

**ADDRESS BY THE DEPUTY MINISTER OF PUBLIC WORKS AND INFRASTRUCTURE SIHLE
ZIKALALA DURING THE MASTER BUILDERS SOUTH AFRICA (MBSA), GQEBERHA,
BOARDWALK HOTEL AND CASINO, 06 SEPTEMBER 2024**

Programme Director,

President of Master Builders South Africa, Mr Musa Shangase;

Vice President of Master Builders South Africa, Mr Sam Ngcongco;

Board Members of Master Builders South Africa;

Presidents and Executive Directors of Master Builders Associations & Affiliates

Presidents of Industry Associations;

The Chairperson of the Construction Education & Training Authority (CETA), Mr Thabo Masombuka;

The Chairperson of the Federated Employers Mutual Assurance Company (FEM), Mr John Barow;

The CEO of the Federated Employers Mutual Assurance Company (FEM), Mr Nazeer Hoosen;

The CEO of the National Home Builders Registration Council (NHBRC), Mr Songezo Booi;

The CEO of the Joint Building Contracts Committee (JBCC), Tammy Nyide;

Representatives of State Institutions;

Representatives of Educational Institutes;

Invited Speakers;

Distinguished Guests;

Ladies and Gentlemen;

On behalf of the Department of Public Works and Infrastructure (DPWI), we wish to take the opportunity to pay heartfelt gratitude to the leadership of the Master Builders South Africa (MBSA) for inviting us to participate at this 2024 Annual Congress.

We congratulate the MBSA for reaching the milestone of 120 years and for having been an important player in the building of a new South Africa anchored on the foundational values of non-racialism, non-sexism, equality and inclusive prosperity.

In its long history, this organisation has earned its stripes as the leading national representative body in the building and construction industry in our country.

We applaud the MBSA's role in working with our government to promote high standards as well as contributing to a sustainable building industry in our country.

Member firms of MBSA are experienced contractors who have played a significant role in the infrastructure development in the country.

As government, we will continue to encourage members of the MBSA to have contractor development programmes as part of their CSI to subcontract work to the EME's and QSE's in the construction sector.

We believe that gathered here, are critical stakeholders that are united in unleashing the full economic potential of the construction industry and contribute to growth and job creation.

Held under the theme: **"Building Economic Fortitude: The Crucial Role of Construction In South Africa's Growth and Renewal"**, this Congress will serve to instil hope and confidence in the construction industry.

Your Congress will confront challenges that face industry and agree on a minimum programme that will place construction at the centre of inclusive growth, economic transformation, and national development.

Recognising the challenges that the industry has faced, including constraints in electricity supply, high input costs, high logistics costs, crime, we wish to applaud all contractors and employers in the construction sector for the resilience and resourcefulness that they continue to demonstrate.

Having turned the corner on the crisis of load shedding, we appreciate your fortitude, resilience, and patriotism which did not make you throw the towel as we saw 2023 going through more load-shedding days than any time in our history.

While congestion has since begun to ease at our ports, reports show that the Port Terminals will take until mid-2025 to regain optimum functionality.

Building Economic Fortitude in the construction industry is a recognition that building works continue to be a source of life for millions in our country.

It means learning from our collective experiences, strengthening collaboration between government and the private sector, and working together to ensure that the construction industry lives up to its promise of being the lifeblood of our economy and flywheel for inclusive economic growth and job creation.

Government agrees with MBSA that private-public partnerships are fundamental and key to the success of our the South African economy and construction industry.

Working together, we must ensure that private sector technology and innovation are aligned and combined with public-sector incentives to complete quality construction projects on time and within budget.

As we meet, we wish to assure you of government's commitment of working with all of you to ensure that indeed we turn South Africa into a construction site and make our country attractive for private sector investments.

The South African Economic Reconstruction and Recovery Plan (ERRP) identified infrastructure delivery and maintenance to be key to the growth and transformation of our economy.

Recognising the multiplier effect of construction in stimulating various sectors of the economy, the ERRP is unambiguous that our developmental state is pursuing infrastructure-led economic reconstruction and recovery.

The Plan singled out large-scale infrastructure delivery to be a catalyst in the revival of the construction industry, employment creation, the empowerment of women, the youth, people with disability and military veterans as well as the development of local supplier industries for infrastructure delivery.

To turn the corner and to transform South Africa into a construction site, the Department of Public Works and Infrastructure has been working closely with our agency, Infrastructure South Africa (ISA) to improve the state's technical, project preparation and financial engineering capabilities.

ISA has been mandated to be a single window responsible for coordinating and driving the infrastructure investment programme. To fast-track project delivery, ISA has been seized with project preparation of the Strategic Integrated Projects (SIPs), the development of standard designs for social infrastructure, and clearing of permits.

Ladies and Gentlemen, there is consensus in government on the need to accelerate GDP growth, South Africa needs large-scale private investment.

In this regard, government is working hard to improve the country's fiscal position, complete structural reforms, attract investments and put the economy on a higher, job-creating growth trajectory.

National Treasury reports that in 2023, the **construction sector grew by 2.6 %** in the first three quarters compared with the same period a year earlier, marking a recovery from six years of contraction.

Treasury reveals that growth resulted mainly from increased activity in civil construction, while the building sector remains sluggish due to low demand for new residential buildings and high interest rates.

It predicts that growth in gross fixed-capital formation is expected to continue into 2024, although from a low base.

The South African Construction Industry Report 2022 indicated that the South African construction industry employed well over 1.2 million people in 2021. This was after losing approximately 260,000 jobs in Quarter 3 during 2020 due to the impact of Covid 19.

Statistics South Africa reported in March this year that the South African Construction sector contributed R109.5 billion the GDP in the fourth quarter of 2023.

The industry remains concerned about its sustainability and the rate at which public sector clients are advertising and awarding tenders. The slowdown in construction activity continues to negatively impact the industry value chain and has had a knock-on effect on the employment in the sector which lost 11 000 jobs in the second quarter of 2024 according to StatsSA's latest Quarterly Labour Force Survey.

Despite the economic headwinds, overall sentiment for the industry in the rest of the year remains optimistic. Forecasts in the Afrimat Construction Index as well as Global Data (December 2023) indicated that the construction industry in South Africa is expected to achieve an average annual growth rate (AAGR) of more than 3% from 2024 to 2027. Investments are expected in energy, transport, industrial, and housing projects.

According to a recent report by the Nedbank Group the value of South Africa's planned investment projects increased sharply in the first half of 2024, boosted by sustained electricity supply, easing logistical constraints and slowing inflation. The value of **announced new projects jumped to an annualised R793.7 billion** in the first six months, compared to the R193.2 billion for 2023.

Nedbank believes that the formation of the Government of National Unity (GNU) will contribute to the acceleration of structural reforms and that the GNU is lifting business confidence, prompting companies to resume expansion programmes.

Ladies and Gentlemen, the South African government continues to unblock catalytic infrastructure projects. In March this year, His Excellency President Cyril Ramaphosa unveiled 12 major projects that our entity, Infrastructure South Africa (ISA), is prioritising to attract investments.

The projects have the potential to create major direct and indirect construction opportunities. They include:

- The R2.1-billion liquid natural gas import terminal in KwaZulu-Natal.
- The R38-billion Durban Container Terminal (DCT Pier 1) project in KwaZulu-Natal.
- The R2.2-billion Berth A100 liquid bulk project here in the Eastern Cape.
- The R7.5-billion Ukuvuselela Rail Project between Gauteng (Tshwane) and the Eastern Cape (Gqeberha) which is aimed at assisting car and component manufacturers and exporters.
- A R16-billion project to refurbish health facilities.
- An R8.5-billion school project in Limpopo and KwaZulu-Natal.
- The R30-billion Eskom Mossel Bay gas project.
- The R35.8-billion Eskom Tubatse pumped hydro storage project.
- The R35.8-billion Rooiwal Phase 2 wastewater project in Tshwane.
- The R5.5-billion Amathole Water Bulk Supply augmentation project here in the Eastern Cape.
- The R8.4-billion Nkomazi Special Economic Zone (SEZ) in Mpumalanga.
- The multi-billion Rand Namakwa SEZ in the Northern Cape.

Ladies and Gentlemen, President Cyril Ramaphosa has signed into law the Public Procurement Act (PPA) which looks set to repeal the Preferential Procurement Policy Framework Act (PPPFA).

National Treasury is now engaging relevant stakeholders to initiate the process of developing the regulations that will enable government to initiate the implementation of the PPA. The Policy Unit at DPWI, working with the CIDB, CBE, Agrément South Africa (ASA) and the IDT are working jointly with National Treasury on the regulations that will give effect to the PPA.

We wish to encourage industry associations and experts to partner with National Treasury in this very important task. The consequent implementation of the PPA will bring an end to the uncertainty resulting from the Constitutional Court Judgement of 16 February 2022 on Preferential Procurement Regulations.

The local construction industry continues to attract international companies that are interested in participating in the local market thus making available additional capacity to implement all planned infrastructure projects in the public and private sector. Government will continuously monitor the impact of this capacity on the local market.

Government is marching forward with plans to reindustrialize the country's economy in line with the National Development Plan.

The construction industry imports inputs at a significant cost to local manufacturing and job creation.

A concerted effort by both government and the private sector must be mounted to localize the manufacturing of these inputs for the benefit of our country.

Programmes such as **the Black Industrialist Scheme** are provided as incentives by government to invest in the manufacturing sector whilst ensuring its transformation. We urge the construction to partner with government in transforming the manufacturing sector and the re-industrialization of our economy.

Compatriots, the construction industry must still do more to transform and become inclusive. We need to see more companies owned by black-women and youth.

Thirty years since the dawn of our hard-won democracy, we still are not experiencing a transformation revolution that we all envisioned. The majority of our people remain on the margins of the country's economic activity and are increasingly frustrated by the slow economic growth and the intractable economic exclusion.

The Construction Sector Charter Council's (CSCC) 2021 State of Transformation Report states that in 2010, 16% of companies registered on the CIDB's Grade 9 were more than 51% black owned. This figure increased to 53% in 2021. In the same period, companies in Grades 5 and 6 that were more than 51% black owned moved from 76% to 88%.

The women ownership picture is not at all encouraging. In 2010, only 2% of companies on Grade 9 were more than 51% black women owned. This figure is currently hovering around 19%. As we move forward, policy instruments such as set-asides as contained in the PPA will be utilized to target and empower targeted groupings such as women and youth.

Currently, on the cidb Register of Contractors, on average women ownership is around 27% on Grades 2 to 9. The proportion of women contractors decreases at higher grades.

Latest reports from the CIDB show that Grade 9 Black Ownership is around 50% and around 69% for the Grades 2 to 8 active contractors on the Register of Contractors as at 2024, Quarter 1.

We applaud members of the BMSA that are participating in the the National Contractor Development Programme led by the CIDB. This is an important instrument in supporting contractor development and transformation within the construction sector.

The cidb B. U.I.L.D Programme is also key in supporting the empowerment of designated groups, including women.

The Construction Management Systems training has been targeted at women contractors. It aligns with cidb plans to include contractor capability and performance standards as part of the registration criteria of the Register of Contractors.

About 160 women companies were supported in the year ending March 2024 across Grades 5 and up.

The cidb has extended the rollout of the B.U.I.L.D Programme to include Assessment of Prior Learning (APL) and the Centres of Excellence at UJ and Wits.

The APLs are expected to support no less than 600 contractors in Grades 1 to 6 across all provinces. The areas covered include: Contract and Tendering Compliance, Business Management, Financial Management, and Resources Management.

The APLs are being followed by focused training support including mentorship and collaboration with industry experts.

The Department is in the process of finalizing its financial support package to the CSCC, including the approval of the Sustainable Self-Funding Model.

Going forward, the CSCC is expected to play a significant role in the implementation and monitoring of transformation in the industry. The CSCC will be expected to compile and release the industry's State of Transformation Report and other complementary studies on an annual basis. This will provide industry stakeholders with up-to-date information about transformation and empowerment in the industry.

The CSCC will soon begin the process of renegotiating the new targets as the current targets come to an end this year. We therefore implore industry players, and the Master Builders South Africa leadership in particular, to play an active and supportive role in this process.

We wish to encourage all members of the Master Builders South Africa to work with our Department and the CSSS to fight corruption, including, collusion practices and the fronting.

Ladies and Gentlemen, DPWI is currently processing a Draft Construction Industry Development Board Bill with the objective to professionalise the construction industry and improve opportunities for all stakeholders in the construction sector. We encourage members of the MBSA to participate in the

provincial stakeholder engagements taking place. Some of the proposals in the Amendments are about the:

- Register of Contractors
- Register of Professional Service Providers
- Register of Projects

It has been proposed that the National Register of contractors should be extended to the private sector in a manner that facilitates private and public sector procurement and promotes contractor development. If the Bill goes through, private sector employers will be expected to procure construction works from a register of contractors.

Similar to the Register of Professional Service Providers (PSPs) is to establish, a best practice recognition scheme which will enable organs of state and the private sector to procure professional services only from the PSP registered with CIDB.

The register of projects seeks help gather information on the nature, value and distribution of projects and to make it possible to monitor infrastructure and provide the basis for the best practice project assessment during the implementation phase of the projects.

In this regard, we also wish to thank the many organisations and individuals that have given written input to the Department on the Draft CIDB Amendment Bill.

Compatriots, the industry and government carry an important task of ensuring high **safety** standard in the construction industry.

During the month of May 2024, South Africa had the worse construction site accidents in recent history

- 06 May 2024 – George Building Collapse which resulted in 34 fatalities
- 18 May 2024 – Ballito Construction Site accident which resulted in 4 fatalities
- 10 May 2024 – Engcobo shop collapse had no less than 5 fatalities. Engcobo was not an active construction site, but preliminary investigation found the building was modified without following the Municipal By-Laws and National Building Regulations.

These incidents put a black eye in the Construction Industry which for many years has been the driver of economic growth due to its ability to absorb low skilled workers and contribute to GDP growth.

It is a non-negotiable that the construction industry should comply with all the laws that will make the construction industry to flourish.

Contractors are expected by law to Register with Department of Labour and Employment for:

- Compensation for Occupational Injuries and Diseases Act (COIDA).
- Unemployment Insurance Fund (UIF).
- Follow the Labour Relations Act and the Basic Conditions of Employment Act when employing labour on short-term.

- Occupational Health and Safety Act and the Construction Regulations of 2014.
- Labour have medical certificate of fitness.
- The developer has obtained the Construction Work Permit / Notification of Construction Works.
- All Section 37 (2) OHS Mandatory Appointment are in place.

Contractors should also be pro-active in identifying any risk in the project as they may take joint liability with their Employer and Professional team in terms of the National Building Regulation and Building Standard Act 103 of 1977.

In the light of the accidents and the proliferation of unqualified individuals in the construction sector, the Department is currently consulting on the possibility of establishing the Office of the **Engineer-General of South Africa (EGSA)**.

Ladies and Gentlemen, we are called to stand together to fight organised crime, including extortion, which has given a bad image for the South African construction sector.

While supporting economic transformation, fighting the exploitation that characterises subcontracting, and eliminating late payments, we must equally be steadfast that we cannot allow an important sector like construction to be captured by dangerous criminals who do not hesitate to take lives to get what they want.

As the Department, we will continue to work with stakeholders to support community facilitation and to prevent disruptions at sites.

Equally, we must rally behind law enforcement and protect whistle blowers who risk their lives reporting these crimes.

It is a terrible setback that the country's efforts to empower communities where construction projects are being implemented continue to be frustrated by the unlawful activities of some local business forums that have been taken over by criminal gangs parading as local community beneficiaries that extort construction companies using sheer intimidation and violence.

The activities of these criminal gangs serve to undermine development, investment in infrastructure and service delivery to our communities. Sadly, their activities, especially in this province, have now spilled over to other business sectors such as retail stores, hair salons, spaza shops, bottle stores, garages, professional services such as doctors etc.

These criminals are now emboldened to the level of robbing church-goers inside church premises and engaging in morally abhorred activities such as demanding funeral insurance payouts from grieving families.

Allegations that there are police who also turn a blind eye on these criminal activities for fear of their lives or are being bribed are worrying.

No stone must be left unturned in rooting out corrupt elements within law enforcement and among state officials in various government departments.

In addition to existing efforts to eliminate criminality in the construction sector, we call on the construction sector to support the call by DPWI Minister Dean Macpherson to convene an urgent meeting with provincial MECs and Ministers in the Law Enforcement cluster to develop a decisive response to organized crime in the construction sector.

Once again, we wish you a successful annual conference and assure you of our support as you engage on ways to build economic fortitude for the all-important construction sector which cannot under our watch.

I thank you!