

Media release
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MAJOR PARTICIPANTS IN THE SOUTH AFRICAN CONSTRUCTION INDUSTRY REACH TRANSFORMATIVE AGREEMENT WITH THE GOVERNMENT

SAFCEC and the Government of South Africa announced today that seven listed construction companies reached agreement with Government on a program of initiatives that will accelerate transformation in the industry. A seventh company will advise shortly whether it will join the agreement.

The agreement was reached with companies with a combined construction revenue of approximately R45 billion, comprising of WBHO, Aveng, Murray & Roberts, Group Five, Basil Read, Raubex and Stefanutti Stocks.

Six of the seven companies have signed the agreement today and the seventh company will advise within the next week.

The agreement has three elements:

1. Financial contribution for development projects

The seven companies will collectively contribute R1,5 billion over 12 years to a fund, which will be established for socio-economic development. The objective of the fund will be the development, enhancement and transformation of the industry, as well as the promotion of social infrastructure for all South Africans. The fund will be co-managed by industry representatives and Government, with the administration of the Fund carried out by an entity designated by the National Treasury. For the avoidance of doubt, this voluntary contribution is in addition to the R1, 4 billion penalty imposed by the competition authorities on companies in the sector in 2013.

Initiatives to be supported by the fund will include financial support for young trainee artisans and engineers from disadvantaged backgrounds, support for the teaching of maths and science education at public schools, funding for social infrastructure and the development and promotion of construction companies owned and managed by black people. It also includes funding the appointment of professionals to provide the Government with engineering, project management and other services to strengthen its capacity to deliver the public infrastructure so desperately needed through, amongst others, the secondment to state departments, municipalities and entities, of skilled personnel from organisations operating in South Africa.

This financial contribution is in addition to existing annual socio-economic development investment spend by these companies.

2. Transformational commitments in the sector

In addition to existing enterprise development programmes, each of the companies will undertake further transformation initiatives, with two models. Firstly, that the companies become fully transformed (with at least 40% of equity in the hands of black South Africans – the “equity model”); or secondly, that they commit to initiatives that will result in each of the construction companies mentoring up to three emerging black-owned enterprises so that they develop the necessary skills, systems, status and quantity of work to be able to sustain a cumulative combined annual revenue equal to at least 25% of each of the mentor companies’ annual revenue by 2023 (the “partner model”). The referenced revenue is from civil and building works delivered in South Africa and should all companies elect to utilise the partner

model, it would result in partner black-owned companies with a combined turnover in excess of R9 billion an annum within seven years

3. Integrity Commitment by CEOs

This involves the seven companies, as leading companies in the industry and Government, committing to business practices that are based on integrity, transparency and fair competition. As part of the agreement, each company has signed a declaration to promote ethical and legal operations, free of collusion or corruption and to confirm that they will expose, confront and eradicate any sign of wrong-doing in the industry.

The agreement provides a framework for settlement of claims by the industry regulator, the CIDB as well as civil claims by public entities against companies arising from the investigations by the competition commission for a period up to 2010, which were brought before the Competition Tribunal in 2013.

Welcoming the agreement today, the chairperson of the Management Committee of the Presidential Infrastructure Coordinating Commission (PICC) Minister Gugile Nkwinti hailed it as a new beginning in the relationship.

“The success of government’s infrastructure programme requires strong internal capacity in the sector and competitive prices. Through the transformation commitments in the Agreement, we can rebuild the relationship with the companies concerned and work in partnership in future,” Minister Nkwinti said.

SAFCEC CEO, Webster Mfebe said “As an industry we are committed to strengthen our partnership with Government for the benefit of all, and especially to encourage and support economic growth through the development of the economic assets of our country. This arrangement also demonstrates the commitment to a transformed, transparent and ethical industry, which has a major role to play in delivering much needed infrastructure to the economy of South Africa. We believe this partnership will reinforce the framework for a more sustainable and competitive industry and is set to advance the social and economic welfare of all South Africans.”

The parties will address a number of legal, regulatory and administrative requirements that have to be met to ensure the agreement is capable of implementation. It is expected that the Fund will be launched in the next financial year and will become operational shortly thereafter. The arrangement agreed will focus on transforming the industry through:

1. Increasing investment in the sector to promote development, education and upliftment opportunities for all, especially for those who were previously disadvantaged;
2. Creating employment and entrepreneurial opportunities, especially for young South Africans;
3. Promoting and supporting black-owned construction companies and small business development and assisting them to be competitive and sustainable;
4. Identifying opportunities for South African companies in infrastructure projects elsewhere on the African continent; and
5. Building deeper partnerships with regulators and other key stakeholders such as Government and organised labour.

In conclusion, the Government and the companies confirm their partnership in promoting the industry’s sustainability, transformation, efficiency, adaptability, development and

competitiveness. The two parties to the arrangement also wish to express their commitment to create a sector that will result in improved employment for all, the delivery of competitive prices and quality goods and services and the empowerment of black participants in the industry

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