

SAFCEC - Ready to Deliver

Factors preventing success with particular reference to road construction projects in South Africa

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Road Pavement Forum

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SAFCEC – Who are we?

- Voluntary employer's organisation
- Registered under the Labour Relations Act (Act No. 66 of 1995)
- Serving our members
- Endeavors to further their interests with respect to the Civil Engineering Industry
- Supports all members - small, medium, large, established and emerging



SAFCEC – Who are we?

- 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 – Who are we?

- Founding Objectives:

Participate in lawful activities, and exercise our rights permitted by the Act and Department of Labour Registrar

Promote, reassure, and protect the broad interests of our members

Maintain high standards

Encourage civil engineering contractors and others to become members

Participate and connect with other organisations



SAFCEC – Who are we?

- Value Proposition:

Professionalism

Care

Development

Knowledge

Credibility



SAFCEC – Who are we?

- Values:

Humanity – restoring and protecting inherent human dignity

Harmony – unified voice for the civil engineering industry

Democracy – transparency, openness and accountability

(these are just a few; many others we strive to observe)



Current Status:

- Economic Background

Negatives:

- Slowing growth, energy supply constraints, Current Account deficit, and policy amendments
- Fraud and corruption
- Low private sector confidence

Positives:

- Expectation of increased government spending to re-balance the economy; road infrastructure
- BRICS Development Bank; source for financing critical infrastructure projects

Outlook:

- Several risks for the next 2 years (monetary policy, currency volatility, weak private sector sentiment)



Current Status (continued):

- Civil Engineering Industry
 - Road construction remains the dominant activity (42.5% as per 15/Q2)
 - Confidence in industry as whole remains in negative territory
 - Shifting of client contributions wrt turnover; private and parastatals reducing, whilst district / local and metros are increasing
 - Tender prices under pressure
 - Dismal outlook on profitability
- Pressures
 - Projects postponed / not awarded – this year the strongest decline since 1999
 - Under utilization of plant (as much as 50%)
 - Breaking of projects into smaller units



Current Status (continued):

- Opportunities
 - Private sector participation in infrastructure development Special Economy Zones (SEZ) Act
 - Developments in the renewable energy generation impacting positively on road construction
 - Similar contributions expected from investments in residential, water and sanitation sectors
 - Significant budgetary allowances for infrastructure development (DOT, SANRAL)
 - Noticeable effort from leading government and like organisations (National Treasury, CIDB, SANRAL) to make improvements and increase efficiencies



Health, Safety & CIDB:

- Work space reservation / safety of construction workers
 - Interaction with the public
 - Accidents reporting / investigation
 - Department of Labour involvement
- Environmental
 - Many times issues are not addressed during the planning stages
 - They too often left to be dealt with at the construction phase
 - Applications to be made as early as possible
- CIDB's proposed de-merit system
 - De-merit points for incidents and contraventions
 - Contractors can get de-registered by the cidb



Challenges:

- CPA
 - Tracking negatively; contractors are giving money back – however very few members reporting actually paying less, especially smaller firms
- Negotiating the Tender Process
 - Inconsistent application of CIDB's regulations / ad-hoc changes by individual clients, in particular smaller municipalities
- Community involvement
 - Clients / consultants to be more actively involved with the community and not leave it all to the contractor
- Payment terms – cashflow & financing
 - Consideration for introducing advance payments



Challenges (continued):

- Material shortages
 - Asphalt / bitumen availability – unexpected producer outages; better planning required with possible intervention from clients / risk sharing
 - Occasional shortages of LPG; impact on paver machines
- Skills shortages
 - Mixed feeling between members
 - Aligning the requirements of B-BBEE with available skilled resources
- Impasse in negotiating aligning with the new generic B-BBEE codes
 - Requiring a 6% spend for skills training is not sustainable



Summary:

Although the preceding can be depressing, there is an opportunity amongst SAFCEC members. With flexible business strategies, persisting with transforming to an inclusive industry, reducing costs and increasing efficiencies, success can and will be achieved.

Thank you.

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