

CIDB Key Note Address

**Ministers, MEC's, CIDB Board and Chairperson
Officials, Ladies and Gentlemen**

Morning to all of you and hearty welcome to our 2009 Stakeholder Meeting. I'm sure some people have been here before, but since this is my first CIDB stakeholder address allow me the time to standstill and take it all in.

I come today with an **open mind, with a willingness to listen and most of all to learn** what your concerns and views of the industry is. I come to seek your inputs, thus I'd like to ask you some key questions, which I hope that you might contemplate and provide answers for if not today then over the next few months.

If you've read this week's news headline "*Confidence in the civil construction industry has plunged, signaling a potentially lower contribution to economic growth from this sector next year,*" then you'll know **our sector is seems to be entering another shift** in its business cycle. During the **recession we as government, provided much needed stability.** In the period before this the sector has experienced good growth driven by the first wave of governments infrastructure spend and the

private sectors robust spend given the economic growth. This wave is driven by governments R787bn programme. Perhaps in the next 1-2 years, the private sector will again become the key contributor to our sector. And so the sectors cycle goes.

I understand that our different stakeholders present here today would prioritise some issues higher than others. The questions I want to leave you to consider and answer today and over the next 2-3 months are as follows:

In 1999 we said

(1) The impact of construction demand decline and volatility on production relations, quality, productivity and capacity have adversely affected

- a. The number of construction employees – that includes skilled, semi-skilled and unskilled people.
- b. Lost the capacity of thousands of construction companies that were unable to survive the volatility of demand
- c. Firms in an uncertain market are reluctant to invest in improved health and safety, productivity and quality, training, **improved**

employment practice and environmental protection.

The question I ask is **have the investment and the improved economic times that industry enjoyed before this 2008-2009 blimp, helped to stabilize demand and volatility.** Are we **better at Occupational health** and safety, does our **business models support improved employment practices**, are we consciously engaging in sustainable environmental practices. If we cannot conclusively answer “yes”, then the question I ask, from all my partners here today, what do “we” need to do to ensure that after government spends R787bn, **that we can not only say “yes, we did,” but that the truth is irrefutable”**

- (2) **Are we succeeding in enhancing the Industry’s Performance?** Is both the performance and capacity of the South African industry being enhanced? Are the unit costs contributing to the competitiveness of the industry as a whole? Is government benefiting from the industries performance enhancement or are we paying economic profits?
- (3) **Is the contractor accreditation and registration effecting best practice and helping to transform the industry.**

- (4) Are we succeeding at creating the number and quality of people with skills to support our sector?**
- (5) Are we successful at developing new industry capacity and at creating an enabling environment for the Emerging Sector?**
- (6) Have we sufficiently developed the capacity, capabilities and roles of the Public Service to effectively and efficiently manage the delivery of our construction programmes.**

I ask these questions so that we can take stock and focus our minds on where we meant to be going, and especially as we focus on the issues that affect these noble goals.

I understand some of the challenges we face as a sector varies from those that are really external to the sector and therefore implies less control on our side, to those internal to our sector. From that which is economic and strategic to that which affects the individual enterprises, organizations or associations. As I have interacted with the sector over this last few months I have heard concerns around

- (1) The cost of input factors**
Specifically, how the costs of inputs have affected pricing of projects.

(2) Financial Challenges

I have gained an understanding on how the access to and the Cost of Capital affect segments of the market.

(3) Construction and Global Warming

We need to consider the impact Construction has on Global warming and climate change.

- Are we in SA able to consider the Planned Life expectancy of buildings versus the cost and environmental considerations and take the effective actions?**
- Are we successful in introducing innovation in our industry as well as retrofitting existing buildings cost effectively?**

How are we responding to Global warming, to biophysical sustainability?

(4) Crime and corruption in the construction sector

Disturbingly crime and corruption statistics in our sector seems to be a cause for concern. It seems the concerns revolve around tender processes and the level of theft faced by construction companies.

(5) Impact of HIV Aids on the sector and economically

Our sector is amongst those sectors highly affected by HIV, as are those of mining and transport. Programs of action and intervention effectiveness, as well as the impact and cost to the sector is an area that we must begin to have a better understanding for. This is more than a social responsibility; it affects the heart of our sector, our most vulnerable work force.

Lastly, I am questioning the price versus risk and overall value management achieved in the governments construction projects today.

I thus want to encourage you to deliberate, and robustly participate in ensuring that we consider the goals we've set ourselves in 1999, consider the issues that all the constituencies need to address if we want to create the vibrant, stable and dynamic sector we hope to be. When we leave here today I hope we'll commit ourselves to continuing the journey we began a while ago.