

Business Report
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Construction sector hit by a wind of change

Roy Cokayne

SOUTH Africa's construction sector will never be the same following the settlement agreement reached between the government and the industry.

Mike Wylie, the chairperson of listed construction and engineering group WBHO, said this yesterday at a financial results presentation, adding the agreement will result in "deep and huge transformation".

In terms of the agreement, the seven listed construction companies would collectively pay R1.5 billion over 12 years into a socio economic development fund.

The second leg of the agreement involves the firms either selling 51 percent of their shareholding to black people or ensuring that within seven years the collective revenue of three black-owned construction company partners amounts to 25 percent of their turnover.

Wylie said Murray & Roberts' South African construction business was now 100 percent black-owned, Aveng was 51 percent black-owned, while Raubex, Stefanutti Stocks and WBHO had taken the partnership route.

He said Group Five and Basil Read were not yet sure what they were going to do. "It really is a fantastic agreement. I think the government is really pleased with what we have done and hopefully it will now lead to a pretty positive phase."

"There has not been all that much government spending in the past and hopefully there has been a bit of build-up of capacity and now that is going to come (through) and we will all be ready as a transformed industry to do that work," Wylie said.

The deal with the government followed the construction companies reaching agreements with the Competition Commission for collusion and bid-rigging and settled outstanding and potential civil claims from state entities.

Four civil claims received by WBHO from the SA National Road Agency have been withdrawn under the settlement reached with the government.

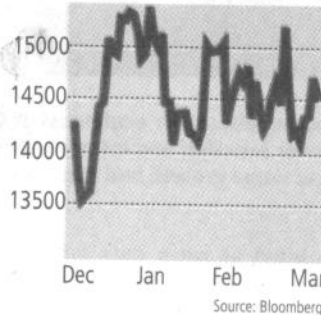
Wylie said the construction

WBHO

Share price, rand

Dec 1 - Mar 1

Close: R146



companies always believed the penalties they had paid previously to the Competition Commission were too high while the government thought they were too low.

Wylie said the transgressions of the Competition Act were around cover pricing, which was a management issue when tenderers did not have the time to put in a tender.

"But that does not lead to price inflation, so we thought the penalty was too high and they thought the penalty was too low," he said.

Louwtjie Nel, the chief executive of WBHO, said there had been very little movement with the referral by the Competition Commission of the World Cup stadiums meeting and the contractual terms of the N17 road tender to the Competition Tribunal and it continued to defend and there had also been very little movement with the civil claim from the Cape Town City Council.

WBHO on Tuesday reported a 38 percent decline in headline earnings a share to 398 cents in the six months to December from 645c in the previous corresponding period.

Adjusting group earnings for the once-off liability from the agreement with the government, WBHO's headline earnings a share increased by 10 percent to 710.1c from 644.7c.

WBHO will contribute R170m over a 12-year period in terms of the settlement with the government.

Shares in WBHO rose 0.17 percent yesterday on the JSE to close at R146.