

**Deputy Minister of Public Works  
Ms BM Nzimande  
23 June 2000**

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## **Breakfast Meeting: Building Materials Suppliers of South Africa**

Chairperson of the Building Materials Suppliers of South Africa, Mr Ralph Patmore, who is also the Chief Executive of ILIAD (a big distribution chain)  
Chairperson of Agreement, Mr Carl Schlotfeldt  
Manager of Agreement, Mr Theuns Knoetze  
Board members of Agreement (at least Caswell Mthombeni and Carrie Petrie (she is also the Executive Director of BMSSA) are present)  
All members of the Building Materials Suppliers of South Africa Association  
Distinguished guests, ladies and gentlemen, ...

I welcome the opportunity we have this morning to interact on such an important matter of acknowledging, stimulating and developing potential growth in the supply side to the construction industry.

Let us share some thoughts on the potential role of the materials supply industry in our ongoing endeavour to accelerate and improve the delivery of basic infrastructure to meet the needs of ordinary South Africans, to realise socio-economic goals and transformation.

Minister Stella Sigcau has stated on numerous occasions that the construction industry is a national asset in South Africa's development agenda. Its strategically developed infrastructure owes much to the existence of a strong materials production and supply sector which is technologically advanced and which provides much needed employment and dignity to thousands of people.

You are all therefore critical partners in the transformation and development process. Without your full support and cooperation, the successful transformation and development of our industry will be diminished. Together with the Department of Public Works, you can unlock the delivery potential of the industry.

It is essential that we understand that in the complex project environment of construction endeavor, the industry's development is an issue much broader than technology alone. Amongst other things, it is bound up with the need to transform industry relations, relations between clients and contractors, contractors and the professions, subcontractors, workers and, indeed, materials suppliers and financiers. A question that is currently occupying us, and one which I invite you to consider with us, is how we can enhance the role of the materials supply sector in this complex endeavour? And how can we do so in a manner that contributes to our vision of growth, development, transformation and delivery?

Please allow me this opportunity to thank BMSSA for its active participation in the structured process of consultation led by the Inter-ministerial Task Team on Construction Industry Development. This process has refined Government thinking, resulting in a common vision now captured in the White Paper **"Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry"**. The White Paper sets out a comprehensive and integrated strategy for the all-round development of the construction industry, and its contribution to economic growth.

Building on the vision and strategy contained in the White Paper, all stakeholders, including BMSSA, have contributed substantially to draft legislation that will establish a Construction Industry Development Board (CIDB) to drive this strategy into the future.

The core elements of this strategy to unlock industry potential and to promote enhanced and accelerated delivery are:

- Reduced demand volatility and greater industry stability, as the basis for
- Sustainable job creation and human resource development,
  
- Improved performance and value for money;
- Growth and the emerging sector,
- Improved public sector delivery management, and
- National, regional and global competitiveness.

Parliament should soon consider this legislation and the CIDB should be up and running by the end of this year, providing a focal point for the implementation of reform and improvement. I have no doubt that a number of the initiatives of the CIDB, including the establishment of a Register of Contractors and a Register of Projects, will create an enabling environment for the materials supply sector to contribute positively towards growth and transformation objectives.

One of the areas of industry concern that we are already addressing is the problem of delayed public sector payments, which are crippling both emerging and established contractors and are no doubt impacting negatively on materials suppliers. We have initiated a systematic approach involving provincial Public Works Departments and the Department of State Expenditure to find workable solutions to the underlying problems causing delayed payment and we should be able to report on progress within the next few months.

Ladies and gentlemen,

Much of our engagement on policy has focused on issues of broad concern to the industry as a whole. There are many challenges that need the active attention and input of the materials supply sector itself - and I invite you to share your experience and wisdom in helping to address these in partnership with Government.

Building materials constitute the most significant cost of virtually any construction project, and amongst the challenges that we face is the mismatch between demand and affordability, between delivery and accessibility.

The backlog of demand for basic infrastructure is immense in both the overcrowded urban environment as well as in the underdeveloped rural areas. Affordability is a challenge that requires innovative solutions, not merely to the cost of materials but to the nature and cost of the delivery process itself. It is my view that the materials supply sector has a role to play in finding innovative solutions that contribute to reduced cost and to the accessibility of materials, particularly in the rural areas. This is a challenge that we would like to address in partnership with you.

As I said, transformation remains a key challenge. It is a fact that the materials supply sector is characterised by a racially skewed ownership profile. Many opportunities exist to address this inherited anomaly in a manner that is businesslike and that provides a win-win outcome for both established and emerging role players.

We are determined to promote transformation in this arena and I have initiated a process to stimulate the growth of emerging black suppliers with a particular focus on women. Initial meetings with both emerging and established role players have revealed that a number of efforts have already been made by your members to establish meaningful and businesslike partnerships with emerging enterprises. Our efforts will seek to build on this experience and I am of the view that jointly we can achieve more rapid progress; that we have the potential to develop a network that addresses rural accessibility to building materials and simultaneously strengthens the economic viability of the rural areas.

Through the Community Based Public Works Programme (CBPWP) the Department of Public Works is well placed to support cooperation between the established sector, emerging suppliers and rural outlets. This is a challenge that can only be achieved in partnership and I invite you to enter into dialogue with the Department to define a programmatic response to this challenge.

Ladies and gentlemen,

Materials suppliers and plant hire companies have yet to come up with a definitive response to a core problem facing emerging contractors. I am referring to favourable terms of credit. It is our perception that not enough is being done by established materials suppliers to demonstrate a commitment to the development of emerging contractors as independent, responsible and valued clients.

In the context of national transformation, the Department of Public Works, on behalf of Government, is developing a range of programmes aimed at the growth and development of this sector. Affirmative procurement policy has opened up work opportunities to previously disadvantaged contractors, thus providing a platform for the sector's growth.

The Department's Emerging Contractor Development Programme (ECDP) seeks to consolidate this growth potential by addressing key entry and advancement barriers such as access to finance, credit, management training and information. We have scored significant successes in areas such as entrepreneurial training, and are poised to implement a mentoring programme to promote the viability of emerging contractors on selected

larger projects.

We have yet to make a break through in the arena of finance and credit and I invite you to explore cooperation with us to support the sustainable growth and the promotion of previously disadvantaged contractors into the mainstream of the construction economy. Cession of payment is not a sustainable, nor an empowering response to this matter and complaints suggest that it is being abused - for example at a housing project in Alexander where women contractors have received short deliveries and are powerless to address the problem. I believe we can find more appropriate solutions to the problems of risk that are inherent in construction projects.

In conclusion, I would like once again to thank BMSSA for this opportunity for us to interact. I hope that this interaction will contribute to the dialogue already initiated by the Department and will strengthen mutual cooperation towards positive change - towards growth, development and transformation of the construction industry in a manner that promotes opportunity and benefits to both the emerging and established sectors of the industry.

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