**Address by Minister Ebrahim Patel to the SA Council for the Construction and Project Management Professions – 11 April 2013, Midrand.**

Minister Thulas Nxesi,

Minister Byandala, Minister of Works and Transport of Urganda,

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distinguished speakers, members of the audience and leadership of the SACPCMP.

Thank you for the opportunity to share with you some reflections on the state's infrastructure roll-out programme at this inaugural Conference of Project and Construction Management Professions.

Our infrastructure programme is situated within a larger context and ambition: one in which we build more than ports, rail-lines and power stations. Our programme is part of building a nation and transforming a continent.

During a recent debate in parliament, I drew attention of MPs to the 2012 African Investment Survey released by Ernst and Young, an international consultancy firm.

The Survey makes a number of points that are worth reflecting on by professionals in the infrastructure space:

One, it points out that the number of foreign direct investment projects in Africa grew 27% from 2010 to 2011, and have grown at a compound rate of close to 20% since 2007.

Two - it notes, - despite this growth, there remain lingering negative perceptions of the continent – but only among those who are not yet doing business in Africa

Three, it says the story of Africa's progress, not just in economic but also in socio-political terms, needs to be told more confidently and consistently.

Four, it remarks that this broad-based progress is underscored by a substantial shift in mindset and activities among Africans themselves, with increasing self-confidence and strong growth in intra-African investment, which expanded by 42% since 2007.

Five, it says that regional integration is critical to accelerated and sustainable growth with the larger markets creating the critical mass to enhance the African investment proposition. The Survey pointed to the example of the Free Trade Area talks launched by President Zuma in June 2011 in Joburg as the most positive development.

Six, - and relevant to today's theme – it observes that bridging the infrastructure gap will be a key enabler of integration, growth and development. The Survey pointed with approval to the South Africa investment programme launched by President Zuma in last year's State of the Nation Address.

Against this background, the Survey addresses what is to be done.

Top of their list is addressing the gap between perceptions and reality. Having noted the pessimism of many outsiders, it says:

“The facts tell a different story – one of reform, progress and growth. These trends are repositioning the continent and individual African countries as viable alternatives to other emerging market investment destinations that are often viewed in a far more favourable light. It is a positive story that demands telling and retelling. We have been subjected to negative stories about Africa for far too long.”

Its updated Survey ranks South Africa first on the continent in attractiveness for business. This survey of more than 500 business leaders and investors in 38 countries was done in January 2013 – after Marikana and after the farmworkers strike.

I quote this Survey because it points to a challenge we need to address in the infrastructure space as clearly as we see it in other parts of our public discourse: the gap between perception and reality and the quick resort to a deep pessimism in the public commentary.

Yes, we had a challenging year in 2012, marked by recessions in major export markets such as Europe, a spate of industrial action here at home and slower growth. But we ended the year with 80 000 more jobs than when we started the year.

That means the economy has created 600 000 jobs since October two and a half years ago when the New Growth Path was adopted as the economic strategy of government.

One of the key jobs drivers of the New Growth Path, and indeed one focus of the overall vision of government's National Development Plan, is infrastructure development.

In February last year, the President announced the National Infrastructure Plan, which is a bold programme that includes economic and social infrastructure, organised in 18 Strategic Integrated Projects that involve more than 100 cluster of infrastructure interventions.

They range from road and rail, to port and dams;

from broadband rollout to the construction of power stations and laying of transmission lines;

from new universities to the building of schools and clinics,

all part of a 20-year programme to fix the gaps in infrastructure,

to connect rural areas to mainstream markets,

to provide a secure supply of energy, water and telecommunications.

The Plan is based on integration: both of infrastructure projects but also of our various developmental objectives. Thus, as an explicit part of the design of the Plan, we identified the goals of job creation, balanced economic development across the nine provinces, supporting industrialisation, expanding the skills base, address the needs of the poor, growing the green economy and actively contributing to regional integration.

The main features of the infrastructure plan are known to many in this audience and we have provided a booklet for delegates that provide further details.

Over the past 14 months, we have been busy with implementation of the plan.

We have done this through a new structure, the Presidential Infrastructure Coordination Commission, the PICC.

It is a body that brings all the key decision-makers together in one room: the President, about half of Cabinet, all nine Premiers and the mayors of the metros.

My colleague, Minister Nxesi is a prominent part of the leadership of the PICC and chairs one of the SIPs.

When the Plan was developed, we drew on our experience in a number of different build-programmes, to learn from mistakes but also to identify what worked well.

These insights were distilled into a number of key objectives for the new build-programme.

The key focus of the PICC has been implementation, coordination and integration, drawing on those lessons.

Projects are indifferent phases of development and execution. Our rollout plan encompasses the full project pipeline.

Developing the project funnel is critical. This means investing time and resources in identifying infrastructure needs and taking these through feasibility processes to bankable stage. This is a crucial part of ensuring we have a long-term infrastructure plan. This year we will commence work on the Majuba rail-line, the first large new rail line laid by the state since 1986. But it took the preparatory work last year to get to this stage. Similarly, preparatory work now will allow construction of the Mzimvubu Dam within the next few years.

Managing the construction programme underway is critical too. Currently there are more than 120 project clusters, worth more than R890bn, in construction and monitored by the PICC.

These projects employ more than 150 000 workers.

Aside from the more prominent examples of the Medupi and Kusile coal-fired power stations that are currently of the largest construction projects on the continent, we are also expanding energy infrastructure across the country, with 675kms of electricity transmission lines that were laid last year, the largest level in more than 20 years.

In the area of water-supply, over the past 12 months, construction work completed at the De Hoop Dam and the Mooi Mgeni Dam, created a new water yield of 126 million cubic meters – significantly more than the water consumption of the city of Mangaung and Pietermaritzburg combined.

These are some examples of a positive story that we need to tell and that you as professionals in the infrastructure space can tell well.

Progress on spend, jobs, localisation and measures of progress, on these projects are being monitored quarterly. We lay a detailed report before Cabinet, with a dashboard showing where we are every three months.

We use these to identify what needs to be done and I wish to point to a few areas of focus: project management; people management; cost management and industrialisation.

First, I wish to highlight the issue of project management.

Our focus with the Strategic Integrated Projects is to connect and integrate efforts across different infrastructure platforms. For example, in order to unlock the vast mineral wealth in Limpopo so that we can tap into the reserves of coal, chromium, palladium and platinum in the Waterberg and Steelpoort areas, we need rail-lines but also additional water-supply, energy, broadband and roads.

This physical infrastructure will not be sufficient: human beings will be needed to work the mines and the industrial processes, and towns like Lephalale will grow into bigger cities as workers move to the new economic growth areas. This in turn will require housing development, clinics, schools, community services – indeed, in large measure what we did not have in place in the Rustenburg Platinum belt where the Marikana mines are situated.

This example is by no means unique to Limpopo: in so many cases, we have identified multiple and connected infrastructure requirements.

So we need to provide these in a coordinated manner, carefully sequencing the various elements of the infrastructure build. It requires a project management talent that supports mega build-programmes with multiple components as opposed to single projects.

It requires smarter programme scheduling to support interface risk, logistics management, supply chain constraints and mitigate late changes in designs.

To manage on scale what we need to do, construction methods and materials themselves will need adaptation, with greater reliance on modularisation and pre-fabrication. We need improved construction techniques which reduce excessive maintenance requirements or premature refurbishment.

To address some of the constraints to achieving expeditiously-delivered infrastructure, we are looking the regulatory landscape. We have published an Infrastructure Development Bill for public comment. The Bill seeks to align the regulatory requirements so that there is a coordinated consideration of environmental impact, water licences, zoning issues and other regulatory needs. The Bill proposes clear deadlines for each stage of the EIA process. It provides for decision-makers in all three spheres to work together to assess and sign-off regulatory approvals. In short, it introduces a system of project management of regulatory approvals.

I invite you to read the Bill and to share with us your observations on how we can further cut through the unnecessary delays that characterise many infrastructure projects.

Second, I want to point to the importance of people-management, covering skills, industrial relations and social plans that address what happens when projects are completed.

This area is often neglected by engineers and project managers more comfortable with the complexities of technology, geology, the qualities and quantities of steel and the physical terrain.

People management includes the development of skills **for** infrastructure but also **through** infrastructure, since construction itself is a very important training space.

A detailed skills assessment has been conducted for the infrastructure plan together with where the critical shortages will be over the next 20 years. This plan will be extended to include maintenance jobs and the technical leadership required in the state to implement and coordinate the delivery of the plan.

To support skills development, we are engaging FET colleges and universities on the skills categories required together with a proposed effective work placement system.

We have requested the Construction Industry Development Board to develop a contractually-binding set of skills targets in all state-led construction contracts to support structured work-place learning, mentoring and training opportunities. Reporting obligations will enable us to monitor the contractual training obligations.

People-management includes the development of constructive industrial relations environments, so that down-time due to stoppages are reduced, productivity is enhanced and deadlines are met, but also so that those who work on the nation's construction sites have decent working conditions. Companies and unions will need to invest more in training local, site-based managers and leaders so that problems and grievances are addressed fairly and with speed.

Large projects will need to be accompanied with social plans, so that we avoid large-scale loss of employment at the end of contracts, with devastating impacts on thousands of people. When a large power station is built, it is a collective effort of up to 16 000 people. To ensure social stability and commitment to the completion of the project on target, we need to recognise the real fears of workers and invest in alternate job creation activities, in certifying workers with skills actually acquired during their working period to allow them opportunity to be absorbed in employment elsewhere, and in sequencing infrastructure rollouts where possible, to shift workers between different sites.

A combination of these and other efforts will help to address the insecurity which becomes the fertile grounds for industrial conflict.

Government will shortly launch a Youth Employment Accord that contains a joint commitment by all social partners to promoting the greater absorption of young people in training and employment. This is critical because of the very high levels of youth unemployment. The Accord will be relevant to the construction industry and we are looking to companies in the infrastructure space to warmly and enthusiastically commit to the Accord goals.

Next I wish to reflect on some funding and cost management issues.

Let me start with the blunt assessment: during a number of past infrastructure projects, the state lost billions of rands through large-scale collusion and price-fixing by private sector companies.

The Competition Commission has collected substantial files of evidence to support this assessment. In cases involving many critical projects, companies have come forward to confess and acknowledge their involvement in these unlawful practices. We have received about 400 admissions of collusion by companies in the sector and are now discussing settlement arrangements for this breach of law and improper enrichment at the expense of the public purse.

We have codified the lessons from this and business leaders have endorsed the concept of an Integrity Pact that company CEOs sign to commit to competitive practices in public contracts. Competition is a key means to contain costs.

In order to pay for the large infrastructure projects, we need a cost-effective delivery model. Stamping out collusion and price-fixing is thus but one part of our efforts.

The design of projects is important and fitness for purpose need to be the key objective in design specification. Sometimes “less” will be appropriate and modestly-designed projects are a better legacy we leave to the next generation than an unaffordable build-programme.

We seek to ensure that we plan and build projects that promote low life cycle costs, using standardised designs and delivery where possible.

Our costing model has to be based on full life cycle costs recovered through sustainable funding strategies, which may include a combination of fiscal support and user tariffs as appropriate.

Strengthening project controls and monitoring in government departments and state owned enterprises is vital if we are to contain costs, as is proper planning to reduce the need for costly design changes midstream in a project.

In the area of funding, we are shifting more of the public spending from consumption to investment in infrastructure, whilst also pursuing partnerships in particular with institutional investors, which include the retirement funds.

Institutional investors have traditionally invested in infrastructure through government bonds, State Owned Enterprises papers, municipal bonds or gained indirect exposure through listed companies (e.g. construction companies). We are now working with ASISA, the Association of Saving and Investment in South Africa, whose membership base manages more than R4 trillion in financial assets and are committed to supporting the infrastructure plan.

Finally, I wish to emphasise the need for a strong industrialisation underpinning to the infrastructure build programme.

The argument for using infrastructure to reindustrialise is so compelling and has been made so clearly in the past twelve months, that I wish simply to point to some success stories.

In six cities we are connecting bus, train and taxi transport to provide urban workers with a cheaper and quicker means of travel. Until a few years ago, we imported the buses used from Brazil. Last year, we introduced new tender conditions that require local manufacturing.

Joburg and Cape Town have put these as conditions into their tender documents, requiring that 80% of the bus bodies be made locally. Close to 250 buses will be made in South Africa, creating jobs, empowering our nation.

The Joburg buses will be made at Marco Polo's plant in Gauteng. The chassis will be made at Mercedes Benz in East London. Busmark is setting up a new factory in Cape Town, with IDC support, to manufacture this city's buses there.

Last year the IDC partnered with a local company to complete a contract for the supply, manufacturing and erection of an air-cooled condenser system for Eskom's Kusile power station. The contract value is R2,4 billion. It will use 53 000 tons of steel and create about 750 jobs.

The rail programme is helping to stimulate a local train and locomotive industry. The investment of R160 billion in rolling stock will result in significant localisation of coaches, wagons and locomotive manufacturing. Already, a local company has landed a contract to supply South African manufactured wagons and locomotives to Mozambique.

I have tasked the IDC to set up a localisation unit that is looking at all our infrastructure projects to identify the inputs required, of steel, bricks, cement, wood, the yellow-metal vehicles as well as components and support products. Their task is to identify viable possibilities to stimulate the development of a local capacity, in partnership with the private sector. This is complemented by the changes in regulations last year that allow the state to designate the components and products that need to be purchased locally by all state-owned enterprises.

Conclusion

In conclusion, ladies and gentlemen, we are rolling out the Plan.

We look forward to your feedback as we speed up delivery, and I see value in regular engagements, possibly via the Council for the Built Environment which reports to Minister Nxesi. We will refine and adjust as we go along, learning from experience. Yes, things will sometimes go wrong, as is inherent in a large and bold programme, but we have the will to correct these. We need you as partners, working with us to deliver on time, at quality, within price. We want you to help boost confidence in the Plan and in the economy. It is about laying the basis for our country's future.