



SAFCEC

READY TO DELIVER

South African Forum of Civil Engineering Contractors

Presented by Pheli Mbambo | Executive: Human Resources & Advisory Services

ISO9001
CERTIFIED

WHO WE ARE



“SAFCEC is a civil engineering contracting industry knowledge and information repository through, inter alia, its regular State of the Industry Report and highly specialised support and advisory services; and is demographically representative of the diverse interests of all its members, empowering them to ensure readiness to deliver on the country’s infrastructure developmental goals.”

WHO WE ARE



- Member-focused and member-driven employers' organisation
- Over 75 years of experience
- Est. 1939
- ISO9001 certified
- Registered in terms of the LRA
- Co-founder of the BCCEI

VISION & MISSION



VISION

To be the leading construction industry representative body in South Africa

MISSION

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

SAFCEC SERVICES



Human Resources & Labour Relations



Contractual & Economic Affairs



Education & Training



Transformation



SHERQ

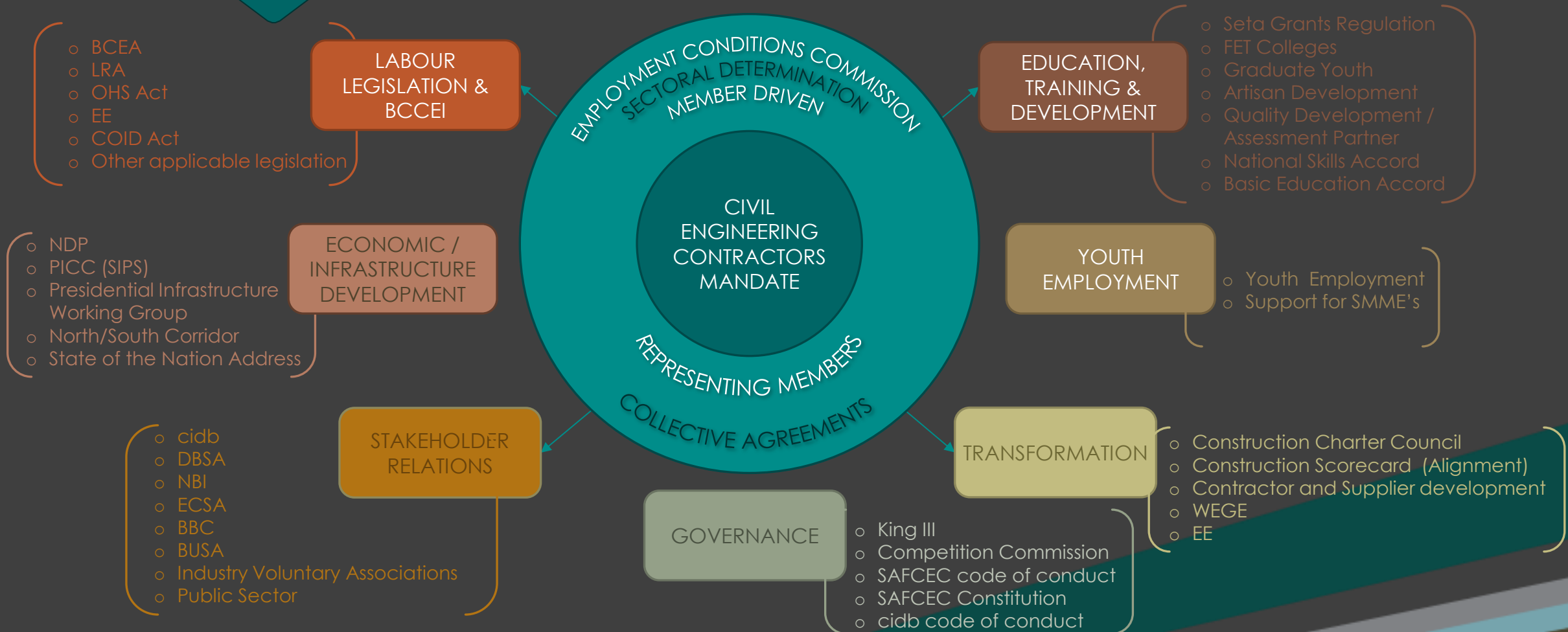


Government & Stakeholder Liaison

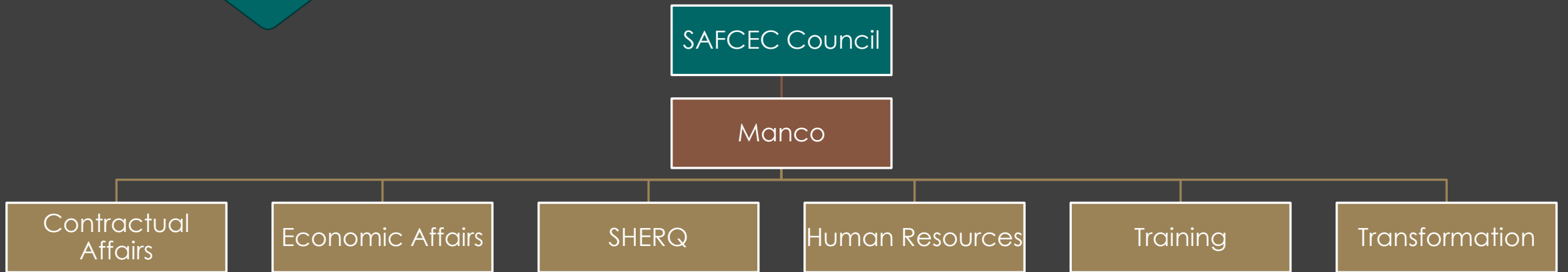


Tender Registry

ENVIRONMENTAL FACTORS AFFECTING MEMBERS



DECISION MAKING STRUCTURES



HQ Advisory & Support Services	Contractual Affairs
	Human Resources & Labour Relations
	Training
	Transformation/SMME Contractor Development/BEE
	Occupational Health & Safety
	Economic Affairs
	Government Liaison
	National Liaison

SAFCEC Regions	Provide updated information to members via regular branch/ committee meetings.
	Conduct regular liaison meetings with Provincial and Local Government.
	Provide assistance to members with regard to various operational matters.
	Organise workshops, seminars and training courses for members
	Organise networking events for members.
	Provide publications of relevance to the civil engineering contracting industry.

THE INDUSTRY

STAKEHOLDERS & ROLE PLAYERS



CEO
CONSOLIDATED
EMPLOYERS
ORGANISATION

THE INDUSTRY

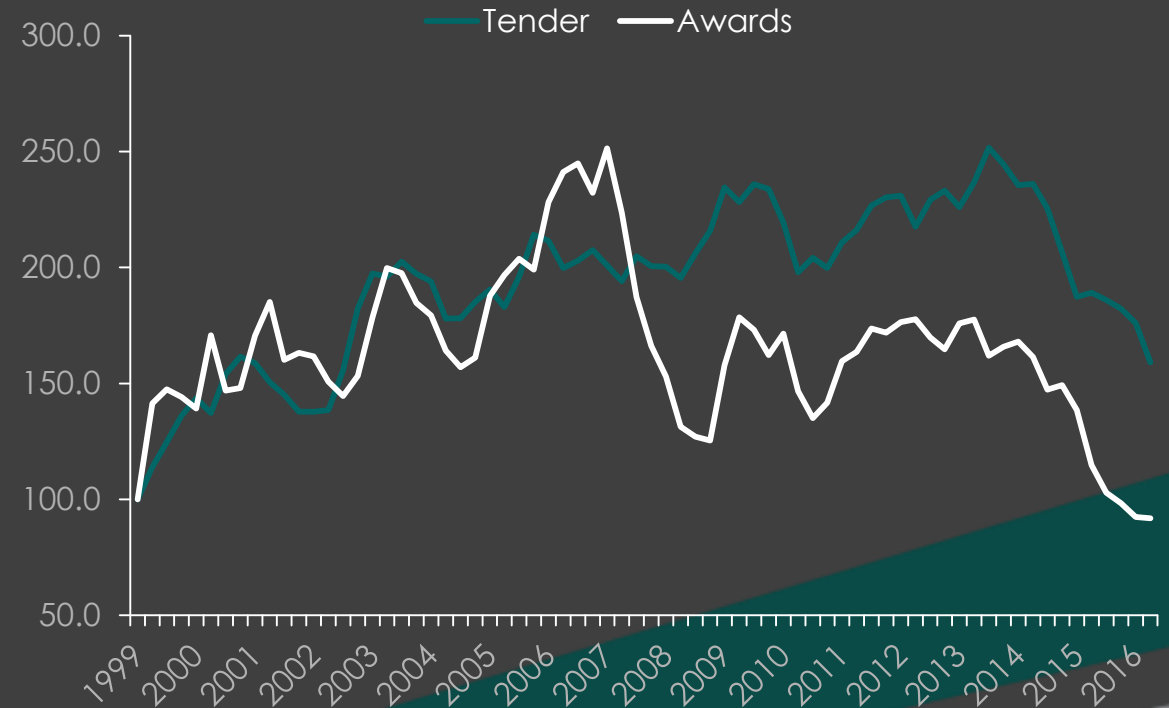
CURRENT STATE OF THE CIVIL INDUSTRY



TENDER ACTIVITY

- Growth slowed by an average of -5% over the last three years
- Activity fallen by 37% between 2013 and June 2016
- Further contraction of 12% in first 6 months of 2016

Civil Industry Tenders vs Awards
Unit: Number of projects | Index 1999 = 100



THE INDUSTRY

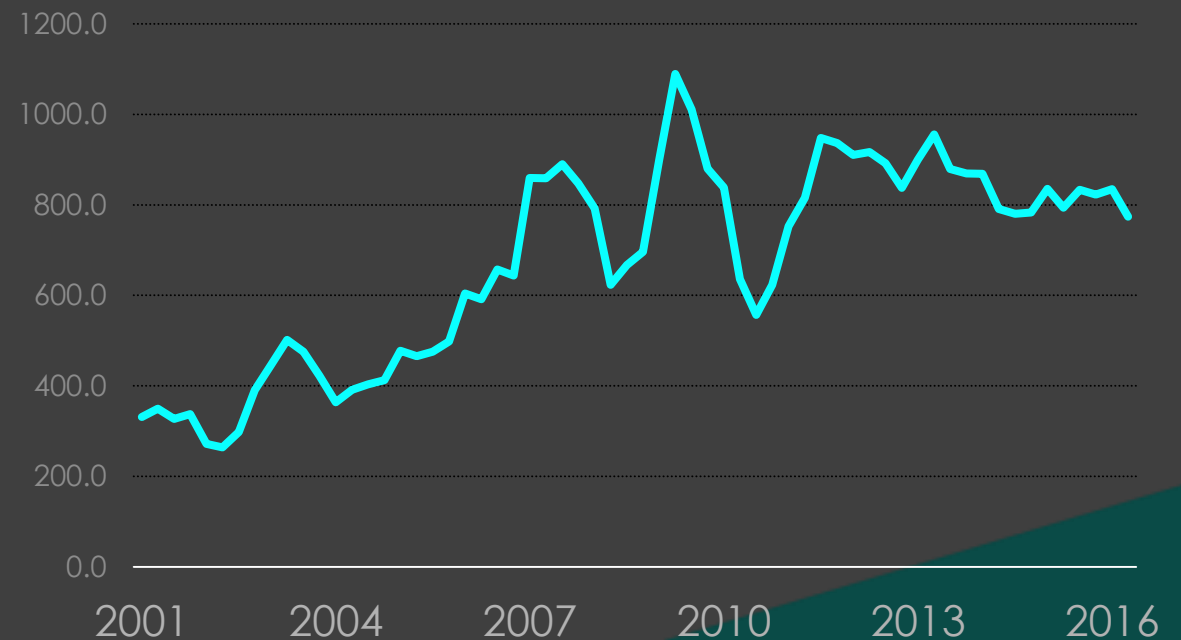
CURRENT STATE OF THE CIVIL INDUSTRY



TENDERS CONVERTED INTO PROJECTS

- No. of projects awarded declined steadily over the last 5yrs
- Tender awards fell by 38% between 2014 & 2015
- Some improvement in award activity in first 6 months of 2016
 - 14% y-y increase
 - Mainly small - medium size road contracts
- Concerning increase in project cancellations between March & June 2016

Value of civil contracts awarded
Rm, constant prices



THE INDUSTRY

REGULATORY ENVIRONMENT



- Draft Amended Regulations under the CIDB Act: Prompt Payments
 - Late payments
 - Represent 22% of total turnover in the industry
 - Major cause for company closure
 - Medium to smaller size firms unable to carry additional cash flow burden
 - Proposed regulations seek to introduce mandatory prompt payment adjudication as a fast track mechanism for resolving disputes and to increase cash flow in the construction industry
 - Draft amendments published for public comment in July 2015
 - No real legislative progress since
 - Possible constitutionality conflict as it does not explicitly make reference to issues of payment
 - CIDB awaits ruling by the Department of Public Works

THE INDUSTRY

REGULATORY ENVIRONMENT



- Draft Amended Construction Sector Charter Code

2009 Construction Code	2016 Amended Construction Code
7 Elements	5 Elements
Ownership, Management Control, Employment Equity, Skills Development, Preferential Procurement, ED & SED	Ownership, Management Control, Skills Development, Enterprise Development & SED
EME = R5 million QSE = R20 million Generic = > R20 million	EME = R10 million (BEP = R6 mil) QSE = R20 million (BEP = >R6 mil) Generic = R50 million (BEP = R25 mil)

THE INDUSTRY

REGULATORY ENVIRONMENT



▪ Draft Amended Construction Sector Charter Code

Key Principles	Description	Implication
Priority Elements	Ownership, Skills Development and Enterprise and Supplier Development	<ul style="list-style-type: none">▪ QSEs to comply with at least two of the priority elements▪ Ownership is compulsory and either Enterprise and Supplier Dev. or Skills Development;▪ Large entities to comply with all priority elements
Enhanced Recognition Status (ERS)	Enhanced the recognition status of Black Exempted Micro Enterprises (EME) and Qualifying Small Enterprises (QSE)	<ul style="list-style-type: none">▪ EME to obtain a sworn affidavits▪ Black Owned QSE only required to obtain a sworn affidavits

THE INDUSTRY

REGULATORY ENVIRONMENT



- Draft Amended Construction Sector Charter Code

KEY PRINCIPLES

- DISCOUNTING PRINCIPLE EFFECT
 - Non-compliance of the thresholds in priority elements, the overall score will be discounted by one (1) level down

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REGULATORY ENVIRONMENT



- Draft Amended Construction Sector Charter Code

AMENDED GENERIC SCORECARD

Element	Weighting	Compliance Target
Ownership	27 points	32.5% + 1 vote
Management control	18 points	(50% to 88%)
Skills Development	21 points	2.5% of payroll
Enterprise & Supplier Development	34 points	PP = 80% SD = 3% (NPAT)
Socio-Economic Development	5 points	1,25% (NPAT)
TOTAL	123 points (bonus points incl.)	

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REGULATORY ENVIRONMENT



- Draft Amended Construction Sector Charter Code

AMENDED QUALIFYING SMALL ENTERPRISE SCORECARD

Element	Weighting	Compliance Target
Ownership	27 points	25% + 1 vote
Management control	20 points	(50%)
Skills Development	24 points	1.5% of payroll
Preferential Procurement and Supplier Development	29 points	PP = 60% SD = 1% (NPAT)
Socio-Economic Development	5 points	1% (NPAT)
TOTAL	110 points (bonus points incl.)	

THE INDUSTRY

REGULATORY ENVIRONMENT



- Voluntary Rebuild Programme
 - ‘Tirisano Trust’
 - Meaning: partnership; working together seamlessly
 - Agreement between government and 7 companies involved in collusion uncovered by the Competition Commission
 - Collective Contribution
 - R1.5 billion to a fund for social and economic development with a direct bearing on the construction sector
 - Contribution is additional to the R1.4 billion administrative penalties already imposed by Competition Authorities

THE INDUSTRY

REGULATORY ENVIRONMENT



- Voluntary Rebuild Programme
 - Commitment
 - Each company to have at least 40% of equity in the hands of black South Africans, or
 - Mentoring up to three emerging black-owned enterprises to develop their skills
 - Development must sustain a cumulative combined yearly revenue equal to at least 25% of each of the mentor companies' yearly revenue by 2023
 - Compliance
 - Parties to report progress to the cidb
 - Monitored by the PICC [Presidential Infrastructure Coordinating Commission]



Together we can build an inclusive world class industry body, which is humanised, harmonised and democratised

#ReadyToDeliver



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