

**THE MINISTER OF PUBLIC WORKS, Ms THOKO DIDIZA, MP,
DELIVERS AN ADDRESS AT THE ITALIAN SOUTH AFRICAN
CHAMBER OF TRADE AND INDUSTRIES' B.O.Y AWARDS**

Date: 31 October 2007

Venue: Hilton Hotel, Sandton City

- Mr Giovanni Rabazzotti, President of the Italian Chamber of Commerce
- Ms Dorothy Mahlangu, Gauteng MEC for Local Government
- Your Excellency, Mr Alessandro Cevese, the Italian Ambassador,
- Your Excellency, the Italian Consul General, Mr Enrico De Agostini
- The Consuls from Cape Town and Durban
- The leadership of the South African Italian business community
- Members of the media
- Distinguished guests

1. Introduction

It gives me great pleasure to be with you tonight to celebrate the South African Italian Chamber of Trade and Industries, 2007 BOY Awards. Indeed this is an occasion when we celebrate the role of the Italian business community in South Africa's ongoing journey of growth and transformation.

In the context of our transformation goals I must presume that the "BOY" Award is genderless and is not limited to the achievements of businessmen only. I therefore assume that B.O.Y. stands for Businesspersons of the Year.

The Italian Chamber of Trade and Industries in South Africa supports a vital bridge between two countries – in fact between two continents. It supports the role of business, both in our country and in Italy, in making South Africa prosperous and creating a better life for all our people.

Formal government relations with Italy span many decades. Between 1935 and today, more than 23 agreements and other memoranda of understanding have been entered into between South Africa and Italy, with more than half of these signed in the post apartheid era. These agreements are wide-ranging and cover areas as diverse as trade, military protocol, science and technology, sport and culture.

Total trade figures (i.e. imports and exports) with Italy have been improving since 1994 and there is further opportunity for growth – particularly in the arena of infrastructure investment. Currently Italy trails other major developed countries in the size and extent of its investment in Africa. However, opportunities such as South Africa's hosting of the FIFA 2010 World Cup Tournament have given new impetus to both government and the business sector in Italy.

This is the view many Italian businesses expressed during our interactions following the visit to our country by the Italian Deputy Minister of Infrastructure, the Honourable Andrea Annunziata and his delegation in November 2006. During his reciprocal trip to Italy in April this year, the Deputy Minister of Public Works, Honourable

Ntopile Kganyago also met and engaged with a variety of business interests in the fields of infrastructure development.

Our delegation was stunned by the quality of the infrastructure in Italy. They returned with many lessons for our own country, including those relating to maintenance and the preservation of historic buildings and monuments in Italian cities that have developed over nearly three millennia.

The delegation emphasised to Italian companies the importance of establishing their presence in South Africa through local subsidiaries as well as registering on relevant databases in order to access Government information on opportunities. I am aware that several major Italian construction companies have registered with the Construction Industry Development Board and are competing in our market. Hopefully, their expertise will augment the existing capacity of our industry to deliver the massive infrastructure investment programme that is currently underway.

2. Growing Infrastructure Investment - key to ASGISA and NEPAD

Tonight's occasion provides me an opportunity to share with you some views on the challenges of infrastructure investment and the critically important role of business.

In 1994, as we transited into the new democracy, we inherited a legacy of uneven development, a legacy shared throughout Africa and in post- colonial societies elsewhere. This legacy continues to inhibit our capacity to deliver infrastructure that supports the full economic participation of our country in the global market place.

Lack of infrastructure continues to marginalize sections of our population from economic participation. Infrastructure development therefore occupies a central position in government's agenda to roll back the underdevelopment of decades of apartheid and centuries of colonialism.

In South Africa, 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) 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.

This investment trajectory means that there is ample opportunity for offshore companies, including Italian companies, to augment our capacity and to contribute to the development of our infrastructure, and our country. Indeed, we welcome new capacity, particularly by companies that are committed to a long term involvement. Equally, there is opportunity for business in South African business to expand its role in infrastructure investment.

Indeed, one of the challenges that has 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.

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.

On a lighter note, I am sure all of you are familiar with the ongoing construction work at our airports in Cape Town and Johannesburg. Some of you from the construction world may be aware of the reputation that the O R Tambo International Airport has gained - as the only construction site in South Africa with its own permanent runways.

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.

However, imports are available across the product groups, and are particularly important in high value aspiration products such as ceramic wall and floor tiles and sanitary ware – in which Italian companies play an leading role.

It is important to note that the delivery of critical infrastructure is also a central component of *NEPAD, the New Partnership for Africa's Development*, which constitutes a pledge by African leaders, based on a common vision and a firm and shared conviction.

Currently, South Africa is instrumental working with other SADC members to rebuild the energy supply chain across the sub-region and beyond. Massive water and road projects are another feature on the SADC infrastructure development topography and some of these are integrated within the spatial development frameworks for further growth and sustainability.

Initiatives to promote information, communication and technology interconnections are also under implementation. There can be no meaningful development without trade – and there can be no trade without adequate and reliable infrastructure.

3. Shared growth -

Ladies and gentlemen

Given this investment trajectory our government is totally committed to ensuring the growth, development and transformation of our construction industry, and to increasing its inherent ability to promote the objectives of shared growth, employment, skills and empowerment. We therefore have established institutions and

programmes to drive these objectives and to regulate a level playing field for all construction companies competing on South African soil.

We are acutely aware that growth on its own does not guarantee full employment and improvement in the lives of ordinary people.

Emerging from three centuries of colonialism and apartheid, we inherited two inter-linked economies that we characterise as the First and Second economies.

To quote our President, Thabo Mbeki: *“The two economies, one developed and globally connected and another localised and informal..... We have therefore endeavoured to strengthen the First economy and use it as a base to transfer resources to strengthen and modernise the Second economy and thus embark on a process to change the lives of those who subsist in this Second economy.”*

Critical in this national endeavour to bring a better life to millions of people in South Africa is the Expanded Public Works Programme (EPWP), led by the Department of Public Works. Government’s commitment to this programme is underpinned by budget allocations that prescribe the objectives of labour intensity and skills development as central to the delivery of infrastructure. We are on track to deliver one million additional jobs created through labour intensive programmes and to provide many of those marginalised from the economy with skills and opportunity.

4. Concluding remarks

Distinguished guests

Italians have a proud history in the Southern African building and construction industry – as craftsmen, foremen, managers, subcontractors and owners in construction and in the materials supply industry. Italians played a key role in the construction of the Union Buildings and the Voortrekker Monument. They have been associated with the construction of Storms River bridge in the Eastern Cape, Kariba Dam, Katse Dam, and many others.

Today, companies such as Italtile, Giuricich Bros Construction, and many others are proud participants in the South African building and construction industry.

Ladies and gentlemen

I congratulate the Italian Chamber of Italian Chamber of Trade and Industries on its role in promoting our economy and the role of Italian enterprises. Business, including international companies that operate in South Africa, have a critical role to play in support of infrastructure delivery, the goals of job creation, skills development, black economic empowerment and the role of women in construction.

We are encouraged by a range of interventions championed by Business Unity South Africa (BUSA), including material commitment to the Joint Initiative on Skills Acquisition (JIPSA). As part of the JIPSA process, government has allocated over R1 billion to the recapitalisation of the engineering faculties of our tertiary institutions and growing partnerships are emerging between business and government to rapidly expand our skills base.

Our economic challenges, including those of infrastructure investment, are critically important, they underpin our democracy, they guarantee a better life for all. To meet these challenges, the role of government is lesser than that of business. Your drive and determination is what our country now calls into active service. I am confident that together we are more than equal to the task. We are a winning nation. The Springboks have shown us the way!

Again on a lighter note, I was interested to learn from our delegation to Italy that, whenever people heard they were from South Africa, they shouted “Bafana Bafana”: which as you all know means – “the boys”.

Once again I congratulate you on tonight’s celebration of the BOY Awards – and add my congratulation to the Italian Chamber of Trade and Industries’ 2007 winners of the Awards.

I thank you.