

Keynote Address by Minister Thoko Didiza at the Opening Day of the Gauteng Youth in Construction

The need for Skills in Construction and the role of construction in the economy of South Africa

Date: 09 September 2008

Venue: Sci-Bono Innovation Centre, Newtown, Johannesburg

Programme Director

CEOs present here

Representatives of our sponsors

Young people of Gauteng

Ladies and gentlemen

It is a great pleasure for one to be given this opportunity to talk to this august audience. The audience that carries our hopes and aspirations for the future. Young people that are interested in construction provide us with hope for a better future, especially with regards to infrastructure development in our country. This occasion is particularly special since it has drawn together all these youngsters from across this province to come, listen and learn from specialists, researchers and practitioners of the construction industry. This is a great event to teach our young people about the important role of construction in economic and social development of our country. It is particularly encouraging to note that the call that we have been making in a number of public forums that industry, researchers and academics must join government in partnership to raise the contribution of the construction industry in achieving development objectives is being strengthened.

On behalf of all of us I would like to thank the following organizations for setting up a coordinating committee for this very important function: the CIDB, SAFCEC, SAICE, Gauteng Master Builders Association, Gauteng Department of Education's FET colleges Directorate and the Sci-Bono Discovery Centre. Your effort in spearheading this venture of bringing these youngsters together to plant the seeds of love for the built professions is highly appreciated. We are also grateful to all our sponsors, who have gone out to finance this effort. These are Aveng, Ceta, Murray and Roberts, Power construction, Liviero, CBE, Johannesburg Water and Public Works Department.

We all know that construction has always played a pivotal role in the development of humanity through the ages. Even today, it is still playing the same role. Construction's value to society is primarily the provision of infrastructure. It provides value to those that derive economic benefit and social benefit from the built environment, and value to those is derived from creating the built environment. Construction creates the foundations of our global economy and the basis for human advancement. It also accounts for about ten percent of the global economy and provides much needed employment and dignity to millions of people around the world.

The inherited backlog of uneven development coincides with the need for new levels of infrastructure investment to deliver South Africa's Accelerated and Shared Growth Initiative (ASGISA). ASGISA aims to achieve an economic growth rate of 6% and to halve poverty and unemployment by 2014 in line with our commitment to the UN Millennium Development Goals.

With growth in GDP at between 4.5 and 5%, we believe we are on track to achieving these goals and are acutely aware that infrastructure investment is leading economic growth. Our government is determined to increase public sector capital budgets at an unprecedented rate of 10 – 15% per annum and to

raise Gross Domestic Fixed Investment (GDFI) from 15% to 25% of Gross Domestic Product (GDP).

This growth path creates immense opportunity for employment, skills development and for empowerment. It also presents all stakeholders with challenges that require new responses and intensified effort to grow our capacity. Our construction industry emerges from nearly three decades of declining infrastructure investment, under the ailing apartheid economy, into a period of immense growth. Despite the loss of capacity and skills during the period of decline, the construction economy has doubled over the last 5 years from about R60 billion in 2002.

Construction Gross Fixed Capital Formation (including machinery) is continuing to grow at over 16% per annum, with some sectors rocketing ahead, such as Civil Engineering, which grew over the first two quarters of 2007 at more than 30%.

Ladies and gentlemen,

I want to assure you (and this view is confirmed by construction economists, who tend to be conservative in their outlook) that this trend is set to continue way beyond 2010. In fact the 2010 stadiums and associated infrastructure represent less than 5% of the R320 billion public sector spending, earmarked between 2007 and 2010.

At the same time, private sector infrastructure investment is also growing and much of the planned investment consists of major projects requiring a high degree of expertise.

As far as government spending is concerned, key infrastructure development opportunities over the next three years are in the following areas:

- Electricity power generation and reticulation with over R70 billion investment earmarked

- Roads, with over R60 billion planned
- Rail and ports, with over R60 billion planned
- Water, dams, pipelines and sanitation with nearly R40 billion planned
- Building including residential and non residential of more than R70 billion planned.

In addition, over the next 5 years, the Airports Company of South Africa will invest approximately R20 billion in new airports and upgrading.

The commitments for infrastructure in the medium term up to 2030 are projected to at least R400 billion.

Ladies and gentlemen

In delivering the programme of infrastructure I have outlined, our capacity constraints include the growing demand on construction materials, which constitute a market of about R95 billion per annum. Most of the building and construction materials required by the industry are manufactured locally and it is noteworthy that many producers have planned major capacity increases. Cement producers, for example, have planned capacity increases of 30% to 2011.

This investment trajectory means that there is ample opportunity for our young people to immerse themselves in this industry because there is a future for them here. We welcome new capacity, particularly by our companies that are committed to a long term development of the industry. Equally, there are opportunities for the industry to expand its role in infrastructure investment. Indeed, one of the challenges that have manifested with growth in the context of limited supply capacity and skills, is the escalation of construction costs, particularly with regard to projects, such as the 2010 stadiums, where cost estimates were prepared before the growth trajectory kicked in.

Indeed our country is in a grip of a great skills shortage and need. Our country is in the throes of a massive infrastructure development and improvement

programme. The growth rate in construction spend is around 10% per annum and this is the highest that it has been in the last 30 years. In fact construction spend is growing at a higher rate than the Gross Domestic Product. However, there are many challenges that need to be tackled in a range of public and private sector partnerships to further unlock infrastructure bottlenecks and to create capacity and skills.

Even as the government accelerates the infrastructure development, the demographic profile of registered built environment professionals in the country is a problem. We have a great shortage of skilled professionals and on top of that very few have been coming through the chain of supply. There are many reasons for this, including emigration. Current trends, with specific reference to the built professions, indicate that this important skills base is in decline, with very few new entrants compared to the large numbers who are leaving the profession. That is why the government is forever looking for new sources of skilled professionals.

In the light of the scenario painted above, it really is heartening to see events like this. Drawing from the National Construction Week recently hosted by the National Department of Public Works, this initiative to give Gauteng learners a comprehensive exposure to the industry is highly commended. This event is bound to create an authentic learning experience of the different trades and professions as well as give them the opportunity to interact with the major role players in the construction industry.

The government is investing significant amounts in the construction of socio economic infrastructure to support a better life. These investments have already turned the whole country into a massive construction site.

The development of high calibre skills to drive the construction, operation and maintenance of these projects is the responsibility of all South Africans. By participating in this initiative, big business has shown commitment to the success

of the national industry and in maintaining South Africa's position as a significant player in the global economy.

Well trained and motivated employees make for successful companies. Private sector participation in Youth in Construction goes a long way in demonstrating your commitment to human capital development, a precursor to creating a motivated workforce that will deliver quality infrastructure for the country. Your investment in the youth of the country also bodes well in attracting foreign investment as it shows that South Africa believes in its developmental trajectory.

The recently launched National Infrastructure Maintenance Strategy (NIMS) also calls for the development of quality well rounded human capital to maintain the infrastructure in good working order. We therefore applaud the efforts to expose our learners to a variety of construction professions under one roof. This creates an opportunity for them to see the linkages between the different professions, and the professions and trades thereby empowering them to make better, more informed choices when the time comes. It is hoped that the youth will take this exciting opportunity and make construction and the built environment their preferred career choice. In this way we can deal comprehensively with the skills shortage going into the future.

The partnership between industry and government institutions is also appreciated as it shows recognition by industry that government cannot act alone in improving the quality of life of the people. Giving bursaries to learners and creating opportunities for those already in the system to access workplace experience is evidence of industry's support for skills and human capital development in the construction industry. This is further evidenced by the partnership in the National Certificate Vocational at FET colleges which will go a long way towards providing the much need supervisory capacity in the industry.

Public Works is committed to exposing as many young people as possible to the opportunities available in the construction industry. The National Youth Service and other related programmes aimed at youth and women have demystified construction as a career and shown that it can create a rewarding employment for all.

This inaugural Youth in Construction should be the first of many bigger events to come across the country. We are committed to continuing this project and taking it to the more rural parts of our country where a wealth of talent lies untapped. We sincerely hope that our partners will continue to support us as we grow the National Construction Week brand and incorporate other related industries in the partnership.

We are aware that the built environment requires a focus on secondary school Maths and Science. This exciting opportunity encourages all the partners to go beyond National Construction Week and Youth in Construction as awareness events, but to assist in the quality, as well as improving the numbers, of matriculants who pass Maths and Science with good results. This is the first step towards establishing a sound foundation for a career in construction.

To all the organizers and sponsors of this event, sithi nangomuso. We need all your support as government to realize for our people and the following generations, a better life for all.

Thank you.