

Keynote Address by the Minister of Public Works, Ms THOKO DIDIZA, MP, To The Construction Industry Stakeholder Forum 2008

DATE: 12 September 2008

VENUE: Birchwood Hotel, Boksburg, GAUTENG

- Programme Director and Chairperson of cidb Board, Professor Nkado
- Deputy Minister, Ntate Kganyago
- MECs of Public Works from various provinces
- Members of the Construction Industry Development Board and its Executive
- Director General of the Department of Public Works
- CEO's of Public Entities
- Senior Managers of the Department
- Leaders of the Construction Industry and its Stakeholders
- Distinguished Guests
- Ladies and Gentlemen

1. INTRODUCTION

We are meeting here today as various stakeholders representing different segments of the South African construction industry. We are assembled here today as public and private sector employers, labour, established and emerging contractors, materials suppliers, clients and financiers, BE professionals and trainers.

I would like to thank the cidb for organizing this successful meeting of industry players once again this year. I also wish to thank all of you for taking time out of your busy

schedules to contribute to the development of this industry. I am sure those that could not join us have a very good reason, like they are busy building the 2010 stadia, related roads infrastructure and other good reasons why they could not be here with us.

2. CONTEXT OF OUR INDUSTRY

Various economists and commentators on the construction sector have been telling us that this industry is in a boom. Others have been cautious and have started talking about a recession. Whatever the position, we need to understand that Government is still committed to a massive infrastructure programme to address economic growth, social development and transformation of the built environment.

Total investment in construction increased by 17% year on year in the second quarter of 2008. The contribution of construction investment as a percentage of GDP increased from 7.7% in the 2nd quarter of 2007 to 8.6% in the second quarter of 2008.

While these and other statistics are exciting, there are challenges, new and old, that we still have to grapple with. The one challenge that we have been talking about for quite some time now is the skills shortage in the built environment. The Department, together with the entities CIDB and CBE, has developed the national skills strategy that will guide us in improving what some have called the skills crisis in the industry. Our approach is to deal with skills holistically from secondary school through to tertiary training, and professional registration and continuous professional development for those who have qualified in theoretical training.

We also identified a need to import skilled professionals from Cuba early this year and in the middle of this year. These Cuban professional professionals have been deployed in our provinces and the IDT to fill the positions where we experience a dire need for such professionals. Again this is a deliberate intervention to, in the short term, deal with our immediate needs while giving an opportunity to those young engineers who still need to be mentored until they are professionally registered.

We should note that the issue of skills shortage affects all segments of the construction sector - emerging and established contractors, public and private sector clients, policy developers, construction project managers and other critical areas. Our contractor development programmes will not succeed if we do not have skilled personnel in the form of professional engineers, architects, quantity surveyors, project managers and artisans. We should therefore look at skills development in its broadest sense. Also, the issue of skills shortage requires our combined effort and it is one of the topics to be dealt with later in the breakaway group discussions. I hope concrete proposals will come out of that.

We also have experienced price increases on projects due to material price increases and salary increases for skilled personnel over the last year. These price escalations are serious as they impact on the number of projects we may deliver as government. You may have seen reports in variation orders for construction projects in the press recently and this is a sign that our projected spend on infrastructure is continuously being adjusted, putting a strain on previous budgets. We need to explore how to deal with price escalation in the main building material like cement, timber steel and glass. Any imported special materials add to this strain due to the price of fuel and the fluctuating value of the Rand.

The power generation capacity in the country has, over the last 10 months or so, had a direct negative impact on infrastructure development. New projects have slowed down as Eskom could not guarantee electricity supply to these new ventures, there is a threat that many jobs opportunities will be lost as a result of the lack of power. While the numbers are not definite at this stage, it is projected that the multiplier effect of lack of energy to support the booming construction sector will turn away investors and it will take long to turn the situation around. Indications at this stage are that we are still moving forward with positive growth.

3. CIDB AND PROGRESS TO DATE

Ladies and gentlemen,

The CIDB has been working tirelessly to deliver on its mandate. Since the last Stakeholder Forum in 2007, much work has been done. When we met last year in June we were in the process of amending the regulations. It was a huge task as the Register of Contractors had grown exponentially to over 30 000 and had led to a backlog which was cleared in March 2007. The total registrations in the Register of Contractors now stand at about 80 000.

With effect from January 2008, the Grade 1 registration has been improved to an over the counter registration with a 48 hour activation on the register. This is an effective reduction from 21 working days to only 2. There are many associated benefits to these contractors. Grade 1 contractors, for instance, now pay R450 once on registration for the duration of the 3 year registration and do not have to pay for annual updates, saving more than R800 in annual fees. We have also done away with the cidb certificate at this level. The same is planned for Grades 2 to 9 where various improvements are being introduced and the certificate will be removed when the regulation amendments are gazette later this year. Clients do not have to require a cidb certificate when calling for tenders from contractors. They only need to check on the cidb website to confirm the status of a contractor's registration.

It is interesting to note that more than 4 000 registration upgrades have been processed to date and that 88% of these are from black-owned enterprises. The province with the most registrations is KwaZulu-Natal, which has more than 17 000 active registrations.

As promised last year, we have opened provincial Construction Contact Centres (CCC's) in KwaZulu-Natal, Western and Eastern Cape, Gauteng and Free State. These offices have been planned to provide improved access to registration service, business to business linkages and other value added services to contractors and other stakeholders. The CCC's have been welcomed by contractors in these provinces and, together with the simplified registration process for Grade 1 contractors, these offices

have made a huge improvement in the turnaround times of applications for registration. Similar offices will be opened in due course in Mpumalanga, Limpopo, North West and Northern Cape.

In last year's Stakeholder Forum we reported that the CIDB had undergone an Independent 5-year Review between January and February 2007 but the report was not handed over to the Ministry. The report was ultimately handed over in December 2007 when the Chairperson, who is based in Singapore, and my office could settle on a date at the end of the year. This report has recommended specific actions and forms a critical part of guiding the CIDB in executing its work. The 5-year review report acknowledges the good work that the CIDB has accomplished over the first 5 years in implementing its legislated mandate.

Skills development has become more critical to industry performance as we are subjected to pressure for delivery. Issues such as quality, safety and health have been raised by the media and the industry alike as disturbing statistics of poor compliance get published. We therefore need to address skills development in our efforts to deal with contractor development and performance improvement. The CIDB has already started working in this area. You are required to provide support by sharing your views during the breakaway discussions on this topic.

We launched the National Infrastructure Maintenance Strategy (NIMS) in May this year. We hope that this will go a long way in supporting the structural integrity of our infrastructure and our emerging contractor development.

All these initiatives are intended to help improve the performance of the construction industry.

I wish to applaud the successful appointment of the new Board in December 2007.

I have confidence that the new Board will build on the work that has been done previously and continue to provide the leadership required to deal with this dynamic and growing industry.

4. STAKEHOLDERS SUPPORT AND CONCLUSION

This is the second and last Stakeholder Forum with the 2007/08 Stakeholder Forum membership. We will be issuing a request for nominations for a new Stakeholder Forum to serve for 2009/10. The Stakeholder Forum is an important liaison and partnership with the CIDB. We therefore request that you consider the nomination of your segment representatives to ensure strategic support to the CIDB and your segments.

The CIDB cannot operate in a vacuum. The Stakeholder Forum plays a critical role in advising the Board and me on how you see the industry performing, what you feel we should be prioritizing, and various other matters of strategic importance. It is therefore an opportunity to exchange our experiences and to develop a shared perspective to develop and transform this industry.

Government believes that the CIDB is a strategic investment that adds value to the growth of the economy and our “new” democracy. That is why we have continued to support its expansion and bring its services closer to the people.

I thank you.