed out that B-BBEE, cidb grading, payment processes, OSHA / construction regulations (DoL) and PPPFA / B-BBEE are issues that drain their business.

It should also be mentioned that the constraints and issues are experienced differently by contractors depending on their cidb grading. For example, smaller entities found the issue of access to work to be a significant stumbling block, whereas the larger organisations generally cite access to work, corruption and skills as hampering to their development.

Overcoming these challenges will require a more thorough understanding of each of the underlying issues and will require a delicate approach in seeking the right answers. Tailor-made solutions are to be found at each level, requiring a common-sense methodology in differentiating between small, medium and large contractors; ensuring appropriate solutions are formulated at each level.

Many other factors will also contribute to uncertainty leading to an environment wherein many of SAFCEC’s members will be challenged in their pursuit of developing successful construction organisations. The new PPPFA regulations became effective in April 2017 and refer to an organ of state’s prerogative to specify the minimum B-BBEE level as high as level 1. This will stretch the contractor’s own transformation and developmental aspirations.

The recent announcement that Stats-SA will discontinue publishing indices required for contract adjustment provisions from January 2018, is another aspect the industry will have to deal with.

HIGHLIGHTS

Notwithstanding the fact that civil engineering construction is currently facing a bleak outlook for the short and medium term, several positive developments are underpinning the dependability of the industry. Under the auspices of dti, and with cidb, South African contractors are now permitted to become members of an export council. Previously, contractors wishing to expand their operations abroad had to go it “alone”.

With the option of joining the built environment export council, contractors, including members of SAFCEC, can now enjoy several benefits such as the assistance and close cooperation of the dti with respect to export opportunities for South African construction, particularly across Africa.

SAFCEC participated in a process with the cidb and others, in an initiative whereby a best practice document was compiled for community participation goals (CPG). The implementation of this best practice document is eagerly awaited as it is expected to bring about improved and harmonious relationships between communities and contractors who are often required to carry out construction work under difficult circumstances, but seldom fully supported by the employer or owners.

The changeover from 2012=100 to 2016=100 of the Stats-SA indices used for contract price adjustment calculations (i.e. for escalation) occurred successfully, with members advised of possible solutions and the way forward. The well-known SAFCEC spreadsheet was updated to include both the 2012 and 2016 sets of indices; SAFCEC being the only organisation to provide such a service to its members.

Stakeholder relations remains a key component of the SAFCEC offering. As such, continued efforts are made at both national and regional levels to ensure that our members' interests are openly and professionally transmitted. The concerns of the broader civil engineering construction industry are also supported and managed through various forums.

LEGISLATION IMPACTING THE CONSTRUCTION INDUSTRY

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 defines construction procurement as "procurement in the construction industry, including the invitation, award and management of contracts." Accordingly, construction procurement involves not only engineering and construction works contracts, but also supply contracts that involve the purchase of construction materials and equipment, services relating to any aspect of construction including professional services, disposals of surplus materials and equipment and demolitions.

The CIDB Act establishes a means by which the cidb can promote and implement policies, programmes and projects aimed at procurement reform, standardisation and uniformity in procurement documentation, practices and procedures within the framework of the procurement policy of government. The Construction Industry Development Regulations require that all organs of state only award construction works contracts to contractors who are appropriately registered with the cidb, advertise tenders and calls for expressions of interest on the cidb's web-based i-tender service and record the award of contracts and any cancellation or termination of a contract in the register of projects on the cidb's 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; 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 also recognises that the right of access to information may be limited if the limitations are reasonable in an open and democratic society (e.g. a limitation that protects privacy).

The Promotion of Equality and Prevention of Unfair Discrimination Act of 2000 (Act No. 4 of 2000)

This Act expressly prohibits the state and all persons (natural and juristic) from discriminating unfairly against any person. Discrimination on the grounds of race or gender through the denial of access to contractual opportunities, or by failing to take steps to reasonably accommodate the needs of such persons, are prohibited.

The Public Finance Management Act (PFMA) of 1999

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

The Municipal Finance Management Act (MFMA) of 2003

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. It is about procedures and mechanisms for each type of process; disclosure of any conflicts of interest; 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.

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 specific regulations

cidb Regulations: The cidb publishes regulations in terms of its mandate.

cidb Standards: The cidb publishes standards in terms of its mandate.

Department of Labour: Construction Regulations

Frederik Oosthuizen
Executive: Contractual Affairs & Support Services

HUMAN RESOURCES

Executive
Committee Chairperson
Member Organisation

Pheli Mbambo
Werner Jerling
Stefanutti Stocks

The past year has brought various challenges to the industry however the Human Resources Department and Committee have worked hard to maintain their participation in all industry activities and to keep track of industry changes and developments.

GOVERNANCE

The committee schedules to meet three times a year, however intends to meet more frequently during the upcoming year in preparation for the wage negotiations. So far, member participation at meetings has been good and communication has been fruitful.

MEMBER ENGAGEMENT AND INITIATIVES

During the course of this year, an arbitration took place regarding the 3 months vs. 18 months clause contained in our agreement. The arbitration proved unfavourable and is currently under review in the labour court, with the labour court date still pending. Whilst waiting for the court date to be communicated, the current agreement remains in place.

STAKEHOLDER ENGAGEMENT AND LIAISON

All HR stakeholders are met with regularly by the HR Committee. These stakeholders include, but are not limited to, NUM, BCAWU and the Department of Labour. Other stakeholders include the BCCEI and the CIRBF.

STRATEGIC HIGHLIGHTS

BCCEI

The BCCEI has been in operation for the past four years. The roadshows that were presented to the industry yielded positive results as the number of companies registered has grown significantly. The BCCEI is in a sound financial position and the reserves are impressive.

The stakeholders at the BCCEI agreed to take the 3 months vs. 18 months clause to arbitration, however the outcome was unfavourable and the matter has been taken on review in the labour court. At the time of writing this report, the labour court date had not yet been set.

A few demarcation cases are currently ongoing; the main one being Andrew Mining which has not yet been concluded.

Two applications to join the BCCEI were submitted; one by an employer body and the other a union. The employer body, MBSA, has requested to form part of our council. A dedicated subcommittee has been established to deliberate on this. AMCU, a union body, submitted their application however owing to their constitution not being covered in our scope, their application was unsuccessful.

Finally, the BCCEI is in search of new premises owing to security concerns related to the recent conversion of the current premises.

WAGE NEGOTIATIONS

SAFCEC has already nominated representatives to represent the industry in upcoming wage negotiations., Preparations are underway and it is intended that SAFCEC or employer demands are submitted to the unions before the 2017 construction shutdown. Thami Mvumbi has replaced the recently retired Dirk Theron as the chairperson of the National Negotiating Forum and Ruth Maseko has been appointed as the deputy. In order for the industry to meet the Minister's deadline of 90 days before promulgation, signed agreements must be submitted by the end of May 2018.

CIRBF

The fund is still fully operational. There has been a down turn in the industry resulting in a considerable number of retrenchments. This is cause for concern as we lose members instead of gaining new entrants. Despite the status of the industry, the fund trustees entrusted with the recruitment drive have been able to steer the ship towards recruiting more medium- and small-sized companies. In order for the fund to realise its growth, an SLA between the fund and the BCCEI will be signed in the near future. This agreement will help the fund with non-member compliance issues.

OVERVIEW OF MAJOR PROJECTS

The industry has not been exposed to new mega projects other than Medupi & Kusile power stations. These two projects are gradually scaling down, and no major problems have been experienced. The HRC advises all members that prior to the start-up of a mega project, it is recommended that the HRC be informed in order to communicate the many lessons learnt during the two above-mentioned projects.

STAFF MOVEMENTS

Three SAFCEC members have left the employment body during this reporting period, namely Finance Manager, Liselle Govender, National SHERQ Advisor, James Flint and KZN Regional Manager, Peter Kendal. Cobus Coetzee has been appointed as the National SHERQ Advisor, taking over from James Flint. Cobus has vast knowledge of the civil engineering and mining industries. Although the appointment falls within the next reporting period, Andile Zondi has been appointed as the KZN Regional Manager. Andile is well-known within the KZN region. The position of Finance Manager remains vacant. SAFCEC welcomes both Cobus and Andile and wish them a happy stay within the industry.

HRC PERFORMANCE

The HRC is performing well. The mandates for the Transformation and Education, Training and Development Committees were re-visited this year. The re-focusing of these two committees has yielded positive results and more training for both portfolios will be scheduled in the new financial year. HRC will have higher than usual expectations this year owing to the upcoming wage negotiations in 2018.

LEGISLATIVE ENVIRONMENT

Except for the 3 months vs. 18 months matter nothing major has changed in the legislation which raises eyebrows.

LOOKING AHEAD

Smart preparations for the upcoming wage negotiations will be required by the SAFCEC team as it is expected that labour will negotiate all five agreements. SAFCEC views this a serious matter to be considered thoroughly. The HRC Chairperson will be presenting at the SAFCEC Annual Conference in October with a focus on raising awareness of the upcoming wage negotiations as well informing members of their right to participate in all the mandating structures of SAFCEC.

EDUCATION, TRAINING & DEVELOPMENT

National Advisor
Committee Chairperson
Member Organisation

Dazerene Du Plessis
Robert Simelane
Aveng Grinaker-LTA

SAFCEC's Education, Training and Development team are working with training providers in the industry in order to enhance service delivery and increase benefits provided to our members. An example of such benefits include the offering of discounted courses (including Continued Professional Development (CPD) accredited courses). SAFCEC have registered its General Conditions of Contract (GCC), Contract Price Adjustment (CPA) and Construction Regulations courses for CPD points.

STAKEHOLDER ENGAGEMENT AND LIAISON

The cidb facilitated the bricklaying component of the national leg of the World Skills competition held in Durban with the support of MBSA. Learners from various TVET colleges participated in provincial bricklaying competitions prior to this. The cidb has also received support from Corobrik and Group Five.

CONSTRUCTION EDUCATION AND TRAINING AUTHORITY (CETA)

CETA has committed to use the SAFCEC Qualifications, once registered with the South African Qualifications Authority (SAQA) on the National Qualifications Framework (NQF), to pilot an Assessment Quality Partner (AQP) model for such

occupational qualifications. The CETA's current pilot approach is to fund the AQP functions in collaboration with an expert industry body or entity.

BARGAINING COUNCIL FOR THE CIVIL ENGINEERING INDUSTRY (BCCEI)

SAFCEC is working with the BCCEI to align the current job descriptions to the newly developed qualifications where required.

MASTER BUILDERS SOUTH AFRICA (MBSA)

SAFCEC strengthened our relationship with the MBSA by inviting them to our National Training Committee (NTC) meetings and by attending theirs. We are working on initiatives to do joint projects that will benefit both the civil engineering and building industries.

STRATEGIC HIGHLIGHTS

CIVIL ENGINEERING QUALIFICATION DEVELOPMENT

SAFCEC submitted the final documentation for the 3 qualifications we have developed over the past two years to the Quality Council for Trades and Occupations (QCTO). The qualifications offer various exit points for learners in the form of part qualifications as follows:

- Roads Constructor – earthworks and layer works hand, surfacing hand, road drainage hand, road maintenance hand, road marking hand, road signage hand and kerb layer;
- Structures Constructor - construction hand, concrete hand, shutter hand, reinforcing hand and scaffolder; and
- Services Constructor - sewer pipe layer, stormwater pipe layer, water pipe layer and kerb layer.

We would like to thank all our members who have participated in the process of developing these courses.

NATIONAL BUSINESS INITIATIVE (NBI)/CONSTRUCTION INDUSTRY PARTNERSHIP (CIP)

SAFCEC members participated in research conducted by the NBI on Workplace Integrated Learning (WIL), which was aimed at providing a shared understanding of WIL and to develop guidelines for companies for the implementation of WIL.

STRUCTURED PLACEMENT PROJECT

Harambee coordinated the placement of 38 candidates for 3 months at Aveng Grinaker-LTA and Group Five training centres. The candidates were then placed for work readiness on construction sites; 18 at Aveng, 12 at Murray & Roberts and 8 at Ubuhlebethu. The candidates at Aveng completed their programme at the end of February, at Murray & Roberts at the end of March and those at Ubuhlebethu at the end of June. 100% retention was achieved for this programme and the majority of the candidates were female. A few candidates have been absorbed by industry - Murray & Roberts placed two female learners as junior foremen on site and feedback thus far indicates that they are performing well.

The National Skills Fund (NSF) has approved funding for the placement of 60 graduates in construction. The scope includes all trades. The CIP will embark on this as phase 2 of the project and drawing from the reflections from phase 1, candidates will be exposed to a wide range of tasks on site. Greater effort will go into recruiting more companies to meet the target.

LEGISLATIVE ENVIRONMENT

The Department of Higher Education and Training (DHET) has established three Task Teams to develop plans to implement the White Paper on Post-School Education and Training (PSET) for the Technical and Vocational Education and Training (TVET), Community Education and Training and Higher Education sectors. The NBI is a member of the PSET TVET Task Team and has shared the lessons learnt from the CIP Structured Placement Programme with the Task Team for the development of the plan. DHET is expected to release the consolidated plan soon.

LOOKING AHEAD

The team's plan going forward is to focus on the development of our operator qualifications and the alignment of existing qualifications to the QCTO process. SAFCEC will increase training provision to our members, register courses for CPD accreditation and pursue our AQP application in partnership with the CETA.

TRANSFORMATION

National Advisor **Xolisile Zondo**
Committee Chairperson **Charles Wright**
Member Organisation **Stefanutti Stocks**

COMMITTEE STRUCTURE AND GOVERNANCE

STRUCTURE

The 2017 Transformation Committee comprised the following members: -

CHARLES WRIGHT (CHAIRPERSON)	STEFANUTTI STOCKS
JENNIFER BECKER (DEPUTY)	BRYAN WESTCOTT
SHELDON MAYET	M&R CONSTRUCTION
VANESHREE PILLAY	STEFANUTTI STOCKS
ELE TSHIKOVHI	AVENG GROUP
DAZERENE DU PLESSIS	SAFCEC
SYLVIE BLINKHORN	SAFCEC ED FACILITATOR
INGRID CAMPBELL	WBHO
MARINA DUMAKUDE	TANGULIZA SERVICES
BAFOKENG MPOBANE	WK CONSTRUCTION
MICHAEL LAWRENCE (WC REP)	MARTIN & EAST
BRADWELL KLAZEN (WC REP)	SACLAWA
PHELI MBAMBO	SAFCEC
XOLISILE ZONDO	SAFCEC
ABEL MUDAU	GROUP FIVE
TSAKANI MALULEKE	NTOMBANI TRADING PROJECTS CC

MEMBER ENGAGEMENT AND INITIATIVES

SAFCEC ENTERPRISE DEVELOPMENT PROGRAMME

The SAFCEC Enterprise Development Programme was developed to provide mentorship to established, emerging contractors with cidb gradings from level 1 to level 6. Ms. Sylvie Blinkhorn, from Oregon Services, together with SAFCEC, has facilitated this programme since its inception in 2006.

This year, five established contractors and thirteen enterprise development (ED) beneficiaries have participated in the programme; an increase from last year's four established contractors and thirteen ED beneficiaries.

DIAMOND ACADEMY PROGRAMME

The Diamond Academy Programme is a high-level learning program aimed at assisting owners and managers of developing enterprises to effectively run their businesses and develop their business skills and knowledge. The programme targets emerging contractors with cidb gradings from level 1 to level 5.

Construction industry professionals volunteer to present on specific topics; sharing their knowledge and experiences with emerging contractors.

The programme includes 8 modules: -

- Introduction to Construction (Profit, Overheads and P&Gs);
- Tendering Process (Pricing & Suppliers);
- Contracts & Commercial Issues;
- Business Skills;
- 2015 GCC & CPA;
- Project Planning & Control;
- Industrial Relations and Human Resources; and
- Occupational Health and Safety (SHERQ).

Nordex Energy SA provided funding to run a Diamond Academy Programme in the Eastern Cape. Twenty-seven emerging contractors, with cidb gradings between level 1 and level 5 took part in the programme.

The next programme is scheduled to take place in September and October 2017 for emerging contractors in Gauteng and surrounding regions.

CONSTRUCTION CARES FUND

The Construction Cares Fund has remained dormant as was reported in the 2016 Annual Report. The plans to resuscitate the programme have been met with legal challenges in replacing old trustees.

STAKEHOLDER ENGAGEMENT AND LIAISON

AMENDED CONSTRUCTION SECTOR CODE WORKSHOPS

SAFCEC is running workshops on the amended Construction Sector Code. The workshops are open to all interested parties in the construction industry. All workshops are paying workshops; however members are offered the workshops at a discounted fee. The first workshop was held at SAFCEC's North Branch on 12 June 2017 and a second workshop was hosted by the Western Cape region. Additional workshops are planned pending the sector code gazette.

STRATEGIC HIGHLIGHTS

In October 2016, the Transformation services secured funding from Nordex Energy SA to run a Diamond Academy programme in the Eastern Cape for 27 emerging contractors. SAFCEC Transformation services are working to develop partnerships with associations, such as MBSA North for the Diamond Academy and Amended Construction Sector Code Workshops. Such potential partnerships aim to save on costs and allow access to their members needing information on the new legislation. The team is currently in discussion with the Johannesburg Road Agency regarding funding opportunities for the Diamond Academy. JRA are seeking a high-level skills development programme aimed at their emerging contractors.

LEGISLATIVE ENVIRONMENT

ALIGNMENT PROCESS OF THE 2009 CONSTRUCTION SECTOR CODE TO AMENDED B-BBEE GENERIC CODES OF GOOD PRACTICE

The alignment process and the negotiations of the 2009 Construction Sector Code started in 2014 soon after the gazette of the B-BBEE Generic Codes. At the negotiations, SAFCEC is represented by Ingrid Campbell from WBHO and Charles Wright from Steffanutti Stocks. By August 2016, the alignment process has been finalised and the proposed new Construction Sector Code agreed upon by the participating stakeholders. The document was then submitted to **the dti** via the Construction Sector Charter Council (CSCC). **the dti** gazetted the draft Amended Construction Sector Code on 28 October 2016 for a 60 day commentary period. It is important to note that the document had a provision of no 12-month transitional period, the amended sector code will be applicable on gazette. SAFCEC circulated the document to all members to provide any concerns regarding the amendments. The comments were consolidated by SAFCEC and sent to **the dti** for consideration. There were less than 35 public comments received, with a few focusing on technical issues and corrections. In February 2017, Ingrid Campbell and Charles Wright were part of the Technical Committee working with **the dti** on the comments. On 24 May 2017, the CSCC submitted the document's final draft to **the dti** for final gazette. The **dti** Minister has yet to promulgate.

LOOKING AHEAD

The committee is in the process of crafting a transformation agenda mainly for enterprise development entities to address the frustrations of emerging members who are trying to access enterprise development programmes. It will also collate information **annually** to communicate the kinds of initiatives members are implementing and the associated spend to confirm that the construction industry supports the South African transformation agenda of the economy.

There are two existing questionnaires developed by the committee on the Enterprise & Supplier Development (ESD) element and for the Socio-Economic Development (SED) element. The questionnaire will be sent to all SAFCEC members. The committee is planning to have continuous engagements with clients of SAFCEC members about how to align their transformation objectives as government departments, state owned enterprises and municipalities with those of the construction companies as well as to standardise the terminology used in the industry. The first of such meetings was with the Department of Water & Sanitation. The intention is to engage with as many as possible in the coming months.

SHERQ

National Advisor **Cobus Coetzee**
Committee Chairperson **Witness Kwaza**
Member Organization **Basil Read**

2017 has presented its own challenges on the SHERQ front, SAFCEC has however been able to take the challenges head on with a SHERQ department consisting of committed and competent SHERQ advisors that have been providing SAFCEC members and FEM policy holders with advice and assistance on all SHERQ related issues.

Presenting the Civil Engineering Industry is a no small feat and requires commitment and responsibility and the SAFCEC SHERQ department has proven once again to be “Ready to Deliver”

GOVERNANCE

SAFCEC is a registered employers’ organization under the Labour Relations Act.(LR 2/6/3/138) As such it is a ‘not for gain’ organization registered by the Registrar at the Department of Labour. The National SHERQ committee was established to provide members with a national platform to provide input into the strategic positioning of safety, health, environmental, risk and quality concerns experienced in the South African civil engineering industry.

The National SHERQ Committee consists of representatives of SAFCEC member organizations and will be facilitated by the SAFCEC National SHERQ Advisor. Re-election will be done annually during a National SHERQ Committee meeting where a new chairperson and vice chairperson will be elected by a show of hands. Only representatives in attendance at the meeting will be eligible for nomination and election. The elected officials will hold office for 12 months.

MEMBER ENGAGEMENT AND INITIATIVES

The SAFCEC SHERQ department consists of a National SHERQ advisor as well as two regional SHERQ advisors and their daily tasks are not always the same, this said there are specific measurable activities they need to perform and report on monthly. These include internal and external meetings, site visits, training sessions as well as attending seminars and workshops where they can make a positive contribution to Health and Safety in the industry.

The SAFCEC TOM (Training on the move) vehicles have been utilized to provide awareness sessions to members on SHERQ related issues.

The National SHERQ advisor has been visiting members in the regions to provide additional assistance and to enforce the commitment from national office on being 100% ready to deliver.

STAKEHOLDER ENGAGEMENT AND LIAISON

The SHERQ advisors serve on stakeholder committees both at regional and national level and regularly attend meetings with stakeholders that include SANRAL, SACPCMP, DEA and DOL. SAFCEC has been able to secure corporate membership with SAIOSH.

STRATEGIC HIGHLIGHTS

2017 has been a successful year thus far with SAFCEC being invited to attend a closed industry body meeting on the use of secondary construction materials in the construction industry as well as be part of the working team at the Waste and Chemical Economy Phakisa with the DEA.

The drive to ensuring an effective OHS bill of quantities for the construction industry is well on its way as SAFCEC was part of the working group that attended the “MBA/ASAQS “CH&S BUDGETING” WORKSHOP” in July 2017.

The SHERQ department has been able to secure agreements with SHEilds,NOSA and G.Fox to ensure competitive prices for all our members in regards to training services as well as general construction materials and PPE.

SAFCEC has been able to expand our reach with regards to communication as two articles was published over the last two months in "The Civil Engineering Contractor Magazine" the two articles were "A snapshot of current SA" (June 2017) and "Safe my mate!" (July 2017) The National SHERQ Advisor has been accepted to serve on the Advisory committee for Interact Media Defined.

LEGISLATIVE ENVIRONMENT

On the 2nd of June 2017, the long-awaited Construction Regulation 2014 guidelines were published. It was not as comprehensive as was hoped however it has been able to provide some clarification on certain problematic definitions and regulations.

SAFCEC submitted a letter with our comments to the draft ergonomic regulations as we feel South Africa is a developing country therefore most of the products, machinery and equipment is provided by international manufacturers or suppliers. Most of the South African construction industry is made up of SMME`s. The larger corporations would be able to absorb the cost implication that the Ergonomics Regulations would most definitely result in, however the inability of the SMME`s to comply would force them to close as they will not be able to meet the requirements. This would then intern result in a decline in job security as the current construction climate is fragile.

On the environmental side on the 2nd June 2017 the minister published Notice 528 in Government gazette 40887. "National Environmental Management: Waste Act (59/2008): Proposed regulations to exclude waste streams from the definition of waste". Stakeholders have submitted their comments and we are awaiting the response from the Department of Environmental Affairs(DEA)

LOOKING AHEAD

There has been a stronger focus on the importance of health and safety in the construction industry in recent years. Changes have been brought about by both industry associations and professional bodies who have engaged with contractors to professionalize and improve standards within the South African construction industry to be on par with international standards, particularly in the civil engineering construction sector, who we, as SAFCEC, represent. The SAFCEC SHERQ department is committed to - through our members- lead improvements to change behavior throughout the whole industry as Industry has a moral obligation to protect the Health and welfare of their employees and their communities and there is a definitive correlation between high standards of occupational health and safety and an organization's productivity and we will continue to represent our members and the industry through effective stakeholder liaison and delivering on our commitment of being 100% ready to deliver in everything we do.

EASTERN CAPE

Regional Manager	Dave McIntosh
Regional Administrator	Jane Murcott
Committee Chairperson	Calvyn Ferreira
Member Organisation	Echo Bau (Pty) Ltd
Committee Vice Chairperson	Ayanda Ntlama
Member Organisation	Simnikiwe Civils
Emerging Member Rep	Ayanda Ntlama
Member Organisation	Simnikiwe Civils

Over the previous two annual reports, we have emphasised how our members struggle to remain busy due the apparent decline in volume of civil engineering construction work. It is time for our members to accept that for the immediate future this state will remain so it is just a matter of “adapt or die”.

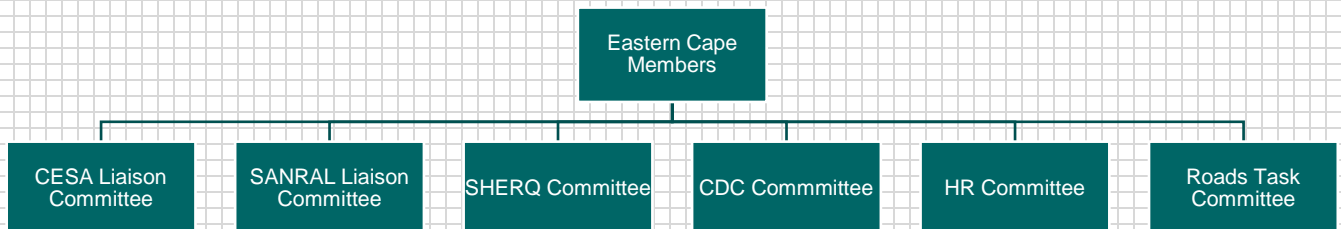
New rules and regulations (for example, ‘PPPFA’) and clients’ policy to specify low B-BBEE status to reduce the size of projects have forced white-owned companies to alter their shareholding and reduce their cidb grading to enable them to become competitive in today’s tendering market.

The new PPPFA 80/20 regulation must increase the overall cost of projects which apparently is recognised as the cost of progress. To date this year, approximately 370 tenders have been advertised however actual awards remain dismally low in comparison.

COMMITTEE STRUCTURE AND GOVERNANCE

STRUCTURE

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



GOVERNANCE

CESA Liaison Committee	John Skinner
SANRAL Liaison Committee	Calvyn Ferreira
SHERQ Committee	Vicky Landman
CDC Committee	Dave McIntosh
HR Committee	Sandra Skinner
Roads Task Committee	Dave McIntosh

MEMBER ENGAGEMENT AND INITIATIVES

This past year has seen our overall membership increase from 61 to 62 members. This is a disappointing increase however this number has been significantly affected by membership suspensions due to non-payment of SAFCEC fees. Considering recruitment in isolation, the number of new members since the previous annual report is 17.

During the year, 10 members resigned and 6 members were suspended for not paying membership fees despite many reminders both in writing and telephonic communication.

Throughout the year we ensure that we engage on a one-to-one basis at least once during the year. Telephonic and internet communication continues on a regular basis. Further to this, we continually ensure that our members are aware

of the benefits of the SAFCEC website and check that members' usernames and passwords are up to date to maintain access for member company employees.

STAKEHOLDER ENGAGEMENT AND LIAISON

STAKEHOLDERS

Of our main clients in the industry in the Eastern Cape region, Nelson Mandela Bay Municipality, Provincial Roads and Public Works, Amatola Water Authority and Amatola Municipality appear to be reasonable clients to undertake work for and seem to have very few payment delay issues.

Buffalo City Metropolitan Municipality and Mthatha Municipality unfortunately do not 'match up' with apparent 'infighting, corruption and jobs for pals'.

SANRAL, on the main roads projects, remain excellent clients for the higher cidb-graded road construction companies, however there appears to be ongoing pressure to reduce the size and value of contracts for the sake of lower cidb-graded companies. This yields some positive results yet various negative implications on cost, progress and quality of the final product.

In conclusion, one must remain positive if one wishes to remain an active member in this tough industry. Fortunately, this is not a quality lacking in our members.

LIAISON

Nelson Mandela Bay Municipality

Fortunately, the 'changing of the guard' has changed the NMBM's views regarding SAFCEC. We have had two successful meetings with the councillors in control of the portfolios of our industry and a liaison meeting with the Department of Infrastructure and Engineering. Many topics were discussed and it was agreed that liaison meetings must continue.

Buffalo City Metropolitan Municipality

Feedback indicates that our members are reluctant to undertake work for this municipality.

Coega Development Corporation

Liaison meetings are held with the CDC on a regular basis. These meetings are informative and details of all current and future projects are discussed. Members who have undertaken projects for the CDC report experience of late payment for completed work. The new Chinese Car factory project has commenced in the IDZ just outside Port Elizabeth. It is unclear as to how the CDC plans to approach issues of local labour rules and regulations and local material content.

SANRAL

Tri-annual liaison meetings held with the southern region members are both informative and constructive. Their positive and friendly attitude should be an example to other clients.

MBA Joint Practices Committee

These committee meetings are held on a regular basis, both in the Port Elizabeth and East London areas. Meetings often focus on member companies' experience with both these municipalities.

CESA

Liaison meetings between SAFCEC and CESA are held four times a year at the local CESA branch in Port Elizabeth. Discussions are both informative and constructive. Recently, SAFCEC members have challenged CESA members to be more insistent with their clients in limiting special conditions of tender, contrary to, in most cases, GCC 2015. It appears that consultants are wary of challenging their clients on this topic – a response not well-received by our members. Our Contractual Affairs executive, Frikkie Oosthuizen, continues to handle the Eastern Cape member's concerns regarding the cidb and National Treasury.

STRATEGIC HIGHLIGHTS

The recruitment of 21 new members during this reporting period is a very positive result for the Eastern Cape region, increasing total membership numbers to 62.

SAFCEC's Diamond Academy initiative was staged in Port Elizabeth during the latter part of 2016. 28 candidates attended the programme with presenters from SAFCEC Head Office and senior employees of our member companies. The course was well received, though despite interest shown by all the candidates in joining SAFCEC, only a few of these have since joined the organisation.

REGIONAL MEMBERSHIP

Membership statistics as @ 30 June 2017				
CIDB Grade	Members as @ 30.06.2016	Member Resignations	New Members	TOTAL MEMBERS
1CE	6	2	1	5
2CE	6	1	2	7
3CE	1		3	4
4CE	5	2	3	6
5CE	5	2	2	5
6CE	11	4	3	10
7CE	9	2	1	8
8CE	7	2		5
9CE	2			2
1SK	1			
4SQ	1			
3SK				1
1SQ				1
5GB				
6GB				
7GB				
8GB				
9GB				
No Grading				
Associate	7	1	2	8
TOTALS	61	16	17	62

LOOKING AHEAD

We are always hopeful for an increase in infrastructure spending and encourage our members to remain positive. The SAFCEC Eastern Cape region plan to focus their efforts on the Membership Drive during the upcoming year.

Dave McIntosh
Regional Manager: Eastern Cape

KWAZULU-NATAL

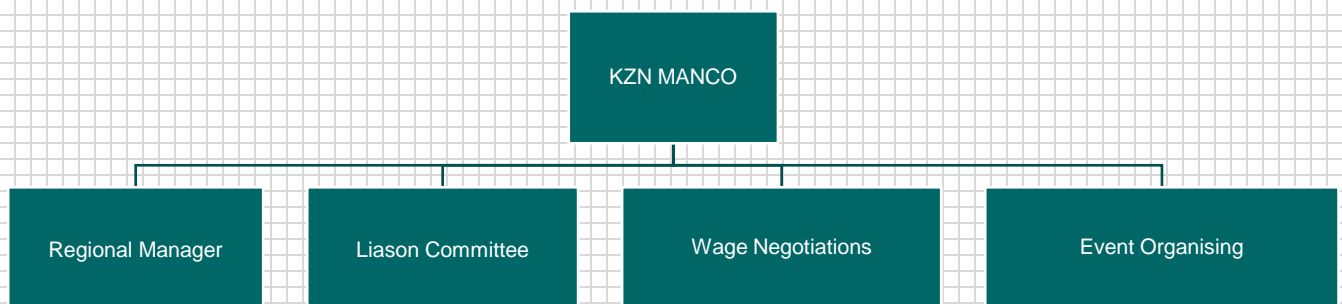
Regional Manager
Regional Administrator
SHERQ Advisor
Committee Chairperson
KZN MANCO

Andile Zondi
Shamila Moodley
Marilyn August
Kevan Rocher – RAUBEX KZN
Glen Hockly (replacing Monty Soobramoney)
Clive Reucassel (replacing John Woodburn)
Sydney Pillay
Richard Moore
Andrew Olden

The KZN civil construction industry has had an extremely tough year. The negative economic climate and a massive reduction of government infrastructure projects has resulted in a shortage of work in the industry. This shortage of work and cut-throat tendering conditions have created great tension and desperation in the region. An example of this desperation is the formation of vigilante groups throughout the province calling themselves 'Business Forums' that use 'mafia-style' tactics to extort construction work. These criminals demand sub-contract work at gunpoint or pay offs from the contractors in exchange for being left alone. Through the assistance of our CEO Webster Mfebe, SAFCEC is working closely with the KZN Department of Community Safety and Liaison to put an end to this scourge of criminal activity in our industry

COMMITTEE STRUCTURE AND GOVERNANCE

STRUCTURE



MEMBER ENGAGEMENT AND INITIATIVES

KZN is implementing the new SAFCEC membership drive strategy with the aim of increasing the membership by 30% by July 2018. Currently, KZN has 76 members and we aim to grow this to approximately 100 memberships over the next year. We are in the planning stages of the launch of a quarterly member networking evening, where emerging members can showcase themselves to established members and network.

STAKEHOLDER ENGAGEMENT AND LIAISON

KZN holds regular stakeholder liaison meetings with Ethekwini Municipality, Umgeni Water, SANRAL, Transnet and KZN Department of Transport. We are working on creating relationships with KZN Department of Public Works, Tongat Hulett, ACSA, Ithala Bank and Dube Trade Port.

STRATEGIC HIGHLIGHTS

The SAFCEC 5 Year Membership drive strategy was launched at a special council meeting on 17 July 2017. The KZN region has already begun with implementing this drive.

REGIONAL MEMBERSHIP

Membership statistics as @ 30 June 2017				
CIDB Grade	Members as @ 30.06.2016	Member Resignations	New Members	TOTAL MEMBERS
1CE	7		4	11
2CE			1	1
3CE	2			2
4CE	7			7
5CE	7		2	9
6CE	26	4		22
7CE	10	1		9
8CE	5	3		2
9CE	2	1		1
1GB	2	1		1
2GB				
3GB				
4GB				
5GB				
6GB				
7GB				
8GB				
9GB				
No Grading				
Associate	11			11
TOTALS	79	10	7	76

LOOKING AHEAD

We plan to improve on the service offerings to our current members and plan to put the new membership drive strategy into full swing by 1 September 2017. We hope that this strategy will help us to achieve the 30% increase in membership that we have set for ourselves over the next year.

Andile Zondi
Regional Manager: KwaZulu-Natal

NORTH BRANCH

Regional Manager
Regional Administrator
Committee Chairperson
Emerging Contractor rep

Amos Mtephe
Brenda Gogwana
Marina Dumakude
Zipho Matsoso

Leadership of the North Branch.

Ashley Thorn	Aveng
Berto Smit	WBHO
Shaun Ayliffe	Group Five
Devendra Lalbasanth	Franki - on hold
Ele Tshikovhi	Aveng
Eric Wisse	Murray and Roberts
James Popper	Bophelong
Marina Dumakude	Tanguliza Projects
Michael Knight	Basil Read
Mike Stevenson	Stefanutti Stocks
Sakkie Haartman	Saxon Developments
Stuart Knight	WK Construction
Tommie Venables*	Raubex
Tsakani Maluleke	Ntombani Trading

*Resigned in February

SAFCEC North Branch has had a year of both positives and negatives. The economic conditions in the country have had a negative impact on the ability of some members to continue their SAFCEC memberships and have had to resign citing the squeeze on their margins owing to few projects going out to tender and being awarded. Lack of work, heightened competition and the slow rollout of infrastructure projects by the three levels of government are putting a heavy strain on businesses, not only in construction but evidently all sectors of the economy.

MEMBERSHIP

In advancing the objectives of the Recruitment and Retention Strategy of the organisation, North Branch representatives attended the two provincial stakeholder liaison meetings at the cidb. These were held in Limpopo and Mpumalanga respectively. The branch had an opportunity to give presentations geared at the marketing and promotion of SAFCEC.

Regular communication is made with the members utilising the 'Your Membership' platform which has aided effective member management. The table below describes membership changes during this reporting period.

Membership statistics as @ 30 June 2017				
CIDB Grade CE/GB	Members as @ 30.06.2016	Member Resignations	New Members	TOTAL MEMBERS
1CE	35	17	21	39
2CE	16	1	3	18
3CE	15	2	2	15
4CE	11	1	2	12
5CE	6	1	2	7
6CE	16	4	4	16
7CE	17	5	2	14
8CE	10	1	1	10
9CE	24	3	1	22
No Grading				
Associate	44	6	5	43

RECRUITMENT AND RETENTION STRATEGY

The number of new memberships totalled 43, with a large proportion of these having lower cidb gradings. Unfortunately, the number of member resignations approximately equalled the number of new members. As at the end of end May 2017, payment statistics for the new financial year 2016/2017 were as follows:

Established members: 94.1% (of R13.2m)

Emerging members: 63.2% (of R122k)

Associate members: 78.6% (of R454k)

New applicants: 27.0% (of R660k)

LOGGING OF CONTACT FORM ON THE MEMBERSHIP PLATFORM

The Contact Form is a platform for members to lodge queries and complaints, enabling the branch to manage interactions efficiently. In total 54 contact forms were loaded for the attention of the branch. This is an average of 5 calls logged per month. The issues raised were addressed within the specified 48 hours response time. It is hoped that members will continue to utilise this facility, providing the branch with a tool for the measurement and management of member engagement.

MARKET CONDITIONS

The woes in the South African economy have been well documented. There appears to be no let off in the downward trajectory for the economy, at least in the short term. The table below (from the South African Chamber of Commerce and Industries-SACCI) show the extent to which things have deteriorated.

**The SACCI Business Confidence Index
2015=100**

Month	2010	2011	2012	2013	2014	2015	2016	2017
January	110.8	119.4	112.4	108.8	104.5	103.4	92.6	97.7
February	113.2	118.0	115.2	107.7	106.4	107.4	92.7	95.5
March	113.5	120.6	110.8	104.7	107.3	103.2	94.0	93.8
April	114.8	118.7	109.2	106.9	107.2	104.1	95.5	94.9
May	111.8	117.2	107.4	104.7	102.9	100.6	91.8	93.2
June	115.7	118.5	109.9	104.4	103.8	97.9	95.1	94.9
July	115.0	114.6	105.2	105.0	101.8	101.8	96.0	
August	119.5	114.2	110.0	104.8	103.0	97.6	92.9	
September	119.8	113.9	106.2	105.8	103.3	94.5	90.3	
October	117.2	112.9	106.5	105.5	102.8	102.3	93.0	
November	118.7	112.8	106.2	105.1	105.1	95.1	93.9	
December	119.5	114.7	107.7	106.4	102.2	92.2	93.8	
Average	115.8	116.3	108.9	105.8	104.2	100.0	93.5	

From July 2016 to June 2017 the average business confidence level was 94.2. The sideways movement in the BCI levels indicate that things are probably going to get worse before they get better.

STAKEHOLDER ENGAGEMENT AND LIAISON

The following stakeholders regularly collaborate with the North Branch and share their insights regarding the state of the construction industry, their project pipeline, and the challenges they experience: -

1. City of Johannesburg

The main thrust of the year's budget for infrastructure for the City is shown below:

- R655.2 million allocated to City Power for electrification of housing developments throughout the City;
- R168 million for bulk and roads infrastructure, sewer, water, and storm water management systems for 24 000 houses in Lufhereng;
- R30 million for housing related projects in Ennerdale South;
- R548.8 million for social housing projects to be implemented in the 2017/18 financial year in areas such as: Lombardy East, Randburg, Turffontein, Nancefield, Lufhereng, the Inner City, Dobsonville, Jabulani, Princess Plots, Kliptown and Devland Golden Highway.

2. Johannesburg Roads Agency

Financial Year	Total Budget	Expenditure
2012/13	R290m	R261m (90%)
2013/14	R737m	R523m (71%)
2014/15	R1.297bn	R927.5m (72%)
2015/16	R1.340bn	R1.141bn (85%)
2016/17	R1.439bn	R1 109m (75% as at 19 June 2017)

(Source: JRA presentation to the North Branch meeting in June 2017)

Challenges that JRA are facing currently are mentioned below: -

- Poor workmanship from both main and sub-contractors;
- Large contractors not submitting tenders despite the requirements for large (higher cidb graded) companies;
- Main contractor and SMMEs cash-flow problems resulting in non-payment of wages;
- Local political dynamics;
- Project management capacity;
- Poor consultant performance: sub-standard designs and supervision.

3. City of Tshwane

The main challenges facing the city in terms of the infrastructure are roads and transport, water and sanitation as well housing settlements (City of Tshwane IDP Final Draft). The Administration has prioritised the provision to the citizens of the City as follows: -

- Housing and Human Settlements R874 422 432;
- Roads and Transport R1 078 973 564;
- Water and Sanitation R527 804 248;
- Energy and Electricity R488 312 146.

The above is out of a total capital expenditure budget of R3 860 284 040.

4. SANRAL

Non-Toll Road Capital Expenditure

Description	Number of projects	Length (km)	Cost (R'000)
Strengthening	31	182	2 098 391
Improvements	33	145	2 284 296
New facilities	32	78	2 065 110
TOTAL	96	405	6 447 797

Toll Road Capital Expenditure

Description	Number of projects	Length (km)	Cost (R'000)
Strengthening roads	3	18	298 109
Improving roads	7	2	104 859
New facilities	13	106	753 421
Total	23	126	1 156 389

(Source: SANRAL Annual Report 2016)

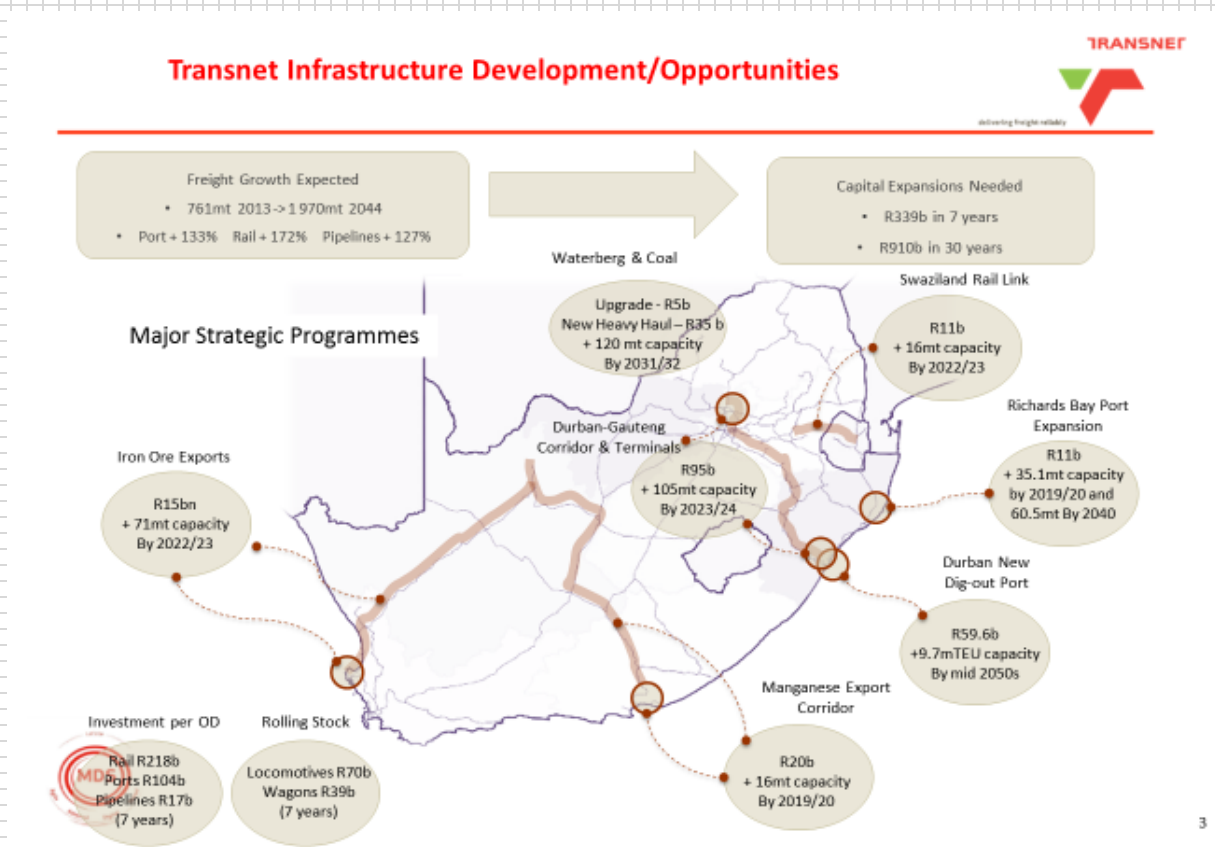
5. Transnet

Key insights as per Transnet regarding the contracting sector:

- Construction industry is highly competitive;
- Industry characterised by small contractors;
- The rate at which small contractors upgrade is slow;

- Without work opportunities, there is limited improvement and mobility;
- The skills shortage affects companies across all levels.

Transnet can potentially implement their own contractor development programme from level 1-7 resulting in increased transformation. The Transnet project pipeline shared the below infographic with the North Branch: - From the above it can be seen that the major Transnet projects include Waterberg Coal, Richards Bay Port Expansion, Manganese Export Corridor, and Durban-Gauteng Corridor & Terminals.



BRANCH ACTIVITIES AND HIGHLIGHTS

The branch successfully forged relationships with other voluntary organisations and industry bodies as follows: -

- The South African Readymix Manufacturers Association – SARMA;
- Concrete Manufacturers Association – CMA;
- The Building & Construction Industry Medical Association – BCIMA;
- Southern African Road Federation – SARF;
- Construction Industry Development Board – cidb.

Collaboration between organisations has been in the form of sharing of workshops and promotion of each organisation. North Branch is also active in assisting participating students of the 'Go for Gold' programme on an ongoing basis.

The Branch again hosted a successful sports day at the Huddlepark Recreation Centre. The aim of the event is to host a world-class, sought-after event. The day belonged to all the members that participated in the various sporting activities including volleyball, netball, soccer, fun run/walk, golf and mountain biking. The event boasted over 350 participants. The branch would like to thank the following members for their sponsorship of the event: -

- AfriSam;
- BCIMA;
- CCS;
- Chryso- abe South Africa;
- Doka;
- FEM;
- Motheo Construction Group.

CHALLENGES

The main focus area for the branch in the new year is to aggressively recruit new members and convert new recruits into fully paid members. This will be focused on in all provinces, i.e. Gauteng, Free State, Limpopo, North West and Mpumalanga. Previous members that have resigned will also be targeted. The branch will rely on existing members, ManCo, and council members for assistance in the recruitment of members.

The branch plans to focus on strengthening the emerging contractor forum. Increased participation in the activities of the organisation will be encouraged for all emerging contractors.

Potential exists for more engagement of members through the membership platform.

Memberships outside of main centres, such as Gauteng indicates potential room for improvement. Identification of new members in these regions will be a focus point in the upcoming year.

APPRECIATION

I would like to thank the North Branch Management Committee members; the chairperson Marina Dumakude and the vice-chairperson Mike Stevenson; the North Branch Administrator, Brenda; fellow colleagues and all the loyal members for your continued support and valued contribution to the success of SAFCEC North Branch.

We would like to take this opportunity to extend our thanks to all sponsors for the sports day, branch meetings and AGM.

Amos Mtephe
Regional Manager: North Branch

Regional Report

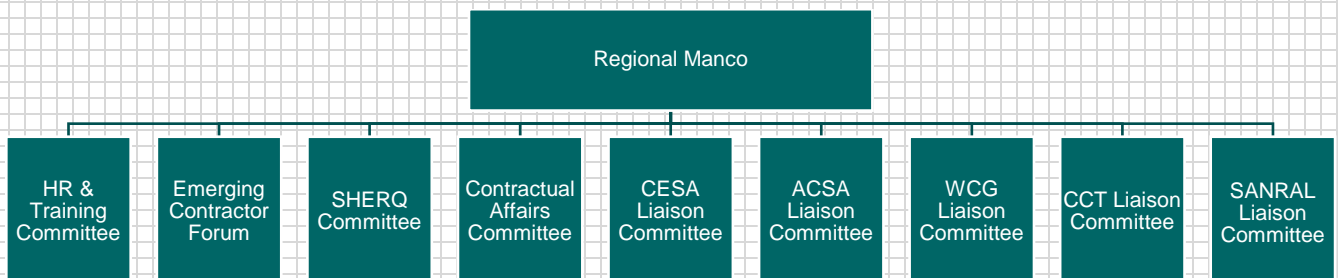
WESTERN CAPE

Regional Manager	Rudolf Murray
Regional Administrator	Marion Matthews
Regional SHERQ Advisor	Lalie Louw
Committee Chairperson	Chris Escreet
Committee Vice-Chairperson	DC 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 of South Africa.

COMMITTEE STRUCTURE AND GOVERNANCE

STRUCTURE



GOVERNANCE

Chris Escreet (Martin & East)	-	Regional Chair
DC Geldenhuys (Baseline)	-	Regional Vice Chair
		CCT Chair
Nosiphiwo Msitweni (Hlumantombazana)	-	ECF Chair
Santie Coetzee (Botes & Kennedy)	-	HR & Training Chair
Dennis Martin (Summit Projects)	-	SHERQ Chair
Jeremy Donnelly (Asla Construction)	-	Contractual Affairs Chair
	-	CESA Chair
	-	ACSA Chair
Jonathan Pearce (Martin & East)	-	WCG Chair
	-	SANRAL Chair

MEMBER ENGAGEMENT AND INITIATIVES

The construction industry is an ever-changing and swiftly evolving environment. We realise the importance of providing our members with correct and up-to-date information and advice. SAFCEC is the recognised voice of the industry, but we believe that we need to listen, before we speak out. To that effect, we utilise different communication tools, from our platform, to personal and electronic correspondence. We also engage directly, whether by branch or other formal meetings or by personal engagement. It is not all work and no play though – we make time for social engagement as well. Our regional sports day was held on 3 March 2017 and, as has become the norm, was very well supported. We entered three teams for the Annual Quad Golf Tournament, held between 12 and 14 May 2017 in Kwa-Zulu Natal. Inclement weather caused havoc at the event and the team from the Eastern Cape hoisted the trophy. Well done to them. The highlight of our social calendar is the AGM and Cocktail Event, to be held at Neethlingshof Wine Estate on 14 September 2017.



STAKEHOLDER ENGAGEMENT AND LIAISON

As a branch, we cherish the outstanding relationships which we have cemented with our major clients and stakeholders. We have regular liaison meetings with entities such as SANRAL, City of Cape Town, Western Cape Government, ACSA and CESA. At these meetings, issues such as budgets and upcoming projects, documentation, procurement, SHERQ, contractor development and other relevant topics are debated and solutions to challenges sought. We also regularly engage with other role players such as cidb, Eskom, Transnet, BCCEI, SARF, SABITA, ASPASA, CPUT, CETA, Cape Chamber of Commerce, University of Stellenbosch Business School and Business Against Crime. We also nurture our cordial rapport with our fellow employer organisations, MBA Western Cape and MBA Boland. An association worthy of specific mention is that of FEM. This relationship remains very positive, and we like to believe, mutually beneficial.

STRATEGIC HIGHLIGHTS

The branch was bestowed the singular honour of the CEO's Outstanding Member and Stakeholder Relations Award 2016 at the Presidential Gala Dinner in Kwa-Zulu Natal, on 17 October 2016. Despite challenging economic conditions, we have managed to keep our membership count on an even keel, with some growth offsetting some regrettable resignations. Our SHERQ advisory service continues going from strength to strength. Our dedicated SHERQ advisor plays a leading role in the region by advising and assisting members with all SHERQ-related matters. The FEM-sponsored safety training vehicle remains a valuable asset, which has reached more than 3 000 people during the year under review.

REGIONAL MEMBERSHIP

Membership statistics as @ 30 June 2017				
CIDB Grade	Members as @ 30.06.2016	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	36	4	0	32
TOTALS	87	8	5	84

LOOKING AHEAD

In the words of Nelson Mandela, "After climbing a great hill, one only finds that there are many more hills to climb."

We are grateful for the achievements and successes enjoyed by the branch during the past year but realise that there is more to be done and that we cannot rest on our laurels.

We, together with the other SAFCEC branches, are embarking on a major recruitment drive in order to increase our membership and thus to be even more representative of the industry.

There is also a definite need for expansion of the liaison committees to include local municipalities and utilities as well as the Northern Cape Government. This is a work in progress.

There remains an urgent need for the upliftment and development of our emerging and newly established contractors.

There is a myriad of challenges that confront these, and already established members, and we need to be cognisant of them. SAFCEC's Diamond Academy initiative is highly regarded as a valuable and effective method of imparting knowledge and experience, and we aim to continue with the programme in the coming year.

Rudolf Murray
Regional Manager: Western Cape

TEAM SAFCEC



Webster Mfebe
Chief Executive Officer



Frikkie Oosthuizen
Executive: Contractual Affairs



Pheli Mbambo
Executive: Human Resources



Cobus Coetzee
National Advisor: SHERQ



Xolisile Zondo
National Advisor: Transformation



Dazerene du Plessis
National Advisor: ETD



Steph Swanepoel
Manager: Marketing & Communications



Amos Mtephe
Regional Manager: North Branch



Rudolf Murray
Regional Manager: Western Cape



Andile Zondi
Regional Manager: KwaZulu-Natal



Dave McIntosh
Regional Manager: Eastern Cape



Brenda Gogwana
Regional Administrator: North Branch



Marion Matthews
Regional Administrator: Western Cape



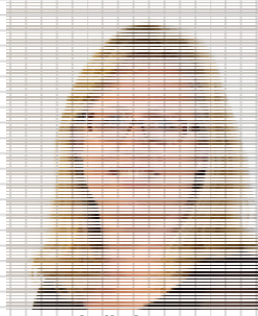
Shamila Moodley
Regional Administrator: KwaZulu-Natal



Jane Murcott
Regional Administrator: Eastern Cape



Marilyn August
Regional Advisor: SHERQ
KwaZulu-Natal



Lalie Louw
Regional Advisor:
SHERQ Western Cape



Shantal Pillay
Administrator:
Finance & Facilities



Martha Gaeje
Executive Pa to CEO



Alice Zikalala
Receptionist



Frida Mathabathe
General Assistant