

Construction

sector goes BEE

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Government yesterday released details of its agreement with construction companies to promote transformation in the sector, saying black-owned firms and equity owners could experience turnover totalling between R21 billion and R27 billion annually over the next seven years.

The agreement, entered into following seven companies being fined R1.4 billion for collusion, would see them pay an additional R1.5 billion over the next 12 years towards development projects in the industry.

"The companies have paid their first tranche of R117 million rand to the national revenue fund. The next tranche is due in July 2017," said Economic Development Minister Ebrahim Patel.

The firms, Murray & Roberts, Aveng, WBHO, Stefanutti Stocks, Raubex, Group 5 and Basil Read, also committed to raising black ownership and participation in the industry.

Murray & Roberts sold 100% of its construction and infrastructure company to the Southern Palace Group, a black-owned consortium.

"Murray & Roberts will remain in other infrastructure sectors like oil and gas, metals and minerals and power and water sectors," Patel said.

Aveng opted to sell equity. The company is selling 51% equity in Aveng Grinaker-LTA to black investors and black-owned construction companies.

WBHO identified three partners to reach 25% of its turnover in construction and civil engineering in seven years. The companies are Fikile Construction, Motheo Construction, a black women-owned company and Edwin Construction.

In a similar deal, Stefanutti Stocks will partner with two companies – TN Molefe Construction and Axsys Projects – and also aim for these entities to reach 25% of its turnover in seven years.

Raubex is still talking to emerging black-owned companies and would announce its partners soon, while Group 5 and Basil Read have asked for a few months to decide on whether they will sell equity or partner with emerging companies.

"Based on turnover and profit levels in the sector, it is projected that by the end of the several years, black firms and equity owners would have a combined turnover of between R21 billion and R27 billion, and over the seven years as a whole through the phased-in arrangements, have a cumulative turnover estimated to range between R104 billion and R123 billion," Patel said. – ANA

Black firms and equity owners would have a turnover of between R21 billion and R27 billion.

Ebrahim Patel
Economic Development
minister