

Construction Sector Charter Council
CSCC Strategy Planning and Council Session

Protea Hotel, Midrand

10h30, 12 July 2018

***“The Transformation of the Construction and
Built Environment”***

Keynote Input:

TW Nxesi MP, Minister of Public Works

PROTOCOL:

- Programme Director
- Chair and members of the Construction Sector Charter Council, and the CEO
- Representatives of the private sector and government
- Ladies and gentlemen

Thank you for inviting me to participate in this important occasion – important for at least two reasons:

- Your work is central to the transformation of the Built Environment, and
- Secondly, transformation is central to the programme of government under the leadership of President Cyril Ramaphosa – as clearly stated in the State of the Nation Address and the Budget speech.

And a request. I am not able to attend all your sessions – but I would appreciate it if you could send copies of all the papers and presentations to my office – and a set for the Policy Branch led by Ms Rabada (*she has promised to attend to give any technical support, along with Batho of Construction Projects.*)

On a lighter note, some of you will remember that when I was Minister of Public Works previously, I used to say: Ministers come and go. That is why it is so important to anchor programmes and capacity in the actual

Department rather than the Ministry. I have since had to revise that mantra: Yes, ministers come and go.....but sometimes they come back again.

Jokes aside, let me first engage with the Charter Council on the communications I have received from you:

- First, congratulations on the successful consultations and gazetting of the Amended Construction Sector Codes.
- And thank you for providing ample notice of the new BBBEE reporting requirements for Public Works entities – and you mention related ‘infrastructure departments’. I believe it is important that we engage as soon as possible – after the annual departmental audit for the last year is completed – particularly meeting with our Finance and M&E departments – to clarify requirements and put in place the necessary templates and reporting mechanisms – as well as to workshop line functions and entities – who have to

provide the actual information. Please contact the DG to make the necessary arrangements.

- The subtle reference to funding in your communication has not gone unnoticed. I believe that the present situation is that Public Works has been providing some funding (R3.5 million per annum) for the last three years based on a Memorandum of Understanding – which expires shortly. I am told by our Policy Branch that the MoU is currently being reviewed – so I suggest that that process is fast-tracked.
- Let me also mention that our auditors want to see a quid pro quo for any monies expended by the Department. Now I am fully aware that the major output of the Charter Council is the Charter itself and its codes – as well as monitoring of these – which is critical to the transformation agenda. But let me also propose a much closer engagement between the Council and the Department to develop a departmental Construction Empowerment Policy – of course based on the Charter. This was a model which

worked very well with the Property Sector Charter Council resulting in the signing off of a Public Works Property Management Empowerment Policy in January of this year. I give full credit to the CEO (Ms Portia Tau-Sekati) of the Property Charter Council for facilitating this process.

- We will explore funding possibilities – but a word of caution – all government departments have experienced budget cuts across the three years of the MTEF. So the situation calls for new thinking from all of us – about how we become more effective with the resources that we have.

Public Works and the Transformation Agenda

I want to turn now to the work we are doing in Public works in relation to the transformation agenda. First, on the procurement front:

- To ensure construction contractors are awarded sufficient contracts/work opportunities so that they are able to improve their CIDB contractor grades, the

department has set aside 75% of its total tenders to be awarded to designated groups as per the Preferential Procurement Regulations of 2017.

- The department has further decreed that all contracts with a value greater than R30 million will be subjected to mandatory sub-contracting to advance the designated groups.
- The department has also engaged with legal services and will now also be able to pass over the “highest scoring bidder” if that bidder already has a number of contracts from the department. This is to ensure a fairer distribution of resources amongst contractors.
- The department is currently establishing “panels of professional service providers (PSP’s)” for each professional discipline in each Province. This will facilitate speedier appointments and bring about cost savings as only PSPs from that particular Province will be invited to quote.

- I should also mention that the department has also taken a hard stance on poorly performing contractors that tarnish the image of the industry and has established its Restriction Committee that will restrict service providers from doing business with government if they breach contract conditions or are involved in any fraudulent or corrupt acts.

Colleagues, I feel very strongly about this. We must put an end – once and for all – to this notion that BBEE means free hand-outs and lowering standards. No: it means levelling the playing fields and providing opportunities to people who were previously excluded. But, from the side of government, it also means providing a service – completing work on time, to budget and according to the specs.

I gave exactly the same message to our landlords when we met with them 6 weeks ago: I said Public Works was willing to negotiate long leases – on the basis of the proportion of black ownership, management and control. But this goes hand in hand

with agreeing market-related rates and providing a quality service and accommodation to clients.

Let me make another point – that as Public Works we need to work closely with the Charter Councils because we have similar mandates to transform the Built Environment. You go back to the Public Works White Papers of 1997 and 1999 – you will see the transformation agenda is at the centre of the Department’s mandate – and yet our achievements have been limited. I trust that with the new procurement policies and the amended codes, this will pick up the pace of change.

Also, remember that a number of entities report to Public Works – principally cidb (Construction Industry Development Board) and CBE (Council for the Built Environment) – which were established both to enhance the performance of the sector as a whole and to promote empowerment and transformation so that the sector better reflects the demographics of the country –

at every level: ownership, contractors, professionals, managers etc.

These entities in turn have developed a number of policy guidelines and tools to enhance and transform the sector. These include:

From the side of CBE:

- The Recognition of Prior Learning Framework
- Continuing Professional Development Policy Framework
- Tribunal and Appeals Policy Framework
- Professional Registration Policy Framework, and
- The Competence Testing of Registered Persons Policy Framework.

From the side of the cidb, these instruments include:

- The National Contractor Development Framework
- Guidelines for Contractor Development Programmes
- Procurement Strategies for Contractor Development

- Infrastructure Delivery Management Systems (IDMS)
 - jointly with National Treasury – which is proving vital to integrating the operations of Public Works across the value chain
- National Infrastructure Maintenance Strategy (NIMS)
 - which provides maintenance guidelines, norms and standards across the public sector
- Guidelines for Labour Intensive Construction Methods
 - which is about effective and cost-effective job creation, and
- Standards for Performance Improvement.

Let me also mention that the Policy Branch of Public Works, this year, is conducting a thorough-going review of the earlier White Papers to refresh and clarify the mandate of Public Works – including the wider public works family in the provinces - and the entities. I trust that they will engage with the Charter Councils as part of this process.

Already the Policy Branch has identified a number of challenges which need to be addressed, including the following:

- Lack of vertical progression of emerging and predominantly black owned enterprises in the construction sector due to what are structural challenges.
- Slow throughput of producing graduates and built environment professionals from designated groups, and
- Lack of opportunities outside of the public sector for emerging contractors to apply their skills and enhanced capacity.

I will briefly mention some of the programmes of Public Works which bear on transformation, starting with the EPWP (Expanded Public Works Programme) which has contributed towards the transformation of the

Construction Industry through two major programmes namely:

- *The EPWP Vuk'uphile Learnership Programme* - where contractors and supervisors are trained in labour-intensive methods at National Qualification Framework (NQF) level 4 to improve their capacity to implement EPWP projects. More than 1,800 learners including 800 Contractors have been trained on the programme. Currently 340 Contractors are being trained. More than 500 Contractors have exited the programme at minimum of CIDB level 3. Some Contractors who exited the programme are at CIDB level 7 and have been active for more than 10 years. The Contractors and supervisors trained on this programme are all from previously disadvantaged backgrounds.
- The EPWP National Youth Service Programme - aims at training youth in artisan trades in the built environment. The youth are training for a period of one year that consists of both theoretical and practical training. The programme has been implemented by

both the National and Provincial Departments of Public Works. More than 27,000 youth have been trained on the programme. In the current financial year, more than 7,500 youth are participating.

I believe that such programmes could be expanded in partnership with the broader Construction Industry players. Maybe the Charter Council can assist us in this as they remind companies of their training and development obligations.

This brings me to the input I received from the DDG: Construction Project Management (*Mr Batho Mokhothu-who should be present with you.*):

- First he adds his voice to the plea for a DPW Construction Transformation Policy and plans aligned to the Construction Charter and NDP with quantitative milestones for the next 5 to 20 years. So the plea is for closer engagement and some guidance from the Charter Council.

- He continues: in 2017/18 the Contractor Development Programme is targeting 27 Emerging Contractors for each of the 11 Regional Offices (Total 297) from CIDB Grading 1 to 6, targeting women, youth and people with disabilities. This cohort will cater for contractors from rural areas. Contractors will be allocated projects within their communities where PMTE (Property Management Trading Entity – under DPW) will be constructing or maintaining infrastructure.
- A Contractor Development Pipeline Strategy will form part of the transformation strategy and it will focus on the next 5 year strategic plan to support the roll-out of developing black Contractors in CIDB grading 1 to 6, CIDB grading 7 to 8 and CIBD grading 8 to 9.

Allow me also to mention some of the recent initiatives in the Department, designed to address some of the imbalances of the past:

- The Department has established the Women Empowerment Advisory Council which is made up of

women organisations in Construction, Property as well as Built Environment Professionals.

- The DPW Disability Advisory Council consists of Disability Organisations who engage the department on issues of transformation and empowerment opportunities. Let me flag this. Across the sector we are consistently under-performing in terms of ensuring the representation of people with disabilities. I don't think we can say are we transformed if this group is left behind.
- The Department of Public Works is strengthening the institutional arrangement for Transformation within the department whereby all branches have to reflect in their APPs (Annual Performance Plans) and operational plans targets for transformation – which targets will be subject to quarterly monitoring and evaluation to ensure accountability.

Concluding remarks: political environment

I want to conclude by saying a few words about where I am coming from, the new political environment and the mandate for Public Works:

- First we have a leader – in President Ramaphosa – committed to fighting state capture and corruption – which is a big problem for all of us both in Public Works, Construction and in the Built Environment generally. So we will need to cooperate on this.
- The President is also committed to raising investment with the intention of stimulating the economy – which is good news for Business in general – but of course it will not happen overnight. After all, state capture did not happen overnight.
- The President is also committed to strengthening the functioning of state structures with a view to improving service delivery. From the side of Public Works, the message is very specific: to leverage state immovable assets to stimulate economic activity, jobs, skills and empowerment. And that means a central role for the PMTE (Property Management Trading Entity) – and

also opportunities for black business in terms of leasing-in, letting-out, facilities management and construction. I need to mention that we have already identified R7.5 billion in unutilised state land and properties which we will be marketing in the coming months culminating in a State Property Investment Conference.

But the President has also made it clear that it cannot be a return to business as usual – and that new investment must lead to real transformation, empowerment, job creation and fighting poverty and inequality.

I look forward to working with the Construction Sector Charter Council as we seek to achieve these goals – and transform the sector in the interests of all our people – to borrow from the British Labour Party – “In the interests of the many, not the few.”

Thank you.