

**THE DEPUTY MINISTER OF PUBLIC WORKS, MR  
NTOPILE KGANYAGO, MP, DELIVERS A KEYNOTE  
ADDRESS AT THE EASTERN CAPE CONSTRUCTION  
CONFERENCE**

**DATE:           27 SEPTEMBER 2006**

**VENUE:         EAST LONDON, EASTERN CAPE.**

- **The MEC for Public Works, Mr Christiaan Martins**
- **Members of the Provincial Legislature**
- **Senior Government Officials**
- **Our Partners from the Private Sector**
- **Representatives from various Construction and Building Federations.**
- **Distinguished Guests**
- **Ladies & Gentlemen**

It is an honour to stand in front of this conference and make a contribution towards the deliberations and other significant resolutions that will surely flow from this association.

As a developing country, South Africa continues to grapple with misery indices such as unemployment, poverty, illiteracy and underdevelopment. This situation stands in direct

contrast to the prosperity and other gains that the country has been recording since 1994. Initiatives such as ASGISA (Accelerated Share Growth Initiative of South Africa) reflect the Government's concern with jobless economic growth and are intended to mobilize all sectors of the South African society in working together to create wealth that will benefit all South Africans.

At a glance, the construction industry as part of the built environment faces major challenges calculated to address problems of poverty and underdevelopment. Chief among these is the provision of infrastructure. Proper houses with sanitation, water and electricity as well as decent roads will fulfill a basic need to provide housing and accommodation while facilitating access to the community. These will need to be supplemented with essential public infrastructure in the form of schools, police stations, hospitals and clinics to create a well-resourced community. Since the awarding of the 2010 World Cup Soccer Tournament to South Africa, the construction of sporting facilities and concomitant hospitality industry infrastructure has become a special priority. Our focus as a sector is to build a requisite capacity to expedite

the delivery of the above using sound business principles to ensure that we do not compromise on quality.

The effort will require a major reorganization of the construction industry. The process to realign the construction industry behind the reconstruction and development goals of the nation began in earnest with the White Paper in the late 1990's to "create an enabling environment for reconstruction, growth and development in the construction industry". Major's milestones have been achieved and significant institutions put into place to drive the industry's transformation and development agenda. The Construction Industry Development Board and the Council for the Built Environment are classical examples.

As part of its delivery trail the CIDB is expected to deliver on the following objectives, among others:

- I. To promote the contribution of the construction industry in meeting national construction demand while advancing national, social, and economic development objectives and improved value to clients,
- II. To improve industry stability, performance, efficiency, effectiveness and public sector delivery management.

The growth and development of the emerging sector was also specifically highlighted in the CIDB legislation.

Challenges notwithstanding, the recent roll-out of Registers for Contractors and Projects is an important intervention. As a department, we believe that the Registers bring with them benefits for both contractors and clients, not least of which is risk management. However, the prevalence of the Registers does not relieve clients of the responsibility to continuously seek strategic interventions to ensure the accelerated growth of emerging contractors into big time contractors. The Public Works Contractor Incubator Programme is a fitting example.

As a Department we learnt hard lessons through experimenting with earlier versions of Contractor Incubation. This should not however, be the reason to be deterred. If anything, the 1998/99 Strategic Project Initiative of the Department taught us a lesson about the dangers of “over-feeding” where instead of fattening the gold fish, many were killed. As it turned out, many of our emerging sector were awarded projects too way out of their capability and the results were artificial joint ventures characterized by fronting, project delivery delays, liquidations, contractors and client

dissatisfactions which led to strained relationships. Our Registers should avoid the repeat.

Despite these harsh experiences, others proved to be resilient and many a project were competitively delivered by these small contractors. The late Minister of Public Works went to inspect a R24 million project undertaken under the Strategic Project Initiative by a small contractor here in the Eastern Cape and the results were awe-inspiring. This project was not only magnificent to behold but despite earlier snags caused by lack of access to finance, the contractor managed to finish the project ahead of schedule. This is the potential we hope to build upon with our Contractor Incubator Programme.

Such success stories tell us that concepts such as the Registers need to be read and understood in conjunction with the transformation language found in the Transformation Charter. Among others, the provisions of the Charter seek to strengthen the weak without weakening the strong. Therefore there is a room for joint-ventures and other strategic collaborations that will ensure that the sector and the country achieve goals of transformation through

exercise of ownership, control and employment equity that is reflective of the society and its demographics.

Central to the improved capacity of the industry to deliver, is the question of skills. For the emerging contractors, the flair for technical skills needs to be matched by equal flair for business management skills including budgeting, business planning, cash-flow management, financial management and bookkeeping. The cardinal rule of business is survival, growth is secondary and many of our emerging contractors would be well advised to avoid pitfalls associated with trying to grow too big too soon, thereby exposing themselves to any fluctuations in the industry, no matter how minor. Financial institutions should be accentuating their role in this area, ensuring that the number of ventures that die prematurely are kept to the minimum.

The next two days are imperative. Let us discuss and debate issues openly and frankly, always showing willingness to acknowledge our deficiencies. From government side, much effort will be made to create an environment which will render any suggestions or recommendations valuable as we forge ahead. The

challenges of service delivery cannot be camouflaged, wished away or denied. True leadership dictates of us to own up, recommit and continue to seek best solutions to our problems. Again I wish you a successful conference.

THANK YOU.