The Construction Industry Development Board
-WC Stakeholder Workshop-
Opportunities and Challenges, Industry, cidb, WIP, Announcements

----

Presented by

Ronnie Khoza

Chief Executive officer: cidb

development through partnership

Presentation Outline

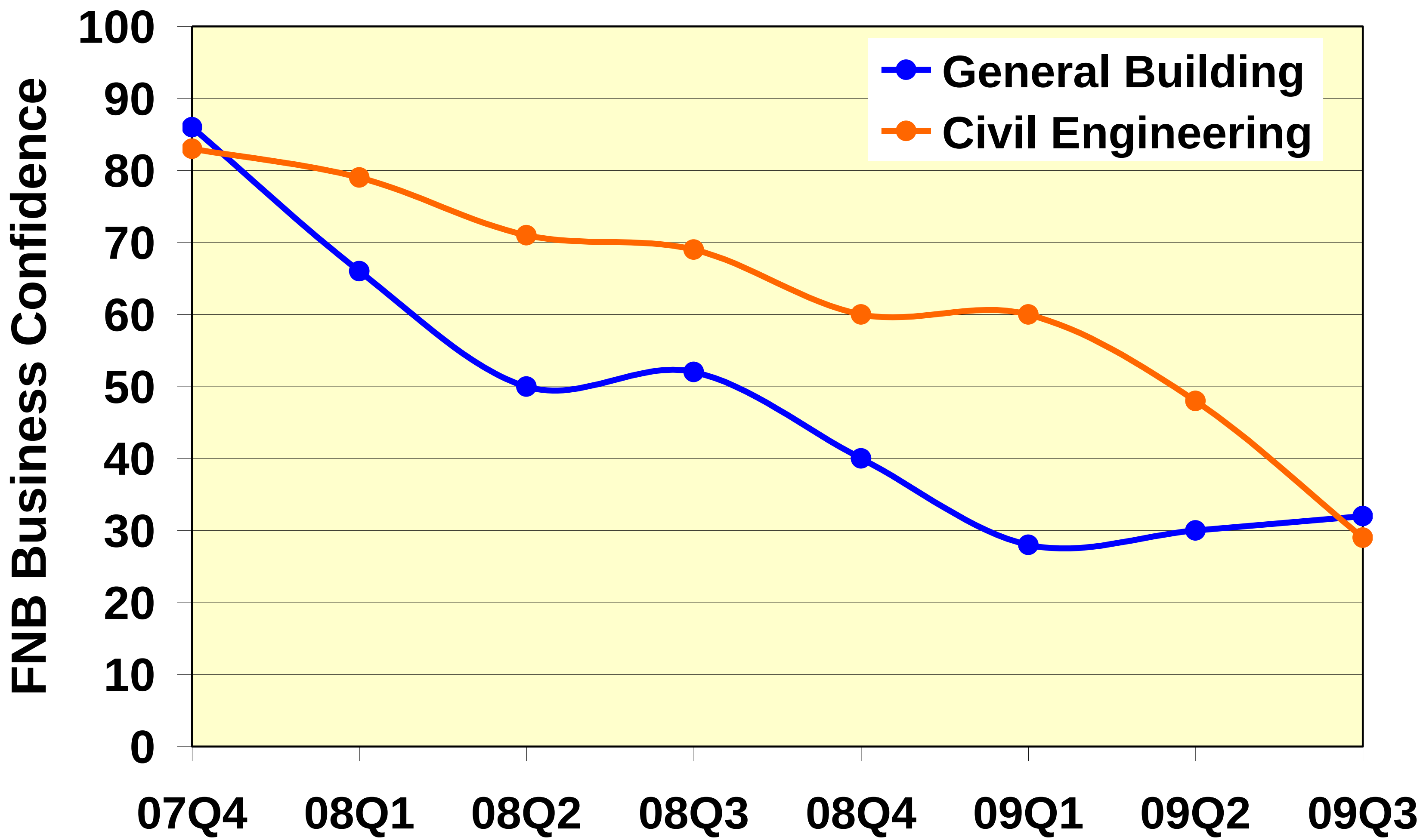
- Background: SF/SF 2009/Provincial SW
- Industry Opportunities & Challenges
  - Latest trends
  - Infrastructure: R800 bn +
  - After 2010 infrastructure projects?
  - Challenges
- cidb WIP/recent Projects
  - Independent 5-Year Review Report
  - Phase II of the Registers
  - CCC's/NCDP/NIMS/ESDA
  - Regulations Amendments
- Registers Statistics-samples
- Concluding Comments
- Announcements

cidb
development through partnership

Trends:
From 2008 to 2009 and beyond

development through partnership

Trends-FNB Business Confidence Index



cidb
development through partnership

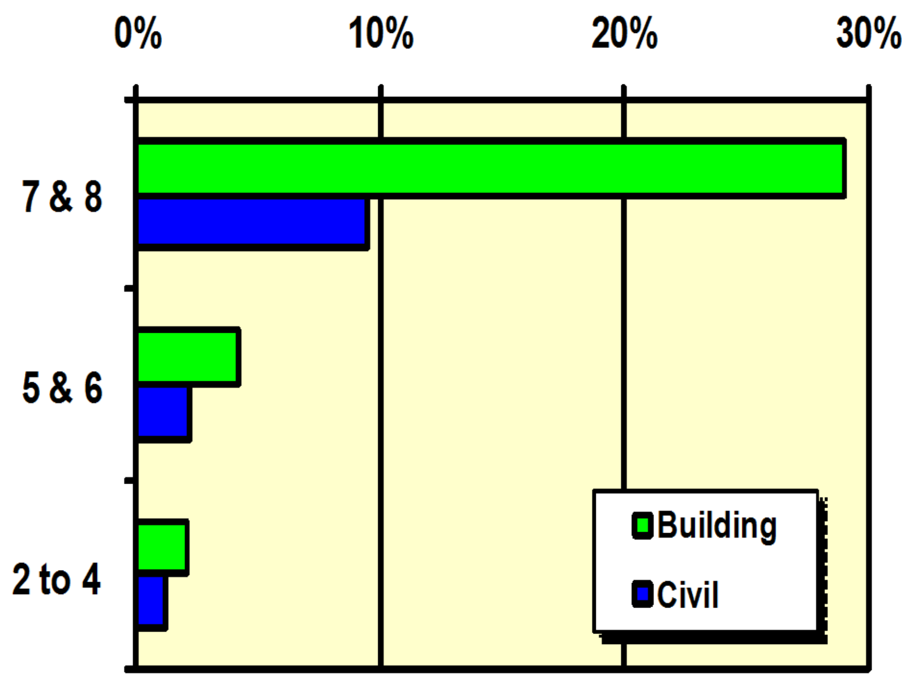
Trends-cidb Quarterly Monitor Jan 2010

Maintenance: The value and distribution of public sector maintenance contracts (including refurbishment, renovations, etc.) awarded in South Africa in Grades 2 to 8 is shown in the table.

Notably, there has been an increase on construction spend for maintenance to 29%, when compared to the 14% spend from the October 2009 Quarterly Monitor for General Building on Grades 7 & 8, and an inverse for the Civil Engineering class of works on Grades 7 & 8 where the spend has dropped from 11% to 9%.

Maintenance; Public Sector Awards (% Total)

Grade	Distribution 15% +/- Average
Building	
7 & 8	29%
5 & 6	4%
2 to 4	2%
Total	35%
Civil	
7 & 8	9%
5 & 6	2%
2 to 4	1%
Total	13%



cidb
development through partnership

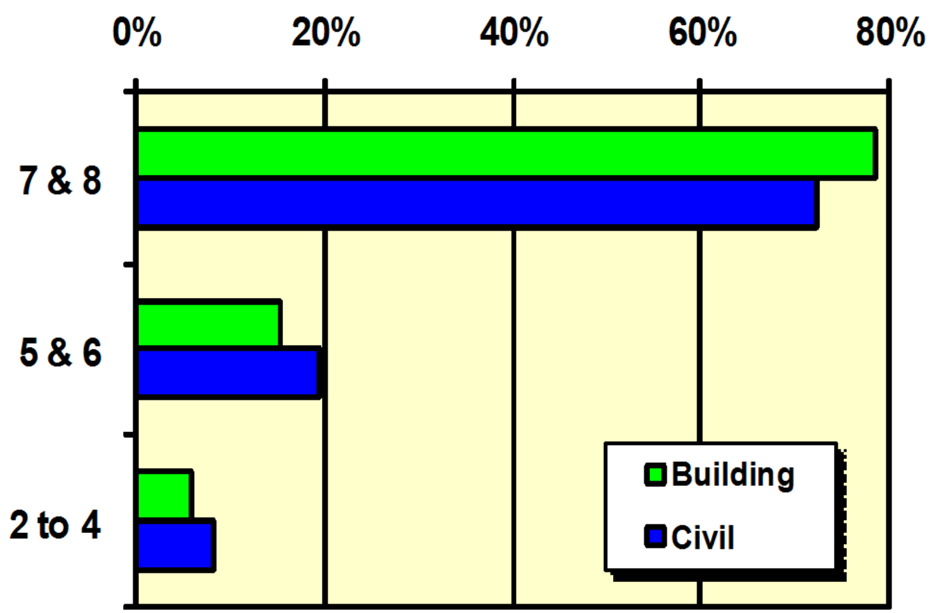
Trends-cidb Quarterly Monitor Jan 2010

Demand: The value and distribution of public sector contracts awarded in South Africa in Grades 2 to 8 is shown in the adjacent figure. The distribution in the public sector contracts awarded between the grades clearly reflects the infrastructure requirements of South Africa, but it is noticeable that from the available data for the four quarters under review that:

- in General Building, the contracts awarded in Grades 2 to 4 are proportionally the highest in the North West, Northern Cape and Western Cape (which would tend to favour small contractors), and the lowest in the Free State, Gauteng and Mpumalanga; and
- in Civil Engineering, the contracts awarded in Grades 2 to 4 are proportionally the highest in the Eastern Cape, Kwa-Zulu Natal, Mpumalanga and the Northern Cape, and the lowest in the Free State and Gauteng.

Demand; Public Sector Awards (% Distribution by Value)

Grade	% Distribution
Building	
7 & 8	78%
5 & 6	15%
2 to 4	6%
Total	100%
Civil	
7 & 8	72%
5 & 6	19%
2 to 4	8%
Total	100%



development through partnership

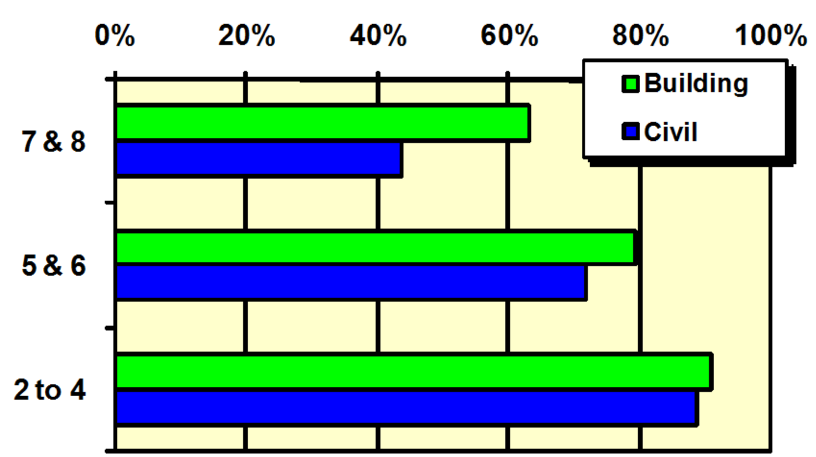
Trends-cidb Quarterly Monitor Jan 2010

Supply; Black Ownership: Around 90% of cidb registered Grade 2 to 4 Building and Civil Engineering contractors are black owned (defined as more than 50% ownership control).

Furthermore, around 70% to 80% of all Grade 5 and 6 General Building and Civil Engineering contractors are black owned, while around 60% of all Grade 7 and 8 General Building contractors are black owned. Black ownership of Civil Engineering contractors in grades 7 and 8 is however much lower – around 40% on average.

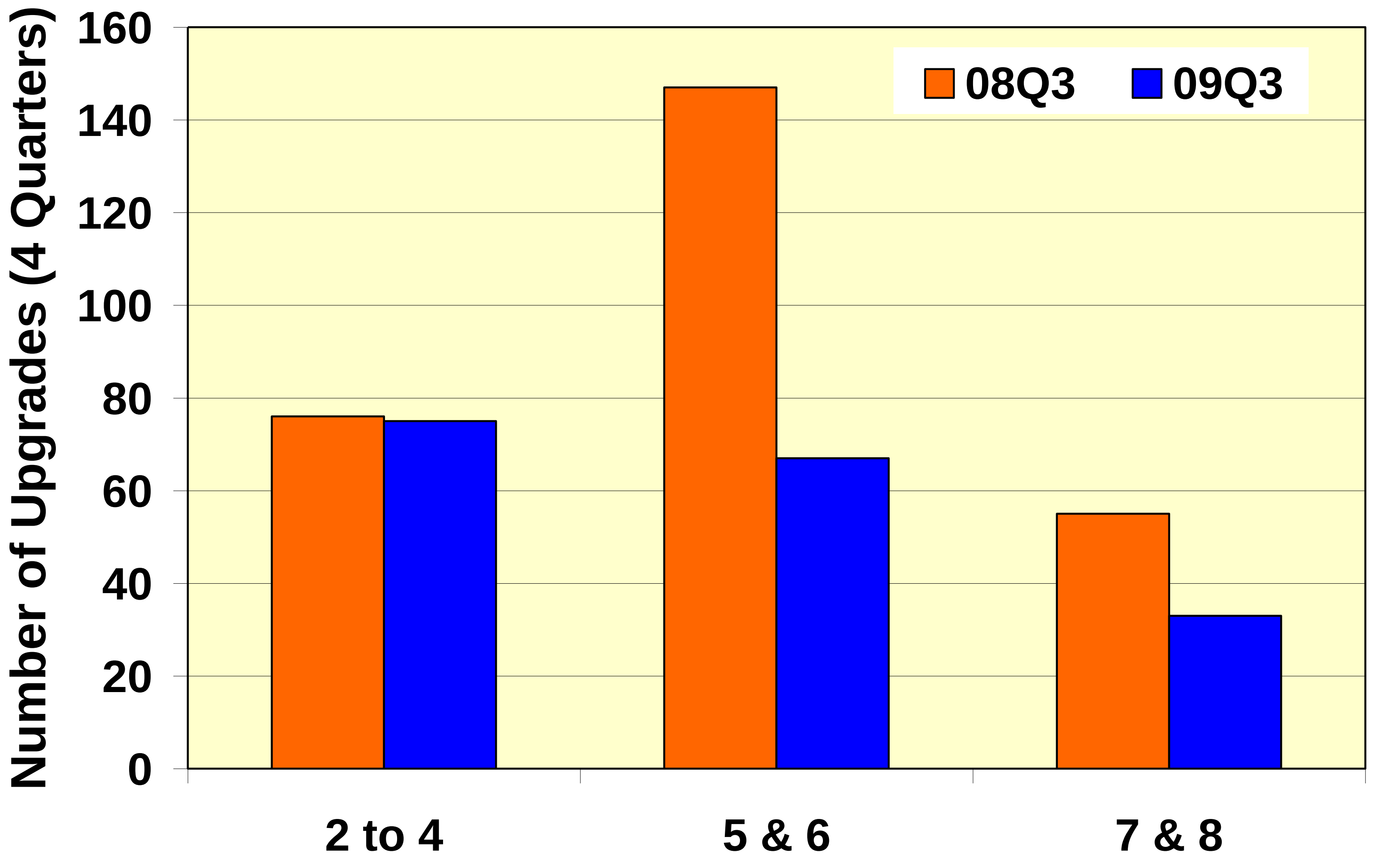
Supply; Black Ownership

Grade	Number of Contractors	Number Black Contractors	% Black Owned
Building			
7 & 8	332	210	40% to 80%
5 & 6	1 143	909	40% to 80%
2 to 4	4 227	3 839	>80%
Total	5 702	4 958	>80%
Civil			
7 & 8	429	188	40% to 80%
5 & 6	1 421	1 019	40% to 80%
2 to 4	3 147	2 792	>80%
Total	4 997	3 999	>80%



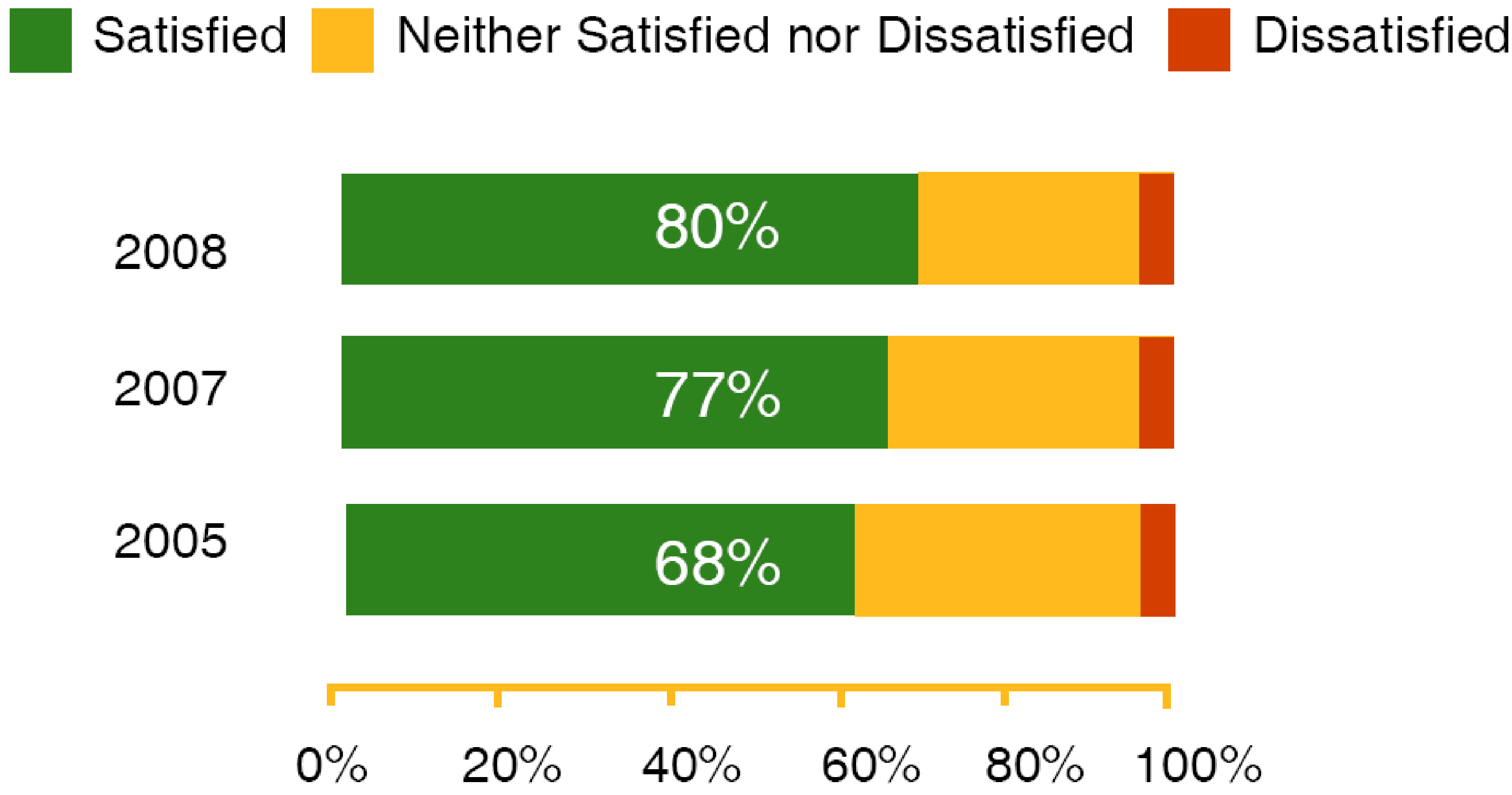
development through partnership

Trends- Contractor Upgrades; GB



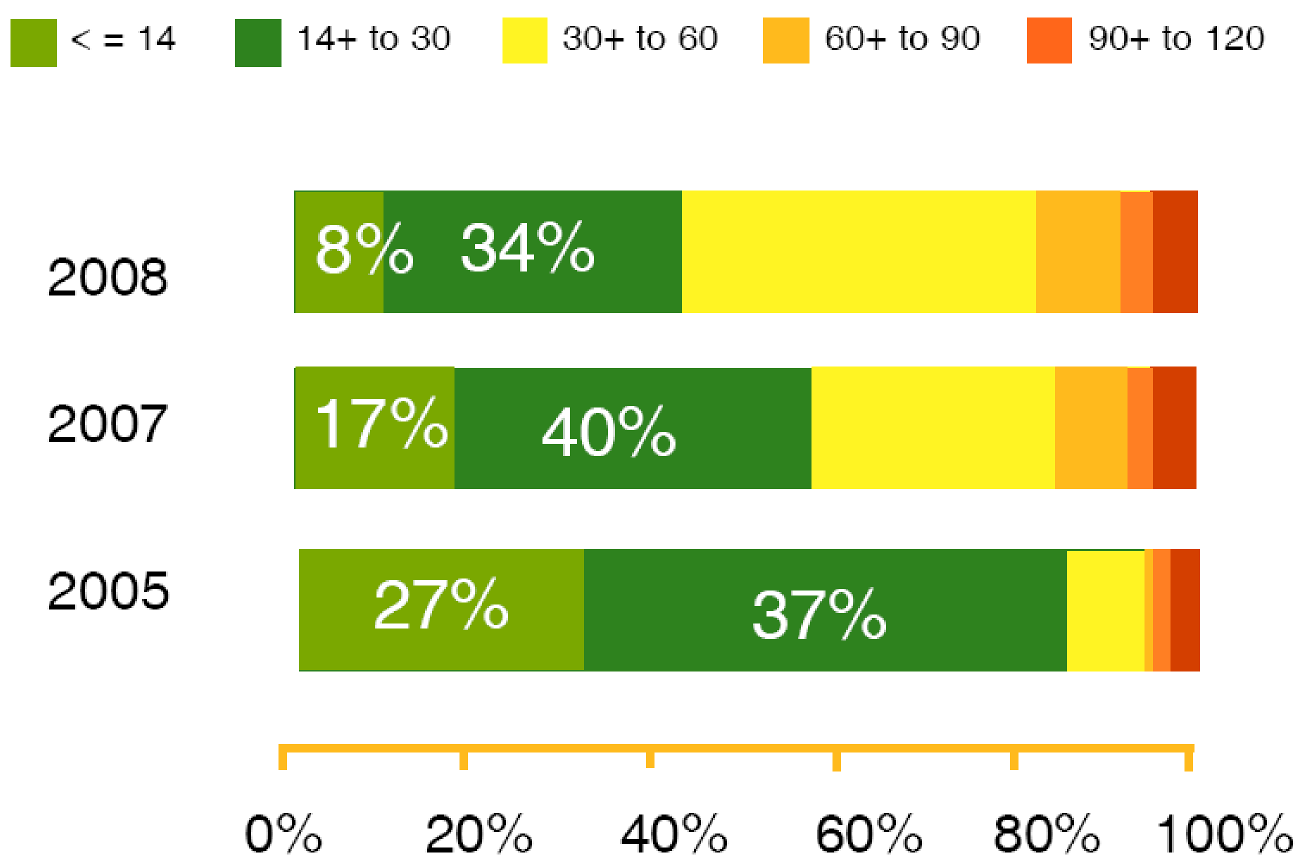
cidb
development through partnership

Trends- cidb CIIs; Construction Quality



development through partnership

Trends- cidb CIIs; Contractor Payment Delays



Latest Trends

- **Unexpected drop in civil confidence suggests tougher civil industry conditions alongside poor building industry performance**
- **The FNB civil confidence index dropped 20% from an index value of 60 in the 1st quarter of 2009 to 48 in the 2nd quarter, as procurement for new work become increasingly more difficult. This adversely affected margins and profitability in the industry and of greater concerns is the fact that respondents are expecting conditions to worsen in the 3rd quarter. Subsequently job losses in the civil industry have now also started to increase.**

industry insight

cidb
development through partnership

Latest Trends

- Outlook for building industry remains poor as private sector moves away from building construction activity.
- Fewer and fewer square metres are approved for building construction, which means the building industry will experience extremely difficult conditions for the remainder of 2009, into 2010.
- Although the FNB building confidence index was temporarily boosted by lower interest rates, this is believed to be short lived as pipeline work continues to diminish.

industry insight

cidb
development through partnership

Latest Trends

- **Industry Insight's critical success factor index, an index that includes two key ingredients necessary to stimulate investment, have shown signs of improvement, but may only have a meaningful impact on actual investment in the second half of 2010.**
- **Turnover in the civil engineering industry is expected to grow by a much slower 5,7% in 2009, according to the Aggregates & Sand Producers Association of South Africa (ASPASA) and the Southern African Readymix Association (SARMA).**

industry insight

cidb
development through partnership

Latest Trends

- R846 bn commitment
- Which projects
- After 2010 infrastructure, what next
- Timing of new projects for continuity
- Sustainable employment

Challenges

- **Construction capacity & skills shortage-innovative interventions required**
- **Energy generation capacity-future costs on fossil sources and alternative sources should be considered**
- **Procurement and delivery capacity**
  - **particularly in the public sector-costs!**
  - **Municipalities worse affected-2 eng per 100 000**
  - **Alternative delivery models a solution**
- **Quality, H&S, environment-NB**

Challenges

- Price increases vs projection vs sustainability
- Planning – capacity: beyond just hard core engineering
- Material costs

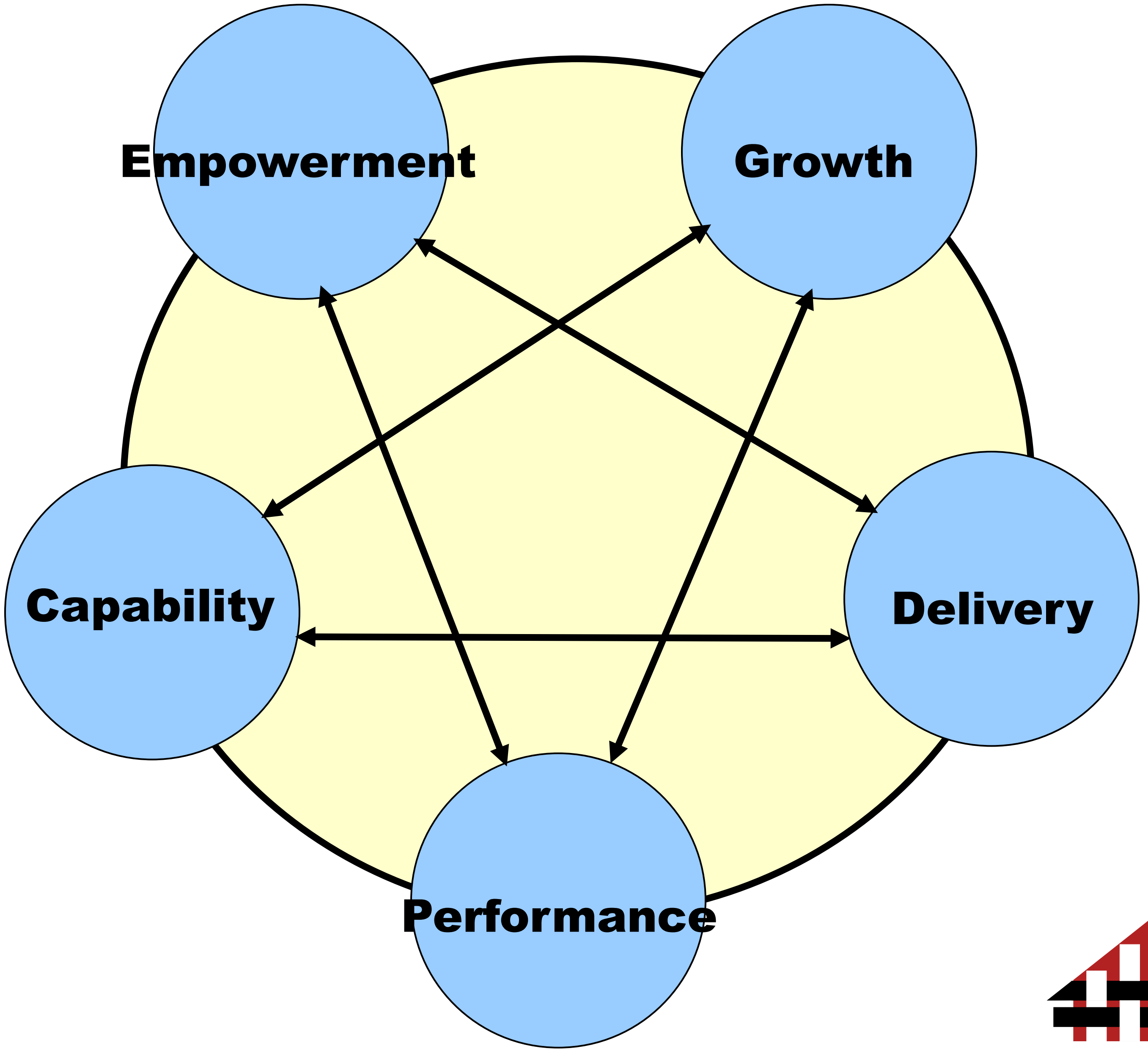
CIDB / other entities

- Dual Mandate
- Review of mandate and role
- Mandate of cidb vs others?
- Alignment of mandates
- Merging of entities?

cidb WIP

development through partnership

Challenges-cidb development Framework



development through partnership

Cidb WIP

WIP

- Independent 5-Year Review – to end 2011/12
- Phase 2 of the Registers
- RoPSP
- Review of mandate, Act and regulations

Status Reports

- SA Construction Industry (2004)-NB
- Skills (2007)
- Construction Materials Sector (2007)
- Municipal Infrastructure (2007)
- Health and Safety (2009)
- Greenhouse Gas Emissions (2009)
- Contractor Development (2009)
- Under development/pilloting:
  - Construction Quality
  - Workplace Conditions

cidb Best Practice Contractor Recognition Scheme

<table>
<tr><th>Grade</th><th colspan="2">Enablers;
Business, H&S, Quality, Env, etc</th><th>Results</th></tr>
<tr><td rowspan="3">9

2</td><td>SANS / ISO / OSHAS Systems</td><td>Supply Chain Development</td><td rowspan="3">Performance Reports</td></tr>
<tr><td colspan="2">cidb Accredited Management Systems</td></tr>
<tr><td colspan="2">cidb Competence Assessment</td></tr>
</table>

cidb
development through partnership

cidb Best Practice Project Assessment Scheme

Value	Best Practice				
9 2	Standard for Uniformity	Performance Reports	Energy Efficiency	Building Skills Policy	……

Cidb Work in Progress-WIP/recent projects

CCC's/NCDP/NIMS/ESDA

-CCC:

KZN, GP, WC,EC- 2007/08

FS, MP, NC- 2008/09

LIMPOPO- 2009/10, NW-2010/11?

-NCDP

roll out and continuous improvement

Provincial CD Forums

cidb
development through partnership

Cidb Work in Progress-WIP/recent projects

CCC's/NCDP/NIMS/ESDA...Cont

-NIMS

launched in May 2008

Public infrastructure maintenance not effective

Estimated as multibillion rand industry

Good for emerging sector

DPW and cidb taking forward

-ESDA

permission granted by DoL,

industry to run with cidb and CETA involvement

Due diligence done recently – NSF funding

cidb
development through partnership

Cidb Work in Progress-WIP/recent projects

Regulations Amendments

Grade 1 Contractors:

-Gazetted and wef Jan 2008

Benefits:

-Over the counter registration-activation over 2 working days vs 21 working days

-no certificate required

-No need for annual updates

-Saving over 3 years from R850 to R450

Cidb Work in Progress-WIP/recent projects

Regulations Amendments

Grade 2 - 9 Contractors:

- **Gazetted and wef Jan 2009**
- **Various improvements**
  - **removal of cidb certificate,**
  - **adjustment of tender value ranges vs inflation/cost of materials**
  - **registration fees**
  - **Method of assessment**

cidb
development through partnership

Cidb Work in Progress-WIP/recent projects

Upcoming Amendments/Considerations

- **Regulations:**
  - **Amendments-Gr 1 & 2 upper tender limits to align Gr 1 to R500 000 (?)**
  - **Registration criteria – being reviewed**

- **Prepare for teaching by tertiary institutions**

cidb
development through partnership

Registers Statistics

development through partnership

Class of Works by grading

Grade	Class of works						
	GB	CE	ME	EP	EB	SW	TOTAL
1	56798	18758	2376	1497	906	9077	89415
2	2084	1514	196	80	173	447	4494
3	512	466	77	39	95	84	1273
4	710	709	129	93	169	101	1911
5	445	474	133	108	138	127	1425
6	440	537	64	49	48	40	1178
7	179	203	37	30	20	29	498
8	56	69	16	10	2	7	160
9	30	47	24	17	6	11	135
Total	61254	22777	3052	1923	1557	9923	100489

GB: General Building CE: Civil Engineering ME: Mechanical Engineering

EP: Electrical Engineering (Infrastructure) EB: Electrical Engineering (Building) SW: Specialist Works

There have been 5, 637 upgrades on the Register to date. Black owned enterprises constitute 84% of all upgrades.

cidb development through partnership

Actual no. of companies registered

Designation	Active	Suspended	No. of Companies
1	67294	30	67324
2	3267	746	4013
3	1026	160	1186
4	1617	191	1808
5	1108	96	1204
6	931	48	979
7	393	15	408
8	137	2	139
9	89	8	97
Total	75862	1296	77158

cidb
development through partnership

Black owned by Grade only

Grade	Total	Black Owned	% of the Total
1	89415	86198	96
2	4494	4060	90
3	1273	1092	86
4	1911	1467	77
5	1425	1002	70
6	1178	779	66
7	498	250	50
8	160	40	25
9	135	13	10
Total	100489	94901	94

5787 4340 75%

Medium sized contractors (Grades 3 to 6) of which 75 % are black owned

cidb
development through partnership

Grading by Province – 29 January 2010

Region	1	2	3	4	5	6	7	8	9	Total
Eastern Cape	11051	409	162	180	124	88	38	10	4	12066
Free State	4467	248	56	79	59	51	21	8	3	4992
Gauteng	21560	1042	235	515	449	372	203	87	96	24559
Foreign	6	1	0	1	2	0	6	1	9	26
Kw aZulu-Natal	25013	1207	348	442	259	236	77	24	12	27618
Limpopo	8297	497	143	198	196	166	41	1	1	9540
Mpumalanga	7639	409	129	196	131	106	33	4	2	8649
North West	4728	210	47	85	58	44	16	2	0	5190
Northern Cape	899	54	14	27	25	12	4	2	0	1037
Western Cape	5754	416	139	188	122	103	59	21	8	6810

National & Provincial Targets

cidb
development through partnership

Class of Works by grading – Western Cape

Grade	Class of works						
	GB	CE	ME	EP	EB	SW	Total
1	3593	829	157	104	108	963	5754
2	202	106	31	13	16	48	416
3	61	27	13	4	15	19	139
4	70	55	15	11	16	21	188
5	33	38	13	6	15	17	122
6	41	42	12	3	4	1	103
7	19	24	5	6	2	3	59
8	9	9	2	1	0	0	21
9	2	4	0	1	0	1	8
Total	4030	1134	248	149	176	1073	6810

cidb
development through partnership

Concluding Comments

- General trend shows downward movement in Building and Construction(various analysts-Industry Insight/FNB/MBI-BRSCU/etc)
- Skills shortage, energy generation still remain crippling threats in the industry
- Training and Contractor development crucial
- Holistic planning for long term sustainability

Announcements

- New SF membership-ca80
- members to work closely with cidb
- construction conference 26-27 May 2010
  - Marketing starting next week
  - Encourage stakeholders to attend
- Provincial stakeholder workshops
- Various CD programmes

Thank You

development through partnership