



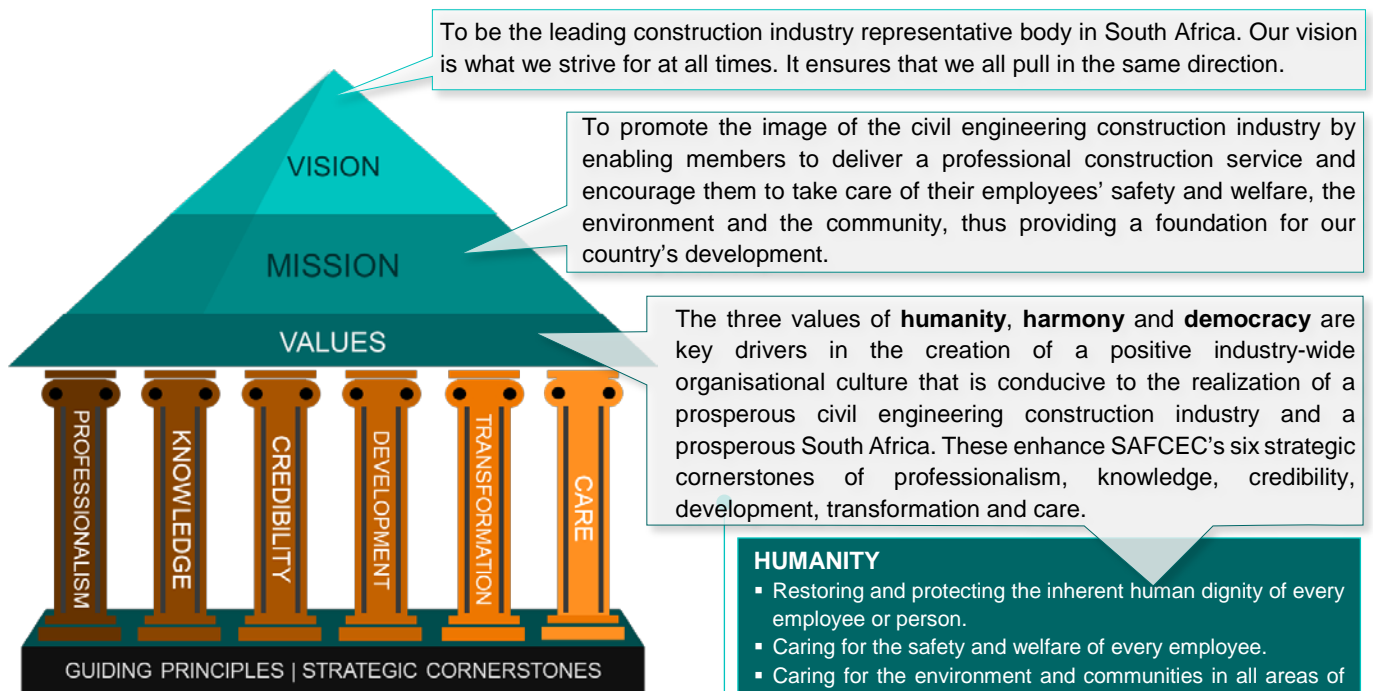
# ANNUAL REPORT

## 2018/2019

South African Forum of Civil Engineering Contractors

**ISO9001**  
CERTIFIED

# Vision, Mission and Values



**SAFCEC’s guiding principles act as the strategic cornerstones upon which we extend the expression of our mission, which defines our reason for existence.**

## PROFESSIONALISM

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

## KNOWLEDGE

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

## CREDIBILITY

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

## DEVELOPMENT

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

## TRANSFORMATION

We drive and support industry and member initiatives in pursuit and achievement of inclusive economic participation goals and demographic representivity.

## CARE

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

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

## HUMANITY

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

## HARMONY

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

## DEMOCRACY

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

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## President's Annual Overview



In her annual review last year, my predecessor, SAFCEC President Isabella Makuta said: "Protection of the national capability that lies in the local construction sector is critical to the delivery of infrastructure and job creation."

That statement holds true even for the year under review, which has seen painful reduction of the capacity and capability of the sector through company closures and massive job losses, with some significant players teetering on the brink of collapse as they have been relegated into the business rescue zone.

This unfortunate state of affairs also resulted in me prematurely taking over the presidency from Ms Makuta before the expiry of her term as Group Five got into severe financial difficulties and resigned as a member.

These very trying times require all of us as contractors to stand together with a unified voice in articulating an unambiguous message to authorities about the dire situation in which our sector finds itself.

We commend the bold and relentless efforts led by our CEO Webster Mfebe, in collaboration with other industry players, to highlight the plight of the construction sector. We need to give our CEO all the support he needs in this regard as well as supporting all the initiatives that are located within the Public Private Growth Initiative (PPGI), as the PPGI is a great window of opportunity to address our sector's concerns directly to President Cyril Ramaphosa.

Whereas we decry the issue of late and non-payment, for completed and certified work, by the public sector, we should be equally concerned about late and non-payment of membership subscriptions for the survival of our organisation. In this regard, I humbly request members to honour all their commitments to our organisation.

During the year under review, low participation by members in organisational activities remains a matter of great concern and therefore needs to be drastically improved through, among other things, a review of the effectiveness and overhaul of our committee system. Membership participation is democracy in action and the best way to derive membership benefits.

Transformation and unity remain the most critical ingredients to our success. The transformation journey, we had long agreed, led by our CEO needs our undivided support.

The prudent management of our financial resources during the most difficult times is highly commendable. And one of the achievements during the year under review, is the fact that SAFCEC is the proud owner of the SAFCEC House building located at 12 Skeen Boulevard in Bedfordview, Johannesburg, following the payment of the final instalment in April 2019.

We wish to place on record our heartfelt gratitude to the SAFCEC team led by our CEO for their hard work under difficult circumstances and fellow council members, especially Ms Isabella Makuta, for their guidance, and the general membership for their loyalty.

*Refiloe Mallela*  
SAFCEC President

## CEO's Annual Overview

*“SAFCEC is firmly on an irrevocable path towards an inclusive organisation in which issues of gender and race are not merely theoretical but practical considerations.”*



SAFCEC is firmly on an irrevocable path towards an inclusive organisation in which issues of gender and race are not merely theoretical but practical considerations. This positive and progressive trajectory, which is underpinned by our constitution, values and transformation declaration, is driven and supported by the overwhelming majority of our members since the adoption of our new values of humanity, harmony and democracy, and the transformative Constitution in 2013.

The period under review, 1 July 2018 to 30 June 2019, kicked off on a very positive note with the Council having adopted a ground-breaking transformation declaration on 26 June 2018. For ease of reference, this signed historical document is again included on page two (2) herein.

These positive developments have indeed massively contributed to the positive public image of our organisation in fulfilment of our Mission: “To promote the image of the civil engineering construction 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”.

It is therefore very clear from the SAFCEC Mission that we must promote the image of the civil engineering industry at all times. Notwithstanding all these instructive and progressive developments, some few influential members among us have been engaged in behind the scenes devious efforts to reverse the hard-won gains by our organisation. These few influential members have been and still are trying very hard to derail SAFCEC and talks of leading mass resignations and the establishment of a new anti-transformation right-wing industry organisation have been mooted for quite some time. If they have their way, it remains to be seen in which country such an organisation will succeed, given that South Africa is a constitutional democracy based on the principles of a united, non-racial, non-sexist, democratic and prosperous society. And it also remains to be seen whether public and private sector contracts will be concluded with individual members of an organisation that seeks to define itself outside the collective social compact of the majority of South African citizens, notwithstanding their rights to freedom of association.

It is very sad to note that certain individual members have taken the anti-transformation fight to the Bargaining Council for the Civil Engineering Industry (BCEI), not on the basis of principle but on the basis of exclusive privilege and dominance. It is therefore imperative for SAFCEC to be always cognisant of certain challenges that are patently against the South African Constitution and other laws, its own constitution, values, vision, mission and the transformation declaration in order to protect its positive public image.

In pursuit of its vision: “To be a leading construction industry representative body in South Africa”, SAFCEC has indeed been leading from the front in terms of highlighting the most urgent issues afflicting the broader construction industry, including violent disruptions on construction sites, lack of work for contractors and massive job losses, non-payment, procurement and other policy inhibitors.

SAFCEC is leading the construction sector within the Public Private Growth Initiative (PPGI), an initiative wholeheartedly embraced by President Cyril Ramaphosa as it is aimed, in a practical way, on a project by project basis, at contributing towards re-igniting the South African economy by removing inhibitors in every economic sector, thereby positioning our country on a growth trajectory. There are already 43 projects worth R840bn across all economic sectors of which 10 are national priority projects.

SAFCEC is also leading from the front in terms of uniting the construction sector, to end silo mentality by involving other industry players, thereby ensuring a collective and impactful approach on issues that affect all of us, with due regard to the sacrosanct independence of other role players.



# 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 25/3/138



THIS 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

It is pleasing to report that SAFCEC's visibility in championing topical member and industry wide issues has resulted in many prospective members making inquiries to join and some have already joined, and others are still waiting in the wings for an opportune time, given the prevailing adverse trading conditions. However, we remain acutely cognisant of the need to redouble our resolve of widely communicating our own endeavours and achievements, and collaborative initiatives with other stakeholders, with utmost humility and decorum. Closer cooperation with, inter alia, the National African Federation for the Building Industry (NAFBI) and the South African Forum of Engineering (SAFE), augurs well for unity and mutually beneficial partnerships within the construction sector.

Of greatest concern in the period under review is the unabated decline in which the construction industry found itself for the past ten consecutive quarters, with the last four quarters, up to June 2019, plunging the industry into deep recession, resulting in major job losses and severe financial hardships for vulnerable companies.

Job losses in the construction industry have become a national emergency, which should be urgently addressed by authorities, industry and labour as it affects the welfare of the poorest of the poor due to the fact that construction is one of the disproportionate employers of unskilled and semi-skilled workers in South Africa. For example, in the 1st quarter of 2019 alone, construction lost 142 000 jobs, representing 60% of the total job losses of 237 000, in the country.

The value of violently disrupted construction sites amounted to R41bn during the year under review and this is a grossly under reported figure as some contractors choose to remain silent in fear of reprisals. This also affects skills retention as the industry has lost some technical skills that have migrated to other countries due to this emerging threat and risk.

Further compounding the unemployment situation in our sector is the continued reluctance on the part of some of our members, to turn their work places into training spaces as unemployment in our country is structurally linked to the skills deficit.

One of the most critical and urgent considerations, which all our members need to institutionalise and deeply entrench as a continuous and consistent culture of choice is the fair and ethical business practices shorn of corruption and malfeasance. And I am glad to report that I am not aware of any corruption and malfeasance by any of our members in the period under review.

The resilience of the majority of our members to remain within SAFCEC despite the challenging trading environment is something to be highly commended. Regrettably, among others, we lost one of our JSE listed, long standing, active and supportive members, Group Five, due to their being on business rescue. This unfortunate situation also resulted in our very first female president since the establishment of SAFCEC in 1939, Ms Isabella Makuta from Group Five, prematurely vacating her position as president on 30 June 2019 and her tenure being completed by the deputy president, Mr Refiloe Mallela, as per the SAFCEC Constitution.

We therefore hereby take this opportunity to thank Ms Makuta for her sterling leadership during her incomplete tenure, which, inter alia, includes her strong support for the adoption of both the SAFCEC Transformation Declaration on 26 June 2018 and the SAFCEC Council Induction Pack, as developed by the CEO and management team, with further inputs from Council Members.

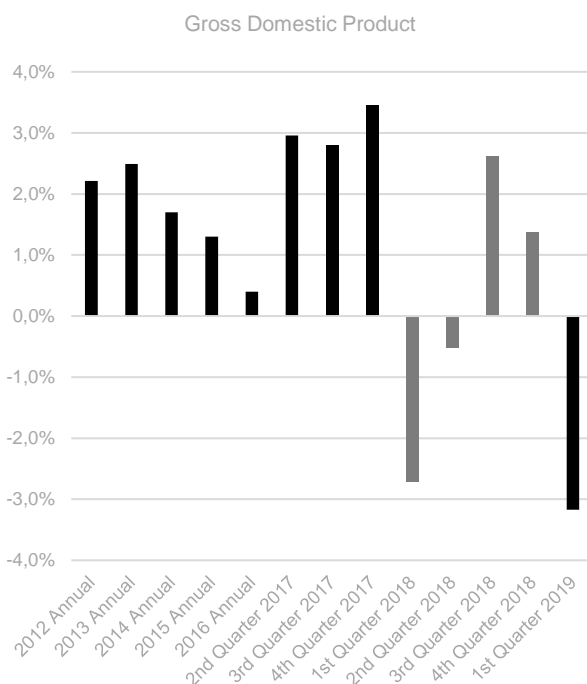
## General Economic Environment

### Global Economic Outlook

According to the IMF's latest world economic outlook report for April 2019, the global expansion continued to weaken. The global GDP growth forecast was decreased by 0.2 percentage points again to 3.3 percent in 2019, and remained the same at 3.6 percent for 2020 as the risks continue to mount, and weigh on the downside. This is compared to projections made in January this year. The reasons for the downgrade are mainly because it is now evident that growth in advanced economies in the second half of 2018 was weaker than expected. According to the IMF, global economic activity slowed 'notably' in the second half of the year, with an array of factors impacting mainly the larger economies that drive the overall global economy.

Some of these factors continue to be a slowing Chinese economy, with China's growth declining in the second half of the year, with the IMF citing the need to reign in the shadow banking sector within the Chinese economy, as well as the trade war with the USA having negative effects on sentiment, with business confidence down as well as impacting markets. Other factors also include a German economy which has not performed as well as expected, with the IMF citing a notable slowdown in the car industry in Germany, owing largely to new emission standards that were introduced on the industry. Investment has also dropped in Italy. This had larger consequences for the outlook of the overall Euro Area in which growth has been poorer than expected. This has consequences for the global economy and will impact the South African economy negatively, along with a slowing China.

Trade tensions have continued to take its toll on sentiment in emerging markets, which saw a lot of volatility towards the end of last year, with financial conditions tightening for some of the emerging markets that are deemed more vulnerable.



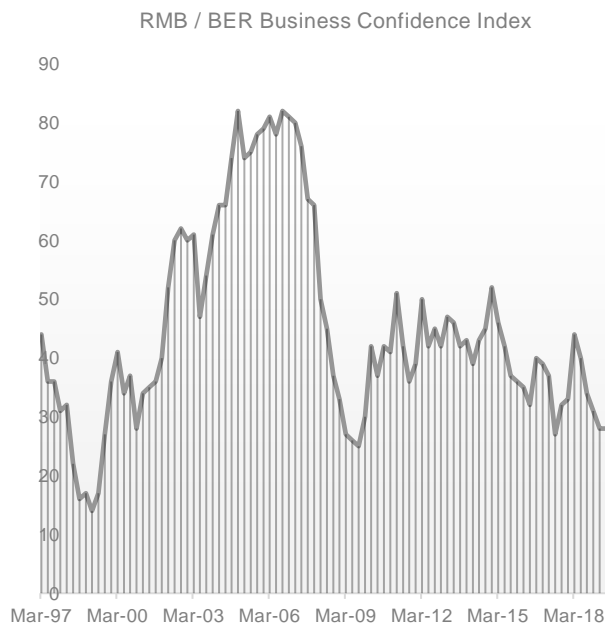
According to Stats SA, the domestic economy contracted a staggering 3.2 percent in the first quarter of the year (quarter on quarter, seasonally adjusted and annualised figures), which came as a shock to economists who were expecting an only marginally contraction at worst. This marks the worst quarterly performance by the economy since the financial crisis, which sent shock waves through markets, and highlighted some of the deep structural issues that the South African economy faces. On a y-y basis, the economy narrowly avoided a recession, with a figure of 0.0 percent reported. Looking at the figures from the production side (where the figures are broken down by sector), the contraction was broad based, the biggest decline being in agriculture (down 13.2 percent), mining (down 10.8 percent) and manufacturing (down 8.8 percent). This is the biggest contraction mining has seen in more than three years, with output of iron ore,

coal and diamonds waning significantly in the quarter. It was no surprise that the construction industry again saw a decline, with the sector contracting by 2.2 percent in the quarter, with declines across all segments, with less residential, non-residential and civil building activity. The tertiary sector performed slightly better, with only a 0.7 percent decline on average. Growth came from the finance, real estate and business services sector, which saw growth of 1.1 percent. There were however sharp contractions in wholesale and retail trade (down 3.6 percent), with South African consumers under massive pressure.

It is evident that consumers in South Africa are under pressure, with overall household expenditure down by 0.8 percent on a quarter on quarter basis. One of the biggest contributors to the poor first quarter figures was a large contraction in exports, down by 26.4 percent. What is also a worrying indicator for the more medium to longer run, is that there was again a decline in investment in the economy, with a decrease of 4.5 percent reported. Investment is crucial to build productive capacity, and is a significant driver of the long-term growth of an economy. What is also significant, is that because the size of government has grown over the last 10-15 years, the fact that the 'government services' as a sector grew by 1.2 percent in the first quarter, bailed out the economy to a large degree. The size of 'government services' as a sector is the second biggest in the economy (at 19 percent, just behind



finance, real estate and business services at 20 percent). The outlook is unfortunately quite bleak, as we do not expect the economy to grow in excess of population growth (currently at around 1.6 percent) over the next 3 years.



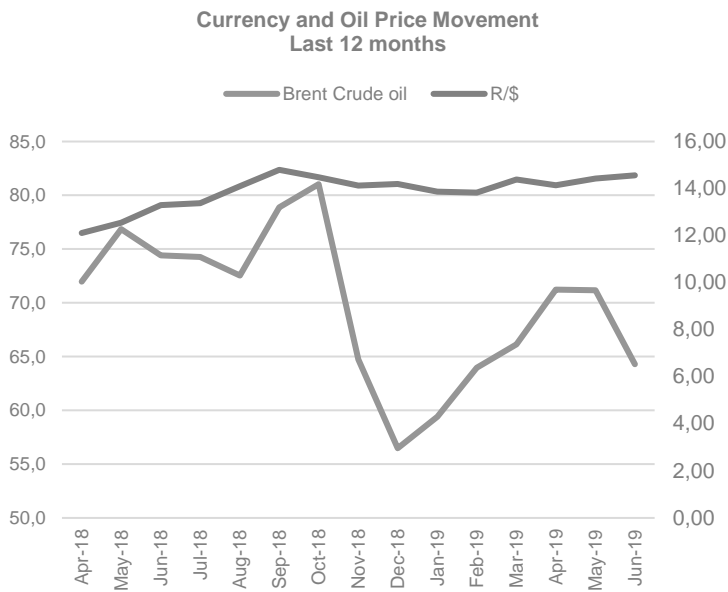
The unemployment rate in the 1<sup>st</sup> quarter of 2019 edged higher to 27.6 percent (from 27.1 percent in the 4<sup>th</sup> quarter of 2018), and is now slightly higher than the average of 27.5 percent for 2017. However, this probably remains the single largest constraint to achieving South Africa's 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 38 percent in the 1<sup>st</sup> quarter 2019. 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 employment in the construction industry (excluding those individuals that are self-employed or active in the informal sector) fell by 3.6 percent y-y in the 1<sup>st</sup> quarter of 2019, resulting in a contraction of 23 000 people to an estimated 618 000. Formal employment in the construction industry is clearly under pressure, as the current decline is the largest since 2010. The decline in employment does not come as a surprise, following the announcements of business rescue by established contractors such as Group Five in the 1<sup>st</sup> quarter of 2019, forewarning of imminent job losses.

A further concern for the medium to longer term, is the continued lack of investment in the South African economy, which is a long-term driver of growth and prosperity, as well as a significant catalyst for job creation. Many investors adopted a 'wait and see' approach, waiting to see what happened at the election which is now concluded. Even though there were no big surprises at the election, it is our view that it is unrealistic to expect big reforms in the short run, due to the fractured nature of the ruling party. This has been evident in past weeks. One example is ANC secretary general Ace Magashule refusing to acknowledge Cyril Ramaphosa as a factor in their election win, saying that voters voted for the party and not the man. This couldn't be further from the truth, because over 650 000 voters voted for the ANC on a national level, but another party on a provincial level, meaning Ramaphosa certainly played a role. This was also evident in recent contradictory comments by the secretary general around expanding the mandate of the Reserve Bank, in which Finance Minister Tito Mboweni almost immediately taking to twitter to vehemently disagree. Strongly linked to the political environment is business confidence, which is at recessionary levels, and at near all-time lows. Business confidence remained unchanged at 28 points in the 2<sup>nd</sup> quarter of the year, and remains the lowest figure recorded since the 2<sup>nd</sup> quarter of 2017, and remains a similar level to what was recorded in the aftermath of the global financial crisis in 2008/09.

Following the worse than expected GDP figure for the first quarter of the year, The South African Reserve Bank eased monetary policy by 25 basis points in July 2019, lowering the repo rate to 6.50 percent and the prime lending rate to 10.0 percent. Inflation has consistently come in lower than expected, with lacklustre local demand showing in the figures. This will give a short term, albeit marginal boost to the economy. Inflation was 4.5 percent in May

(y-y), and has been below 4.5 percent since December 2018, and is expected to remain well within the Reserve Bank's target of 3-6 percent over the next 12 to 18 months. The **rand dollar exchange rate** has largely remained



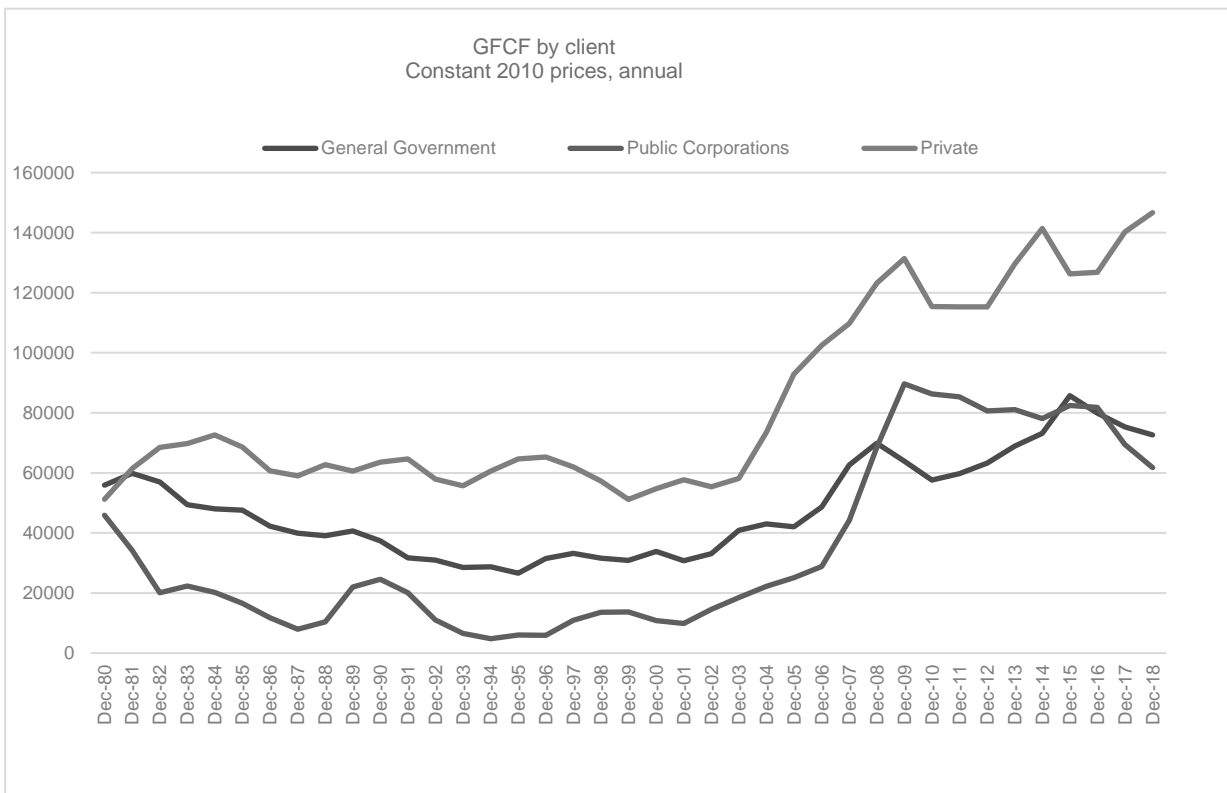
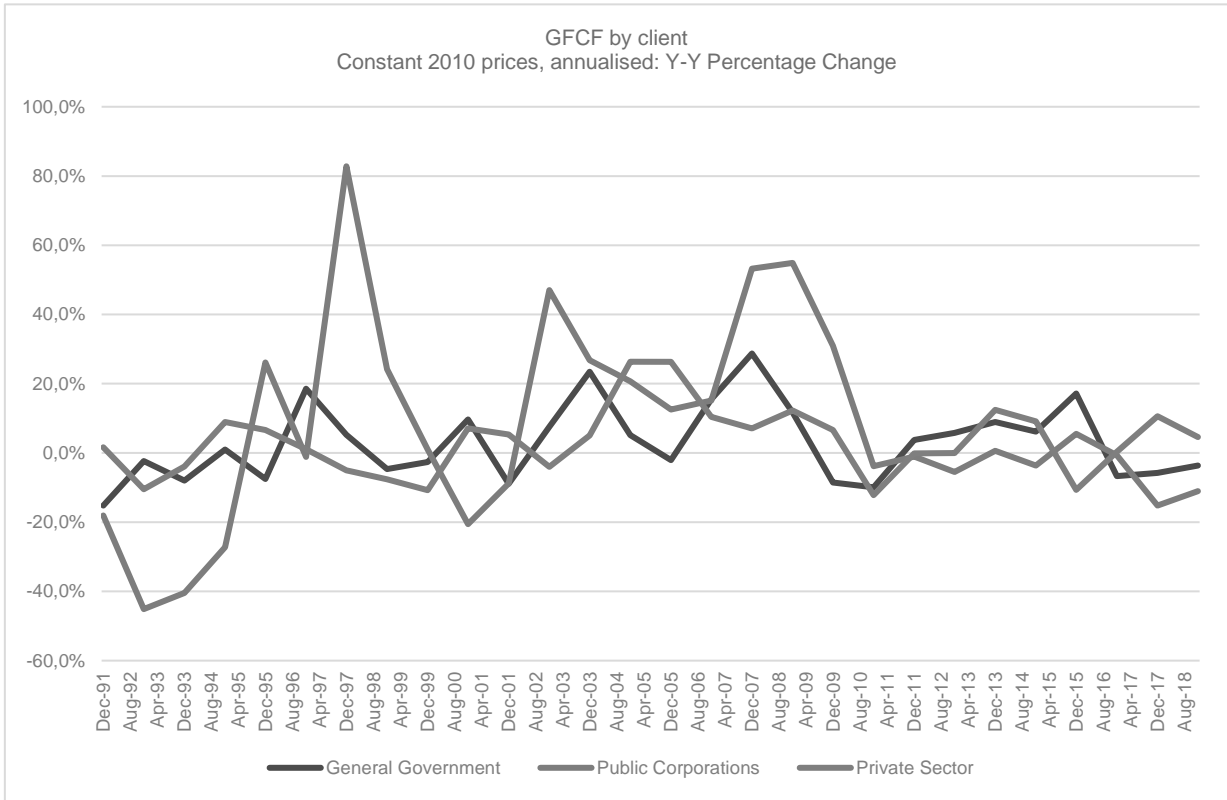
at the R14.20 to the Dollar level since the beginning of the year. It is widely believed that the Rand is undervalued to the Dollar, and is expected to further appreciate over the next few months. The same cannot however be said for other currencies such as the Euro, Pound or Yen, in that the Rand is mostly seen as overvalued compared to those currencies. Nonetheless, the local exchange rate has remained relatively stable, albeit at a weaker level than a few years ago. There has been some relief for motorists over the last few months, in that the price of Brent crude oil has moderated somewhat to around

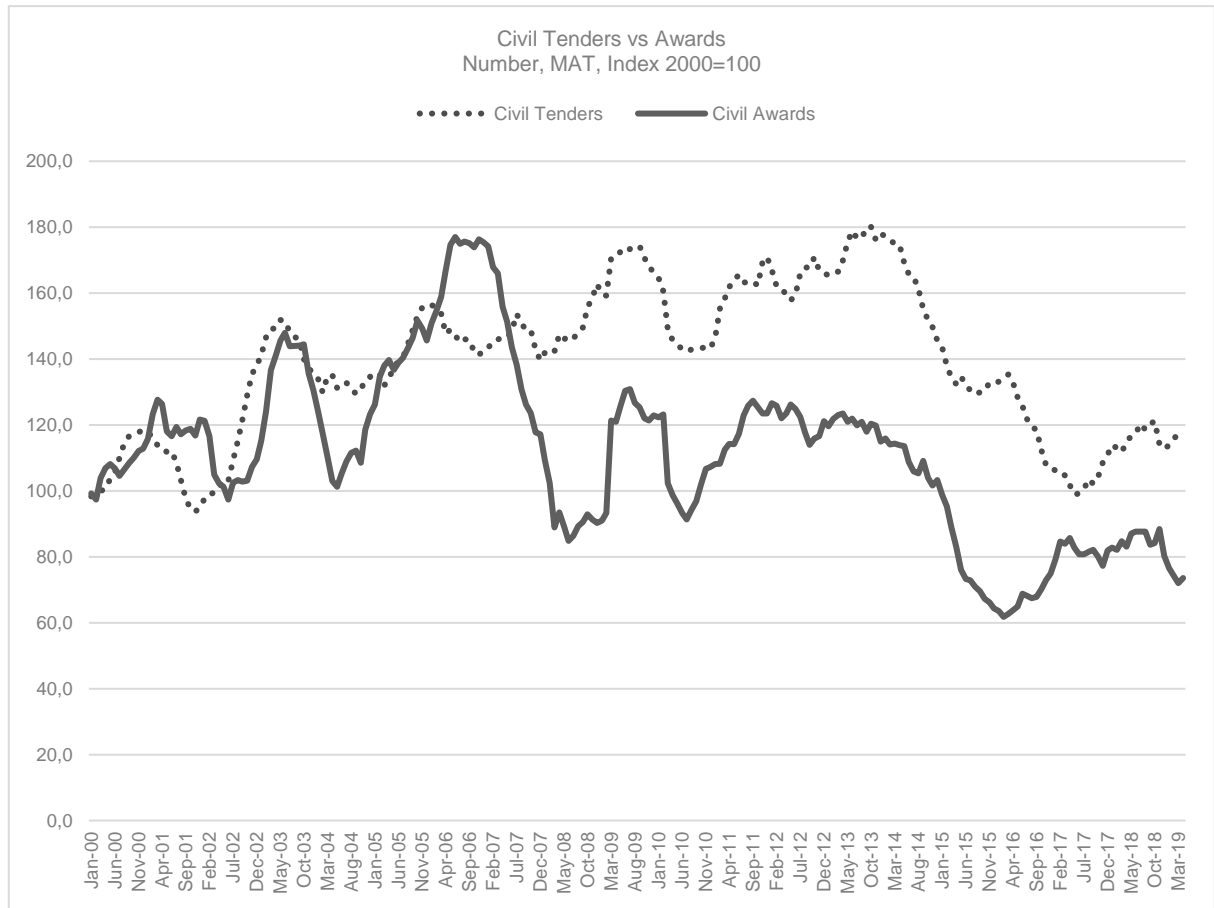
\$63/barrel at the time of writing this report. This is compared to under \$55/barrel at the beginning of the year. Following the sharp declines in the oil price in 2014 and 2015, Brent crude peaked at over \$80/barrel not even a year ago, so the commodity is still trading at relatively low levels historically.

## Gross Fixed Capital Formation (GFCF)

Gross fixed capital formation (GFCF) decreased by 2.3 percent y-y in the 1<sup>st</sup> quarter of 2019, off the back of a similar decrease in the 4<sup>th</sup> quarter. This was more or less in line with expectations and the rest of the GDP data. What was not in line with expectations was a marginal 0.2 percent expansion in investment in civil related infrastructure (construction works), because according to our statistics at Industry Insight, the civil sector certainly saw less investment in the first quarter. Nonetheless it's not that good in any case, with a 0.2 percent expansion basically remaining at the same low level as last year. Non-residential and residential investment was down 6.0 and 6.3 percent respectively on a y-y basis. The decline in residential investment was worse than expected and does not tie in with the building plans data from Stats SA. Looking at growth, or lack thereof in investment in construction over the last year, investment continues to stagnate and moderately decline. Over the last 3 years, we have seen consecutively less investment into the construction industry, with declines of 2.0 percent, 1.3 percent and 1.4 percent, in 2016, 2017 and 2018 respectively. The outlook is also unfortunately not good going forward, with expectation of further declines in the short term, as the industry and the economy continue to adjust to realistic levels of investment.

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



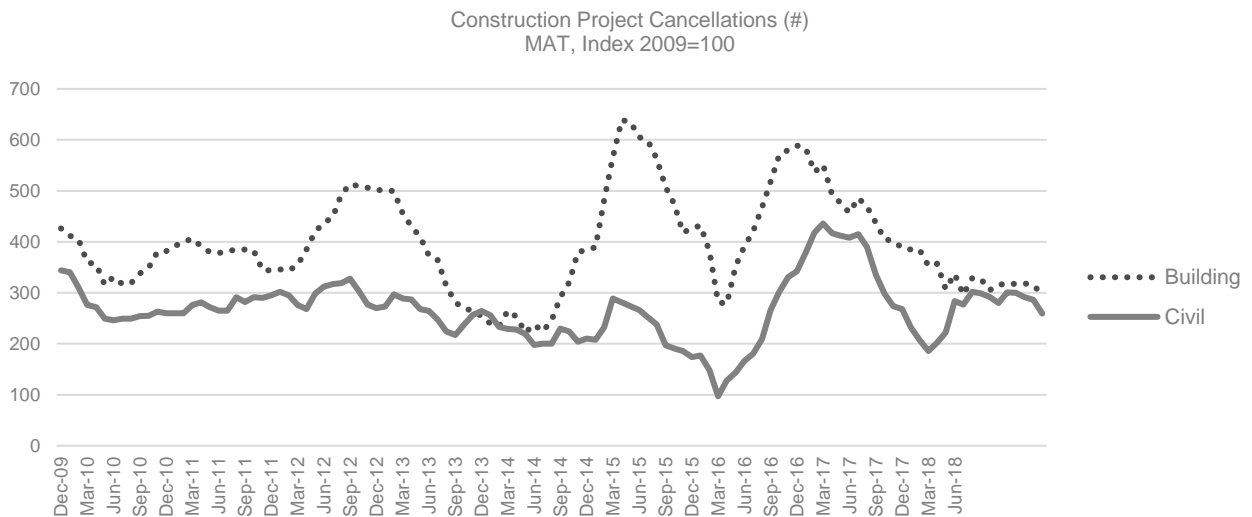


## Civil Industry Environment

According to an analysis of project lead information, provided by Databuild, the number of civil projects out to tender increased by 18 percent y-y in the 1<sup>st</sup> quarter of 2019, overall, compared to the same quarter in 2017, following the 23 percent y-y decrease in the previous quarter. While this was more positive for the first quarter, the tender index remains at historically low levels, at levels last seen around the Asian financial crisis in 1998/99, and in terms of the awarding of these tenders, there was a 29 percent decrease in the total number of civil projects awarded in the 1<sup>st</sup> quarter overall, compared to the same quarter last year, and in terms of the nominal value of those tenders, there was a decrease of 13 percent y-y, so all in all, certainly less civil construction activity in the first quarter.

Looking at developments over the last year, we have a deterioration in construction activity as suggested by the index on the value of construction tenders awarded. The award index was 73.5 points at the end of April 2019, compared to 83.1 points in the same month last year. This is a significant decline in construction activity over the last year. On the upside, tender activity has shown some improvement, and could possibly lead to increased activity going forward. Unfortunately, we are yet to see increased tender activity translating to higher levels of projects being awarded, a major concern for contractors over the last few years. Nonetheless, the tender index was up by 2.5 percent y-y to 117.8 at the end of April 2019, compared to 114.9 in the same month last year.



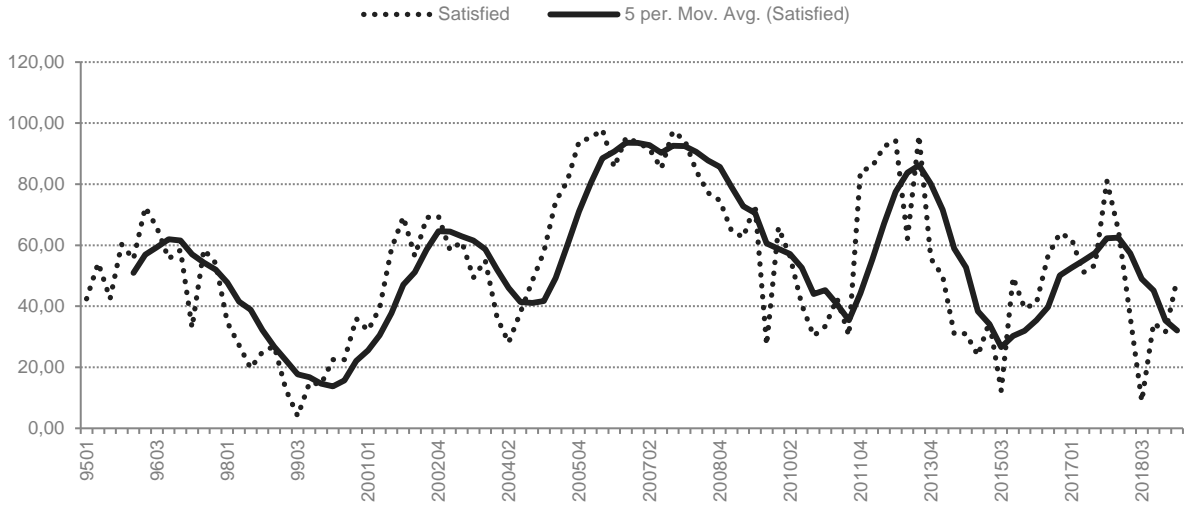


Towards the latter parts of 2016, there was a significant uptick in the number of civil projects cancelled, almost on par with conditions following the global financial crisis. The index increased from an index value of 28 in March 2016 (based on a running twelve month total), to a peak of 126.7 twelve months later (March 2017). Since then there was some moderation, but over the past few months, as the civil industry had entered rather uncertain territory, there has been a spike in the number of projects being cancelled. The index has ticked up to 75.3 points, from below 60 points five to six months prior. Cancellations are generally caused by higher levels of financial constraints experienced by public sector clients.

According to the latest State of the civil engineering industry Report for the 1<sup>st</sup> quarter 2019, opinions related to the awarding of contracts improved slightly from rock bottom levels since the 4<sup>th</sup> quarter 2018 survey, but worsened compared to the previous survey, and again none of the respondents reported “satisfactory” or “good” levels in terms of the awarding of contracts in the last quarter. The overall nett satisfaction rate deteriorated to -82.4 percent, from -71.7 percent last quarter, suggesting particularly weak conditions in terms of current activity.

Interestingly, there was a big improvement in opinions around tender activity, with 41.5 percent of respondents reporting satisfactory levels of tender activity, up considerably from the previous surveys and is the highest in a few years. This also coincides with independent research on actual tender activity. This marks the 2<sup>nd</sup> consecutive survey where opinions related to tender volumes have improved. As a result, the nett satisfaction rate around tender activity has improved over the last two quarters, compared to the average over the last few years. The nett satisfaction rate was -13.6 percent and -16.5 percent in 2019 so far, compared to an average of -74.2 percent in 2016 for example. Opinions are relatively volatile from a survey to survey basis, but the overall trend based on the last five quarters still remains deep in negative territory, suggesting a serious long-standing constraint. We have to wait and see if this optimism can be maintained in the following surveys.

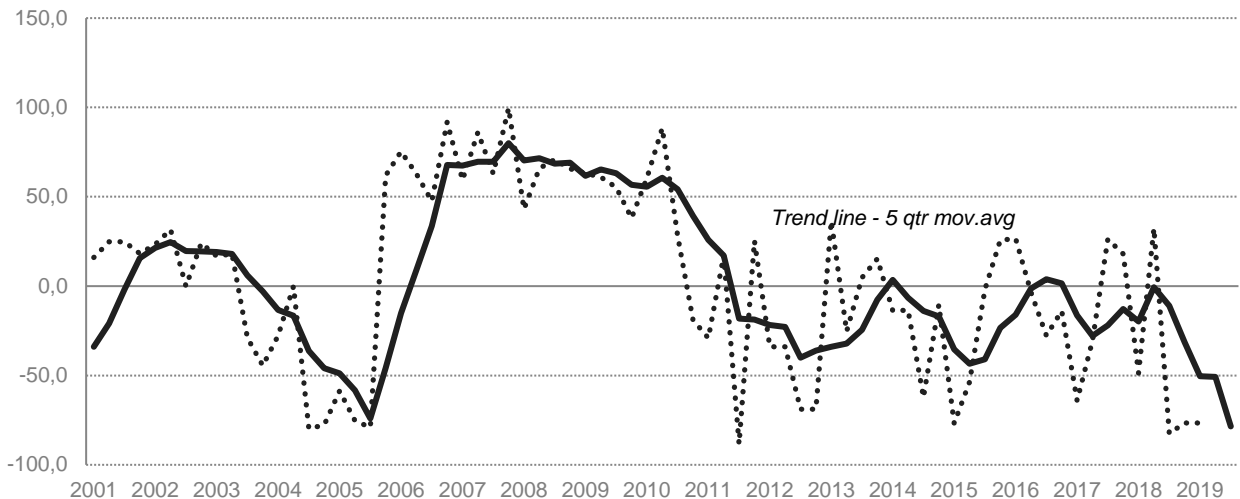
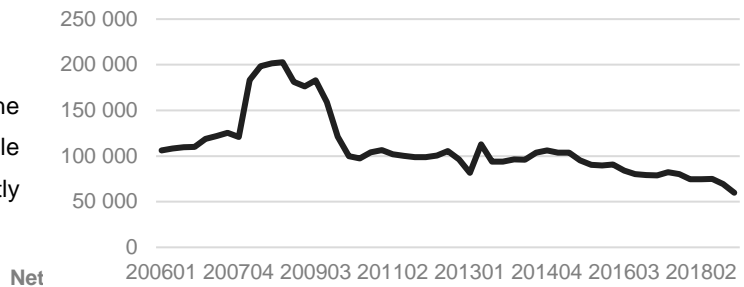
### Civil Contracting Industry: State of Orderbooks



The net satisfaction rate around profitability deteriorated to one of the lowest levels recorded in the 2<sup>nd</sup> quarter, with a nett satisfaction rate of -89.6 reported overall, which is a poor level overall. 50 percent of contractors said that profitability was very low, which is the lowest on record. And only 5.2 percent said that profitability was reasonable.

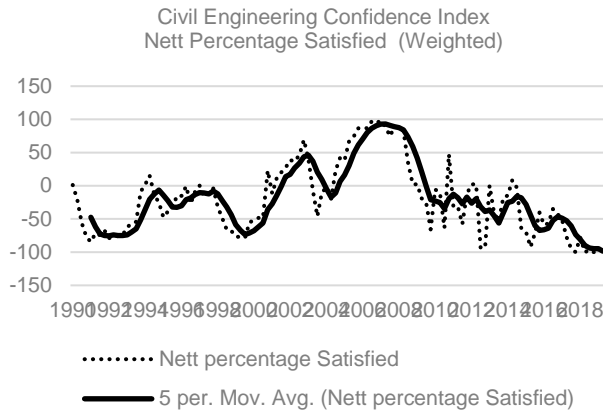
The civil industry is a major job creator in the sector, employing an estimated 100 000 people in the civil construction sector, but significantly

### SAFCEC Quarterly Employment Trend



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 since many of them find themselves in business rescue etc. It is very possible that the major job creators in the industry, will shortly no longer necessarily be the

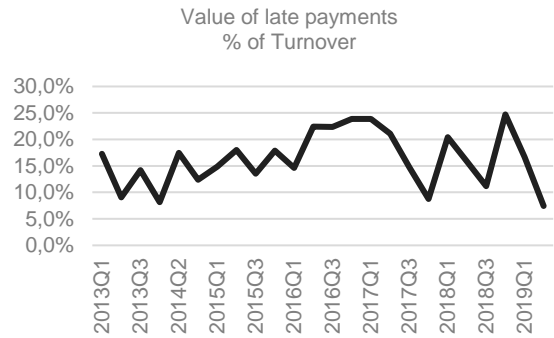
listed companies, but job creation will be more focused on the medium and smaller size firms. Cumulative turnover generated by smaller firms in the construction sector as a whole (including building and civil construction) is still on



in the last quarter. Cumulatively, compared to last year, employment has still fallen more significantly. Over the last 12 months, there has been an 11.8 percent drop in employment for civil engineering according to the data from this survey. The negative trend has unfortunately accelerated over the last few quarters.

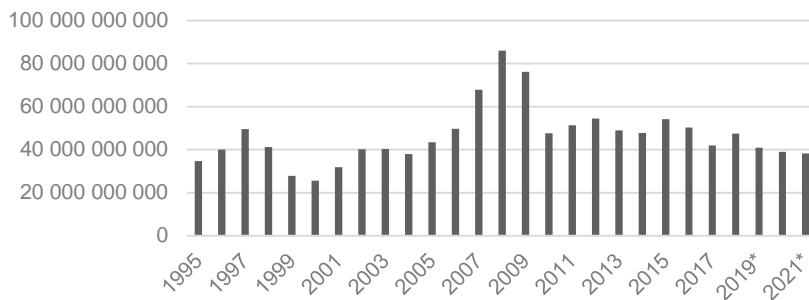
A major issue within the construction industry, the value of late payments decreased by 18.2 percent in the 2<sup>nd</sup> quarter of 2019, following a decrease 29.1 percent in the first quarter. The data is somewhat volatile and differ for the different sized firms. Medium firms saw the biggest decrease in late payments, down by just over 43 percent which is quite significant. Large firms saw a decrease of 5.2 percent, while smaller firms were the only cohort to see an increase in late payments, and it was a significant one at 36.8 percent.

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 a decrease of 13.8 percent q-q in employment in the civil engineering contracting industry in the 1<sup>st</sup> quarter, after showing a decrease of 7.3 percent



With the decrease in late payments reported by contractors in the 2<sup>nd</sup> quarter of the year, the value of late payments represented 7.4 percent of total turnover, down from 16.7 percent (Q1), the lowest level in 6 years. Late payments outstanding for more than 90 days represented only 3.0 percent of the **total amount outstanding**, which is also the lowest almost ever reported in this survey, and is a massive improvement from almost 40 percent a few quarters ago. The results for the different cohorts were very similar, with large firms reporting just 3.7 percent of late payments outstanding for more than 90 days as a proportion for turnover, with medium and smaller firms reporting 1.3 percent and 3.8 percent respectively.

Figure 1 Turnover Civil Industry (2018 prices) 1995 - 2021



Post financial crisis, the confidence index has been relatively volatile, with medium sized contractors boosting the overall index over the last few years. However, sentiment has returned to being more pessimistic in the last few surveys, with industry sentiment representing levels

last seen in 2000. The overall confidence level recovered slightly from record lows in the previous two surveys, where a satisfaction rate of -100 was recorded for two consecutive surveys. Conditions remain dire, with a negative

satisfaction rate of -96.3 percent recorded in the second quarter of 2019, barely an improvement. For the past 5 quarters, the index has been extremely poor, with little signs of respite. Larger contractors were the most negative, in line with previous surveys, but the smaller contractors who were the most positive over the last few quarters, have now also turned more negative, with net satisfaction rates of -80 and over the last two surveys. This confirms the statement that the current downturn in the industry is broad based affecting all companies operating in the industry, irrespective of their size.

The outlook for investment in the civil engineering industry, excluding expenditure on machinery and equipment, is projected to fall in real terms over the next three years, by -8.7 percent in 2019, -5.8 percent in 2020 and -0.7 percent in 2021. These projections are based on continued poor economic growth outlook, combined with persistent fiscal constraints. However, should government reprioritize infrastructure expenditure, revive ailing state-owned enterprises and effectively deal with corruption and theft of government funds, investment in civil engineering infrastructure can recover, albeit, at moderate levels.

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%	47,983,570,769	13.4%
2016	44,590,770,821	-3.2%	44,590,770,821	-7.1%
2017	39,329,642,756	-11.8%	37,208,744,329	-16.6%
2018	47,453,868,970	20.7%	42,063,391,805	13.0%
2019 (f)	45,176,083,259	-4.8%	38,423,728,061	-8.7%
2020 (f)	44,633,970,260	-1.2%	36,186,364,453	-5.8%
2021 (f)	47,298,075,689	11.4%	35,927,794,254	-0.7%

## Listed Contractors Update

Listed contractors on average continued to seriously struggle over the last 6-12 months. A total of 3 out of the 9 listed contractors have entered voluntary business rescue. This includes Basil Read, Esor as well as once construction giant Group 5. The likes of Aveng are really hanging in there, while WBHO, Raubex and Murray and Roberts (if you still consider them exclusively a 'contractor') have been the best performing by far, and have solid financial statements and have remained robust, largely by looking for work offshore, downscaling significantly, and focusing on specific niche markets. The fact remains, that over the last 10 years, the listed construction sector has lost more than 75 percent of its value in nominal terms.



As mentioned, Basil Read, Esor and Group 5 are all currently in business rescue. It is likely that we have seen the last of Group 5, as the business rescue practitioners recently told the shareholders that their shares are basically worthless. It looks like they are not even going to be able to pay back all their creditors that they owe money to. There have been little to no updates around Esor construction, we don't really have any idea how their business rescue is going. Their shares remain suspended on the JSE, along with Basil Read who was the first to go into business rescue more than a year ago, and they continue to fight for survival. Except for employees currently working on completing the few contracts remaining, and the meagre staff left over at head office, **Basil Read has retrenched all other staff**. Their plant and equipment continue to be sold at auctions to pay various financing and business rescue costs. They have also vacated their offices, and scaled down. They are also in the process of competing various projects, and have also terminated a good few. According to the business rescue practitioners, three projects are being completed, five were being ceded to other contractors, and three have been handed over to clients. Aveng is also under severe pressure, and many analysts have been surprised that they have not joined the other contractors in business rescue, with their share price basically at rock bottom, hovering between 2 and 3 cents over the last few months. They continue to restructure and sell off non-core assets and downsize, whether it will be enough is of question, and it seems that their manufacturing divisions have been lifting the group's overall growth, with the construction division under extreme pressure.

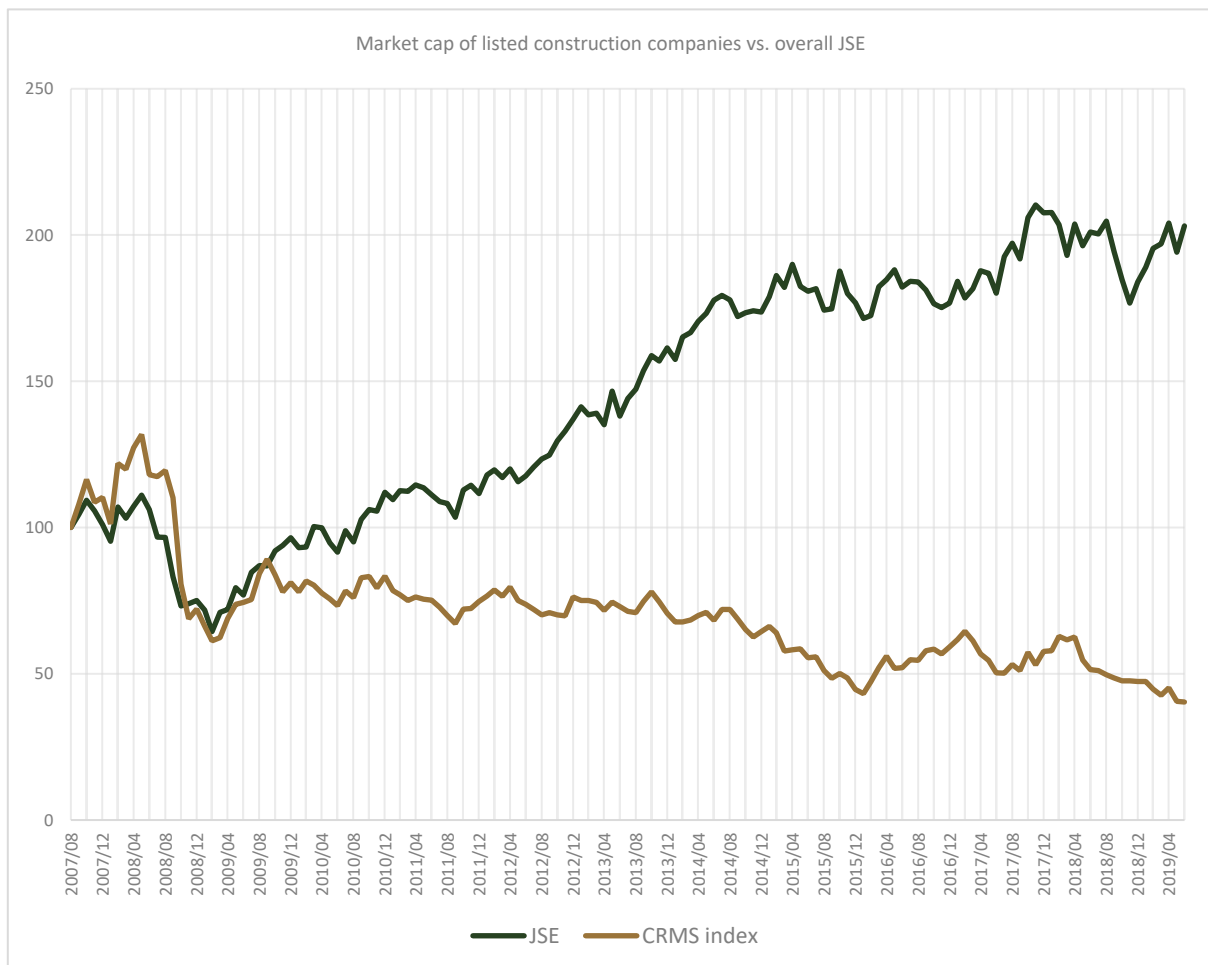
Turning to a contractor that has successfully managed to weather the storm, **WBHO** released an operational update in June, but their South African division also remains under pressure. Fortunately, a majority of their business is now offshore, with only 21 percent of their order book coming from local projects. In their update, WBHO say that they have seen a slowing in building activity in Gauteng while they have seen a pickup in coastal regions. They comment that the civil industry remains extremely challenging, especially with all the violence on site, such as at the Saldanha bay crude oil facility. They say they have secured no new work from SANRAL over the last year or so. In their comment on the overall economy, they only expect changes within the political landscape to have a positive impact later down the line, and they also mention that South Africa has lost a considerable amount of skills due to people emigrating. Raubex have also managed to remain relatively robust, especially given the big declines in the transport/road related sector. They announced a few months ago that their revenue fell by a marginal 0.3 percent for their full year ending February 2019, which is quite good in the current environment. However, profits were down considerably as well as earnings per share. Operating profit was reported as almost 70 percent lower, and earning per share was down 86 percent which is a stark decline. Raubex has been proactive in diversifying their operations away from just road building, such as venturing into the low cost and affordable housing market, where they have made inroads, as well as into renewable energy where a solid order book has been secured. Their materials division again came to the rescue, with stable results reported.

Calgro released a poor set of results in May, with their revenue decreasing more than 42 percent for their year end of February 2019. Very challenging conditions were reported in their low cost and affordable housing division, which is their core business. Land invasions have been at the heart of some of the key challenges according to the CEO Wikus Lategan. Calgro has spent more than R70 million in extra security costs as well as damages on two of their developments in Scottsdale and Fleurhof. Fortunately, they have had more than 10 projects on the ground, which has diversified their operations somewhat and made the challenges more manageable. The memorial parks on the other hand have seen good growth, with revenue within that division increasing to R20.9 million from R12.9 million (an increase more than 60 percent). Delayed payments were at the forefront of the release of Stefanutti Stocks set of results at the end of the month. Their revenue for the year end of February 2019 fell by 5 percent, and their loss was not as bad as reported in the previous reporting period. Overall, they reported a loss of R111.3 million, from over R500 million a year prior. Their order book has remained relatively stable at R11.5 billion (which

is however down by almost 20 percent, compared to last year). They seem to be stabilizing quite significantly, which is positive. Murray and Roberts on the other hand released a good set of results 4 months back in March, especially in a difficult environment locally. Profits were up by 69 percent in their six-month interim period, while their order book was up marginally by 5 percent, increasing to R31.7bn. Revenue was however down, by 17 percent, but the company did manage to maintain a profit. They cited that with the Medupi and Kusile power stations reaching completion, this will leave a sizable void to be filled, leaving the company with excess capacity potentially. Selling off their infrastructure business more than 2 years ago proved to be an excellent strategic move.

Listed companies have lost significant value over the last 10 years. Comparing the overall JSE market value, with the value of the combined Contractor's index, the growing disparity in the movement of the two sets of indices, is a stark reality of the conditions faced by the local construction industry. Issues of collusion and a breakdown of trust between government and the established listed construction sector, played its role in project fragmentation, while delays in transformation, coupled with government and SOE's financial constraints, further contributed to some of the challenges faced by the sector. While the JSE has gained 227 percent over the last 10 years, from an index value of around 62 in 2009 to 203 in 2019, the contractors index lost 35 percent over the same period.

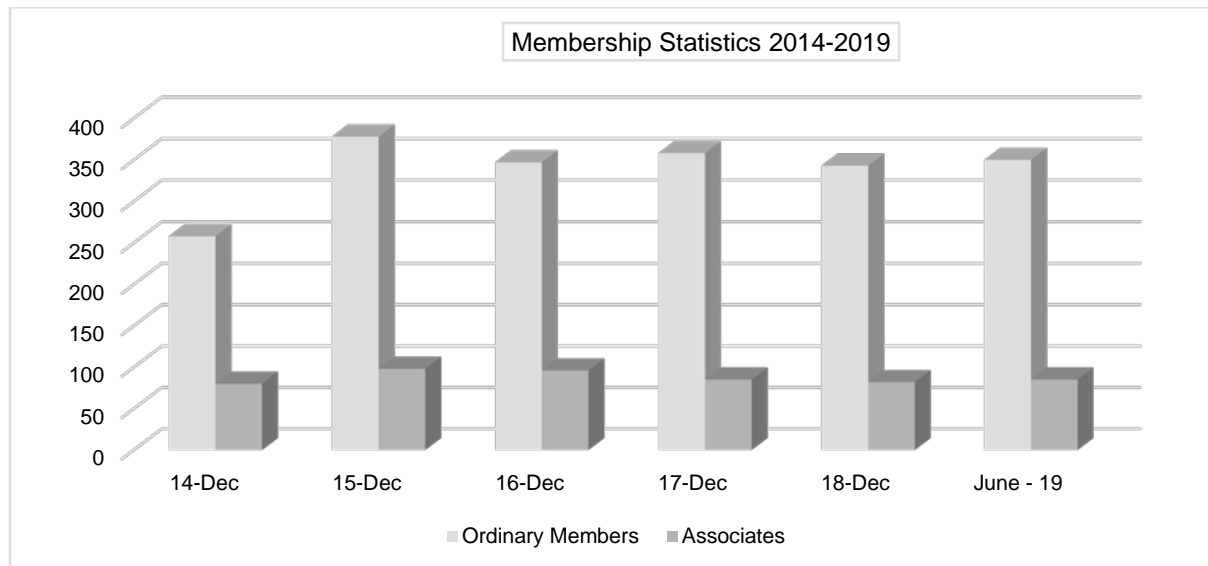
Figure 2: Company results monitoring service index (value of listed construction companies on the JSE) versus the overall market cap of the JSE (indexed to August 2007).



## State of the Organisation

### Membership

There is no doubt that we need to continuously improve our membership drive, notwithstanding the current difficult trading environment. It's however pleasing to note that whilst we lost some, but we also gained new members during the year under review and many more potential members, who were encouraged by SAFCE's visibility in highlighting industry issues, have indicated that they would join as soon as trading conditions improve.



#### Membership Statistics 2014 - 2019

	14-Dec	15-Dec	16-Dec	17-Dec	18-Dec	June – 19*
Ordinary Members	258	378	347	358	343	350
Associates	80	98	96	85	82	85

Full membership statistics reported at 31 December each year on the Department of Labour in terms of the Labour Relations Act, 1995: Legal requirements in terms of Section 98, 99 and 100.

\* Membership as at the end of financial year, 30 June 2019

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

### Governance

Effective service provision is always aligned with effective quality management systems. SAFCEC continues to conform to the requirements the new ISO 9001:2015, with the exercise of risk based thinking which allows SAFCEC to effectively identify and manage 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 again put strong emphasis on the 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 we gradually depart from the parameters of our 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. Accordingly, all requisite submissions to the Registrar at the Department of Employment and Labour were met before the due date of 31 March 2019.

## 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, whereby certain members wrongly thought it was their individual right to depart from our stated values and norms. which need pointed remedial intervention.

## Transformation at Industry Level

According to the cidb Transformation Monitor- January 2019, 42% of Grade 9 enterprises and 50% of Grade 7 and 8 enterprises have a minimum B-BBEE Level of 2 (i.e a B-BBEE level 2 or 1). This shows some improvement compared to Q4 2018 of 36% of Grade 9 enterprises and 48% of Grade 5 and 6 enterprises with a minimum B-BBEE Level of 2.

Furthermore, it is seen around 90% of Grade 7 to 9 contracting enterprises have a minimum B-BBEE Level contributor of 4 , which is regarded as being fully compliant with the Sector Codes.

In terms of black ownership, Grade 1 to 8 segment of Construction Industry is significantly transformed with over 70% of companies being more than 51% black owned. The remaining Grade 9 segment of which about 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, is in the process of being honestly and earnestly implemented by SAFCEC and members are required to implement same as it 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 2018/19 Council in terms of Section 7.2 of the new SAFCEC Constitution of 14 October 2013.



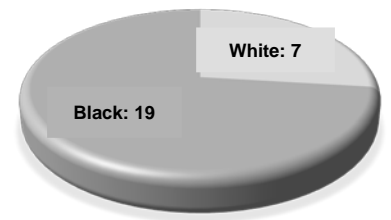
## Council Demographics

	Totals	Male	Female	White	African	Indian	Coloured
<b>Elected Members</b>	12	11	1	6	5	0	1
<b>Co-opted Members</b>	5	0	5	0	4	1	0
<b>Regional Chairpersons</b>	4	3	1	1	3	0	0
<b>Regional Emerging Member</b>	4	3	1	0	2	0	2
<b>Ex officio member</b>	1	1			1		
	26	18	8	7	15	1	3

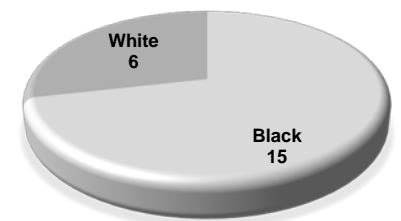
## Staff Demographics

Gender	White	Coloured	African	Indian	Total
Females	3	3	7	2	15
Males	3	0	3	0	6
					21

## COUNCIL DEMOGRAPHICS



## STAFF DEMOGRAPHICS



## Human Capital

### Appointments

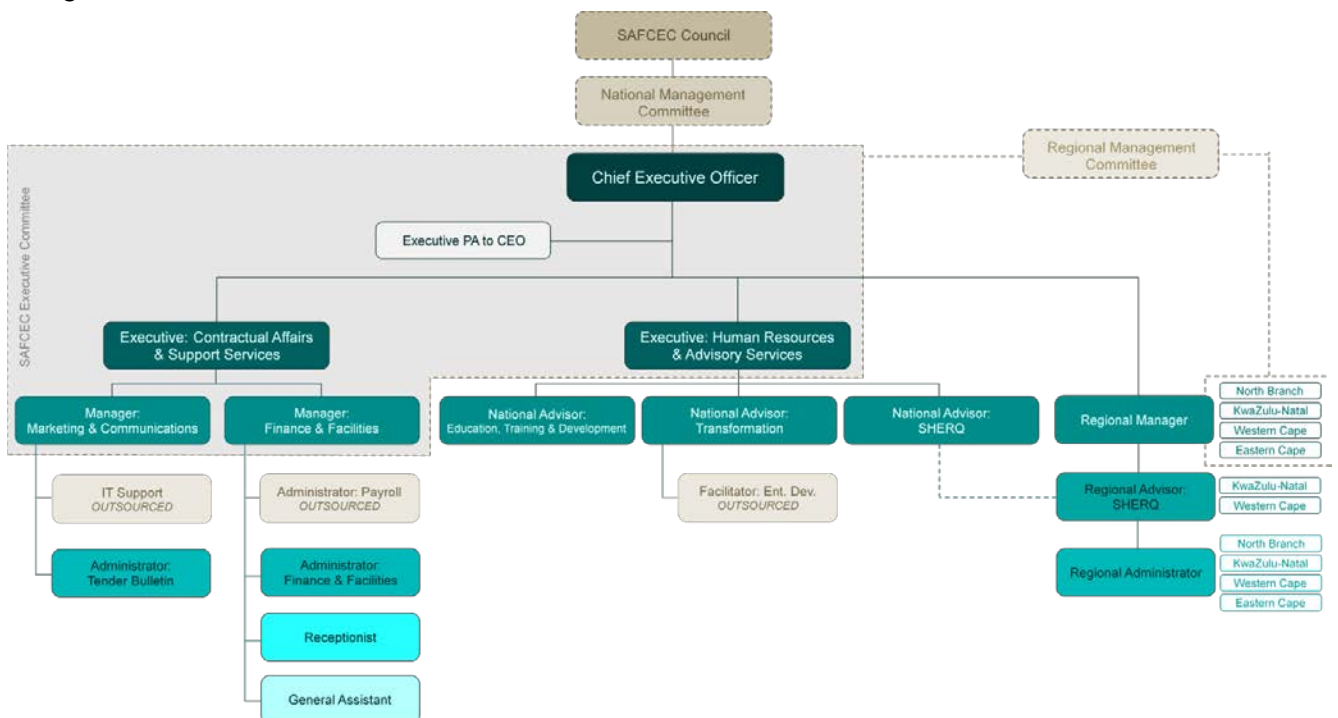
**Kobus Van Wyngaardt** (February 2019) | National SHERQ Advisor

**Nokufika Mei-Nyagani** (April 2019) | Executive: HR & Advisory Services

### Resignations

**Pheli Mbambo** (August 2018) | Executive: HR & Advisory Services

## 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.

## Acknowledgments

- I would like to place on record my appreciation for the people mentioned hereunder:
- SAFCEC Presidency for their support and guidance, especially SAFCEC President, Ms Isabella Makuta, who has since resigned as at 30 June 2019, and we wish her well and sincerely hope and pray that things will ultimately improve in her company, Group Five;
- The entire leadership at both MANCO and Council for granting me the opportunity to embark a process of turning the organization around and their continuous support.
- All committee Chairpersons for their voluntary sacrifice to serve us all.
- EXCO and Staff for their support, commitment, sacrifice and resilience without salary increases for the past 3 years.
- All SAFCEC members for their consistent loyalty to the organisation.

*Webster Mfebe*  
*Chief Executive Officer*

## Contractual Affairs

Executive (Acting)	<b>Amos Mtephe</b>
Committee Chairperson	<b>Andrew Oelofsen</b>
Member Organisation	<b>Bophelong Construction</b>

The new financial year started as the last one ended. The industry is bleeding on all fronts. Almost daily we learn of more and more companies going into distress: business rescue; job being cut, downsizing, etc. In this context we call upon the authorities to assist the industry before it is too late. It is a bit disheartening to learn of all the negative happenings around our state- owned entities, the yearly negative report and findings by the Auditor-General.

## Committee Structure and Governance

### Structure

The following members served in the Contractual Affairs Committee. The Committee aspires that to be representative of both the emerging contractors as well as the established contractors.

- Andrew Oelefson
- Khotso Makokotela
- Pieter Albertyn
- Chris Ryninks
- Funani Raphalalani
- Steve Ryninks
- Norman Milne
- John Millward
- Wolfgang Heinz

### Governance

The committee meet as per the schedule drawn up at the beginning of the year. Four Committee meetings are held each year. The presiding officer at these meetings is always the Chair of the Contractual Affairs Committee. Minutes of the meeting are filed for proper document filing. All meetings held have had the requisite quorum formed. Attendees declare any material conflict of interest and the SAFCEC Code of Conduct is included as part of the agenda.

## Member Engagement and Initiatives

During the year, engagements with members is through appointments; made for personal face to face or using the latest communication tools.

Critical feedback and inputs were requested from members regularly; including on the proposed tender value limits; to guide/ give input to request for information from the CIDB for their publication of practice notes.

## Stakeholder Engagement and Liaison

Engagement with stakeholders were done during the year. The main ones being the Johannesburg Roads Agency, Rand Water, etc. The procurement practices at the client bodies were mainly discussed. In the event of different interpretations of the Regulations we sought guidance and clarity from the National Treasury as well from Provincial Treasury.

## Strategic Highlights

Our engagement with the CIDB on a quarterly basis is bearing fruit. The meetings are attended by both the CEOs of SAFCEC and the CIDB.

The new tender value limits will be introduced in October 2019. These were necessitated by the inflation and to some degree the Rand Exchange rate. The number of grades will stay the same even though there was talk that these may also be increased.

The CIDB have started with online registration and re-registration for all the grades. Hopefully this will smoothen the procedure for our members when coming to long queues at the various provincial CIDB offices.

## Legislative Environment

1. There has been some new legislation/regulation that impacts directly or indirectly our industry.
2. The new minimum wage
3. The review of the Constitution to allow for the expropriation of land without compensation.
4. Employment Equity Amendment Bill of 2018- this mainly targets those employers that are reluctant to transform (for an example; giving people with disabilities a chance); some of these employers are seen to still benefit financially- the new Bill attempts to close any gaps out there.
5. The revised Tender Value Limits- see below for the gazette, these will apply at the CIDB, the increases were mainly to take care of the upward movement of prices of time.
6. The introduction of the Framework for Infrastructure Delivery and Procurement Management. The framework will replace the Standard for Infrastructure Procurement Delivery Management- SIPDM; which came into being in 2016. The Framework will come into effect from the 1st October 2019. See also below the Framework and the Instruction Note from National Treasury to Accounting Officers on this Framework.

## Looking Ahead

We have meetings with National Treasury regarding the proposed new Contracts to be introduced into the industry. At the time of writing we have had no latest reports as to the status of the work on the proposed new suite of contracts.

The site disruptions that are commonplace have tended to increase in numbers; it is felt that the Government will stop this before it affects all sectors of the economy. If that stage is reached it would almost be impossible then to stem the resultant lawlessness and further deterioration.

The economic outlook is not in a good space, both locally and internationally with the trade war between the two largest economies in the world.

## Human Resources

SAFCEC HR Executive, Pheli Mbambo resigned at SAFCEC in August 2018 leaving the HR Executive position vacant, she was assisting the organisation until a replacement was found in April 2019, thus we saw an appointed of the new HR Executive – Nokufika Mei Nyagani who started on the 01 April 2019 and National SHERQ Advisor – Kobus Van Wyngaardt, who commenced on the 01 February and April 2019. The Financial Manager and Executive Contractual Affairs positions remain vacant.

## Stakeholder Engagement and Liaison

SAFCEC's stakeholder's engagement is growing year by year and strengthening, the different committee members plays a pivotal role in the success of the Organisation, engaging on issues that affect the industry at large and trying to come up with solutions that will make a difference within the Industry.

There are challenges within the Civil Engineering Industry robust discussion are held through the various Committees in regular meetings that takes place.

## Strategic Highlights

### BCCEI

The BCCEI hosted a strategic session with all parties on 14 and 15 February. A follow up session was held on 8 March to work on issues that were raised to draft a strategic document for the council, the document is on its final stages looking at these objectives – Relationship Management and Collaboration, Human Resources, Participation and Decision Making, Council Structures and Functions, Roles and Responsibilities etc.

### CIRBF

SAFCEC is represented fully at the Fund, Thami Mvumbi of Concor was elected as the Principal Officer in April 2019, a SAFCEC representative. CIRBF and the BCCEI are working closely in improving the relationship to ensure compliance in the industry. A strategic session is scheduled for July 2019.

## Future Plans / Looking Ahead

BCCEI has engaged on a Strategic Planning Session to take this body to the next level in terms of its mandate and to achieve its goals, all party members are duly represented in these sessions, a draft paper has been done awaiting finalisation by the parties.

A search for General Secretary for BCCEI as of January 2020 as the present GS will be going on Retirement, looking at recruiting one where SAFCEC is playing a role in this recruitment and appointment process, as a stakeholder.

There are policies being put in place in BCCEI with the support of SAFCEC, Procurement Travel, Accommodation and Subsistence Allowance and Transformation Policies respectively, thus the birth of Transformation Committee within the BCCEI in June 2019

There are still demarcation cases ongoing at the Bargaining Council that SAFCEC support.



# Education, Training and Development

National Advisor  
Committee Chairperson  
Member Organisation

Dazerene Du Plessis  
Robert Simelane  
Aveng Grinaker-LTA

Our key objective is to enhance our service delivery and increase benefits to our member. SAFCEC continues working with Training Providers in the industry to provide discounted training (including Continuing Professional Development (CPD)). SAFCEC have registered its General Conditions of Contract (GCC), Contract Price Adjustment (CPA), Construction Regulations and Construction Codes courses for CPD points.

## 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 are looking 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

The 3 qualifications developed for the industry were recommended by the Quality Council for Trades and Occupations (QCTO). Quality Council for Trades and Occupations (QCTO).to be registered by the South African Qualifications Authority (SAQA). The qualifications offer various exit points for learners in the form of part qualifications as follows:

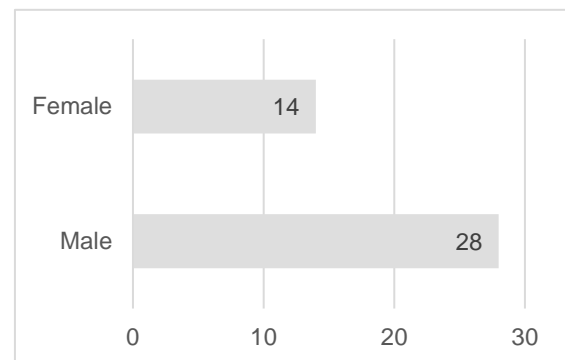
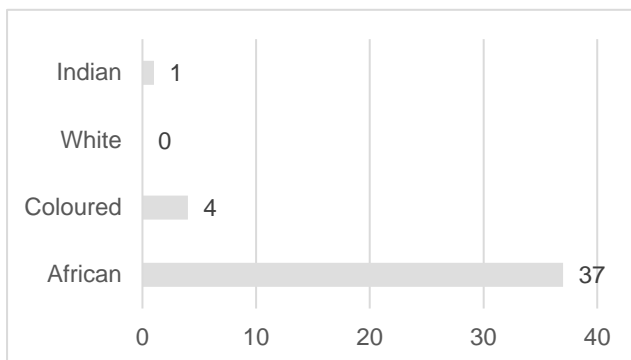
- Roads Constructor – Earthworks and Layer works Hand, Surfacing Hand, Road Drainage Hand, Road Maintenance Hand, Road Marking Hand, and Road Signage Hand and Kerb Layer
- Structures Constructor - Construction Hand, Concrete Hand, Shutter Hand, Reinforcing Hand and Scaffolder,
- Services Constructor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

We had several workshops to develop the Earthworks Operator qualification. The first draft of the qualification is out for comment

SAFCEC rolled out the first phase of the CETA programmes:

	Number
Bursaries	50
Candidacy	100
WIL	23
Internships	127
Learnership	50
Apprenticeships	200
Short Skills	760
RPL	1428

50 Bursaries students were registered in 2018. Number dropped to 42 in 2019, due to some students failing and other opting to get NSFAS funding instead:



Candidacy, Internships and WIL programmes were rolled out during this 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

We will focus on the development of our Operator qualifications and the alignment of existing qualifications to the QCTO process. SAFCEC will increase training provision to our members, register courses for CPD.

# Transformation Advisory Services

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

The Transformation Advisory service was established to assist members with understanding and proper implementation of their transformation requirements. This is by achieved by creating awareness for members on proposed legislation and proposed changes to the legislation that will have an impact in how they implement transformation initiatives and how the changes will have an effect to company's individual scorecards and eventually their B-BBEE levels. B-BBE levels play a very big role when governments contracts are awarded and therefore it is very important that contractors are aware and understand at all times any changes to the legislation that will affect their levels.

The transformation advisor reports to the National Transformation Committee that is represented by members of SAFCEC. The committee is still chaired by Charles Wright from Steffanutti Stocks. The committee Deputy Chair was Jennifer Becker from Bophelong Construction until she left the company in November 2018. There is representation by 13 SAFCEC members, with very constant attendance from amongst them. The committee meets 5 times a year, where transformation matters are discussed, changes are announced, and various comments are solicited.

Because the industry has not been doing well for some time now, some of our members have been badly affected. SAFCEC has lost a few members and the committee, in turn, has lost committee members representing the affected contractors.

## Committee Structure and Governance

### 2018-2019 Transformation Committee Members

	<b>NAME</b>	<b>REPRESENTING</b>
1.	CHARLES WRIGHT ( <b>CHAIRPERSON</b> )	STEFANUTTI STOCKS
2.	MICHAEL LAWRENCE ( <b>DEPUTY</b> )	MARTIN& EAST
3.	SHELDON MAYET	CONCOR
4.	VANESHREE PILLAY	STEFANUTTI STOCKS
5.	GERDA BOTHA	GRINAKER LTA
6.	MARINA DUMAKUDE	TANGULIZA SERVICES
7.	NUMAIRA EBRAHIM	WBHO
8.	ENGEL SITHOLE	BUZAPHI CONSTRUCTION
9.	TSAKANI MALULEKE	NTOMBANI TRADING PROJECTS CC
10.	VINO GOVENDER	LA CONSULTING ENGINEERS
11.	CARL CUPIDO	SUKUNIKEZELA CIVILS
12.	NOZIPHO MABASA	SOILLAB
13.	PRITESH DAYA	BOPHELONG CONSTRUCION
14.	MOEGAMAT CRAWLEY	BOPHELONG CONSTRUCTION
15.	NOKUFIKA MEI-NYAGANI	SAFCEC

## Member Engagement and Initiatives

When the SAFCEC financial year begins in July, the transformation advisory desk together with the Transformation Committee had just sent out an RFQ to find a new Facilitator for the Enterprise Development Programme. The programme had been in existence since 2006, without any changes or improvements. The committee believed that it was time for change and also an opportunity to address some of the long-standing challenges of the programme. It was decided that the programme needed a facilitator who will come with a new approach to how the programme was implemented, change the monitoring and evaluation and the reporting format.

There were 4 proposals received from various enterprise development entities. The committee was not completely satisfied with the proposals as they were not detailed enough to give clear picture of the proposal. They could not demonstrate enough experience in enterprise development of civil engineering contractor. Also, the proposals seemed to be expensive when compared to what the members that were part of the programme were currently spending. A mini-survey was conducted by the transformation advisor amongst members to find out if there was any interest to be part of such a programme with SAFCEC. Members' response was that they already similar programmes in-house and therefore do not need such as service. Others felt that they find the programme expensive. The committee therefore decided that the programme will be temporarily stopped however it will remain as an item on the agenda.

SAFCEC always strives to bring awareness to members on issues and be educational especially to the emerging contractors. This is why the Diamond Academy programme exist for our emerging contractors as it brings knowledge, skills and experience in the form of people who volunteer to be part of the programme by delivering various modules that pertain to running and sustaining a construction business. There was only one Diamond Academy programme held in this financial year. It was held in March - April 2019. It was well attended by twenty (20) very eager emerging contractors.

The programme continues to grow and currently, SAFCEC is in the process to get it accredited by the Construction CETA. A number of professionals from member companies have volunteered their time to review the material to be accredited for a first-round review.

### Strategic Highlights

With the accreditation of the Diamond Academy, there are very strategic relationships that SAFCEC will have to forge that may benefit SAFCEC greatly in economic terms. Also, this accreditation may be a start to putting SAFCEC as the skills centre for the construction industry.

## Legislative Environment

As SAFCEC we continue to create awareness and education on relevant legislation, we have held workshops for our members to understand their transformation requirements and how to implement these initiatives as per the Construction Sector Codes guidelines. There is a one-day course that the Chairperson of the Transformation Committee has been presenting to members. In order to encourage attendance and increase knowledge of transformation in the industry, SAFCEC has applied and received a 3-year validation for Continuing Professional Development (CDP) for the B-BBEE/Construction Codes.

We continue to have a very close relationship with the Construction Sector Charter Council (CSCC), the Department of Trade & Industry, etc. in order to have access to direct and relevant information that our members need to stay competitive in terms of transformation requirements.

## Looking Ahead

We are looking forward to the accreditation of the Diamond Academy programme by CETA and implementing it to SAFCEC's emerging contractors and to the industry as a whole.

# Safety Health Environment Risk & Quality (SHERQ)

National Advisor	Kobus Van Wyngaardt
Committee Chairperson	Louise Woodburn
Regional SHERQ Advisor: Western Cape	Lalie Louw
Regional SHERQ Advisor KwaZulu-Natal	Marilyn August

During the year the National SHERQ Advisor position was vacant for several months resulting in various aspects to become a bit stagnant. Although during this time SAFCEC was fortunate that the Western Cape Regional SHERQ Advisor, L. Louw assisted in ensuring that certain functions remained active throughout. In February 2019 the position was filled by K. Van Wyngaardt, and the initial priority was to introduce him to all relevant role players in addition to re-ignite the National SHERQ Committee.

Since the reality of a challenging time within the construction sector, the National SHERQ services provided by SAFCEC requires to be innovative and creative within the advice and services provided by SAFCEC to their members. Therefore, the New National SHERQ advisor has furthermore commenced to identify areas where innovation is possible within the services provided going forward.

## Committee Structure and Governance

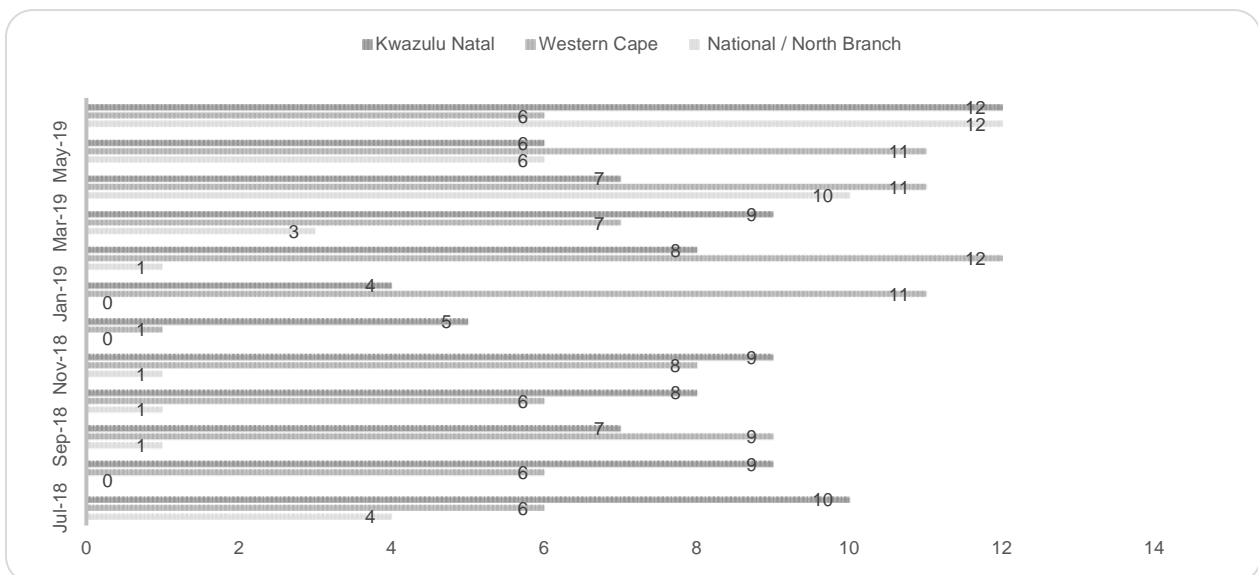
### Structure and Governance

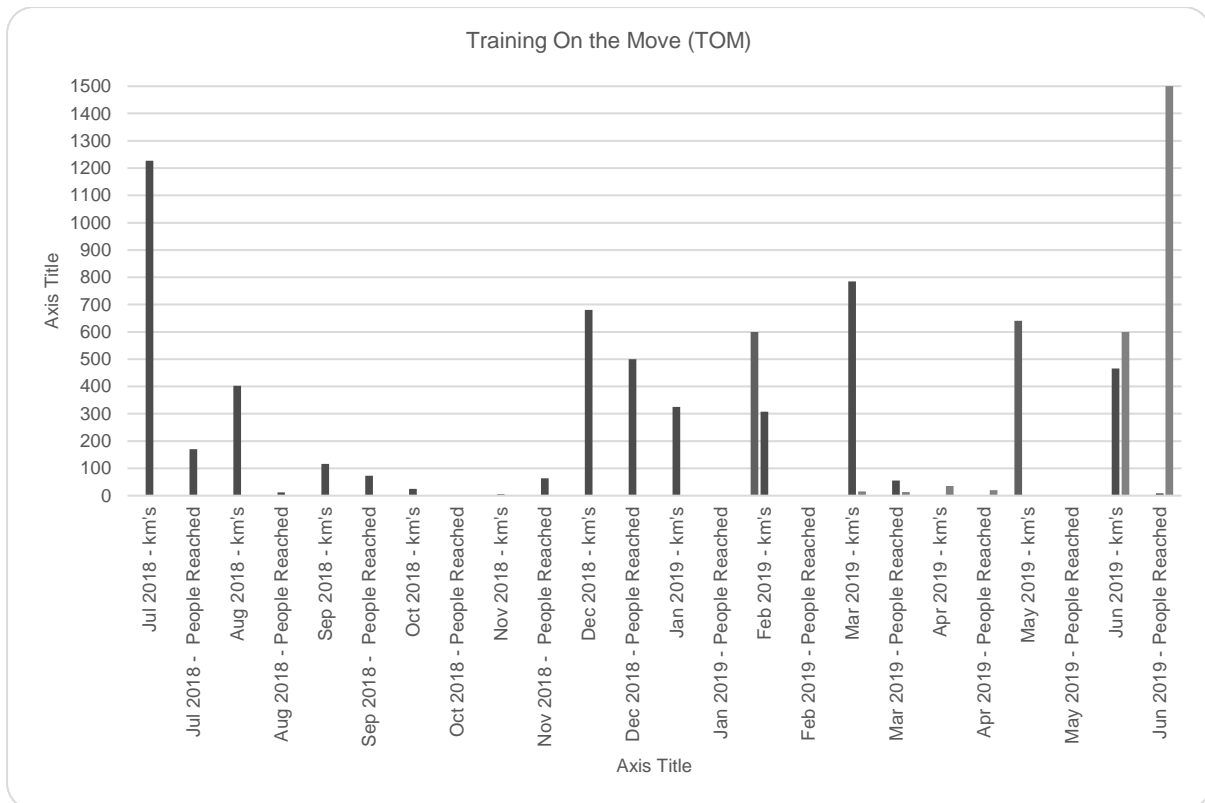
The SHERQ committees consist of voluntary representatives from member companies and meet regularly across all regional branches. Within the National SHERQ Committee the structure includes – Meetings are chaired by a chairperson who is voted in by means of nomination followed by voting for the preferred candidate by committee members. Following the election of the chairperson, a vice chairperson is also elected through the nomination and voting process. Various organizations and companies such as the SACPCMP; MBA branches; FEM; BCIMA; the Dept. of Labour; SANRAL, SARF; NIOH; Legricon; and more, 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.

### MEMBER ASSISTANCE





## Stakeholder Engagement and Liaison

Various stakeholder engagement and liaisons are continuously achieved whilst working together to improve the overall SHERQ advise and services provided to all members.

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

Following the slow start during the first three quarters of the financial year, predominantly due to the vacant National SHERQ Advisor position as indicated, a significant improvement mainly within the services provided to members in the National and Northern Branch, has realized during the last quarter. In Addition to the improved member assistance the use of the Training On the Move (TOM) vehicle has improved significantly.

The services provided to members in addition to activities including SAFCEC's involvement within the Western Cape and KZN regions was maintained a at a good with a high level of involvement within the Western Cape region.

Following the re-commencement of the National SHERQ Committee in 2019 in addition to the regional committees, the willingness of members and various organizations to partake and attend at these meetings whilst making a difference within the civil construction sector is applauded and appreciated. Every organization who attends and partake in all the SHERQ committees within the various regions are actively willing to make a difference within the workplaces they constantly aim to improve the SHERQ services.

Throughout the year a close working relationship with FEM, BCIMA, IWH, MBA North, Legricon and SARF has been maintained and SAFCEC is especially thankful for the support provided by our main sponsors FEM and BCIMA enabling SAFCEC to make a difference within the construction sector.



## Legislative Environment

Legislative amendments during the past financial year did not bring across major changes to the industry although there are a couple of draft legislation's waiting to be signed into law.

## Looking Ahead

Working closely with our members in addition to our sponsors FEM and BCIMA remains an ongoing objective, allowing SAFCEC to have a positive impact within the industry.

SAFCEC has been granted the opportunity to work closely with the South African Roads Federation (SARF) in the training of school children regarding road traffic safety within the West Rand of Gauteng. Traffic safety is a major concern within South Africa, particularly around our schools, with several school children being adversely affected by traffic incidents in the vicinity of schools. Therefore, SAFCEC is grateful for the opportunity provided by SARF to make a difference within the communities as well.

As mentioned, the National SHERQ Advisor is identifying possible areas to improve the services provided to members. Therefore, one of these areas includes the providing of a Risk Reduction Program to members and as a result the first pilot program shall commence shortly. The Risk Reduction Program includes the identifying of the major risks faced by a company that could result in a negative outcome, and then minimizing the identified risks through the simultaneous targeting and improvement of the Culture of the company, Leadership, Behaviour, Attitude, and the Physical Environment.

Following the hard work done by the SAFCEC KZN Region a MOU has been signed with SANRAL in KZN allowing SAFCEC to provide identified training to emerging contractors going forward.

# SAFCEC Regional Reports

For SAFCEC 2019 Annual Regional Reports, please navigate to [www.safcec.org.za/AnnualReports](http://www.safcec.org.za/AnnualReports)