

**Minister of Public Works  
Mr J Radebe  
22 November 1996**

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**At the FABCOS AGM**

Master of ceremonies, distinguished guests, ladies and gentlemen. It is indeed a great honour for me to be afforded this opportunity to address the annual general meeting of the Foundation for African Business and Consumer Services (FABCOS)

FABCOS was founded in 1988, during testing times of the apartheid era. Over the years since then, FABCOS has been an active participant in the fight for economic empowerment of the disadvantaged. We commend you for this commitment. We look forward to further working with you as we build the economy of our country.

As government, we have made it clear that the enormous disadvantages imposed on the great majority of our country by the apartheid system pose a great challenge to our welfare and democracy.

To redress the imbalances of the past, we are proceeding to affirm the previously disadvantaged and marginalised of our communities in many ways, while not seeking to penalise other sections of our society. That affirmation must be carried out in a manner that will expand the country's human and material resources so that all will benefit.

We are determined to open up new opportunities for business people from the previously marginalised communities so that they may catch up on lost time. These opportunities should emerge from work in conjunction with all other sectors of business such as partnerships and joint ventures of all kinds, so that these many forms may enable a healthy interaction to take place, which will ultimately lead to a non-racial business community.

We will also re-examine the allocation of state resources in the way public services are provided so that the gap in provision is steadily lessened and so that the poor will benefit because it must be understood that the future stability of this country depends in large measure on the degree this Government meets the basic needs of our people, and many of these needs fall within the domain of public services.

On 24 October this year, the Department of Public Works launched its Green Paper, entitled "Public Works towards the 21st Century". This Green Paper puts the work of the Department solidly behind the objectives of the Reconstruction and Development Programme and the Government's macro-economic strategy on growth, employment and redistribution.

Through the structures and activities outlined in the Green Paper, the Department relates to overall government objectives by contributing to the generation of sustainable economic growth; creating sustainable employment; expanding human resource development; stressing labour intensity for workers, community participation and control for beneficiaries; promoting affirmative action with respect to race, gender and youth and the integration of people with disabilities as producers and consumers of services; and supporting small, medium and micro enterprises.

At the end of 1995, the Department was mandated by Cabinet to develop broad policy on the establishment of an enabling environment to ensure that the objectives of the RDP are realised in the construction and allied industries.

The construction sector has been singled out for its job creation potential. Enhanced productivity is the key and construction industry policy we are proposing advocates improved productivity, safety and employment conditions as the key to reduced costs and improved employment across the full spectrum of the labour market.

This will encourage long-term commitment to the industry, allowing for more comprehensive training and human resource development. Increased investment in human resource development will further stimulate productivity, leading to a reduction in labour costs per unit of output and other production costs. Enhanced competitiveness, thus achieved, will expand the construction markets in South Africa and beyond the borders.

The promotion of SMMEs is part of an integrated strategy to make the economy more diversified, enhance productivity, stimulate investment and encourage entrepreneurship.

SMMEs can be powerful generators of income and employment opportunities, since they generally use less capital investment per unit of output than larger enterprises. They can also be more competitive than larger firms on certain types of small, disparate and geographically dispersed projects because they generally have low overheads.

The relatively low entry barriers in terms of skills, both technical and managerial, and capital requirements make SMME contracting an important entry point for historically disadvantaged persons into the construction industry.

The strategic aim of a construction industry policy is to establish an enabling environment in which the objectives of reconstruction, development and growth are realised.

Grounded on these demands, construction policy envisages this programme as an ongoing drive to improve the sector's performance and to develop its capacity; a programme which is constantly reviewed against the benchmarks of international best practice.

Close and constructive collaboration is therefore required between all stakeholders: the private sector, labour, government and non-governmental organisations.

As government, we particularly encourage joint ventures between established construction companies and historically disadvantaged contractors as partners.

One such example has taken place in the North-West province in which LTA Building entered into a joint venture with a consortium of nine black local contractors to build the Central City Shopping Centre in Mabopane, which cost approximately R70 million.

Government, in its role as both client and regulator, has a particular obligation to lead in co-ordinating the endeavour to promote the performance and capacity of the industry as a key sector in the economy of South Africa and the Southern African region.

Beyond policy development the Department has already achieved much in practical steps towards initiating enabling environment strategies.

### **Pilot Roster for professional consultants**

In 1995, the Department unveiled a pilot roster system for consultants, not only to address the inadequacies of the past system but also to allocate the consultants roster system within the current nation-building programmes embarked upon in this country.

To date approximately R56 million has been directed to this programme with over 100 disadvantaged architectural, quantity surveying and engineering practices gaining appointments through this programme.

The programme is not only restricted to historically disadvantaged firms, but also includes established practices who run appropriate human resource development programmes.

### **Construction Procurement Transformation**

The Department has played a significant role in transforming public sector procurement in South Africa. It jointly co-ordinates the public sector procurement transformation with the Department of Finance. One of the outcomes of this process has been government's 10 Point Plan for Procurement.

The Department has commenced with the implementation of the 10 Point Plan on all its projects, and approximately R600 million has been directed into the Affirmative Procurement Programme within the last four months. Of note here is the Malmesbury Prison and Housing Project to which we have allocated R300 million to the programme, of which R120 million has been sourced to black business.

### **Small Contractor Development Programme**

The Department has established a database, giving an idea of the capacity of emerging contractors, with a view to developing the necessary support and creating work opportunities. This database could also function

as a roster for the appointment of small contractors.

Meetings have been set up with financial institutions to try to secure financial support which will enable small contractors to meet surety and guarantee requirements, and the purchase of equipment.

The Department is also engaging with providers of training in an attempt to facilitate the training of emerging contractors, whilst some of the Department's other strategies are being piloted on projects, the lessons from which will help to infuse policy.

The Department has also initiated a new approach to construction procurement and has developed this in conjunction with its private sector partners. This includes the development of alternative delivery models, such as the Malmesbury Prison design and build project, which is worth about R150 million.

In this project the introduction of the specification for the implementation of an affirmative procurement policy, which required the tenderer to stipulate their contract participation goals, created opportunities for participation of emerging contractors.

This resulted in a participation target of 38.5 per cent being tendered for the project, well above the minimum 10 per cent stipulated. Three months into the project, 22 emerging contractors are already participating in the project.

### **Maintenance**

The Department has now engaged in a proactive maintenance programme which will encourage preventative maintenance of its properties.

As part of putting this strategy into implementation, repairs and renovations are being effected to 53 police stations in the Eastern Cape. This project brought forward another key achievement, which was the use of small contractors, especially previously marginalised ones, to carry out the work.

The requirement was to spend R37 million in six months, on remote and difficult sites. Fifteen emerging contractors secured over R10 million of the value of the project.

Above this, some of these emerging contractors have been granted an opportunity to exploit commercial opportunities. For example, one emerging contractor, who was not awarded a contract on the project, went to secure a painting subcontract worth R3 million.

The Department's national maintenance programme offers the best opportunity to provide emerging contractors with work opportunities in a controlled and competitive environment. The advantages provided by this programme are its low capital outlay and skills requirements; it is planned and funded on a regular basis, which means continuity of work is guaranteed; and it provides for a structured design of support required for previously disadvantaged contractors to suit their capacity.

In the current financial year we have to date allocated R3 million out of R50 million to previously marginalised contractors for day-to-day maintenance and over R5 million out of R51 million for repairs and renovations.

In conclusion, I wish to say that our vision is of a construction industry policy and strategy that promotes stability, fosters economic growth and international competitiveness, creates sustainable employment which addresses historic imbalances as it generates new industry capacity.

It presupposes a growing and an active industry supported by an effective institutional framework, representative of all parties who embrace this vision.

I thank you.

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