cidb

Construction Industry Development Board

DEVELOPMENT THROUGH PARTNERSHIP

CONCRETE

Issue 6, August 2016

IN THIS ISSUE:

EDITOR'S NOTE

This issue reflects the many developments shaping the South Africa construction industry of the future. From a service perspective, we have a strong voice for the trenchless technology sub-sector in the Southern African Society for Trenchless Technology, which suggests that, due to the nature of the work and the specialist skills it requires, it should occupy a space of its own in construction.

Transformation continues to occupy agendas at cidb and across the sector, with much to be done to create a truly inclusive sector, as the latest statistics cited in this issue demonstrate. Good news abounds, though, in other areas. The cidb is tackling fraud and corruption head on and will not rest until all attempts to side-step proper procedures are stamped out and all those who threaten the industry's image through devious practices are unmasked and brought to account. We are teaming up with influential organisations such as the Special Investigations Unit to identify all cases of unethical and criminal behaviour and vilify those responsible.

After lengthy negotiations and debate, the sector has finally agreed on the new construction codes for black economic empowerment, the implications of which are explored in this issue.

Legislation remains a dynamic area, as the industry responds to ever-changing environmental and societal needs. The much anticipated review of the cidb Act is continuing and will bolster the effectiveness of cidb by more clearly defining its powers and revising the badly written areas of the Act that gave rise to many interpretations of its functions. The prospect of a revamped Act is a source of much relief to the cidb team as it will take the organisation back to its original aim of creating an environment that meaningfully contributes to South Africa's economy and society, while giving it, for the first time in its 10-year history, the tools and teeth to actually achieve this.

The Department of Public Works (DPW) is working closely with cidb on the review, and more consultation with stakeholders is anticipated.

As the cold weather continues to bite, we invite you to brew yourself a warming cup of coffee and settle down for a few minutes with Concrete, your window to the construction world.

Enjoy the read.

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A regular Concrete feature that looks at the decision makers driving cidb's destiny

Lefadi Tells It As He Sees It

cidb Board Member:
Lefadi Makibinyane

He's a contented husband of 26 years to the beautiful Letia Mamatedile Mokoatsi, proud father to Vanessa (25), Lerato (19) and Bohlale (8), has a penchant for soccer and F1 racing, always keeps abreast of local and international news, and is something of a philosopher.

Amatola Water Chief Executive Officer, Lefadi Makibinyane, has brought considerable expertise to his role as a cidb Board member since 2014, with enviable credentials that include the designation professional chartered engineer and a master's degree in business leadership, bachelor of engineering with honours and postgraduate certificate in project management.

"My knowledge of the construction industry has enabled me to make a significant contribution to cidb's repositioning to deliver more decisively on its mandate of regulating and developing the industry," he says.

Skills and experience acquired since 1991 across numerous economic sectors, including mining, petrochemicals, packaging, food and beverages, development finance and banking, allow him to bring a bigger picture perspective combining technical, financial, administration and governance elements. Not surprisingly, he is very vocal in discussions that set the strategy of the organisation.

He certainly has the right pedigree to be so, having served on boards for 14 years. Currently, he is also on the Gauteng Partnership Fund and Rand Water boards and is a member of the BEE Advisory Council to the State President. He also chairs the cidb Audit and Risk Committee.

He describes the cidb Board as 'very vigilant'. "It has breathed new life into the cidb and a renewed focus on discharging its duties without fear or favour," he explains. "It is important to deal harshly with any construction company or cartel that violates the cidb procurement codes of conduct, and regulations, as these harmonise the way business must be conducted in this crucial sector of our economy."

As the organisation tasked with developing and regulating the construction industry, ensuring inclusiveness and transformation, cidb's role cannot be underestimated, adds Lefadi. "It must promote emerging construction companies owned and managed by historically disadvantaged individuals, while providing the regulatory environment to nurture fairness and equity and stamp out dubious operators. In this way, it will create a vibrant, competitive industry that enables the government to succeed in its infrastructure development plans."

CONTINUED ON PAGE 4

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No-one would deny that cidb has a mammoth task ahead given its sector and history. It operates in an environment characterised by underhand practices, allegations of grade buying, work that is not of the required standard, runs over budget and is hardly ever delivered on time; excessive cost escalations and a consulting engineering fraternity that imposes its own unregulated conditions, often affecting emerging construction companies negatively.

But, says Lefadi, all this is about to change with the introduction of strategies and initiatives that will support professionalising of the entire infrastructure development value chain; from planning and design, to procurement and construction, cold and hot commissioning, operations and maintenance. "cidb also has to position its role appropriately in the regulation of infrastructure procurement particularly in relation to government institutions such as National Treasury (NT).

Lefadi has some sage advice for contractors, both established and emerging. "Be unquestionably ethical in your conduct and service offering because construction industry services are key to advancing civilisation and the socioeconomic development of the nation," he stresses. "Get your house in order and respect cidb regulations and adhere to the code of conduct for parties involved in construction procurement.

"We all have a role to eradicate cartels, collusion and any form of corruption."

> "It has breathed new life into the cidb and a renewed focus on discharging its duties without fear or favour,"

BEE CODE
BUZZES INTO LIFE

Following protracted discussions bogged down by discord and dissatisfaction, and ultimately an exasperated call in March by the Minister for Public Works, Thulas Nxesi, for the captains of the construction industry to reach consensus 'by all means', the agreed Construction Sector Code has finally seen the light of day, setting new targets for broad-based black economic empowerment (BBBEE) for built environment professionals, contractors, manufacturers and suppliers.

The revised code is crafted around national policy imperatives and priorities, and addresses the creation of sustainable jobs, change in the construction economy and transformation in procurement.

Construction Sector Charter Council Chief Executive Officer, Thabo Masombuka, says the document brings to an end months of negotiations, characterised by 'tension, deadlocks and uneasy compromises'.

This hard-won blueprint for BEE action covers broad transformation issues, access to the sector by designated groups and compliance and alignment with the Department of Trade and Industry codes, says Thabo.

Some 123 weighting points are allocated across the five elements of the scorecard in accordance with the targets set for each element. The total determines the BBBEE level contribution for each measured entity.

This, Thabo explains, enables construction companies to leverage more bonus points when they commit additional spend to initiatives that are a priority to construction sector designated beneficiaries such as black women and their enterprises, the youth, people with disabilities and construction workers.

White-owned exempted micro enterprises (EMEs) will enhance their BBBEE contributor status by one level if they spend 100% on training or enterprise development as set out in the construction scorecard for qualifying small enterprises. This will incentivise startups, emerging and growing enterprises to contribute to the industry priorities of skills and enterprise development.

With a similar end in mind, the code also distinguishes between exempted thresholds for contractors and manufacturers (R10 million) and built environment professional firms (R6 million).

The target for black ownership in the construction industry is set at 32.5 % for the first four years and 35% thereafter, with great emphasis on the economic interests of black women, youth and the disabled; and black participants in employee share, broad-based ownership schemes and cooperatives.

The skills development target stands at 2% for the first two years, increasing to 2.5% for third and fourth years and 3% after year five.

Says Thabo: "We are relieved that a new code has been agreed on and accepted by the sector. It required a change of mindset by all stakeholders, but we believe it will prove its worth in advancing the empowerment agenda that is at the heart of South Africa's economic wellbeing and long-term prosperity."

TREASURY SETS THE STANDARD FOR SPENDING

All too often, overspending hits the headlines in South Africa, with many beleaguered consumers experiencing the constant stress and anxiety of having to pay out more than they have, pushing them into a deep, dark debt trap.

But underspending can be just as troublesome, as those at the helm of many government departments and agencies can confirm.

The inability to channel funds where they are most needed and for what they are intended has been the source of many annual financial audit woes.

Finance Minister Pravin Gordhan brought attention to the issue in his 2016 budget speech, when he talked of government acknowledgement that investment in infrastructure has to be enhanced and sustained for economic growth and resolution of spatial inefficiency and fragmentation.

cidb Programme Manager for Procurement and Delivery Management, Inba Thumbiran, elaborates: "Although the government's investment in the infrastructure vital to South Africa's economic growth has grown markedly in recent years, many departments have difficulty spending their infrastructure budgets, which indicates the need for vital improvements to the government's strategic approach to deliver on infrastructure commitments.

"While some departments have a strong record of spending, others are seriously deficient in their infrastructure delivery capacity."

Help is at hand though, in the Standard for Infrastructure Procurement and Delivery Management (SIPDM), a National Treasury (NT) initiative to increase efficiencies and improve the standardisation of practices and procedures for public sector construction.

CONTINUED ON PAGE 7

CONTINUED FROM PAGE 6

Says Inba: "The SIPDM forces departments to separate the supply chain for infrastructure delivery and for general goods and services. Often, the processes and skills for procuring pens and paper are vastly different to those used to contract construction companies and project management professionals. By ensuring that each process stands alone, the SIPDM intends to ensure value for money and good-quality service delivery for the state.

"Studies have shown that the delivery and maintenance of infrastructure are prone to waste and corruption."

"With state enterprises being subject to an array of legislation, from the Public Finance Management Act to the Prevention and Combating of Corrupt Activities Act, the SIPDM will combine requirements into a single document to provide much needed leadership on the procurement reforms for infrastructure."

Many of the procurement requirements in the SIPDM are prescribed in the cidb Standard for Uniformity (SFU) in Construction Procurement, she continues. To avoid duplication and confusion, the cidb is currently reviewing the SFU.

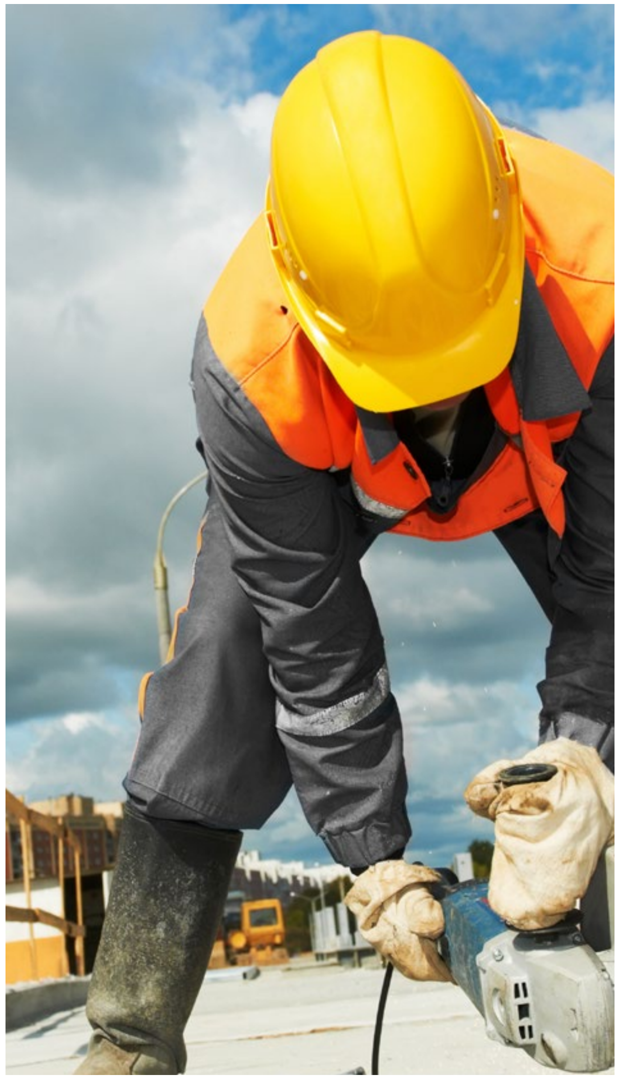
"cidb will play its part in tackling underspending by the client, as it results in many lost opportunities to create work," adds Inba.

Studies have shown that the delivery and maintenance of infrastructure are prone to waste and corruption. The pace of delivery is slow and the governme nt is not getting the desired social and economic returns for monies invested in infrastructure projects.

"Because of this, we welcome the SIPDM. In support, we will continue to focus on our Register of Contractors as a first-line risk management tool for delivery of infrastructure for the public sector and as a mechanism for alleviating the problem of chronic underspending."

With the government having earmarked R870 billion on the public sector infrastructure programme over three years, it is crucial that funds find their way into bricks and mortar rather than stagnating in no-man's land accounts. The SIPDM is undoubtedly a move in the right direction.

"cidb and NT must now work closely to provide leadership and guidance to all stakeholders in the interests of sector growth and development," Inba concludes.



In this new regular feature, Concrete will profile different trends taking shape in the construction industry. **First up is trenchless technology.**

Trenchless Technology:
Getting Below The Surface

It's a young and rapidly growing sector of the construction and civil engineering industries, but it has the credentials to stand alone as a category of technology, say those in the know.

Trenchless technology (TT) is a type of subsurface construction work that requires minimal excavation and no continuous trenches to locate, inspect and assess the condition of old pipelines and other buried services, and install underground services, whether new, or rehabilitated and repaired.

There are many benefits to using TT in urban areas, says Southern African Society for Trenchless Technology (SASTT) vice-president, Sam Efrat. It eliminates or minimises disruption and inconvenience to the public and damage to the environment, and avoids expensive reinstatements caused by conventional open-cut excavation. Installation costs are also reduced.

Services installed and rehabilitated using the technique range in diameter from 20mm to more than 2 750mm and include water pipes, sewers, electrical and telecommunication cables, gas pipes, services tunnels, sleeves and stormwater pipes.

Recent research across Southern Africa shows that in TT methodologies such as pipe-bursting (the most commonly used TT method for replacing leaking water and sewer pipes) in urban areas are not only able to offer more meters installed at the same cost, but, Rand-for-Rand, create the same number of jobs as labour-intensive open excavation methods. In addition to this, TT jobs created can lead to long-term sustainable employment.

Furthermore, TT operations require specialised skills, which can result in training, development and upliftment of previously unskilled workers. These skills range from the common - relating to excavation, backfill and reinstatements - to the more complex - associated with butt-welding HDPE piping, plumbing, conventional machine operation and specialised TT machine operation. There is also a need for up-skilling on health and safety requirements.

Currently, cidb classifies TT under civil engineering, but if SASTT has its way, it will soon be in a class of its own.

CONTINUED ON PAGE 9

CONTINUED FROM PAGE 8

"TT is a specialised field," says Sam. "Not every civil engineering contractor has the required skills, experience, plant and equipment to undertake this type of work successfully."

SASTT, on behalf of its 56 corporate and six individual members, believes that a reclassification would not only protect local and national government from contractors without the necessary experience and skill, but from those who lack the integrity and professionalism demanded by this sector of the industry. This, in turn, would lead to long-term sustainable job creation in the TT Industry for workers who acquire the necessary skills.

"A new approach would eliminate the possibility of non-qualified contractors being awarded contracts that they are incapable of completing or even starting," says Sam. "This ultimately leads to contractual claims and monetary losses to both contractors and clients, in particular the municipalities. This, in turn, stunts the growth and acceptance of TT and leads to negative perceptions among municipalities, which then resort to open-cut methodologies when TT is actually the appropriate approach."

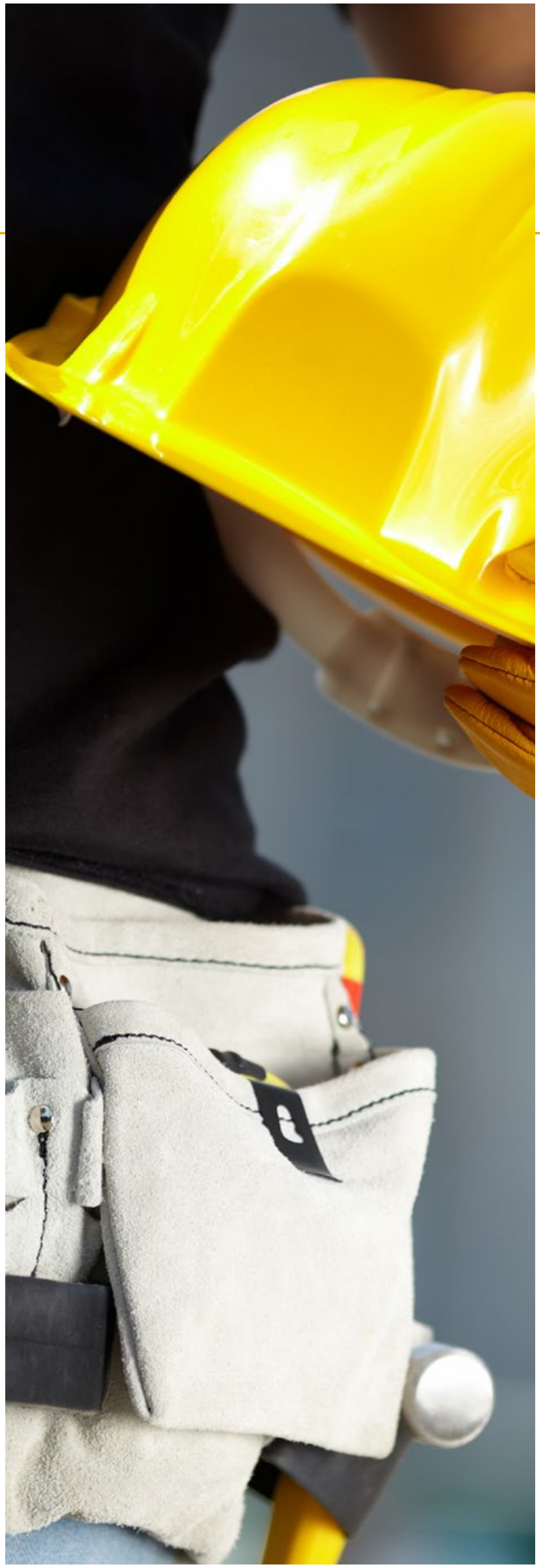
Moving forward, SASTT will assist the TT and construction industry to enable Construction Education and Training Authority (CETA)-approved training providers to offer learnerships in modules for the various TT fields, and in doing so, create a competent specialist sector providing long-term sustainable employment.

"There is an urgent and desperate need for shoring up South Africa's limited water resources," says Sam. "The resources needed to eliminate the estimated 30% leakage rate from municipal water supply pipelines require the cultivation and development of a skilled workforce that uses the technology already available in the TT industry. The same applies to sewers, where the seasonal switches between infiltration and exfiltration lead at times to the overloading of wastewater treatment works and the pollution of groundwater resources. TT techniques are able in many situations to rehabilitate malfunctioning pipelines as an alternative to replacing them, which is often currently done.

"The cultivation and development of a specialised section in the construction industry will go a long way towards eliminating the backlog in the provision of services by upgrading the existing services that are already in place. The effort of installing new services can then be focused on new developments. The combination of new installations, and rehabilitated and upgraded existing ones, will contribute to the health and wellbeing of all South Africans."

The International Society for Trenchless Technology (ISTT) recently awarded SASTT the honour of hosting the 2018 International No-Dig Conference and Exhibition in Cape Town. The event will bring world leaders in pipeline rehabilitation technology to South Africa's shores to join the government and the local engineering industry in exploring the best solutions to rehabilitate South Africa's leaking water pipes and sewers and better manage the country's limited water resources.

And, without a doubt, the event will be a tremendous trenchless boost for tourism.



Moving Forward on the
ROAD TO DEVELOPMENT

The S'hamba Sonke Programme (SSP) dates back to 2011, but it certainly has not run its course. In fact, it is digging an ever-deeper niche for itself in the construction contractor development sector.

The project, an initiative of the Department of Transport (DoT), was established to create decent and sustainable work opportunities through road construction and maintenance in all provinces.

With South Africa's road network stretching about 750 000km, almost 600 000km of which is gravel, S'hamba Sonke has its work cut out for it.

Fortunately, though, it also now enjoys the recent elevated status of being aligned with the objectives and principles of the National Contractor Development Programme (NCDP). The NCDP is founded on some pretty lofty goals that promise to greatly advance contractor development across South Africa.

It aims not only to increase the number of companies owned by black entrepreneurs, women, disabled people and youth in targeted categories and grades as well as improving the grading status of previously disadvantaged contractors in targeted categories and grades, but to enhance the performance of previously disadvantaged contractors in terms of quality, employment practices, skills development, health & safety and the environment, while enhancing business management and technical skills.

Ambitious goals call for sizeable resources and the budgets set for the Provincial Road Maintenance Grant (PRMG) over the next three years are impressive. During 2016/17, R10.2 billion will be ploughed into provincial projects, the lion's share going to KwaZulu-Natal and Mpumalanga, followed by Eastern Cape and Free State. In 2017/18, the funding moves to R10.8 billion and in the following year, to R11.5 billion. In the current year, just over 600 contractors are targeted, more than half of whom are in KwaZulu-Natal.

At least 30% of the allocation is to be spent on contractor development.

Mpumalanga and Free State are already going at it hammer and jig, and there is every indication that the other provinces, too, will pull out the stops.

Says cidb enterprise development manager for the Contractor Development Programmes (CDPs), German Mphahlele: "The SSP is finally moving from concept to implementation, with the signing of a supply chain circular (SCM) with DoT that outlines, defines and references the general terms of engagement and reiterates DoT's intention to develop emerging contractors. The SCM is underpinned by a detailed CDP policy framework and a CDP business implementation and funding plan. All three documents are aligned and comply with the cidb NCDP guidelines. The documents make it possible to recognise, regulate and optimise the CDP."

In another significant move, the PRMG framework has been amended to allow for mandatory reporting to cidb on contractor development. This will raise the profile of contractor development and provide a catalyst for sustainable development.

Reporting is through the cidb CDP monitoring and evaluation system, which is capable of monitoring and reporting on CDPs in real time, and of monitoring and tracking exited contractors.

Says German: "Evaluations are essential to provide feedback and lessons that can be applied to refine the programme. DoT and cidb will perform annual reviews, with mini reviews conducted as issues arise or greater understanding is needed of a particular focus area, sector or component. Lessons learnt will be documented and published, and will be factored into the criteria for PRMG allocations.

With all its trucks now in a row and ready to move forward, perhaps those lofty goals of improved lifespan of provincial assets, increased employment, improved contractor performance and more inclusive participation are not too far out of reach.

CORRUPTSHUN

cidb is committed to exposing and shunning corruption in all its guises. This regular feature will update Concrete readers on developments in the cases of those caught dabbling in dicey practices.

cidb Pursues Collusion Case to Conclusion

Sadly, in South Africa, there is a perception that cases of corruption are often swept under the Persian carpet. In the construction industry, this will certainly not be the case, says cidb Acting Chief Executive Officer, Hlengiwe Khumalo.

The collusion saga involving 15 major construction companies is a case in point. It may seem a distant memory, almost forgotten in fact, but the process continues.

Following the Competition Commission's imposition of a R1.46 billion fine on the companies for collusive tendering during the construction of stadiums for the 2010 Fifa World Cup, and other projects, cidb launched its own investigation into the transgressors.

A forensic auditing firm contracted in 2014 to conduct the probe recommended a formal inquiry to unearth breaches of the cidb code of conduct, which bars collusive practices. In March 2015, the 15 companies were issued with notices of the charges they faced. Five of them lodged a court application to interdict cidb from going ahead with the inquiry.

Says Hlengiwe: "The companies argued that the cidb code of conduct does not form part of the cidb Act, the legislation governing the sector. They also advised that they were pursuing settlement talks through the SA Forum of Civil Engineering Contractors."

"Following legal advice, we parked our processes just before the matter was due in court. It was a setback for us, but we gave the parties a deadline within which they are to report back to us. That deadline has now passed and we are currently engaging on their feedback."

"Whatever the outcome, we believe these companies have a cidb case to answer, and as such our processes will have to be observed."

In the light of these developments, Public Works Minister Thulas Nxesi announced recently that the government is 'itching' to overhaul the laws governing the local construction industry. He pointed out in a statement carried by Business Report that the current monetary sanction available to cidb – a maximum fine of R100 000 - is inadequate, as it amounts to small change for large construction Companies.

Watch this space.

CORRUPTSHUN

Siu Or Sue,
DODGY DEALERS WILL ACCOUNT

cidb has enlisted the considerable might of the Special Investigations Unit (SIU) in its bid to clamp down on fraud and corruption, regardless of who is involved, or where and how the transgressions take place.

The integrity of the cidb Register of Contractors is at stake and the investigators will leave no stone unturned to uncover the culprits.

The investigation follows repeated allegations of improper conduct by some cidb officials and contractors. The cidb Board viewed the controversy in such a serious light that it decided to bring in the big guns to delve deeper. The President then added his weight, declaring a Presidential proclamation that the SIU conduct a no-holds-barred investigation that will shake the dust off old documents and make the guilty quake in their ill-gotten shoes.

Says acting chief executive officer, Hlengiwe Khumalo: "The SIU has the resources and expertise to bring out the truth, which will confirm or dispel once and for all suspicions dating back as far as 2006."

"If one contract is found to have been awarded by dubious means, the investigators will scrutinise every other contract involving that contractor. The grades-for-pay allegations levied against staff will also be looked into thoroughly and any offenders charged."

She continues: "Our Register of Contractors plays a crucial role as a macro-risk management tool for public sector clients procuring construction goods and services, and persistent allegations of fraud and corruption undermine industry and public confidence in this role."

"While sporadic allegations of fraud should not be seen as a reflection of the capability of contractors registered with the cidb, it is essential that the register is above board in all aspects."

TOUGH ISSUES Tabled at Stakeholder Forum

Black ownership (more than 50%) of companies in the built environment increased by 12% to 15% during 2015, while the number of black executives rose from 30% to 40% in the three years to mid-2015.

Encouraging perhaps, but way off the desired mark and pointing to a long journey ahead.

The number of black employees as a percentage of the total increased only marginally in the same period, from 45% to 47%. Black staff account for only 14% of professional staff.

Against this backdrop, it's not difficult to guess the word on everyone's lips at the recent cidb National Stakeholder Forum meeting.

Minister of Public Works, Thula Nxesi, set the tone, urging delegates to influence transformation and to make construction an industry in which all people have a fair and equitable opportunity to participate meaningfully, regardless of race, gender, age, disability and class.

He cited the cidb Register of Contractors as a clear indication that more needs to be done. Most of the 130 000 contractors on the register are black, he pointed out, but the majority of black-, women- and youth-owned enterprises are concentrated at the lower levels of the register, and only 5 to 10% of these upgrade to higher grades.

He stressed that transformation is everyone's business and is not the responsibility of the government alone.

Dr Rodney Milford, cidb's Programme Manager: Construction Industry Performance, agrees. "While we acknowledge that pockets of good practice exist in the industry that are supporting and enhancing transformation, the industry needs to intensify its commitment and broaden its involvement.

CONTINUED ON PAGE 14

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We need to work with the Government and the Construction Sector Charter Council (CSCC) to accelerate transformation."

cidb is focusing all efforts on achieving the objectives of its strategic plan, in which transformation is a central theme of every activity and objective. Key features of the plan include drafting of the rules for implementation of the Standard for Indirect Targeting for Enterprise Development and the Standard for Skills Development. The latter provides for workplace training of interns and up-skilling of company employees in programmes that result in nationally accredited outcomes on government contracts. The standard will result in around R380 million spend on workplace training per year, around 6 000 learning opportunities a year for further education and training (FET) learners and artisans; and around 1 500 learning opportunities for candidates.

Implementation of these standards will also clear the way for a best practice fee, which will provide an alternative income stream for cidb, to be used for industry development and transformation objectives. It is envisaged that this income stream will exceed R200 million a year within five years, more than 85% of which will fund skills and contractor developmental interventions, benefiting almost 24 000 individuals through training, mentoring and assessment of prior learning, among other initiatives.

Outside of cidb, developments are taking shape that add impetus to the transformation imperative. For one, the government will review the Preferential Procurement Policy Framework Act (PPPFA) to enhance its efficacy as a transformation tool.

Importantly, in November 2015, the cabinet approved the Black Industrialist Policy, aligned to the Industrial Policy Action Plan, the National Development Plan and the Nine-Point Plan announced by President Zuma in the 2015 State of the Nation Address. Thus far, R2 billion has been assigned to kick-start the incentive drive, with more funding expected from stakeholders such as commercial banks and development finance institutions. Furthermore, corporations and state-owned enterprises are set to partner with the Department of Trade and Industry (dti) to assist black industrialists with access to markets.

The Black Industrialist Policy does not yet apply to the construction sector, but dti recently announced that it is now looking at a similar separate programme for the sector.

"Transformation will not occur overnight – it is a journey underpinned by commitment," Rodney concludes. "But the journey needs to cover more ground far more quickly, as transformation is certainly nowhere near the desired levels."

"But the journey needs to cover more ground far more quickly, as transformation is certainly nowhere near the desired levels."