



**SAFCEC**  
READY TO DELIVER

# ANNUAL REPORT

2017/2018

South African Forum of Civil Engineering Contractors

**ISO9001**  
CERTIFIED

## Strategic Corner Stones

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- 1 Professionalism**  
Actively striving to enable our members in delivering construction services to their clients in a professional manner.
- 2 Knowledge**  
We encourage continuous development in providing knowledge to our members and their clients.
- 3 Credibility**  
We promote a fair and equitable business environment in which our members can conduct their business in a credible manner.
- 4 Development**  
We provide a foundation for the development of our members to enable them to grow in the industry.
- 5 Care**  
We encourage our members to take care of the safety and welfare of their employees, the environment and community.



## Our Vision

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

## Our Values

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

## Our Mission

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

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# President's Annual Overview

*"Protection of the national capability that lies in the local construction sector is critical to the delivery of infrastructure and job creation."*



## Annus Horribilis

The past year has been one of the most challenging in the history of our sector. One could simply sum it in two words: Annus Horribilis<sup>1</sup>. We have witnessed an unprecedented number of our local construction companies - both established and emerging - either at the edge of the precipice, liquidated or under business rescue. The outlook on order books continues to be muted, particularly for larger contractors. The demise of many of these companies is not due to lack of capacity and capability to deliver world class infrastructure. It has a lot to do with slow economic growth in South Africa in general, delays relating to government spend on infrastructure projects; late or non-payment for current projects, and very lean margins (among many other factors). The inevitable result being the escalating number of loss-making projects. Additionally, many projects are under attack and are disrupted by rogue elements in the name of radical economic transformation. Company shareholders and investors are not the only casualties of this ongoing crisis, so too are employees who are retrenched *en masse*, consulting companies, joint ventures, emerging contractors and suppliers. Added to these problems is the chronic skills shortage. This

tide must be stemmed, as a viable construction industry in South Africa is not only necessary but critical. Protection of the national capability that lies in the local construction sector, is critical to the delivery of infrastructure and job creation.

## Policy Environment

Policy certainty is one of the important precursors to investment in the domestic economy. SAFCEC supports any legitimate regulatory and legislative changes that seek to enhance how both efficiency and inclusion in the economy, provided the processes are transparent and involve all key stakeholders. The SAFCEC immediate past president, Mr Thembinkosi Nzimande, is quoted as saying that *"we must tackle with circumspection the emergence of divergent procurement rules from different state entities"*. We remain hopeful that as legislation and policies are reviewed, the outcome is that the right legal structure, incentives and culture are ensured, where both clients and contractors benefit from infrastructure construction on time and on budget. It is also critical that corruption in all sectors of society, both government and private, is rooted out. Contracts must be awarded to qualified and capable companies.

Whilst many challenges remain in the construction industry, not all hope is lost. Although the country recently slipped into technical recession, the construction sector has for the first time in six quarters shown some green shoots of recovery, albeit still miniscule and drawn out. We believe that the reform of state owned enterprises (SOEs) currently underway will be good for the sector in the long run. The announcement of a stimulus package by President Ramaphosa which will target - amongst others - infrastructure development, also bodes well for the sector and must be applauded. We also support the recent commitments from the President's Job Summit at NEDLAC, and will be actively involved in contributing to the implementation of the envisaged programmes. We remain optimistic and look forward to the upcoming mid-term budget speech, which we hope will continue to prioritise infrastructure delivery.

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<sup>1</sup> *Annus Horribilis* Modern Latin noun: a year of disaster or misfortune.

## Industry Transformation Blueprint

SAFCEC remains committed to being part of the unfolding economic transformation story of South Africa. Our seven-decade old organization continues to reinvent itself into an inclusive and diverse member organisation with a growing number of women and emerging contractors. However, as we grow our members, we must continue to work on our culture as an organisation – a culture founded on respect, accountability, integrity and excellence. We are therefore proud to have adopted and launched an industry transportation blueprint this year, to pledge our commitment to the “work in progress” of transforming our industry and country for the benefit of all.

## Commendations

SAFCEC members are supported by a dedicated a team of men and women - both as staff and nominated committee members – based in our geographical regions as well as our national office. We thank them all unreservedly for their contributions. We commend the SAFCEC CEO, Mr Webster Mfebe, for his courageous leadership particularly during the trying times that we find ourselves in as a sector. We also congratulate him on his recent award for Outstanding Leadership in the Transformation of the Industry received at the 2018 African Construction Awards in May 2018. We thank all members of the SAFCEC Council for their contribution, leadership and passion for the construction industry. Finally, we thank our loyal members, past presidents, industry leaders and sponsors who remain active contributors to ensuring the survivability of our organization and sector.

## Looking Ahead

SAFCEC is an organization that exists to serve its members and industry. We must continue to demand and demonstrate nothing less than high performance and accountability from those who serve in all our structures. The year ahead should be about continuing to rebuild and strengthen the organization in terms of financial stability, good governance, performance culture, stakeholder communication and transformation; it will be about ensuring that we continue in our efforts to build a unified membership base and industry that is relevant to the time that we are in. I therefore fully support the view espoused by the CEO for the need to create conditions that are conducive to attracting and retaining key skills on an ongoing basis.

*Isabella Makuta*  
SAFCEC President

## CEO's Annual Overview

*"Notwithstanding our pride as a repository of sought after industry skills and knowledge, it is extremely imperative that we create conditions that are conducive to attracting and retaining key skills on an ongoing basis"*



### Time to Recalibrate

Having successfully traversed the most difficult path since the 2013 transformation journey, through constitutional reforms, it is now **time to recalibrate**, especially given the real threat of regression, which is brought about by a few amongst our members whose clear intention it is to derail all progressive efforts towards inclusivity. Despite some sporadic incidents of regression, SAFCEC remains HUMANISED, HAMORNISED and DEMOCRATISED as "one swallow does not make a summer"

One of most notable milestones in the year under review is the adoption of the SAFCEC TRANSFORMATION DECLARATION on 26 June 2018, as shown on the following page. This declaration will not even be worth the paper it is written on, unless it is backed by member companies' own demonstrable efforts to implement it faithfully, and by reporting back to the Transformation Committee.

### 78<sup>th</sup> SAFCEC Annual National Conference

Needless to mention that our 78th National Conference was indeed a watershed moment when we elected the first ever female president in the history of SAFCEC, Ms Isabella Makuta. At the Gala Dinner the then RSA deputy president and now president, Cyril Ramaphosa, delivered a keynote address and Minister Thulas Nxesi was given a well-deserved award for his outstanding contribution to the Construction Industry. The election of Ms Makuta was an onward, positive trajectory in the implementation of the new 2013 SAFCEC Constitution. It is therefore imperative that all members give their full support and respect to our president and dispel any notion that women have no place in the civil engineering industry.

### The New Dawn & The BRIDGE

The election of Cyril Ramaphosa as new RSA president on 15 February 2018, following President Jacob Zuma's resignation, brought about renewed hope as he ushered in his vision of The New Dawn, which is predicated on the twin pillars of renewal and rebuilding, driven by the #ThumaMina #SendMe Campaign.

Ramaphosa's New Dawn will suffer a fatal blow if it does not include all key stakeholders in the renewal and rebuilding of our country, especially on the economic front. Policy uncertainty and lack of a business-friendly environment, including non-consultation with the construction sector on infrastructure issues remain major obstacles to economic recovery, notwithstanding the fact that the government continues to propagate a correct view that **infrastructure spending is a critical driver of economic activity**. It is therefore regrettable that both SAFCEC and MBSA, the major players in the infrastructure sector, were excluded from the discussions about the Stimulus Package and the Jobs Summit.

It is however praiseworthy that President Ramaphosa has made notable progress on some of the triple challenges of Juniorisation, Mediocrity & Capture (JMC) of state institutions, which I raised with him when he delivered a keynote address at our 2017 Gala Dinner.

SAFCEC fully supports an **inclusive** New Dawn as it is also undergoing its own renewal and rebuilding journey to ensure its survival beyond the narrow confines of past unworkable practices, which have resulted in the stagnation of many industry voluntarily associations. The BRIDGE (Building & Redefining Industry Development, Growth and Excellence) remains a key strategic intervention towards the realisation of our renewal and rebuilding efforts.

# TRANSFORMATION DECLARATION

Members of the **South African Forum of Civil Engineering Contractors (SAFCEC)** agree that they have a critical role to play in the pursuance and attainment of the country's developmental agenda and acknowledge and accept the obligations and responsibilities with this endeavour.

Against this contextual background, SAFCEC hereby declares its support and commitment to sustainable and meaningful socio-economic transformation of the sector in particular and the country in general; to broaden economic participation, drive growth, job creation, skills development and transfers, poverty alleviation and capacity building for social cohesion and nation building.

We believe that transformation must be driven by a genuine desire for the creation of a more demographically representative, just, fair, equitable, ethical and inclusive sector and society. As our point of departure, we therefore commit ourselves: -

- To adhere to and respect the letter and spirit of all applicable laws and the Constitution of the Republic of South Africa and its associated preamble and all other values espoused therein;
- To further adhere to and respect our own organisational constitution and values (HUMANITY, HARMONY, DEMOCRACY), including all codes of conduct and good practice applicable to our industry;
- To prioritise the adoption, adherence and institutionalisation of this Transformation Declaration and aspirations contained herein for the fulfillment of this vision;
- To the development of transparent, specific, realistic and measurable transformation strategies;
- To support, promote and align to the sector and country's transformation imperatives;
- To encourage and promote principles of equality, non-discrimination and diversity;
- To further endeavor to actively eradicate all forms of corporate racism and sexism and uphold the dignity of each person;
- To actively promote our industry as accessible and inclusive of all South Africans who historically had restricted access to opportunities in the Construction Industry trades, occupations and/or professions;
- To introduce measures aimed at identifying and ensuring the elimination of barriers to entry or assimilation and integration of emerging contractors into the mainstream of the country's construction economy value chain through the introduction of SMME development and incubation programmes;
- To introduce programmes that support sustainable and ethical business practices to build the necessary skills within our sector in such a way that we reflect the country's diversity and demographics in terms of race, gender, youth and social status;
- To partner, form alliances and collaborative with like-minded industry stakeholders for the progressive realisation of this Declaration;
- To be sensitive to the broader socio-economic and environmental context within the sector and strive to make meaningful contributions to South Africa's developmental challenges;
- To strive to create a climate of mutual respect, trust, commitment and co-operation within SAFCEC for the achievement of the foregoing.



**SAFCEC**  
READY TO DELIVER

South African Forum of Civil Engineering Contractors | LR 2/6/2018

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THUS ADOPTED BY SAFCEC COUNCIL AND SIGNED ON BEHALF OF  
MEMBERS AT JOHANNESBURG ON THIS THE 26<sup>TH</sup> DAY OF JUNE 2018

WEBSTER MFEBE  
CHIEF EXECUTIVE OFFICER

ISABELLA MAKUTA  
PRESIDENT

## Emerging Threat

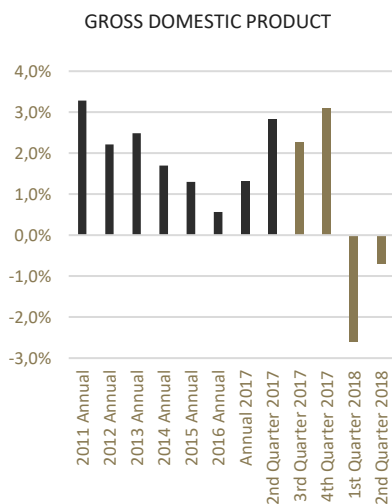
In addition to the threat of regression referred to earlier on, SAFCEC has become an easy target for industry talent poachers, resulting in the constant loss of our key skills in search of greener pastures. Notwithstanding our pride as a repository of sought after industry skills and knowledge, it is extremely imperative that we create conditions that are conducive to attracting and retaining key skills on an ongoing basis. This can only be successfully prevented through giving consistent support to the CEO, and the total comprehension by all our members of the DNA of a voluntary industry association, vis-a-vis a corporate member's own operations.

## General Economic Environment

**Global economic conditions** are underpinned by a two-year cyclical upswing, but this expansion is taking place at a less even pace. The divergence in for example the United States and Europe are widening, while growth in emerging markets are also becoming more uneven, as influences such as higher oil prices, sentiment shifts, domestic political stability and policy uncertainty takes its toll on selected emerging markets. Global growth for 2018 is projected at 3.9 percent (from an expected 3.6 percent this time last year), with a similar growth forecast projected for 2019. Growth in advanced economies is expected to remain below average at 2.4 percent in 2018, before easing to 2.2 percent in 2019. The outlook for emerging markets is more diverse and entirely depends on the respective economy's ability to withstand factors mentioned above, but is expected to overall expand by 4.9 percent and 5.1 percent in 2018 and 2019 respectively. Higher commodity prices should continue to support the recovery in Sub-Saharan Africa, where growth is likely to increase from 2.8 percent in 2017 to 3.4 percent and 3.8 percent in 2018 and 2019. This region is also supported by an improved economic outlook for Nigeria (supported by higher oil prices), where growth is expected to increase by 2.1 percent in 2018 (from 0.8 percent in 2017).

The IMF does however warn in their July 2018 Global Economic Outlook that risks to the growth outlook has shifted to the downside in the near term due to weaker than expected performance in the 1<sup>st</sup> quarter of 2018, tighter financial conditions in some of the more vulnerable economies and a slowdown in high frequency economic indicators.

The **domestic economy** grew by 1.3 percent y-y in 2017, following a timid 0.3 percent in 2016, and 1.3 percent in



2015. The economy was largely supported by a recovery in the agriculture sector after having been exposed to a severe drought in 2015 and 2016, as well as a mild recovery in the mining sector positively impacted by higher commodity prices. The outlook for 2018 has thus far disappointed. Treasury projected a growth forecast of 1.5 percent in February 2018, but disappointing growth in the 1<sup>st</sup> two quarters of 2018, has lowered the growth outlook to below 1 percent. Sectors that have underperformed include Agriculture, Mining, Manufacturing, Wholesale and retail trade as well as Transport and communication. Economic growth contracted by 2.6 percent and 1.7 percent in the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2018, meaning the country faces a technical recession due to having experienced a contraction in two consecutive quarters.

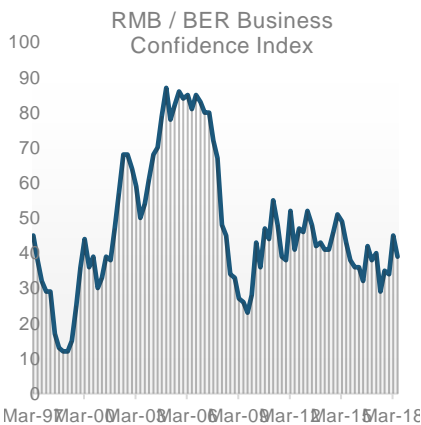
Weaker than expected growth, alongside stern targets introduced by Treasury in the 2018/19 Budget to reduce debt levels, has yet again exposed South Africa's vulnerability to sovereign credit rating agencies. Moody announced in September 2018 that it expected South Africa's

economic recovery would be slow (and slower than expected by Treasury), and that while this may pose a threat to South Africa's financial position, it maintained its outlook as stable and see little chance of a credit rating downgrade. Moody's is the last of the three rating agencies (including S&P and Fitch) to have the country's long-term foreign currency debt in investment grade.

The unemployment rate in the 2<sup>nd</sup> quarter of 2018 edged higher to 27.2 percent (from 26.7 percent in the 1<sup>st</sup> quarter of 2018), but is still slightly lower than the average of 27.5 percent for 2017. However, this probably remains the single largest constraint to achieving South Africa's full growth potential, alongside high levels of corruption. The more concerning statistic however is the expanded unemployment rate, whereby the discouraged work seekers

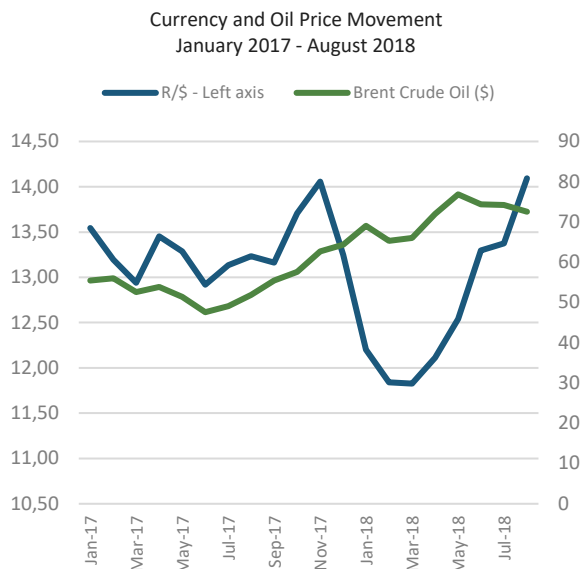


are included which increases the unemployment rate to a staggering 40 percent in the 2<sup>nd</sup> quarter 2018. Given the poor performance in the economy and a rather bleak medium-term outlook, unemployment is expected to increase, affecting not only the private sector but more than likely also public servants. An estimated 1.4 million earn a living from the construction industry in way or another, and although the construction labour force contracted for three consecutive quarters from the 3<sup>rd</sup> quarter of 2017 to the 1<sup>st</sup> quarter of 2018, there was some relief in the 2<sup>nd</sup> quarter of 2018 with a 5.8 percent y-y increase. The construction industry contributes around 9 percent to total employment in the country. Women's participation in the construction sector remain low, and averaged 10.5 percent of the construction labour force in the 1<sup>st</sup> two quarters of 2018, from an average of 12.4 percent in 2017, reaching just over 150 000.



The appointment of Cyril Ramaphosa as South Africa's fourth president in the 1<sup>st</sup> quarter of 2018 sparked hope that a change of leadership will bring about fundamental economic improvement. Business confidence recovered to a level of 45 in the 1<sup>st</sup> quarter of 2018 from an average of 34.5 in 2017, as the private sector regained some confidence in the country's economic future. However, reality soon set in, and the somewhat unrealistic expectations that Ramaphosa can magically transform the economy practically overnight, started to wear off. Business confidence dropped to 39 in the 2<sup>nd</sup> quarter of 2018, and therefore has remained below the neutral 50 level since the 4<sup>th</sup> quarter of 2014 (14 consecutive quarters). The last time business confidence was at a level regarded as "investment friendly" (higher than 60) was in 2006/07, more than 10 years ago. A recovery in business confidence is critical to stimulate and revive private sector investment, a crucial element of economic prosperity.

The South African Reserve Bank eased monetary policy further by 25 basis points in March 2018, lowering the repo rate to 6.50 percent and the prime lending rate to 10.0 percent. However, the more positive inflationary cycle may have reached its lower turning point in the 1<sup>st</sup> quarter of 2018, as fiscal tightening in the US, and the impact of higher oil prices, depreciating currency and a VAT increase from 14 percent to 15 percent announced introduced in April 2018, will revert upward pressure on inflation. Since March 2018 consumer inflation increased from 3.8



percent to 5.1 percent in July 2018, while factory price inflation (PPI) accelerated from 3.7 percent (March 2018) to 6.1 percent during the same period. Inflation is expected to average 5.3 percent in 2018 (Treasury forecast February 2018) and at an average of 4.4 percent for the first seven months of 2018 remains well within the forecast range.

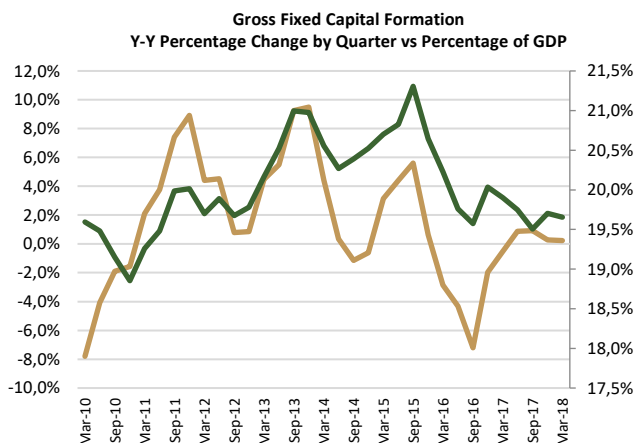
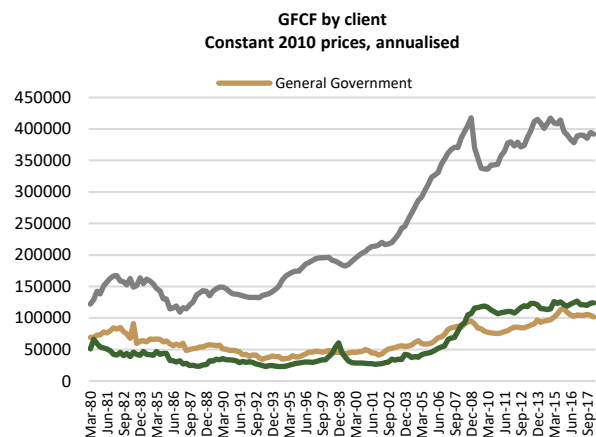
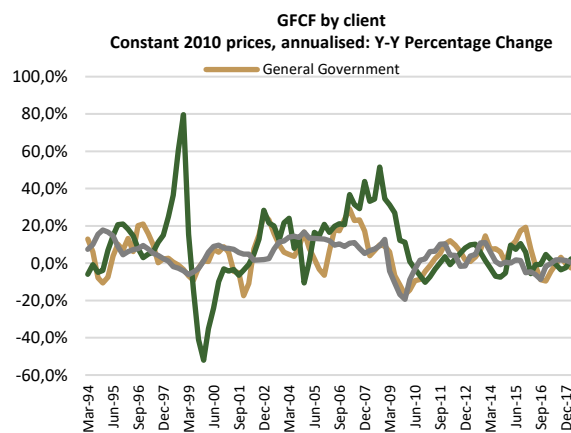
The **rand dollar exchange rate** appreciated since the start of the year reaching a low of R11.82/US\$ in March 2018, before depreciating to an average of R14.1/US\$ in August 2018. The local currency is battered by dollar strength (as conditions are increasingly becoming favourable for higher interest rates in the United States) and monetary tightening in Turkey. The price of Brent crude oil accelerated from an average of \$47.6/barrel in June 2017 to a peak of \$76.7/barrel in May 2018 and averaged \$72/barrel by August 2018. The current levels (in excess of \$70/barrel) are the highest levels since 2014 when Brent crude oil

averaged around \$100/barrel. Unfortunately, a spike in international oil prices during the month of September and a huge swing in the R/\$ exchange rate have combined to produce record high fuel prices in South Africa. This will certainly impact negatively on an already poor performing economy.

## Gross Fixed Capital Formation (GFCF)

Gross fixed capital formation (GFCF) ended relatively flat in 2017, up by a marginal 0.4 percent y-y, following the 4.1 percent decrease in 2016. Fixed investment has shown no real growth in real terms over the last decade, as investment by the private sector stalled, alongside weaker investment growth by the government and state-owned enterprises. The private sector remains the catalyst for investment growth in the country and contributed 63 percent to overall fixed investment in the country during 2017. This is why it is so important to revive dwindling business confidence. Investment remain muted in the 1<sup>st</sup> quarter of 2018, increasing by 0.2 percent y-y in real terms, mainly due to a 2.2 percent in investment by SOE's and a marginal 0.4 percent increase by the private sector. Fixed investment by government fell by 2.5 percent y-y.

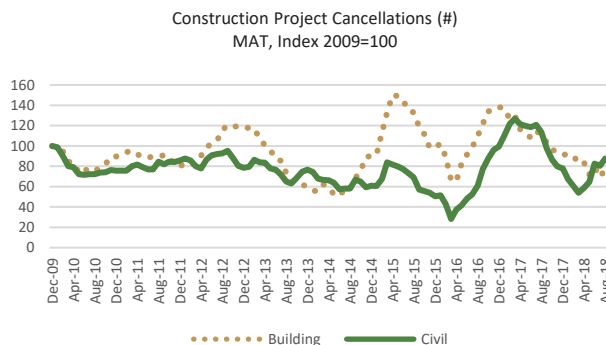
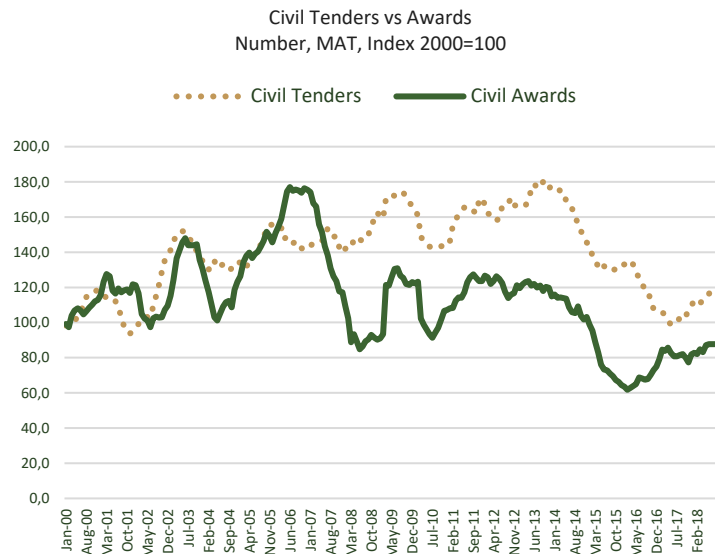
GFCF as a percentage of GDP slowed to 19.7 percent in 2017 (from 19.9 percent in 2016) and remained on a similar level in the 1<sup>st</sup> quarter of 2018. This is significantly lower than the target set out in the National Development Plan (NDP) of 30 percent, which means we should be increasing investment spending by at least R300bn each year. Of total fixed investment in the country around 48 percent was spent on infrastructure (including expenditure on machinery and equipment, often imported, associated with construction), and as a percentage of GDP was less than 10 percent. This falls well below developmental targets required especially in a developing country faced by significant infrastructure deficits. However, as government has had to re-prioritize expenditure in the 2018/19 Budget or face further, potentially devastating, downgrades by credit rating agencies, expenditure on particularly economic infrastructure is likely to contract further over the medium term.



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

## Civil Industry Environment

Award activity reached record lows in the 1<sup>st</sup> quarter of 2016, at an index value of just 61.8, but has since then recovered by 42 percent to an index of 87.7 by August 2018. This implies that the awarding of contracts has shown some improvement over the last year or so, although there hasn't been much movement between April and August of this year. The rate by which contracts are awarded remain well below the average, looking back over the past 18 years. The number of contracts awarded increased by 9 percent y-y in 2017 and is currently up by around 7 percent. The index measuring tender activity fell to a near record low in June 2017 of 99.0, before gradually improving by 19 percent to 117.9 in August 2018. The index remains at levels last seen in 2001/02 and although the recent improvement sparks hope that tender activity will continue to improve, the industry will continue to find itself gripped in an extremely competitive and difficult environment for some time to come. It is further hoped that increased tender activity will materialize into the awarding and implementation of projects and is not used as a political tool in the upcoming 2019 elections.



Project cancellations increased dramatically from the 1<sup>st</sup> quarter of 2016, as the index increased by 332 percent from 28 to 121 (April 2017), before moderating somewhat to an index of 54 by March 2018. A slowdown in cancellations also accompanies the slowdown in tender activity. In view of the increased tender activity (albeit marginal) we are however also seeing an increase in project cancellations, particularly in the civil industry. The reasons for cancellations are not always clear and differs from project to project, but very often it is in some way or the other related to financial constraints experienced by the client.

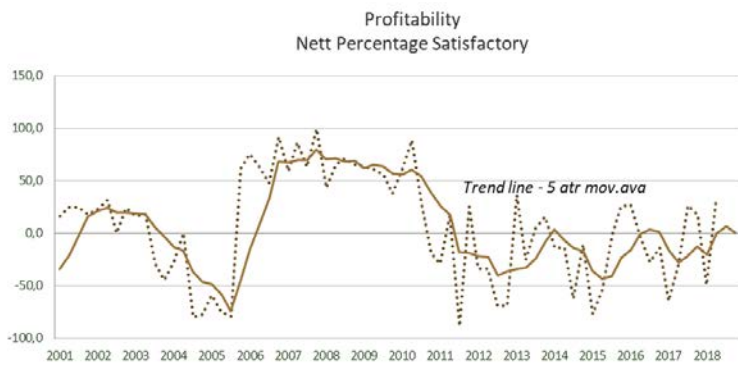
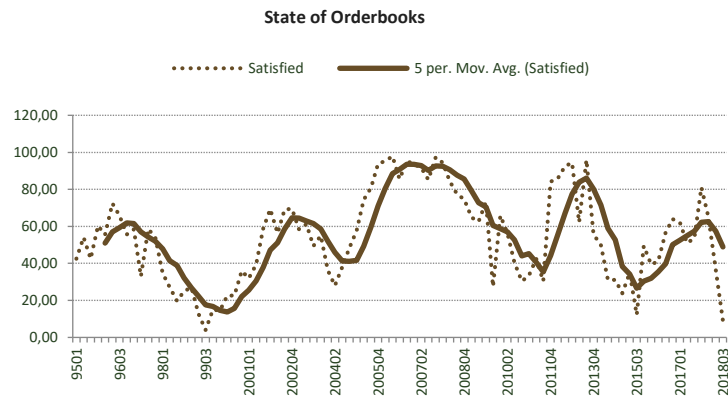
Cancellations have increased by 15 percent y-y during the first eight months of 2018, affecting over 250 civil projects.

The construction sector has however shown remarkable resilience within this tough environment, as liquidations in the construction sector has surprisingly deteriorated, as fewer companies and CC's have been liquidated in 2017 (down 2 percent) continuing into the first eight months of this year compared to last year (down 21 percent). This bodes well when compared to a 4 percent increase in overall liquidations in the country during the same period.

According to the latest State of the civil engineering industry Report for the 3<sup>rd</sup> quarter of the year, opinions related to the awarding of contracts has improved significantly in since previous survey, with almost half of the respondents reporting satisfactory levels of award activity. This is up from just 5.4 percent in the 2<sup>nd</sup> quarter, which was the lowest in quite some time. This means that the nett satisfaction rate improved significantly to -2.7 percent, much improved from 89.3 in the previous quarter.

For the first time in more than 7 quarters, some respondents reported good tender activity. This was however only 3.3 percent of respondents and a big majority of 96.1 percent of the respondents said that tender activity was low, which is in line with the previous few surveys. This typical low tender environment has persisted since the downturn in 2009, and remains a serious concern for the sector. As a result, the nett satisfaction rate deteriorated slightly (and remains deep in the red) to -93.4 percent from -89.3 percent (Q1) and an average of -74.2 percent in 2016.

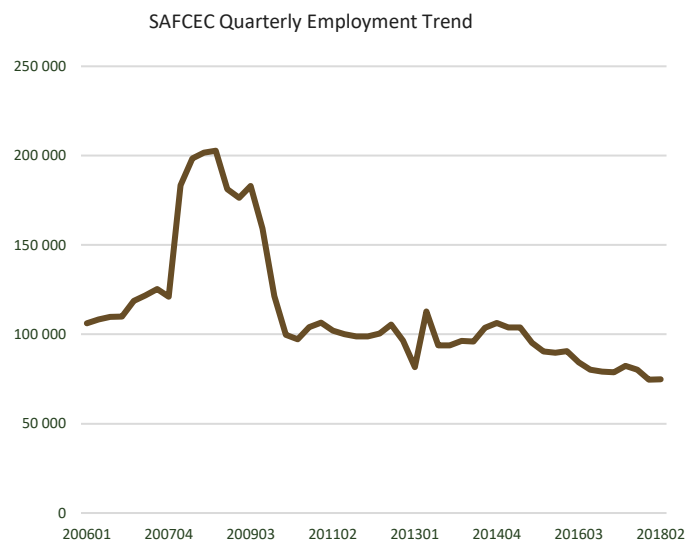
The overall nett satisfaction rate related to order books deteriorated quite significantly in the 3rd quarter, from an average of 11 percent in the first three quarters of 2017 to -82.2 percent. A massive 90.6 percent of firms reported low levels of their order book, compared to just 61.4 percent last quarter. Only 2.4 percent of firms said that the level of their order book was good.



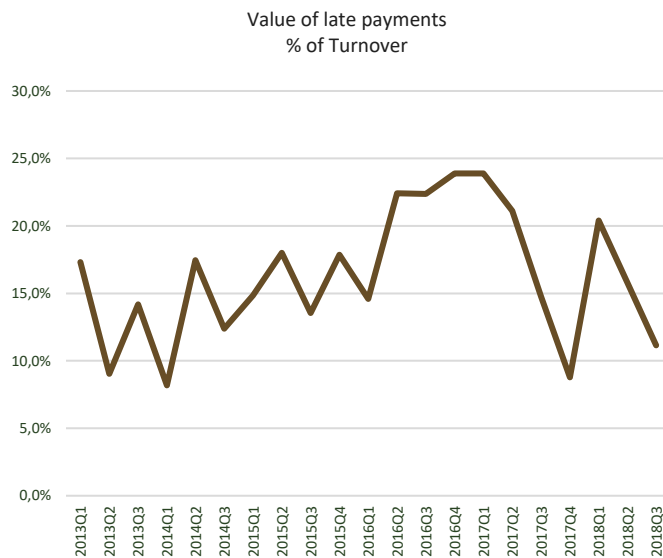
Following a period where firms were generally more satisfied with profitability, related largely to the completion of loss making contracts, internal restructuring, shedding of non-core assets and integrating and stream lining business functions and cutting overheads, firms have become increasingly concerned regarding poor levels of profitability. Latest survey results showed an improvement in profitability however, with more than two thirds of contractors expecting profitability trends to stabilise, with 67.6 percent saying margins will stabilise (up from 31.7 percent in the previous survey), while 32.3 percent still expect margins to recede. There are no expectations that margins will show any improvement. The first quarter figures were worse than the 2017 average. In 2017, on average, 51.4 percent of contractors thought profit margins were to recede, while 48.3 percent thought they would stabilise.

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. The environment certainly shows in the data, especially with the bigger construction companies shedding jobs due to the dire financial position some of them are in. 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 still on par with total turnover generated by larger firms. Overall, according to the latest State of the Industry Report for the 3<sup>rd</sup> quarter, there was an increase of 0.2 percent q-q in employment in the civil engineering contracting industry in the 2<sup>nd</sup> quarter, after showing a decrease in the 1<sup>st</sup> quarter of 7.1 percent. Compared to last year, employment has still fallen more significantly. In 2017, employment totalled an estimate of 79 481, compared to 85 492 in 2016, a

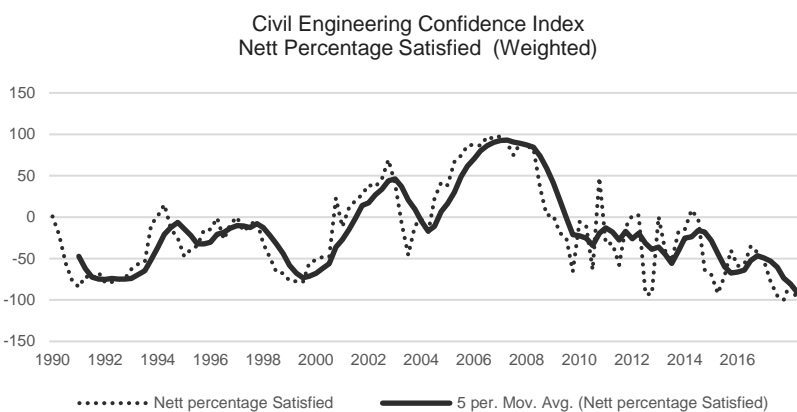


decrease of approximately 7 percent. According to Stats SA there are over 1 million people earning a livelihood in the South African construction industry, including the building and civil sectors as well as those that are self-employed. There has been a marked increase in the number of people that are self-employed, while employment in the industry, according to Stats SA data, has gradually decreased over the last few years. Although these numbers include both the building and civil industries it is evident that the construction industry as a whole is not expanding job opportunities in the sector, due to the weak economic environment which is further challenged by weak investor sentiment and poor rollout of projects by the public sector.



Value of late payments decreased by 15.3 percent in the 3<sup>rd</sup> quarter of 2018, this is down from quite a big increase of just under 70 percent in the previous quarter. However, trends differ within the different size categories. While larger firms reported a 35.7 percent decrease, medium size firms reported a 65.6 percent increase in late payments. Smaller firms also reported quite a big increase of 84.7 percent in late payments, stifling cash flow. With the decrease in late payments reported by contractors this quarter, the value of late payments represented 11.1 percent of total turnover, down from 15.8 percent (Q2) and a welcome improvement from an average of 21 percent in 2016. Fees outstanding for more than 90 days represented 7.3 percent of the **total amount outstanding**, which is below the

average of 18 percent in 2016, and an improvement from the previous quarter. Larger firms reported an average outstanding, of 6.5 percent, while amounts outstanding for longer than 90 days (as percentage of total amount outstanding) for medium and smaller firms averaged between 5.3 and 10.2 percent (medium sized firms reported the highest). The value of payments (outstanding for longer than 90 days) declined marginally to 2.6 percent of turnover, from 4.7 percent and an average of 4 percent in 2016. This current level is more in line with reality in our opinion, as late payment remains a major issue within the construction sector in general.



The quarter on quarter movement in the index has been more erratic since 2010, with some improvement reported in 2014, brought about by a more optimistic outlook from medium size contractors. However, sentiment has returned to being much more pessimistic in the last few surveys, with industry sentiment representing levels last seen in 2000. The overall confidence level improved marginally to a

nett negative satisfaction rate of -96.2 in the 3<sup>rd</sup> quarter, from -99.9 percent in the 2<sup>nd</sup> quarter, and -78 percent in the previous survey. Majority of respondents reported quiet conditions. In this survey, 100 percent of the larger contractors reported either a poor or very poor outlook for the sector. Medium sized contractors and smaller contractors were a bit more positive, with not all of them reporting a poor or very poor outlook, although it was the majority. There were 16.7 percent of medium sized contractors who said that their outlook was average, and there were 20 percent of smaller contractors who said their outlook was good. The rest reported poor or very poor.

Figure 1

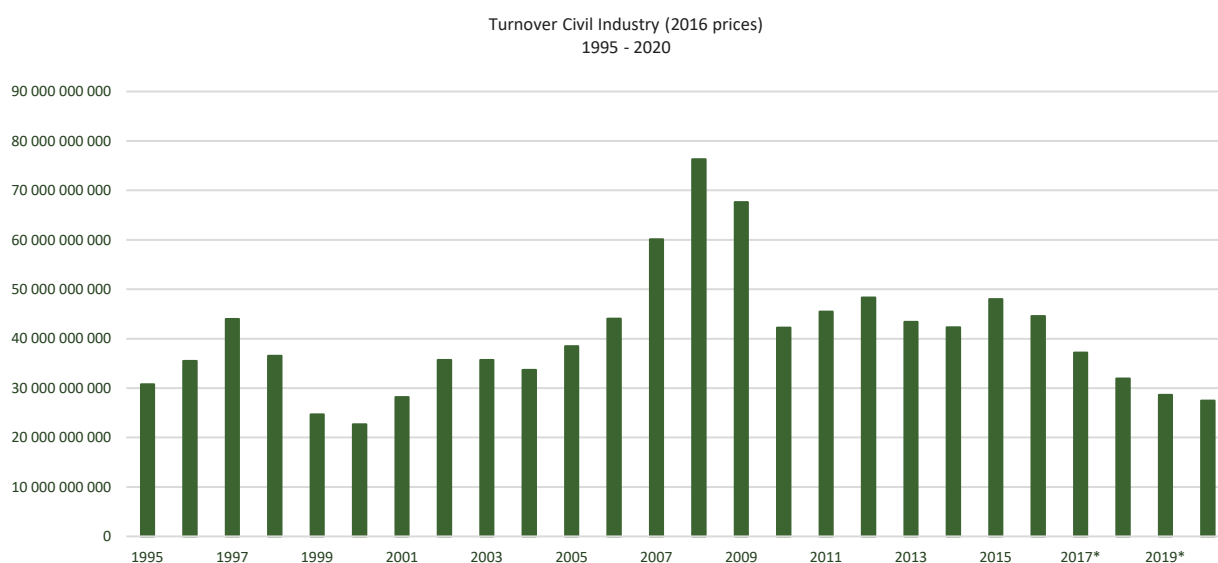


Table 1: Actual and expected turnover in nominal and real (2016) prices

	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 on average, released very poor financial results in 2018 so far. This year has seen both Basil Read and Aveng enter the formal process of business rescue, after releasing extremely poor results in the middle stages of the year. Their share prices have collapsed, and trading of their shares has been suspended. This trend has largely been broad based for the higher end of the construction industry, with several other big but non-listed companies also going into business rescue.

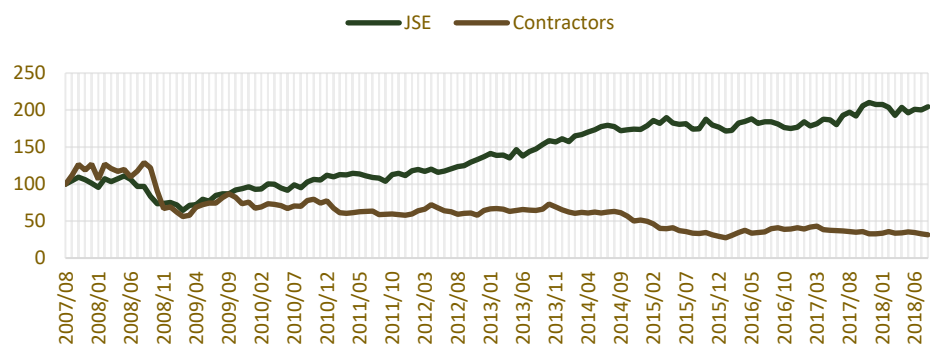
The fact remains, that over the last 10 years, the listed construction sector has lost more than 70 percent of its value in nominal terms. This table below summarizes what has happened to some of the listed companies over the last year or longer.

Construction firm	Current condition	Future
Aveng (Grinaker/LTA)	Huge financial losses, trying to sell	Sell out of SA
Basil Read	In business rescue; next step will be known on September 3	Unknown
Group Five	Has secured a bridging loan	Sell (if it survives)
Murray & Roberts	Engineering and building in SA – sold	As Concor?
Stefanutti Stocks	Restructured and doing okay	More cross-border
WBHO	Best of the bunch but concerned about future in SA	Strong overseas
ESOR	Trying for business rescue	Unknown
Liviero	In business rescue, trying to secure bridging loan	Unknown
NMC	Liquidated	Gone

Starting with Aveng, their latest results released towards the end of September 2018 showed huge losses in most of their divisions. Their plan is now to sell non-core assets, such as Grinaker-LTA which means they could formally be exiting the business as well. Their share price is currently 4 cents, from R3.30 this time last year, and over R50 at its peak. Basil Read has entered business rescue as they were not able to secure the bridging funding they needed to keep operating. They are fighting to survive. Group 5 are also in a dire state and have made several moves over the last few months to streamline their business, including moving out of their big offices in waterfall estate, and several retrenchments. Their share price is currently R1.05, from over R10 a year ago. They are also fighting to survive. Murray and Roberts made a very smart

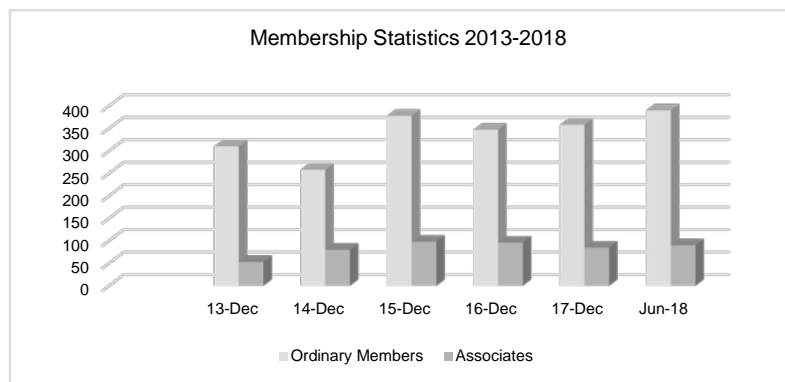
move more than a year ago, by selling the majority of their construction business. They foresaw that they were not going to be able to cope with the current environment, so they have focused more on niche markets such as construction around oil and gas, as well as underground mining. Their share price is around R16, from R15 a year ago, one of the few companies with some growth there. Stefanutti Stocks have also gone under some major restructuring, unable to cope in the current environment, they underwent several retrenchments and sold off non-core assets. Their share price is currently R3, also unchanged from a year ago. They are hanging in there for now, with the outlook slightly better than their peers. WBHO is of course a massive outlier, who has performed fantastically over the last few years. The majority of their revenue does however come from outside of South Africa, which was a smart strategy. Their share price is over R150, absolutely massive compared to the other listed contractors. They have done incredibly well to position themselves in the various markets. As mentioned Esor have also entered the formal process of business rescue and they are fighting to survive.

Looking at the graph alongside, it is quite telling how much value the listed companies have lost over the last over the last 10 years. The two indices used to be mostly correlated, and it just goes to show how they have battled. The reasons for this started with the collusion around the world cup stadiums. There was a loss of trust between government and the listed contractors. Then government weren't happy with the rate at which transformation in the sector was happening, which led them to break up big projects into smaller pieces to benefit emerging contractors and sub-contractors. The fact that the construction industry is in the doldrums also did not help.



## State of the Organisation

### Membership



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 2018

	13-Dec	14-Dec	15-Dec	16-Dec	17-Dec	Jun-18*
Ordinary Members	310	258	378	347	358	390
Associate Members	53	80	98	96	85	90

### 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 now achieved 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"

We also need to strengthen our committee system and decision-making structures in full compliance with the SAFCEC constitution, with a singular objective of advancing the interests of SAFCEC rather than any particular member's selfish interests. Governance and Ethics run the risk of being eroded if organisations depart from the parameters of their own accepted rules and norms.

### 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 in regard to all legal submissions.

### Discipline

There is an urgent need to raise the bar in regard to discipline as required by the SAFCEC Code of Conduct in terms of which members are, among other things, encouraged to refrain from conflict of interest situations and maintain some degree of decorum in their interface with others. The year under review has shown some serious lapses, which need pointed remedial intervention, lest we lose our soul as a reputable organisation.



## Transformation at Industry Level

According to information derived from the cidb Construction Monitor- January 2018, Grade 1 to 8 segment of Construction Industry is fully transformed with over 70% of companies being more than 51% black owned. The remaining Grade 9 segment of which 40% is currently black owned can be remedied by, among other things, interventions like the SAFCEC initiated VRP (Voluntary Rebuilding Programme AKA Settlement Agreement with RSA government). Four (4) of the seven (7) listed companies committed themselves to becoming 51% black owned while three (3) will mentor seven (7) emerging contractors to achieve 25% turnover of the mentor company within the next 6 years, thereby taking Grade 9 black owned companies to full transformation at over 70%. The Tirisano Trust Fund, which was set up in terms of the VRP Agreement will also play a pivotal role in support of the construction industry transformation initiatives.

The Transformation Declaration as adopted by SAFCEC COUNCIL on 26 June 2018, if honestly and earnestly implemented by members, will add the requisite impetus to the Industry transformation initiatives.

## Transformation at Organisational Level

At an organisational level, we continue to make 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 2017/18 Council in terms of Section 7.2 of the new SAFCEC Constitution of 14 October 2013. It shows representation of 14 black council members vis-à-vis 12 white council members. This is a major achievement from a situation where no black and female candidates were guaranteed representation by the erstwhile Constitution. Representation of Coloureds and Indians on Council remains a challenge to be addressed progressively.

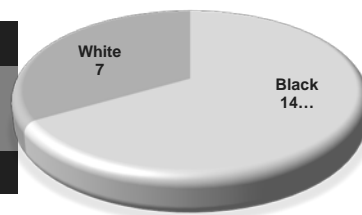
### Council Demographics

	Totals	Male	Female	White	African	Coloured	Indian
Elected Members	12	11	1	9	3	0	0
Co-opted Members	5	2	3	1	4	0	0
Regional Chairpersons	4	3	1	2	2	0	0
Regional Emerging Member	4	2	2	0	4	0	0
Ex officio member	1	1			1		
	26						



### Staff Demographics

Gender	White	Coloured	African	Indian	Total
Female	3	3	7	2	15
Male	4	0	2	0	6
					21



## Human Capital

As already indicated, constant attrition of key personnel is a major challenge that is precipitated by our inability to create conditions that are conducive to attracting and retaining key skills on a sustainable basis. This is an area that needs urgent attention in support of the CEO's efforts to stabilise the organisation. In order to ensure the retention of institutional memory, the other important component of human capital is that of ensuring proper succession planning in the SAFCEC committee system in regard to the seamless replacement of chairpersons, whenever the need arises.

## Appointments

July 2017

Andile Zondi

Regional Manager: KwaZulu-Natal

## Resignations

November 2017

Frederik Oosthuisen

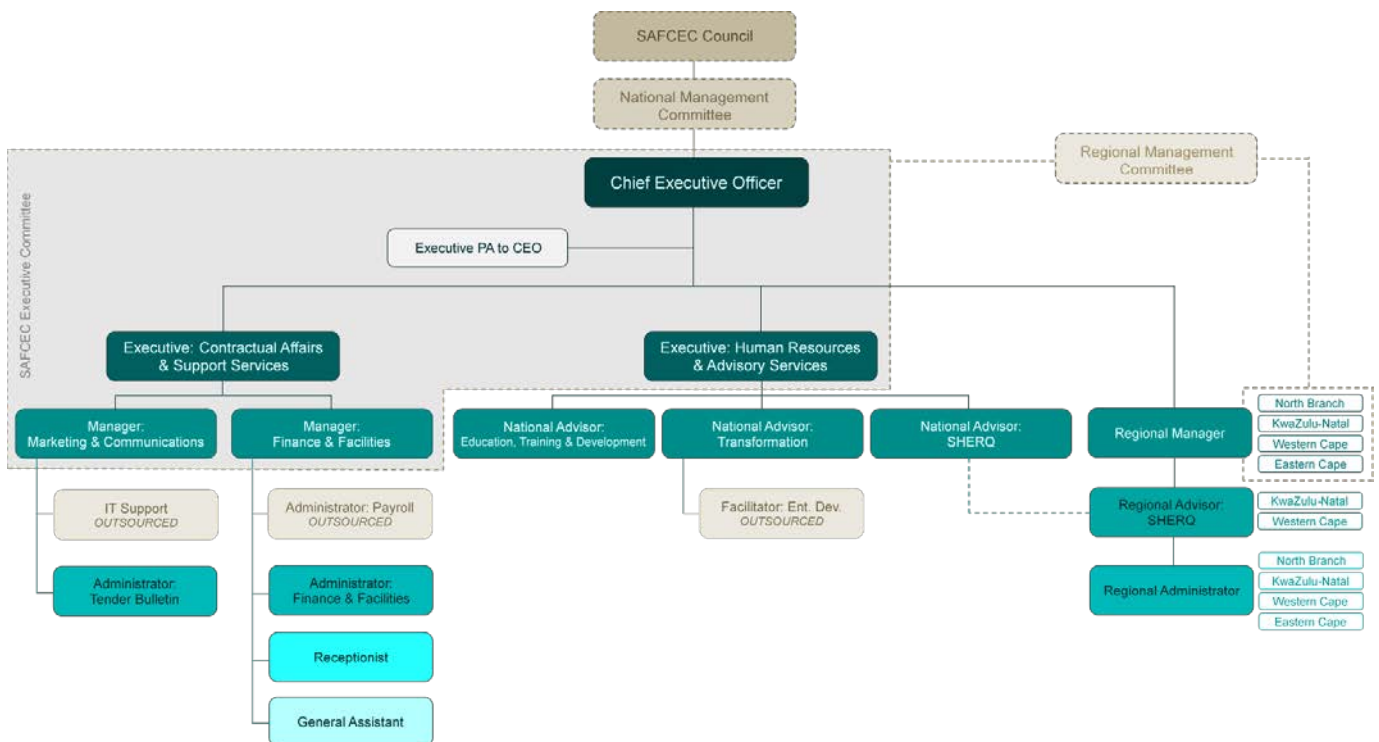
Executive: Contractual Affairs and Support Services

May 2018

Cobus Coetzee

National Advisor: SHERQ

## 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 honouring 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 May 2018, the SAFCEC CEO received an award during the 2018 African Construction Awards for his "Outstanding Leadership in the Transformation of the Construction Industry".

## 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*  
Chief Executive Officer

## Contractual Affairs

The calendar year 2018 started on a frantic note. The publication of new indices by StatsSA; increasing reports of site disturbance/occupations by “business forums”, worsening market conditions; established companies requiring business rescue; job losses, stock prices for the JSE listed companies battered, etc. It was a hectic year all round as far as construction in the country is concerned.

Even though the manifestations of the business forums happened predominantly in the Kwa-Zulu Natal province there are signs that this phenomenon is spreading to other provinces (and other sectors of the economy) as well. In the north region for an example; 3 SAFCEC members have reported these incidents.

The industry is now pinning its hope on the stimulus package as announced by the President recently. And take comfort in that there seems to be acknowledgement that infrastructure development is the precursor and a requirement to economic recovery.

## Member Engagement and Initiatives

Towards the end of the 2017 the committee busied itself with preparations for the new indices to calculate Contract Price Adjustments ahead of the termination of publication of indices by Statistics South Africa. The introduction of the new indices taking effect January 2018, was communicated to members, the full communique is listed below for clarity and record.

1. Statistical Release P0151 Tables 3 & 4 contained Indices for;
  - a. Civil Engineering Materials and Civil Engineering Plant in three categories of each, namely Civil Engineering, Concrete Works, and Roads & Earthworks and
  - b. Diesel Fuel Wholesale in three categories, namely Total, Coastal, and Inland
2. Statistics South Africa (STATSSA) suspended publication of Tables 3 & 4 of Statistical Release P0151 in August 2014, but continued to calculate the Indices and provided same on request
3. The South African Forum of Civil Engineering Contractors (SAFCEC) made available these Indices to member companies, having obtained same from STATSSA
4. STATSSA following communication during 2017, shall effective January 2018 no longer produce the above-mentioned Indices, replacing same as follows on 28 February 2018;
  - a. Statistical Release P0151.1 Table 4 - Mining and Construction Plant and Equipment Price Index
    - i. Plant and Equipment
  - b. Statistical Release P0151.1 Table 6 – Civil Engineering Material Price Indices
    - i. Civil Engineering Material – Total
    - ii. Civil Engineering Material – (Excl. Bitumen)
    - iii. Civil Engineering Material – (Excl. Reinforcing Metalwork)
    - iv. Civil Engineering Material – (Excl. Reinforcing Metalwork and Bitumen)
    - v. Civil Engineering Material – Structures (Excl. Bitumen)
    - vi. Civil Engineering Material – Roads, General
    - vii. Civil Engineering Material – Roads, General (Excl. Bitumen)
    - viii. Civil Engineering Material – Roads, Refurbishment
    - ix. Civil Engineering Material – Roads, Refurbishment (Excl. Bitumen)
    - x. Civil Engineering Material – Roads, Reseal
    - xi. Civil Engineering Material – Roads, Reseal (Excl. Bitumen)
    - xii. Civil Engineering Material – Roads, Bulk Earthworks
    - xiii. Civil Engineering Material – Roads, Bulk Earthworks (Excl. Bitumen)
  - c. Statistical Release P0142.1 Table 1 PPI for Final Manufactured Goods

The Contractual Affairs Committee conducts its affairs according to the latest Codes of Good Practice and is guided by the Principles of King IV

### COMMITTEE STRUCTURE

#### CHAIRPERSON

**Andrew Oelofsen**  
Bophelong Construction

#### COMMITTEE MEMBERS

**Norman Milne**  
Basil Read

**Steve Ryninks**  
Group Five

**Stephanie Simpson**  
Concor

**Thembinkosi Nzimande**  
Nokweja

**Dallas Thackeray**  
Group Five

**Corne Claassen**  
Grinaker-LTA

**Pieter Albertyn**  
Stefanutti Stocks

**Chris Ryninks**  
WBHO

**Kgotso Makokotela**  
Bophelong Construction

**John Milward**  
Concor

**Wolf Heinz** (independent)

- i. Coal and Petroleum Products, Diesel
5. Employer's, Professional Consultants, and Contractor's utilize these Indices in Contract Price Adjustment (CPA) Formulae
6. SAFCEC published worked examples for the implementation of new indices to assist the members.

The committee places on record its gratitude to Steve Ryninks and Norman Milne who represented SAFCEC members at the StatsSA working group, for their outstanding work and unwavering commitment to SAFCEC and indeed the industry.

## Proposed Development of New State-Owned Construction Contracts

The committee received an invitation to attend a second meeting at National Treasury regarding progress made on the planned development of new state-owned construction contracts. Having previously expressed concerns hereon, a letter signed by both the SAFCEC CEO and SAICE CEO was sent to the Minister of Finance further articulating concerns. A response received from the Minister noted these concerns and outlined that work on the proposed contracts will continue. To play a meaningful part in the development of these contracts and to make positive input, it was decided that SAFCEC will engage in the process as an affected stakeholder.

## Strategic Highlights and Stakeholder Liaison

Highlights for the committee include the seamless introduction of the new indices to members; the partnership that is being formed with the South African Institute of Civil Engineers (SAICE) and regulatory bodies such as StatsSA; and the continued building of relationships with major client bodies such as SANRAL and TRANSNET. SAFCEC continues to take part in the working group with the cidb and others regarding prompt payment, with a view to bringing into legislation the empowerment of the the cidb and National Treasury to chase those state departments that do not pay contractors on time.

## Legislative Environment

Recent passed legislation: -

- Sugary Beverage Levy. The intended consequence of this legislation is to reduce the high levels of obesity draining the health system of millions of Rands every year.
- During his budget speech, the previous Finance Minister increased the Value Added Tax (VAT) by 1% on 01 April 2018.
- Among the amendments to the Basic Conditions of Employment Act No. 20 of 2013, was the prevention of child labour and the strengthening of the Department of Labour to issue penalties for non-compliance.

## Looking Ahead

The industry anxiously awaits improved business conditions and cooling off job losses. It is encouraging that the government is taking the matter of the business forums seriously. If all state organs work together with the industry, we are certain that this scourge will be outdated. The industry will also need to make improvements in transformation, which will go a long way in closing the trust deficit between the government and the industry.

## Human Resources

*EXECUTIVE: HR & ADVISORY SERVICES*  
**Pheli Mbambo**

The Human Resources committee is well supported by members and conducts three meetings per annum. To ensure a smooth process, this year saw more frequent meetings, what with two collective agreements due to lapse, hence the 2018 industry wage negotiations. Participation in the wage negotiation process by SAFCEC members was exceptional.

*CHAIRPERSON*  
**Werner Jerling**  
*ASLA Construction*

## Stakeholder Engagement and Liaison

Engagement with the four main stakeholders in the human resources portfolio being unions NUM (National Union of Mineworkers) and BCAWU (Building Construction Allied workers Union); the CIRBF (Construction Industries Retirement Benefit Fund); and the BCCEI (Bargaining Council for the Civil Engineering Industry), continues.

## Strategic Highlights

### BCCEI

The bargaining council continues to strengthen. This year saw a reduction in administration levies, bringing a welcomed cost relief to members.

### Wage Negotiations

Wage negotiations began in March 2018, with an ensuing rollercoaster process continuing until finally an agreement was signed in June 2018. Part of the agreement was the extension of life span of four other agreements in line with the task grade. The wage and task grade agreement and the conditions of employment agreement are already gazetted and are extendable to non-parties.

### CIRBF

Marco Matshoba of Concor Construction was newly elected as the chairperson in 2018. The fund continues to go from strength to strength, with the BCCEI maintaining its strong working relationship with the fund.

## Staff Movement

During the year under review, two resignations were received. Frederik Oosthuizen, Executive: Contractual Affairs emigrated to the UAE, and Cobus Coetzee, National Advisor: SHERQ, made the decision to join his family's business with contracts in Africa. The Financial Manager positions remains vacant, bringing the total number of vacancies to three (3).

## Looking Ahead

We await the set down for the ongoing "3-month vs. 18-month" case.

Our support for the BCCEI on all the demarcation cases brought to it by different stakeholders, including NUMSA, continues. Representatives from the KwaZulu-Natal regional office must be finalised and consolidated at the BCCEI structures and national wage negotiations - key to member feedback and engagement.

# Education, Training and Development

NATIONAL ADVISOR  
Dazerene du Plessis

To enhance our service delivery and increase benefits to our members, SAFCEC is working with training providers in the industry to provide discounted training (including Continuing Professional Development (CPD)). SAFCEC has registered its General Conditions of Contract (GCC), Contract Price Adjustment (CPA) and Construction Regulations courses for CPD points.

CHAIRPERSON  
Robert Simelane  
Aveng Grinaker-LTA

## Stakeholder Engagement and Liaison

### Construction Industry Development Board (CIDB)

The CIDB is facilitating some skills components for the international leg of the World Skills competition. Learners from various TVET colleges participated in provincial bricklaying competitions prior to this. Members are encouraged to get involved with this initiative

### Construction Education and Training Authority (CETA)

SAFCEC continues to work with the CETA to strengthen relationships and to implement projects to enhance skills in the industry.

### 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 will jointly be working on the implementation of the apprentices under the CETA-SAFCEC partnership.

### National Business Initiative (NBI) / Construction Industry Partnership (CIP)

SAFCEC continues to work with the NBI on projects to enhance the skills sets of workers in the Civil Engineering Industry.

### Youth in Construction (YIC)

Members of the organising committee, SAFCEC, MBSA, CEISA, SAICE and CETA had a Design Led Thinking Leadership workshop to look at ways to revive this initiative. YIC was a vehicle to showcase and market the Construction industry to Scholars to recruit them.

## Strategic Highlights

### Civil Engineering Qualification Development

SAFCEC submitted the final documentation for the 3 qualifications, in 2016 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:

- 1 Roads Constructor – Earthworks and Layer works Hand, Surfacing Hand, Road Drainage Hand, Road Maintenance Hand, Road Marking Hand, and Road Signage Hand and Kerb Layer
- 2 Structures Constructor - Construction Hand, Concrete Hand, Shutter Hand, Reinforcing Hand and Scaffolder,
- 3 Services Constructor - Sewer Pipe layer, Storm Water Pipe layer, Water Pipe layer, Kerb layer

The Occupational Qualifications Committee rejected all three construction qualifications notwithstanding the fact that they acknowledged that there is a

serious demand for these qualifications. Some of the members of the Community of Experts (CEP) met with members of the QCTO to understand why the qualifications were rejected. We have since changed what was required. The qualifications will be re-assessed by the QCTO council in October 2018.

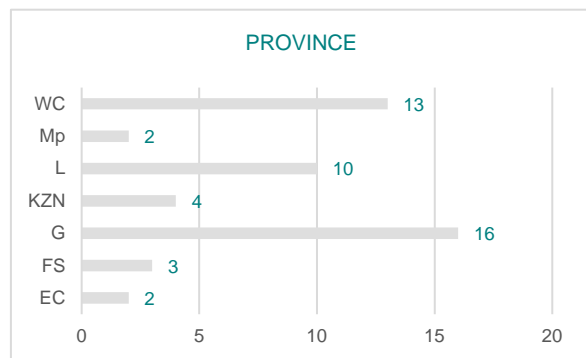
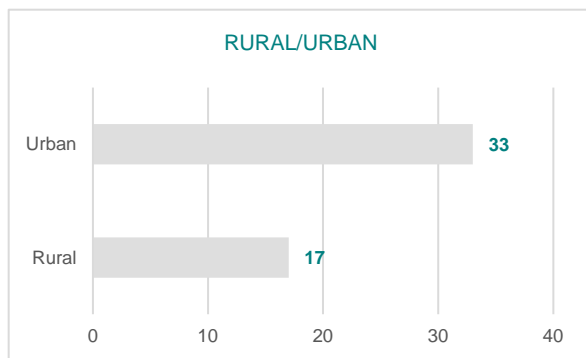
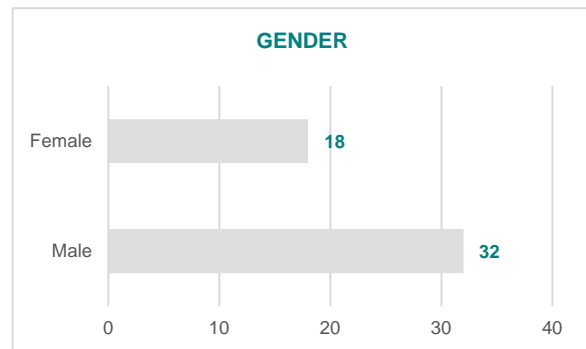
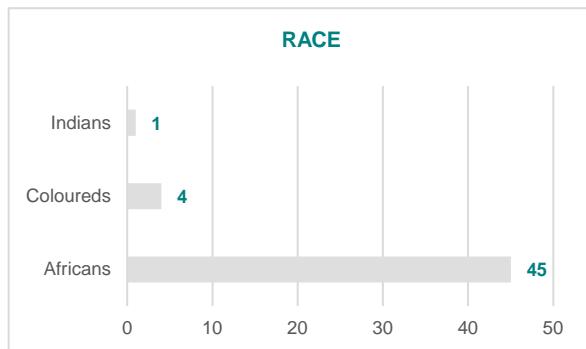
The QCTO approved the development of our Earthmoving Operator Qualification. We had a pre-scoping meeting with industry to start the process of developing this qualification. CETA is in the process of appointing a Qualifications Development Facilitator (QDF)

### CETA - SAFCEC Partnership

SAFCEC was awarded R100m by the CETA to implement skills development interventions in the civil engineering industry. Interventions will be implemented over two (2) years as follows:

	YEAR 1	YEAR 2
	No.	No.
Bursaries	50	50
Candidacy	100	100
WIL	200	200
Internships	250	250
Leaverships	50	50
Apprenticeships	200	200

Bursaries for 2018 were rolled out, verified and approved by the CETA. Bursars were as follows: -



Applications for 100 candidates were also submitted. All other interventions will be rolled out in the new financial year.



## Bargaining Council for the Civil Engineering Industry (BCCEI)

SAFCEC is constantly working with the BCCEI to update the current job descriptions and to write new job descriptions where required. There are many workers in the industry who have the necessary work experience but were never certified against their qualifications or job descriptions. SAFCEC and the BCCEI submitted a joint application for funding from the CETA to RPL (Recognition of Prior Learning) 1000 (one thousand) candidates against the Shutter Hand, Reinforcing Hand and Concrete Hand part qualifications.

## Legislative Environment

A document was released for public comment regarding the SETA landscape. It is suggested to amalgamate some of the SETAs which will reduce the number from 21 to 15 SETAs. The Construction SETA will remain as a standalone SETA.

## Looking Ahead

ETD Advisory Services will continue to focus on the development of Operator qualifications and the alignment of existing qualifications to the QCTO process. SAFCEC will increase training provision to members and register courses for CPD

## Transformation Advisory Services

Through its committee and regular workshops, SAFCEC's Transformation Advisory service investigates best practices in transformation in the construction industry; provides input in the public commentary process of proposed legislation; and through engagement with the government and state-owned enterprises, communicates and creates awareness of policy changes and transformation strategies that impact our members.

Committee chairperson, Charles Wright, and committee member, Ingrid Campbell, represent SAFCEC members at the Construction Sector Charter Council (CSCC), which is the executive authority responsible for overseeing and monitoring the implementation of the Construction Sector Codes (CSC) of Good Practice - the legal and mandatory empowerment measurement tool for the construction industry.

## Member Engagement and Initiatives

### Amended Construction Sector Codes

The year started with some uncertainty surrounding transformation in the industry. Following public commentary of, and the subsequent gazette of the draft Amended Construction Sector Codes by the CSCC, the attempt by the dti to include new matters delayed promulgation of the Codes by the Minister of the Department of Trade & Industry. While the industry awaited final policy changes, SAFCEC members were anxious to determine how these changes would affect compliance levels, until on 01 December 2017, the sector code was finally promulgated. With no transitional period accounted for, the Amended Construction Sector Codes were applicable with immediate effect. The Chairperson, who participated in the alignment process of the codes, facilitated a number of workshops across the country in order provide clarity on the new provisions.

### Enterprise Development

Whilst SAFCEC, as an industry body, cannot guarantee business opportunities to emerging contractors, opportunities for interaction and skills development are provided for through the Diamond Academy. Designed specifically to meet the needs of skills and business development of contractors in cidb grades 1 – 5, the programme is offered to both members and non-members alike. This year saw twenty-two (22) contractors successfully completing the programme, which relies heavily on the generosity of individuals from established members to impart their knowledge, experience and expertise in their personal time and capacity.

## Stakeholder Engagement and Liaison

In keeping with its mandate, the Transformation Committee embarked on a number of stakeholder initiatives throughout the year. In July 2017, the committee engaged with officials representing the Department of Water & Sanitation. As a client to SAFCEC members, the purpose of this engagement was to gain a better understanding of, and align objectives between the Department and member companies. Further to that, the engagement also served to clarify and standardize terminology used between both parties

Clients transformation requirements are done separately from construction companies' overall transformation requirements, which in turn creates miscommunication. To resolve this, issues of terminology must be agreed upon. For example, clients talk about "Socio-Economic Development" when referring to job creation, ED, CSI, Skills Development, etc. The Construction Sector Code refers to elements such the Socio-Economic Development element, Skills

**NATIONAL ADVISOR**  
**Xolisile Zondo**

**CHAIRPERSON**  
**Charles Wright**  
*Stefanutti Stocks*

**DEPUTY CHAIRPERSON**  
**Jennifer Becker**  
*Bophelong Construction*

**COMMITTEE MEMBERS**  
**Ingrid Campbell**  
*WBHO*

**Sheldon Mayet**  
*Concor Construction*

**Vaneshree Pillay**  
*Stefanutti Stocks*

**Ele Tshikovhi**  
*Aveng Group*

**Marina Dumakude**  
*Tanguliza Services*

**Michael Lawrence**  
*Martin & East*

**Bradwell Klazen**  
*SACLAWA*

**Abel Mudau**  
*Group Five*

**Tsakani Maluleke**  
*Ntombani Trading Projects*

**Sylvie Blinkhorn**  
*SAFCEC ED Facilitator*

**SAFCEC REPRESENTATIVES**  
**Pheli Mbambo**  
*Executive: HR & Advisory Services*

**Xolisile Zondo**  
*National Advisor: Transformation*

**Dazerene du Plessis**  
*National Advisor: ETD*

Development element, Enterprise & Supplier Development, etc. The official from DSW agreed to look into the matter and take appropriate steps to ensure that their requirements are aligned to those of the industry.

Another important engagement was with SANRAL towards the end of the 2017. SANRAL amended its transformation policy and proposed major changes that were going to exclude a number of SAFCEC members from doing construction work for SANRAL. Coordination between SAFCEC and SANRAL made it possible for a number of established and emerging contractors in all geographical regions to participate in engagement and voice their concerns, thereby being able to shape and influence policy. Some of the proposed policy changes have yet to undergo the parliamentary process for approval, however, it is noted that SANRAL has moved from the drastic changes that were initially proposed.

## Legislative Environment

With the promulgation of the Amended Construction Codes in December 2017, certainty was provided in the industry in terms of its transformation obligations. The Minister at the dti continues to make amendments to the Generic Codes of Good Practice that may have an impact to construction companies' compliance levels; if and when aligned to the Construction Codes.

## Looking Ahead

Engagement continues between SAFCEC and associate member Construction Computer on an enterprise development initiative that will benefit SAFCEC Emerging Members.

The SAFCEC Construction Cares Fund - an enterprise development and socio-economic development initiative - which has been dormant for a long time, will soon be operational again. Outstanding administration matters preventing the fund's resuscitation are nearing resolution, and once all problematic issues have been dealt with, the fund's new trustees will ensure the provision of training, donations, bursaries, providing school infrastructure, etc. to deserving construction companies, individuals, schools and communities.

# Safety Health Environment Risk & Quality (SHERQ)

The SHERQ department experienced a high number of queries from members, mostly related to legal interpretations and changes, client requirements, SACPCMP services, site incidents, challenges and conflict resolution.

## Governance

The SHERQ committees consist of voluntary representatives from member companies and meet regularly across all regional branches. Chairpersons and vice chair persons are elected annually by vote, with ad hoc committees formed as and when needs arise to address pertinent matters. Various organizations and companies such as the SACPCMP; MBA branches; FEM; BCIMA; the Dept. of Labour; David Frost Road Safety, Standard and Legal; SANRAL; SABITA; NIOH; NOS; and GreenCape, attend committee meetings and supply valuable input.

## Member Engagement and Initiatives

SHERQ Advisors are always "Ready to Deliver" with assistance, service, advice, direction and guidance, as illustrated in the activities tabled below.

ACTIVITIES	Q1	Q2	Q3	TOTAL
Member Engagement	44	61	50	155
External Meetings	24	15	30	69
Training Attended	5	4	0	9
Training Arranged for Members	3	9	6	18
Training Provided	9	1	3	13
Site Visits	1	9	6	16
Events Attended	1	4	7	12
Safety Training Vehicle Total Kilometres	3069	1195	1746	6010
Safety Training Vehicle People reached	647	875	182	1704

## Stakeholder Engagement and Liaison

Regular engagement with stakeholders takes place at committee meetings, consultations and liaison meetings with the SACPCMP; MBA branches; FEM; BCIMA; the Dept. of Labour; David Frost Road Safety, Standard and Legal; SANRAL; SABITA; NIOH; NOS; GreenCape; and Business Against Crime.

## Strategic Highlights

The TOM (Training-on-the-Move) vehicles were utilized for many initiatives, totalling 6,010 kilometres travelled. Stefanutti Stocks rolled out their industrial theatre initiative, and members utilised the vehicle to share lessons learnt from incidents. Currently, two TOM vehicles are available, and bookings have already been made for December's HIV/AIDS awareness campaigns. Several ad hoc workshops and seminars have been held to address current challenges such as excavation incidents, road traffic incidents, the SACPCMP CPD point system, women in construction, HIV/AIDS and the SAFCEC Diamond Academies.

### NATIONAL ADVISOR Cobus Coetzee

National Committee  
CHAIRPERSON  
W Kwaza

### MEMBER COMPANIES

Aveng  
Basil Read  
Bophelong Construction  
Concor Construction  
Group Five  
King Civils  
Raubex  
Stefanutti Stocks  
Tanguliza Services  
UMSO  
WBHO  
WKC

Western Cape  
CHAIRPERSON  
L Coetzee

### MEMBER COMPANIES

Asla  
Aveng  
Baseline Civils  
CSC Enterprises  
Exeo  
Haw & Inglis  
Ingozi  
Incon Health  
Martin & East  
Power Group  
Raubex  
Safe Working Practice  
Stefanutti Stocks

KwaZulu-Natal  
CHAIRPERSON  
J Chetty

### MEMBER COMPANIES

Akwande Civils  
Bowisolve  
Civil Eng & Build  
Deck Steel & Concrete  
GNS Civils  
Group Five  
Hesscon  
Holmes Cut & Steel  
Leratong Plant Hire  
National Asphalt  
Sam-Lib Civils  
Shula Construction  
Yeke Trading & Enterprise

## Legislative Environment

With a constantly changing operating environment requiring contractors to adapt their SHERQ measures, some of the most significant news in the year under review was: -

- Western Cape drought and subsequent water restrictions - alternate water resources were a major challenge
- Construction Sector Codes and Procurement Policies
- First Aid Training Providers to obtain accreditation from QCTO
- Construction Work Permit exemption notice
- SACPCMP CPD point requirements
- Invitations to comment on changes to several regulations

## Looking Ahead

### SHERQ Budgets and Planning

Adequate evaluation criteria for SHERQ budgets within companies are necessary to compare apples with apples during tendering processes. Clients have a duty to ensure that principal contractors submitting tenders have made adequate provision for the cost of health and safety measures. Principal contractors have the same duty towards tendering contractors. Planning for SHERQ is fundamental to survival – literally and figuratively in this economy.

### Why vs. Why Not

Most queries we receive relate to resistance to compliance. The intent of legislation is to ensure that we care for our own as well as other's health and safety. Consider the cost of non-compliance, incidents, loss of production and reputable damage. An overall lack of discipline within the industry is a growing concern. Leading by example and implementing fair processes may seem like a challenge but the benefits prevails.

*Safety is a Choice!*

## Eastern Cape Regional Office

In this report it was hoped that the negative civil engineering contracting conditions could have seen a positive change. Unfortunately, this is not possible as the civil engineering industry continues to be faced with a declining situation of reduced work volume, resulting in severe casualties to all sizes of civil engineering construction companies. We must however, remain positive that political changes in South Africa will bring about stimulation of our economy.

### Member Engagement and Initiatives

This past year has seen our membership numbers increase from 62 to 70. This is a pleasing increase when one considers the state of our industry. During this past financial year, six members resigned, and six members were suspended for not paying their subscription fees despite many reminders both in writing and telephonic communication.

Throughout the reporting year we are constantly in touch with all our members. Obviously, some members more than others as the services, attention and queries from our members vary considerably. However, we make a point of telephonic communication with all our members at least once every three months. At least once a year we undertake a road trip to the outlying areas and East London to visit our members who generally are not able to attend our branch meetings.

New membership recruitment remains an ongoing challenge with many companies sighting lack of available cash to make available for the cost of becoming members of a voluntary organisation. Our success in the lower graded companies, though pleasing for our SAFCEC's membership count, unfortunately, is small in its contribution to SAFCEC running costs. Nevertheless, membership recruitment remains a top priority for this office. We find that our Emerging Members are reluctant to pay an increase in membership fees as they obtain higher cidb grading.

### Stakeholder Engagement and Liaison

The various clients that award projects to our members fall into the categories of good, average, bad and shocking. Nelson Mandela Bay Municipality, Provincial Roads and Public Works (now known as Transport) and SANRAL are considered as good clients for whom to work with good payment records. So many of the other Government or Quasi-Government Clients lack reasonably experienced staff, over extend their annual budgets yet allow contractors to continue to work on their projects resulting in serious cash flow problems for civil engineering contractors that often end up in lengthy, costly and time-consuming legal battles. In our Industry which has enough problems, these additional financial constraints with the correct "Client Management" should not arise.

The other important Clients in the Eastern Cape are Coega Development Corporation, Amatola Water Authority, Amathole District Municipality, Buffalo City Metropolitan Municipality, OR Tambo Municipality, Chris Hani Municipality and other smaller regional Municipalities fall in the average, bad or shocking category as mentioned above.

Our Liaison Meetings with CESA Port Elizabeth continue on a regular basis. These meetings are informative and constructive although our members remain critical of the 'soft approach' attitude of the CESA members in dealing with their Clients. These remain instances where the CESA members allow Clients to insist in the inclusion of Clauses in tender documents that are unreasonable and far from the spirit of teamwork for the successful completion of a project for all concerned, both Client, Consultant and Contractor.

*REGIONAL MANAGER*  
**Dave McIntosh**

*REGIONAL ADMINISTRATOR*  
**Jane Murcott**

*REGIONAL CHAIRPERSON*  
**Ayanda Ntlama**  
Simnikiwe Civils

*REGIONAL VICE CHAIRPERSON*  
**Andrew Moss**  
Lejamo Construction

*EMERGING CONTRACTORS FORUM CHAIRPERSON*  
**Eugene Dido**

Coega Development Corporation, MBA/JPC and Nelson Mandela Bay Business Chamber Roads Task Team liaison meetings, though not directly related to specific projects are informative and necessary for successful roll-out of civil engineering projects.

## Strategic Highlights

The award to the two major bridges, Mtentu and Msikaba, on the Wild Coast Road Project, are a significant boost to work in the Eastern Cape region. The 30% SMME subcontract work required will be a great opportunity for many of these smaller companies both locally and from the surrounding areas.

The increase in our membership numbers must be seen as a positive in an industry that is struggling. The successful wage and associated Conditions of Employment negotiations by our Bargaining Council must be seen as a highlight for our Industry.

In the Eastern Cape our team ably led by Sandra Skinner of John Skinner Construction made an important contribution to the success of SAFCEC's Bargaining team.

## Regional Membership

Membership statistics as @ 30 June 2018				
CIDB Grade	Members as @ 30.06.2017	Member Resignations	New Members	TOTAL MEMBERS
1CE	7	1	9	15
2CE	7	2	2	7
3CE	4	1	1	4
4CE	6	1	2	7
5CE	5		1	6
6CE	10	1	2	11
7CE	8	1		7
8CE	5	2	1	4
9CE	3			3
Associate	7	1		6
<b>TOTALS</b>	62	10	18	70

## Looking Ahead

When the negative thunder clouds of our Industry are all around us one must remain positive and look for the silver lining. We believe that the silver lining is in the positive attitude on the economic front of our South African President. The promised monetary boost to the infrastructure in South Africa must be seen as a much-needed lifeline to our ailing civil engineering construction industry. As stated many times before, civil engineering contractors and in particular our members are always up to the challenge of surviving no matter the odds. Over the past two to three years because of the tough contracting conditions their companies have become tremendously cash conscious and competitive which is a tremendous advantage when civil contracting conditions improve – which is a must.

From the Eastern Cape office both Jane and I will be here to serve our members to our best endeavours in the true SAFCEC spirit.

## KwaZulu-Natal Regional Office

The past year has been extremely challenging in the Civil Construction Industry, both in the KZN Region as well as nationally. The Industry has seen a drastic decline in tenders advertised and awarded. In KZN, 272 tenders were advertised from Jan-Jun 2018, compared to 553 in the same period in 2017 (levels 1-9CE). This is less than half the number of tenders advertised.

Government funds and budgets have been further reduced, resulting in fewer tenders and awards. This has put the industry under enormous strain, with no relief forecast in the foreseeable future. The effects of this shortage of work can be seen by the number of construction companies selling off their construction interests as well as several businesses going into business rescue and liquidation.

Business Forum disruptions have also had a major impact on the construction industry. Disruptions on construction projects have resulted in significant losses and have seriously threatened the stability of the construction industry in KZN. All these factors have done very little to boost investor confidence in the Region. We have been sending out weekly requests to members to report any incidents of site disruptions to Law Enforcement and SAFCEC. The statistics gathered can be shared with the relevant authorities.

On a more positive note, the KZN team has been on an intense recruitment drive that has seen the KZN membership grow by 42%, from 78 in July 2018 to 111 in July 2018.

We have managed to introduce several new initiatives in the KZN region like the Joint Stakeholder Engagement, an annual liaison meeting between SAFCEC and all Industry Stakeholders. The Member Networking Session, a member social evening to promote inter-member synergies.

We also managed to complete the first Diamond Academy Program in KZN, in July 2018. 7 Emerging Members completed the course.

The inaugural Women in Construction Seminar was held in August 2018. The event was a remarkable success with over 60 guests attending the event.

### Member Engagement and Initiatives

- KZN MANCO
  - 19 February 2018
  - 21 May 2018
- KZN Branch Meetings
  - 20 February 2018
  - 23 May 2018
- KZN Emerging Contractor Forum
  - 21 February 2018
  - 22 May 2018
- Member Networking Sessions
  - 19 April 2018

### Stakeholder Engagement and Liaison

The region launched two new initiatives in 2018, namely the Joint Industry Stakeholder Engagement and the Joint Industry Transformation Forum. The Joint Stakeholder Engagement is an annual event where SAFCEC members engage with all Industry Stakeholders, i.e. Municipality, Government Departments, SOE's and regulatory bodies to discuss Civil Construction Industry issues.

*REGIONAL MANAGER*  
**Andile Zondi**

*REGIONAL ADMINISTRATOR*  
**Shamila Moodley**

*REGIONAL SHERQ ADVISOR*  
**Marilyn August**

*REGIONAL CHAIRPERSON*  
**Nqoba Nkabinde**  
Triple N Enterprises

*DEPUTY CHAIRPERSON*  
**Glen Hockly**  
Group Five

*REGIONAL MANCO*  
**Glen Hockly**  
**Vino Govender**  
**Ndumiso Gumede**  
**Clive Reucassel**  
**Andrew Olden**  
**Mike Walsh**  
**Bonga Dlamini**

*EMERGING CONTRACTORS FORUM*  
*CHAIRPERSON*  
**Bonga Dlamini**  
Bisk Investments



The Industry Transformation Forum is a forum where all Black Industry Bodies meet to discuss and resolve the challenges faced by Black Professionals and Practitioners in the Civil Construction Industry. This forum was initiated by the KZN Emerging Contractor Forum.

## Strategic Highlights

SAFCEC KZN has had a successful year on several fronts. The Region has grown membership by 42% from July 2017 to July 2018. This has been done through team work in implementing the CEO's recruitment strategy.

The Region has successfully implemented 2 new Member Engagement activities, namely the Member Networking Session and the Women in Construction Seminar. The member Networking Session is a social member function where members meet to network and work at forming synergies and partnerships. The Women in Construction Seminar is an event that aims to create a platform for all women leaders in the construction industry to express their views and exchange ideas with their female industry counterparts. The seminar is also aims to empower and motivate these women to excel and grow further than their current designations in the civil industry.

The Region has successfully conducted 4 training courses in 2018. The first SAFCEC Diamond Academy program was completed in the KZN Region in July 2018, with 7 Candidates completing the program. The Tendering and Estimating Course was conducted in August 2018, with 14 candidates attending the course. The Basics of Contract Documentation and Contractual Obligations training was conducted in September 2018, with 18 candidates attending the course. The Interpretation of Project Specifications and Bill of Quantities for Civil Engineering Contractors course will be held on 23 October 2018.

## Regional Membership

Membership statistics as @ 30 June 2017				
CIDB Grade	Members as @ 30.06.2016	Member Resignations	New Members	TOTAL MEMBERS
1CE	11	1	15	25
2CE	1	0	2	3
3CE	2	0	3	5
4CE	7	0	3	10
5CE	9	0	6	13
6CE	22	0	3	21
7CE	9	0	1	9
8CE	3	2	1	1
9CE	2			1
8GB	1			
Associate	11		1	12
<b>TOTALS</b>	78	3	35	111

## Looking Ahead

KZN Region plans to continue with the intensified Recruitment Strategy and continue to grow the membership by a further 30-40% over the next year. The focus will be on the recruitment of more Established Contractors i.e. 5-9CE.

The Region will continue to nurture the existing relationships with Industry stakeholder and intensify efforts to cultivate new relationships with Client bodies like Tongaat Hulett, Dube Trade Port and other large Municipalities in the KZN Region like Ugu, Umsunduze, Umhlathuze, KwaDhukuza Municipalities.

The Region plans to continue to offer the current training course to members and add more courses to our current offerings. Discussions have already started with training service providers.

## North Branch Regional Office

The North Branch has had a somewhat mixed year as in the past year or two ago. The economic conditions in the country have had a negative impact on the ability of some members to continue as SAFCEC members and had to resign citing the squeeze on their margins, minimal projects going out to tender and awarded. Lack of work, heightened competition, 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.

The state of the economy is reflected by among other things, the maximum negative feeling as recorded in the Q4 2017 Economic Report as published by Industry Insight. Copies of the reports are available at the SAFCEC website.

Members; large and small are battling; with apparent no light at the end of the tunnel seen.

However, we draw encouragement from the President of the country- his plan to kick-start the economy with the establishment of the Infrastructure Fund that will result in projects in "mining, telecommunications, tourism and transport" and the proposal to start an "infrastructure development initiative that draws in private sector funding and delivery expertise."

### Member Engagement and Initiatives

The branch hosted its first Women's Day Breakfast in the month of August as part of the nationwide celebrations during dedicated Women's Month. The Branch has decided to make this event an annual event and will be included on the SAFCEC year calendar going forward. Gatherings like these give our members to network with peers; interact with suppliers and potential business partners; so, we do encourage participation by members to attend SAFCEC events.

During the year we successfully held our much-anticipated sports day. A decision was taken to move the golf day to the magnificent looking Randpark Golf Course. While the rest of the sports (soccer, volleyball, MTB, fun run/walk, netball) were held at Edenvale Sports Club. Whilst the sports day is supposed to be a fun day; with a breakaway from office/site, these sports days play an increasingly important role in the well-being of the participants. We thank the followings companies for the sponsorship

- BCIMA
- FEM
- Maccaferri

### Stakeholder Engagement and Liaison

The following form the core of the stakeholders that have and spend on the capital budgets from year to year.

1. **City of Johannesburg**

The city's entities continue to be the source of work for members. These entities are- Johannesburg Roads Agency (JRA); Johannesburg Development Agency (JDA), Joburg Water, City Power, etc. The 2017/18 Integrated Development Plan -IDP; indicates that the total expenditure budget is R55,9 billion and that the capital expenditure budget is R8,6bn; (15,4%) and the rest going to the operating expenditure budget. The budget shows a slight increase to R9,5bn in 2018/19 as shown in the table below.

*REGIONAL MANAGER*  
**Amos Mtephe**

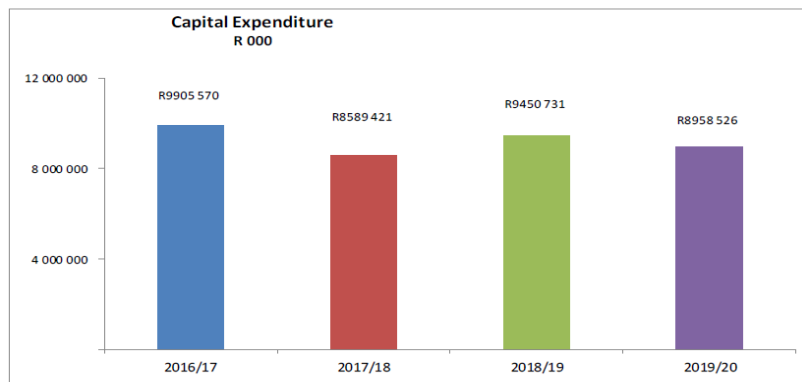
*REGIONAL ADMINISTRATOR*  
**Brenda Gogwana**

*REGIONAL CHAIRPERSON*  
**Marina Dumakude**  
Tangulisa Projects

*DEPUTY CHAIRPERSON*  
**Glen Hockly**  
Group Five

*REGIONAL MANCO*  
**Berto Smit**  
**James Popper**  
**Sebele Pilane**  
**Chris van Jaarsveldt**  
**Stuart Knight**  
**Tsakani Maluleke**  
**Ray Govender**  
**Stephanie Simpson**  
**Peter Davies**  
**Catherine Rawlin**  
**Michael Moloto**  
**Nico Pienaar**

*EMERGING CONTRACTORS FORUM*  
*CHAIRPERSON*  
**Theo Siluma**  
Shodo Civils



Source: City of

Table: Capital Budget

Johannesburg IDP

JRA, City Power, Housing, Transportation, Johannesburg Social Housing Company-JOSHCO; and Water enjoy the main portions of the Capex budget- so hopefully there will be some work for the civil contractors as well as general building contractors in the short to medium term.

## 2. City of Tshwane

The capital expenditure budget for CoT is shown below

	2018/19	2019/20	2020/21
CAPITAL BUDGET	R4,0bn	R3,9bn	R4,1bn

The services that take the largest portion are noted as being the Housing and Human Settlement, Public Transport, Roads and Storm-water as well as Water and Sanitation. So again, just like in the city of Johannesburg there appear to be some work forthcoming for our members from these two largest cities in Gauteng.

## 3. SANRAL

The Branch welcomes the newly appointed SANRAL North Region Manager Mr. Progress Hlahla. We hope to have a mutual beneficial working relationship with the new Management. Mr. Hlahla; in his presentation to the Branch was a little upbeat regarding the work that may be coming out of SANRAL including the Moloto Road project- see below the capex for non-toll roads budget for the region as shared by Mr. Hlahla.



### NON-TOLL ROADS NORTHERN REGION



	2018/2019	2019/2020	2020/2021
<b>CAPITAL EXPENDITURE (PROJECTS)</b>			
Strengthening	R 596 334	R 461 437	R 687 282
Improvements	R 803 167	R 1 864 336	R 1 990 770
New Facilities	R 684 822	R 1 490 527	R 1 111 583
<b>TOTAL</b>	<b>R 2 084 323</b>	<b>R 3 816 300</b>	<b>R 3 789 635</b>

## Strategic Highlights

We continue to build relationships with the major identified client bodies- SANRAL and TRANSNET. These client bodies have also shown willingness to engage with members through SAFCEC. We appreciate their commitment to the proper.

We have formed a strategic working relationship with BEPEC; the Built Environment Professions Export Council. The Department of Trade and Industries-DTI partly fund the council. The main aim of the export council is to assist local businesses to find work outside of South Africa, i.e. in Africa. In the past contractors did not form part of the services offered by BEPEC. However, contractors are now part of the council and can accompany the trade missions to Africa whenever the DTRI arranges these. This will work if local companies go into Africa and form consortiums with local contractors and suppliers.

## Regional Membership

Membership statistics as @ 30 June 2018				
CIDB Grade	Members as @ 30.06.2017	Member Resignations	New Members	TOTAL MEMBERS
1CE	39	15	24	48
2CE	18	0	2	20
3CE	15	1	1	15
4CE	12	3	5	14
5CE	7	1	0	6
6CE	16	6	6	16
7CE	14	6	4	12
8CE	10	3	2	9
9CE	22	2	4	24
No Grading				
Associate	43	12	8	39
<b>TOTALS</b>	196			<b>203</b>

Unfortunately, two of our large grade 9CE members resigned, but we welcomed the following grade 9 member companies: -

- Tau Pele Construction
- Impfumelelo Business Enterprise
- Light Fibre Infrastructure
- Aveng Moolman's

## Looking Ahead

The main focal point as it was last year; for the Branch in the new year will be to aggressively recruit new members and convert them new recruits into fully paid up members. This will be focused on all the provinces, i.e. Gauteng, Free State, Limpopo, North West and in Mpumalanga. Old members that have resigned will also be targeted.

The Branch encourages that all members assist in recruiting of new members. Should you have sub-contractors doing projects for you; you are humbly requested to recruit the sub-contractors. Members are also advised to look at BEPEC for work outside of South Africa.

At the time of writing this report there is some hope in the economy: this after the President of the country has announced a stimulus package to revive the economy. What is pleasing for the industry is the emphasis on infrastructure development as a precursor to economic recovery.

Members are reminded that as SAFCEC work through committee system; it is very beneficial for members to send participants in the various committees. This way they will derive maximum benefit as being members.

## Western Cape Regional Office

### Member Engagement and Initiatives

To be forewarned is to be forearmed. It is a given that our Industry and the Environment in which we operate is ever changing. It remains a core responsibility of SAFCEC to keep its Members advised and informed regarding matters which directly or indirectly affect them. To this avail, we during the year under review again utilized the various communication methods available to us. We do not solely rely on electronic means, but underscore the importance of personal interaction, whether it is by means of Branch or other Meetings or by courtesy visits.

On the recreational front, we had our Regional Sports Day on 16 March 2018 – a most enjoyable Event. In an unexpected development, new Member Exeo Khokela came in and won the main trophy. Obviously, the bar has been raised for next year. Our Team`s very best efforts were stymied by the hosts, at the Annual Quad Golf Tournament, held from 4 – 6 May 2018 in the scenic Eastern Cape. This is becoming a repeat matter, but with this Region hosting the Event in 2019, things may well change.

The Annual General Meeting and Cocktail Event, held at Kuils River Golf Club on 11 September 2018, was very well supported by Members and Stakeholders alike. Our Guest Speaker – Lorenzo Davids – from the Community Chest, held the audience captive with his talk on the positive aspects in life, giving much needed encouragement.

The last social event for the year is the Regional Golf Day, to be held at Devon Vale Country Club on 19 October 2018.

### Strategic Highlights

The Branch was bestowed the honour of the CEO`s Outstanding Member and Stakeholders Award for the second consecutive time at the Annual Presidential held in Gauteng in October 2017. We hope for a hat trick in 2018!

The year under review has been most challenging, in so far as economic and trading conditions are concerned. Some of our most experienced Members have reported, that the current situation was the worst that they have ever experienced in the Civil Engineering Contracting Industry. Despite this we have managed to retain Members and with recruitment an ongoing process, we have even seen moderate growth. The number of liquidations experienced of late was most disheartening though.

During the past year our SHERQ Advisory service again proved to be a major asset to the Membership. The Regional SHERQ Advisor – Lalie Louw – continued adding value by advising and coaching Members with all issues related to Safety; Health; Environment; Risk and Quality or SHERQ.

Our dedicated Training on the Move Vehicle travelled throughout the Region, providing a handy and practical means of training persons on site. During the past year more than 960 persons were developed by means of this intervention.

*REGIONAL MANAGER*  
**Rudolf Murray**

*REGIONAL ADMINISTRATOR*  
**Marion Matthews**

*REGIONAL SHERQ ADVISOR*  
**Lalie Louw**

*REGIONAL CHAIRPERSON*  
**Chris Escreet**

*DEPUTY CHAIRPERSON*  
**DC Geldenhuys**  
**Willem Klazen**

*HR & TRAINING COMMITTEE*  
*CHAIRPERSON*  
**Chrystal Poole**

*SHERQ COMMITTEE CHAIRPERSON*  
**Louis Coetsee**

*CESA AND ACSA LIAISON CHAIRPERSON*  
**Jeremy Donnelly**

*WCG LIAISON CHAIRPERSON*  
**Jonathan Pearce**

*SANRAL LIAISON CHAIRPERSON*  
**Gerome Platjies**

*EMERGING CONTRACTORS FORUM*  
*CHAIRPERSON*  
**Dennis Martin**

## Regional Membership

Membership statistics as @ 28 September 2018				
CIDB Grade	Members as @ 30.06.2017	Member Changes	New Members	TOTAL MEMBERS
1CE	6	0	6	12
2CE	3	1	3	5
3CE	4	3	1	5
4CE	4	1	7	10
5CE	5	4	3	4
6CE	5	1	2	6
7CE	8	1	0	7
8CE	6	1	1	6
9CE	10	0	4	14
9GB	1	0	0	1
Associate	32	1	0	31
<b>TOTALS</b>	<b>91</b>	<b>13</b>	<b>27</b>	<b>101</b>

## Looking Ahead

There can be no doubt that the prevailing circumstances has had a crippling effect on our Industry. In this Region the past year has seen far less work than normal, going towards Contractors. A major concern was the lack of Projects emanating from SANRAL's Western Region. We understand that there existed a multitude of reasons for this, however the situation was negatively impacting on all Contractors – big and small.

The paucity of work was not only affecting Contractors. We encountered numerous Suppliers and Service Providers also experiencing great difficulties in keeping afloat.

However – there is still room for optimism. Thanks to good winter rains, the crippling drought which threatened the City of Cape Town with the dreaded "Day Zero" has been broken. There is of course still drought in other areas of the Western and Northern Cape, but the overall situation is much improved. It is a given that the drought situation had a tremendous ripple effect in the timeous completion of Construction Projects.

Furthermore, the recent announcement by the President of the Republic, of a Stimulus Program to "kick start" the economy, holds tremendous potential for the beleaguered Industry. Of particular importance is the establishment of a R 400 billion Infrastructure Fund and the priority given to the repair and upgrade of Municipal Infrastructure. It is hoped that these interventions will help save the day.

In closing, one thing is for sure. Our Members are resilient and amendable to change. They have to be. As a united Industry, we can meet and beat the challenges that await us. South Africa still has a skilled Engineering base, capable of managing complex Projects. We remain ready to deliver.

## Team SAFCEC



**Cobus Coetzee**  
National Advisor:  
SHERQ



**Xolisile Zondo**  
National Advisor:  
Transformation



**Dazerene du Plessis**  
National Advisor:  
Edu. Training Dev.



**Webster Mfebe**  
Chief Executive Officer



**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



**Frederik Oosthuizen**  
Executive: Contractual Affairs &  
Support Services



**Steph Swanepoel**  
Manager: Marketing &  
Communications



**Martha Gaeje**  
Executive PA to  
Chief Executive Officer



**Lalie Louw**  
Regional Advisor:  
SHERQ Western Cape



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



**Pheli Mbambo**  
Executive: Human Resources &  
Advisory Services



**Shantal Pillay**  
Administrator:  
Finance & Facilities



**Alice Zikalala**  
Receptionist



**Frida Mathabathe**  
General Assistant

<< end