



# CESA

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Consulting Engineers South Africa

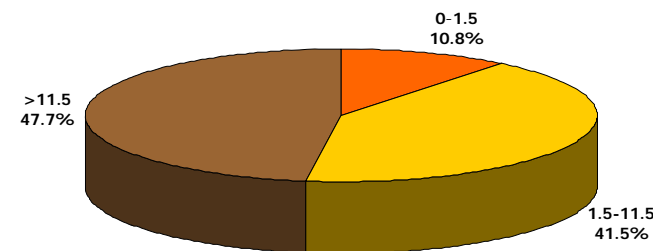
## *Biannual Economic and Capacity Survey*

**July – December 2008**

## Firm distribution based on Annual Turnover

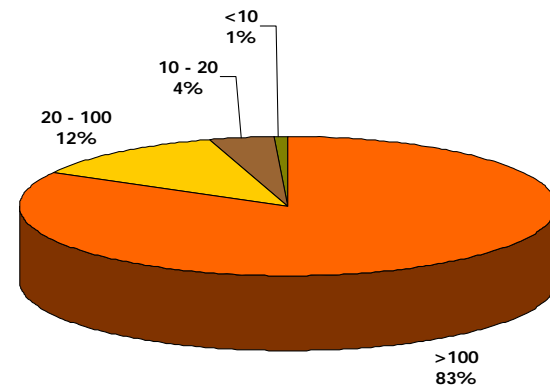
Category by gross annual income	% of firms
0 – R1,5m	10.8%
R1,5m – R11,5m	41.5%
> R11,5m	47.7%
Total	100.0%

Firm distribution based on turnover



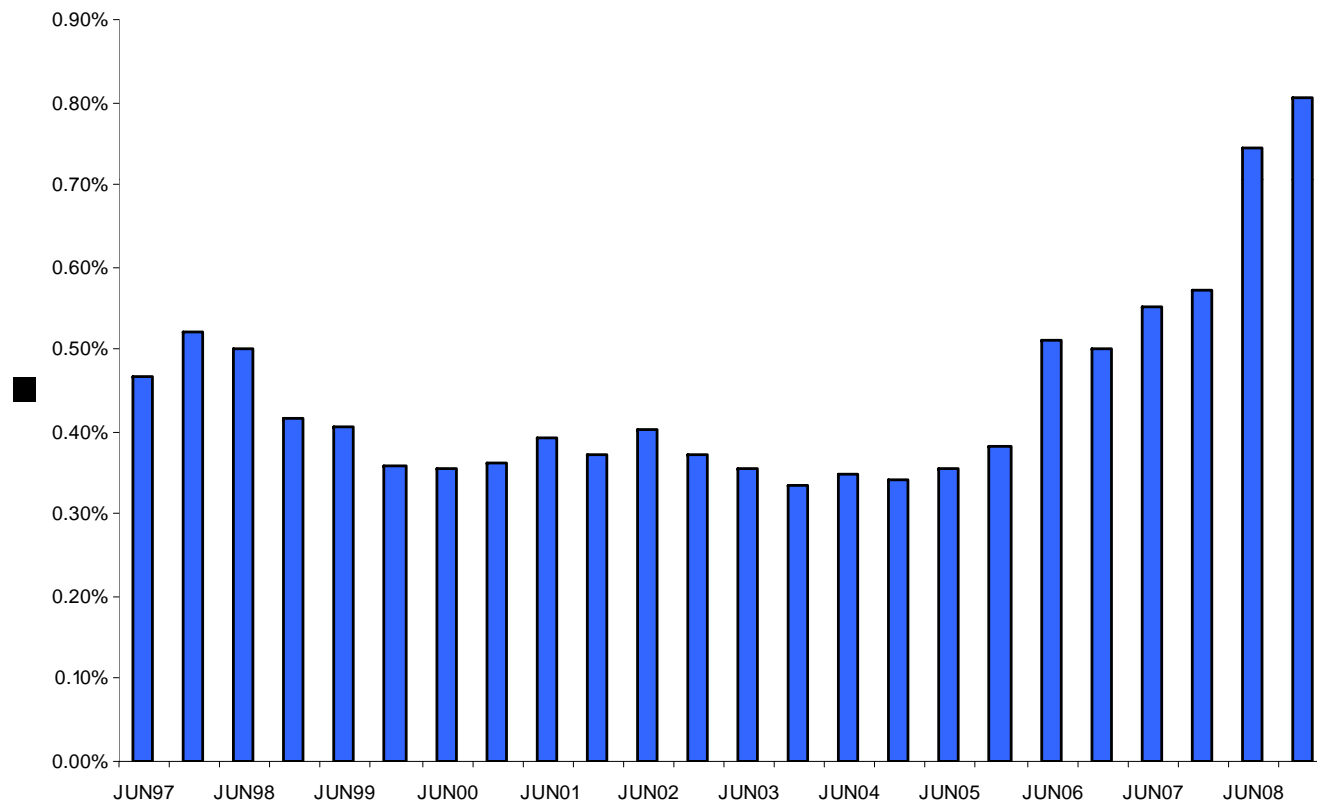
Category by employment	% of firms	% of industry employment
A > 100 (Large)	16.9%	83.0%
B 20 – 100 (Medium)	33.8%	12.2%
C 10 – 20 (Small)	29.2%	4.1%
D < 10 (Micro)	20.0%	0.7%

Firm distribution based on employment



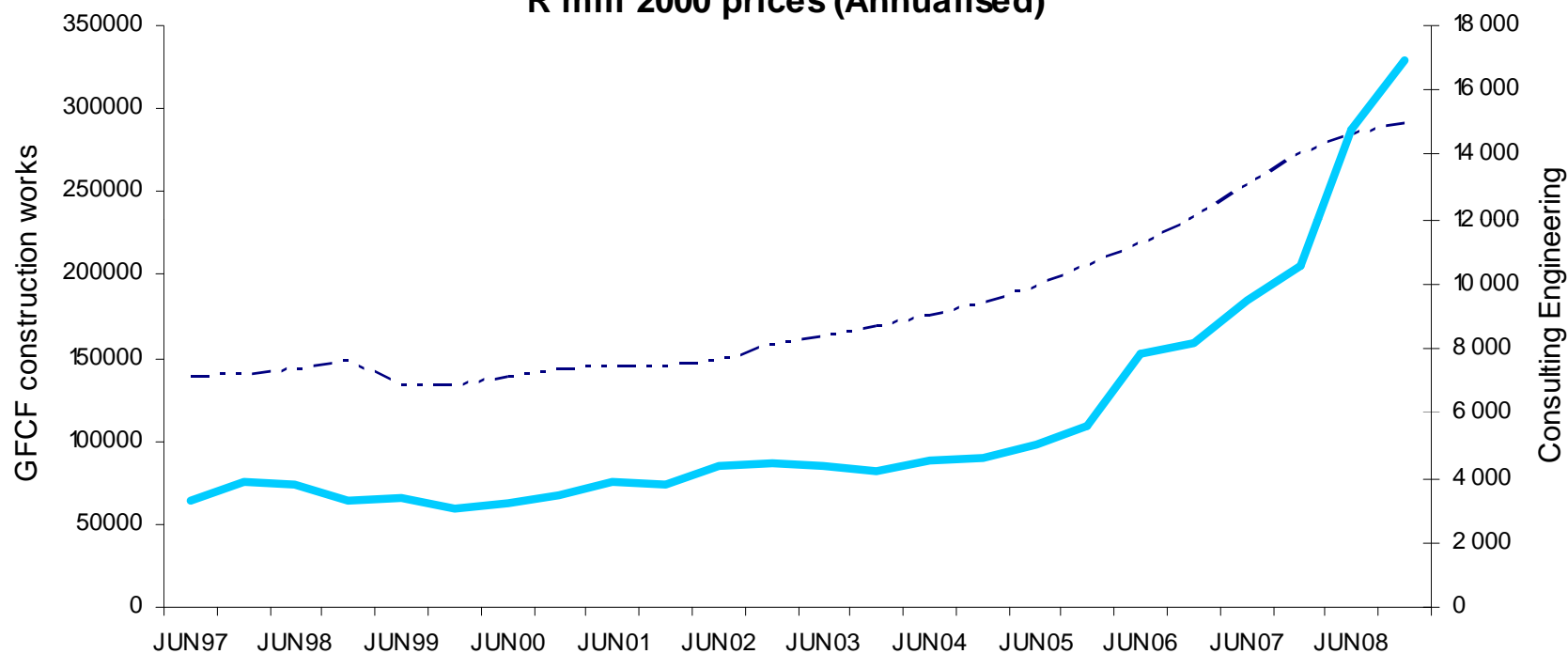
## Salient Features

**Economic Impact**  
**Cesa Turnover % of GDP**



## Relationship to Gross Fixed Capital Formation

**Consulting Engineering profession in SA  
vs GFCF Construction works  
R mill 2000 prices (Annualised)**



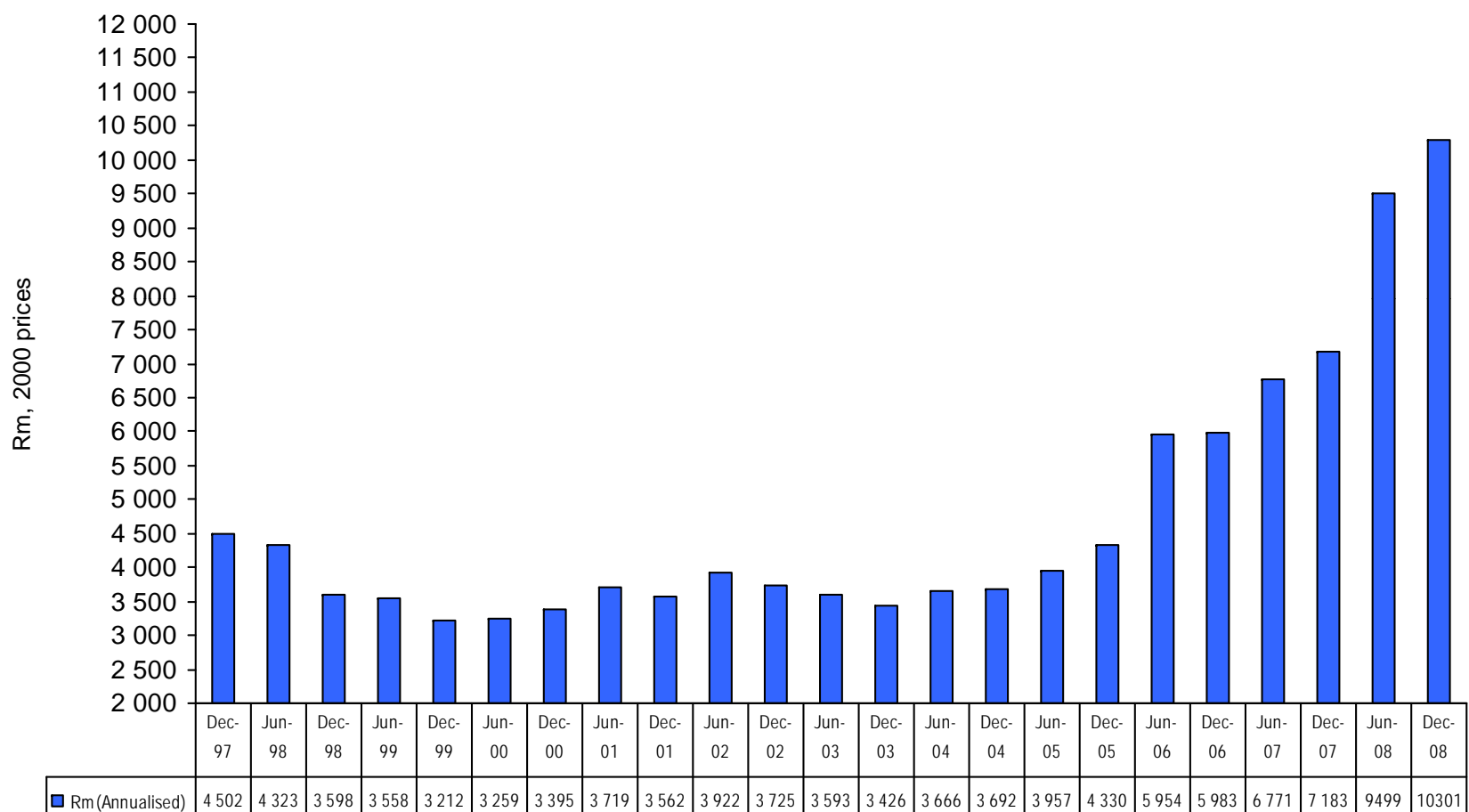
Source: SARB, CESA

--- GFCF Construction Works    Consulting Engineering

GFCF = Gross fixed capital formation

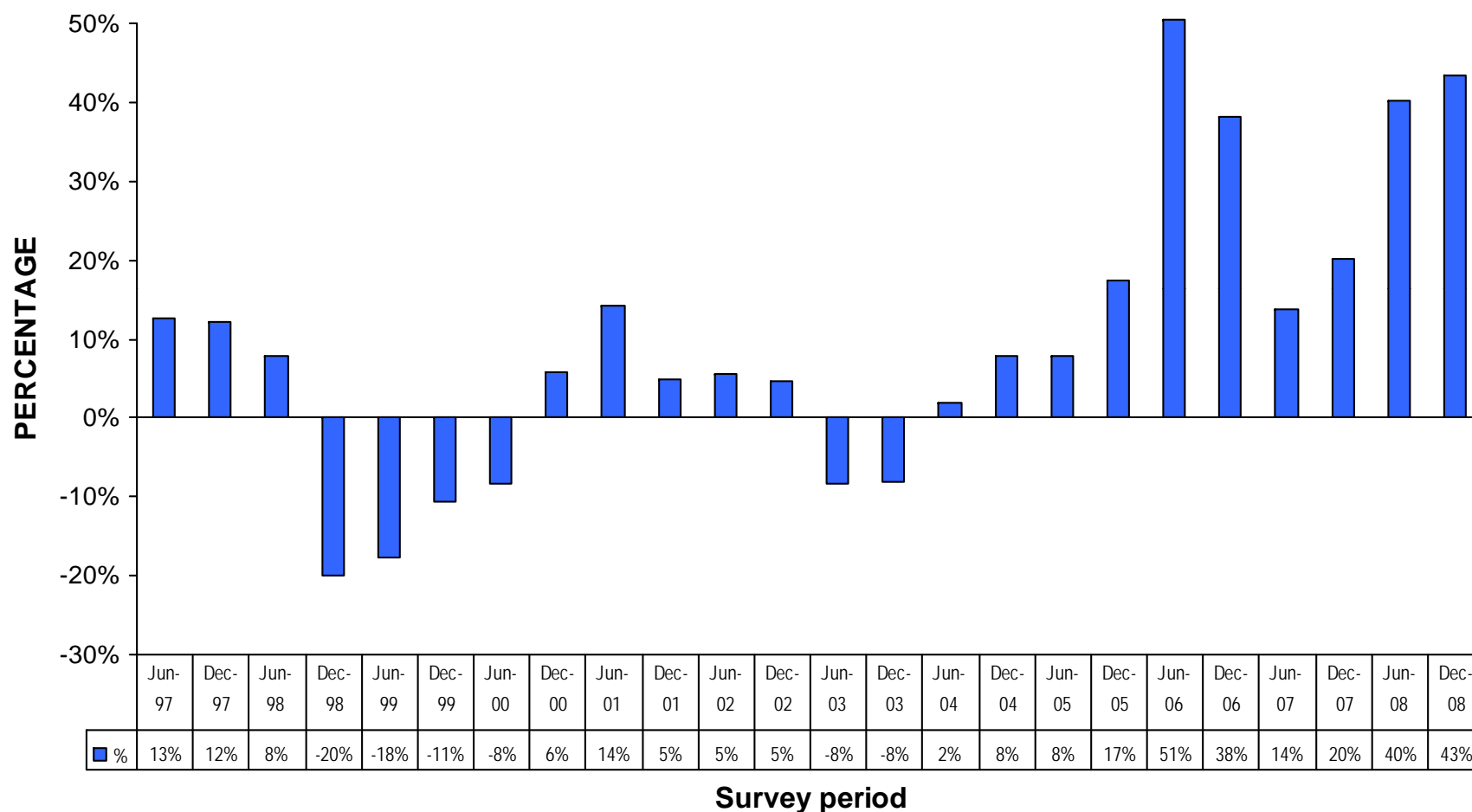
## Consulting Engineering Industry

### Fee income, Rm Constant 2000 prices (CPI Deflated) Annualised

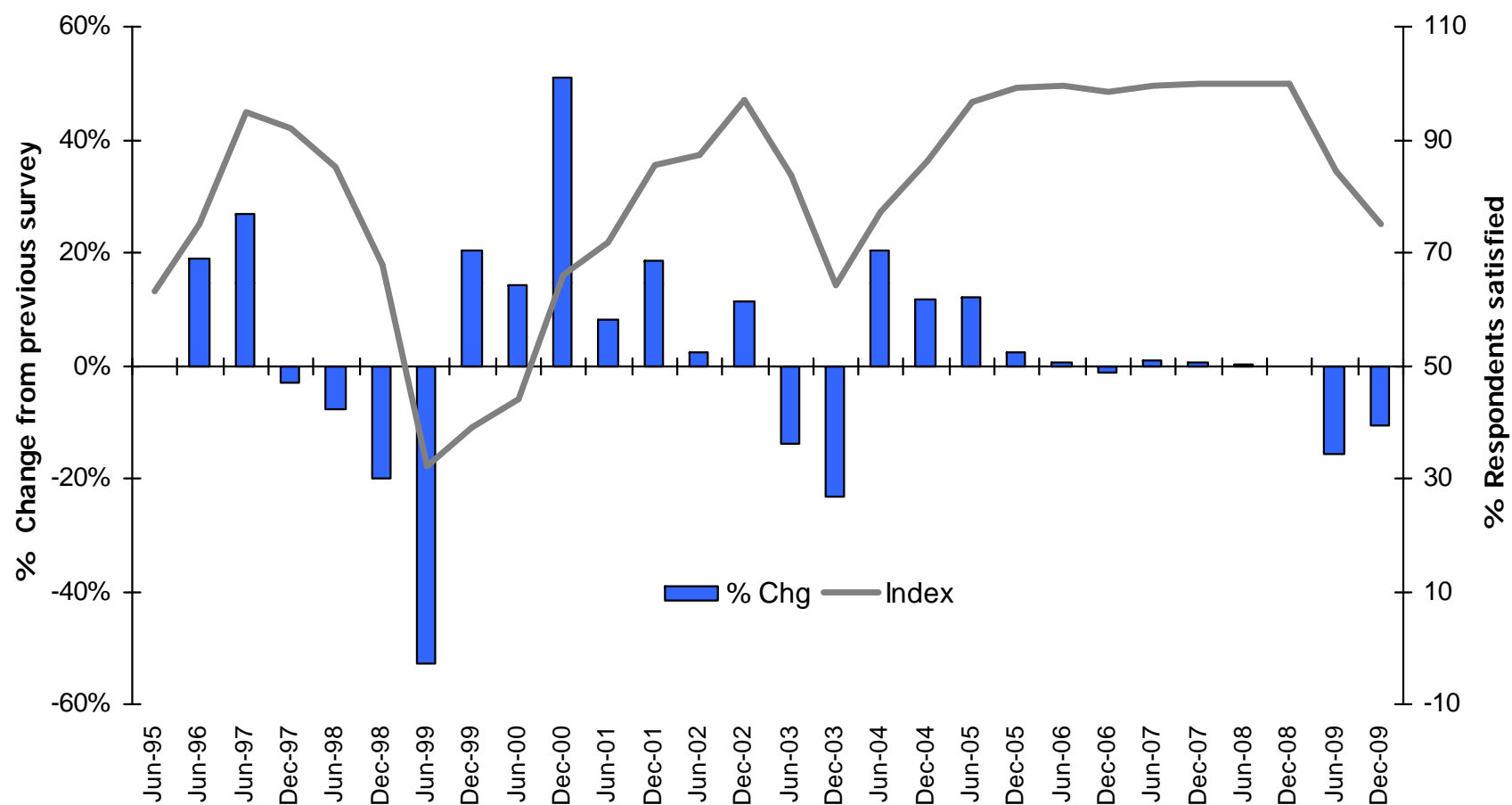


## Consulting Engineering Industry

### Real Fee income (CPI deflated), 2000 prices: Annual Change



## CESA Confidence Index

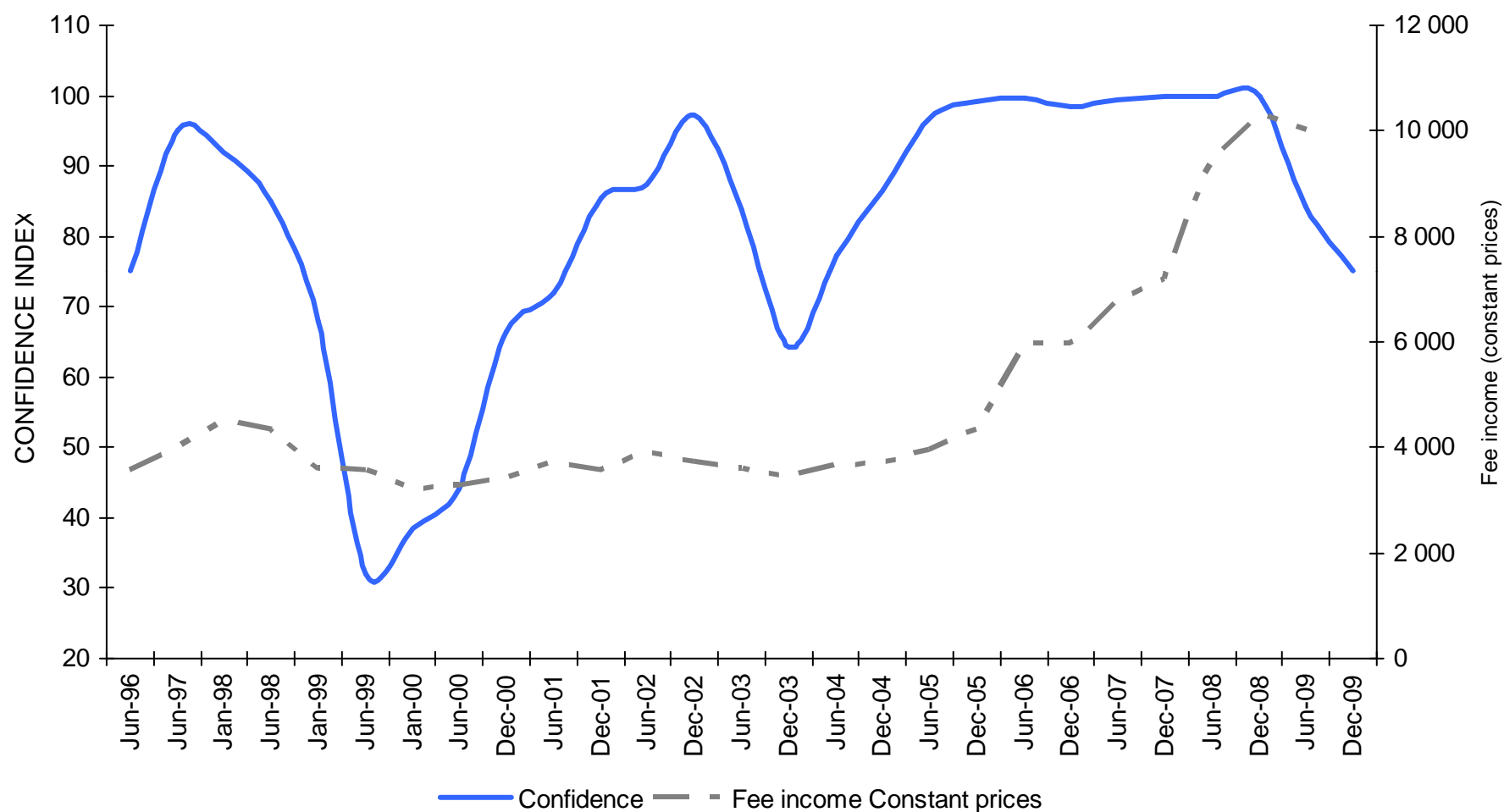




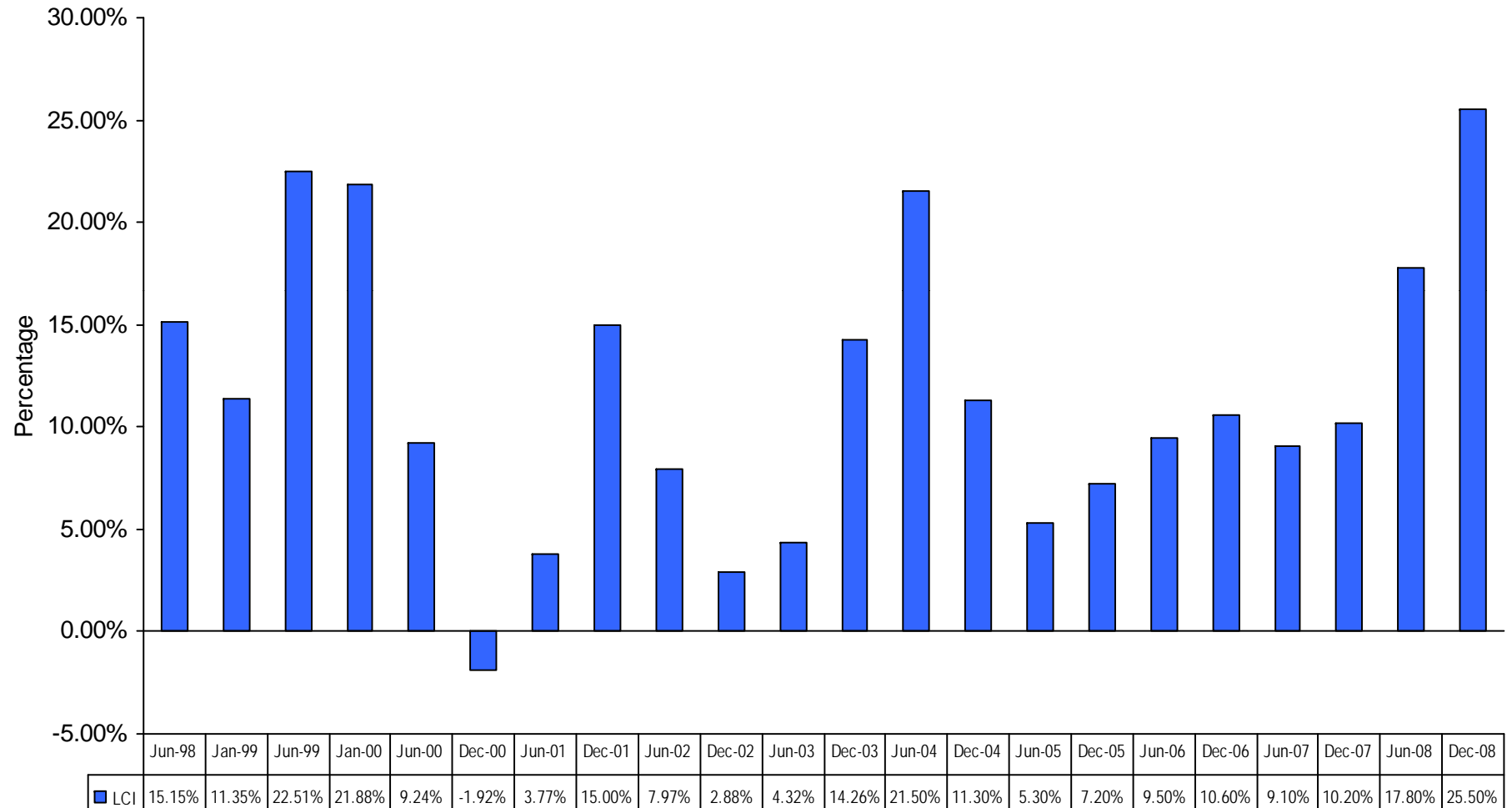
**FNB Civil Construction Confidence vs  
CESA Engineering Confidence**



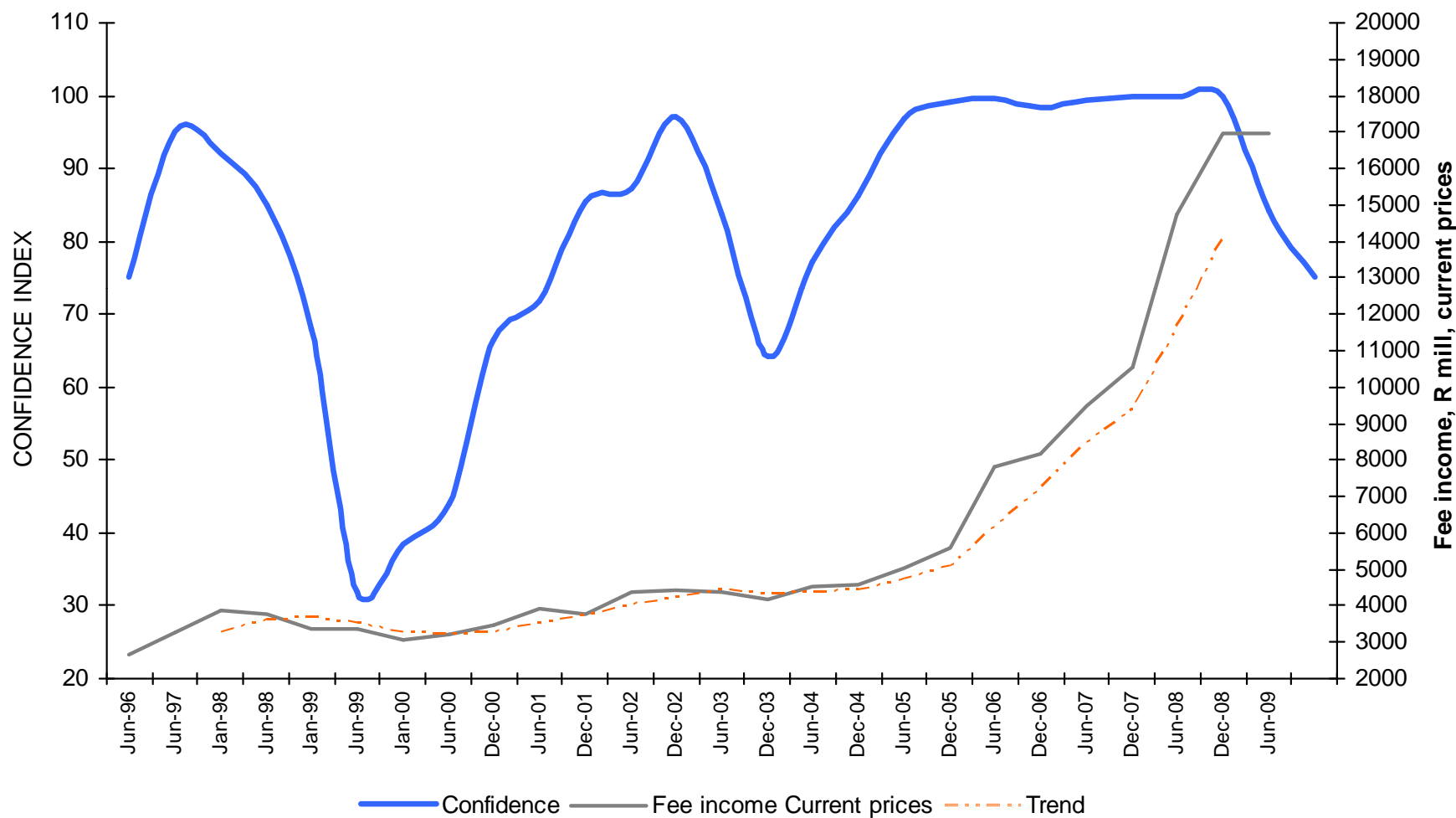
## Consulting Engineering Industry Real Fee income (CPI deflated) vs confidence



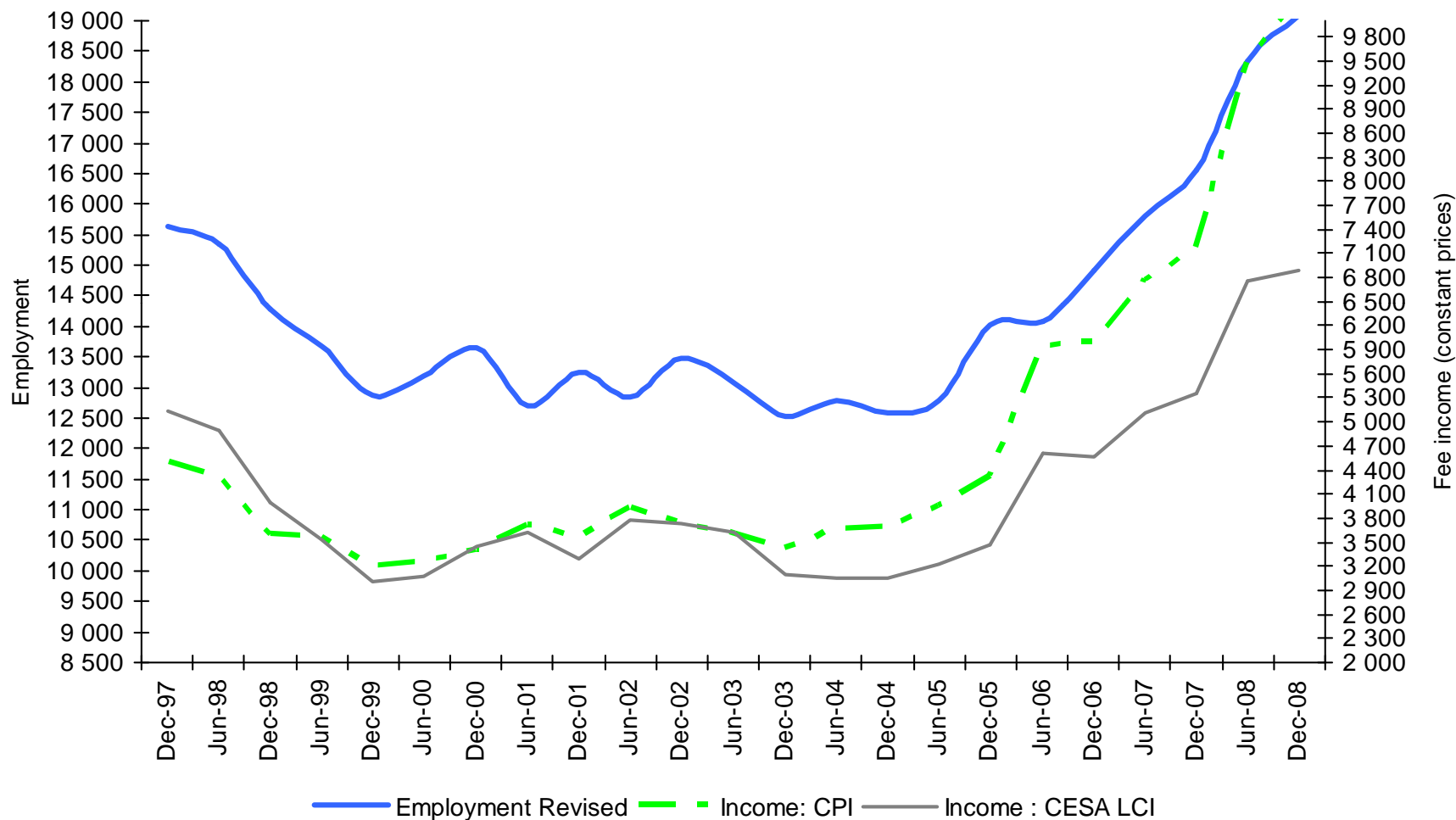
## CESA Labour Cost Indicator



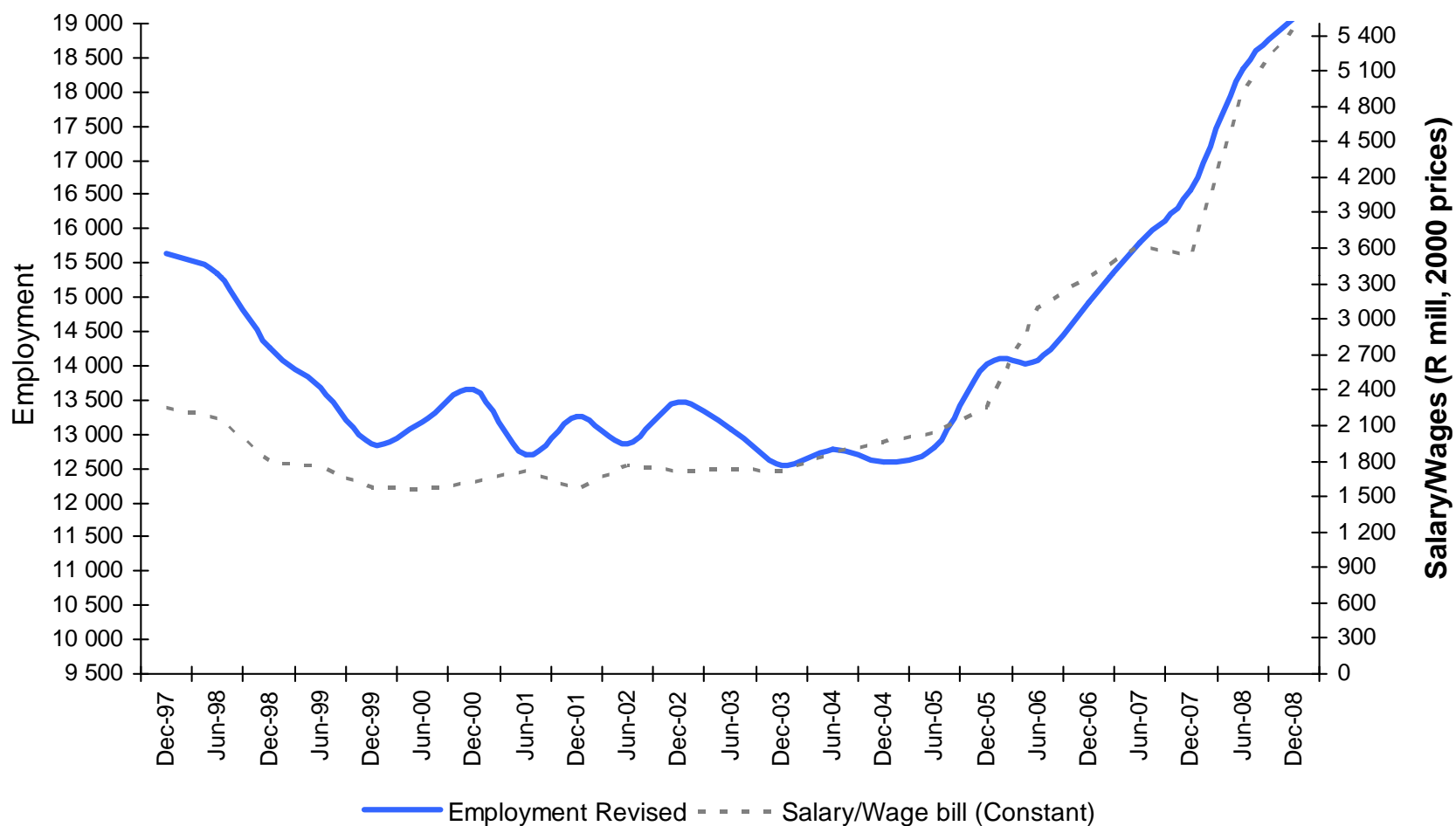
## Consulting Engineering Industry Nominal Fee income vs confidence



## Consulting Engineering Industry Employment vs REAL fee income (CPI / LCI Deflated)



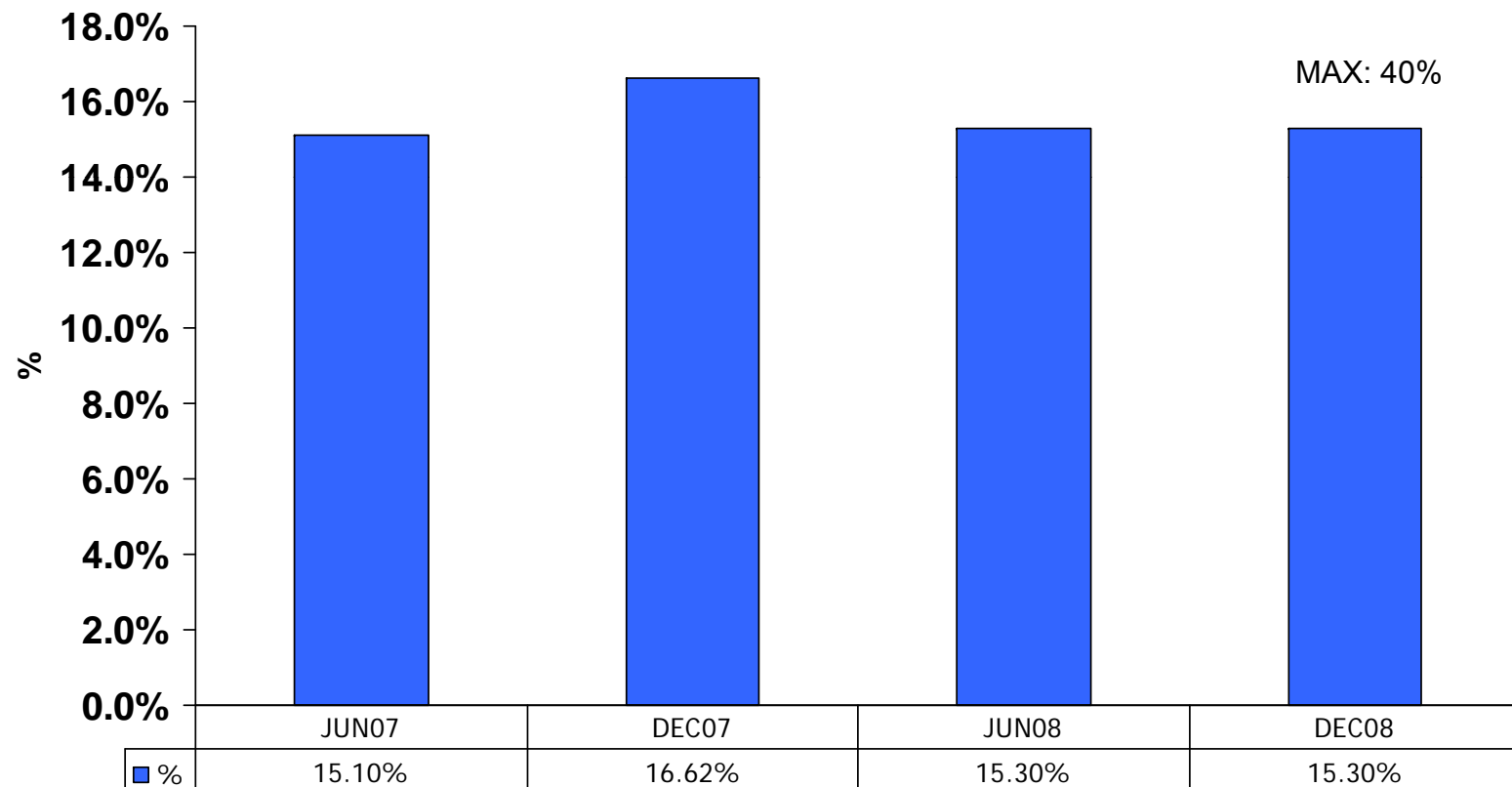
## Consulting Engineering Industry Employment vs Salary / Wage bill



## Discounting

*Question:*

*What is the prevailing discount being offered in a tendering situation to clients by your firm, benchmarked against the ECSA Guideline Fee Scales?*



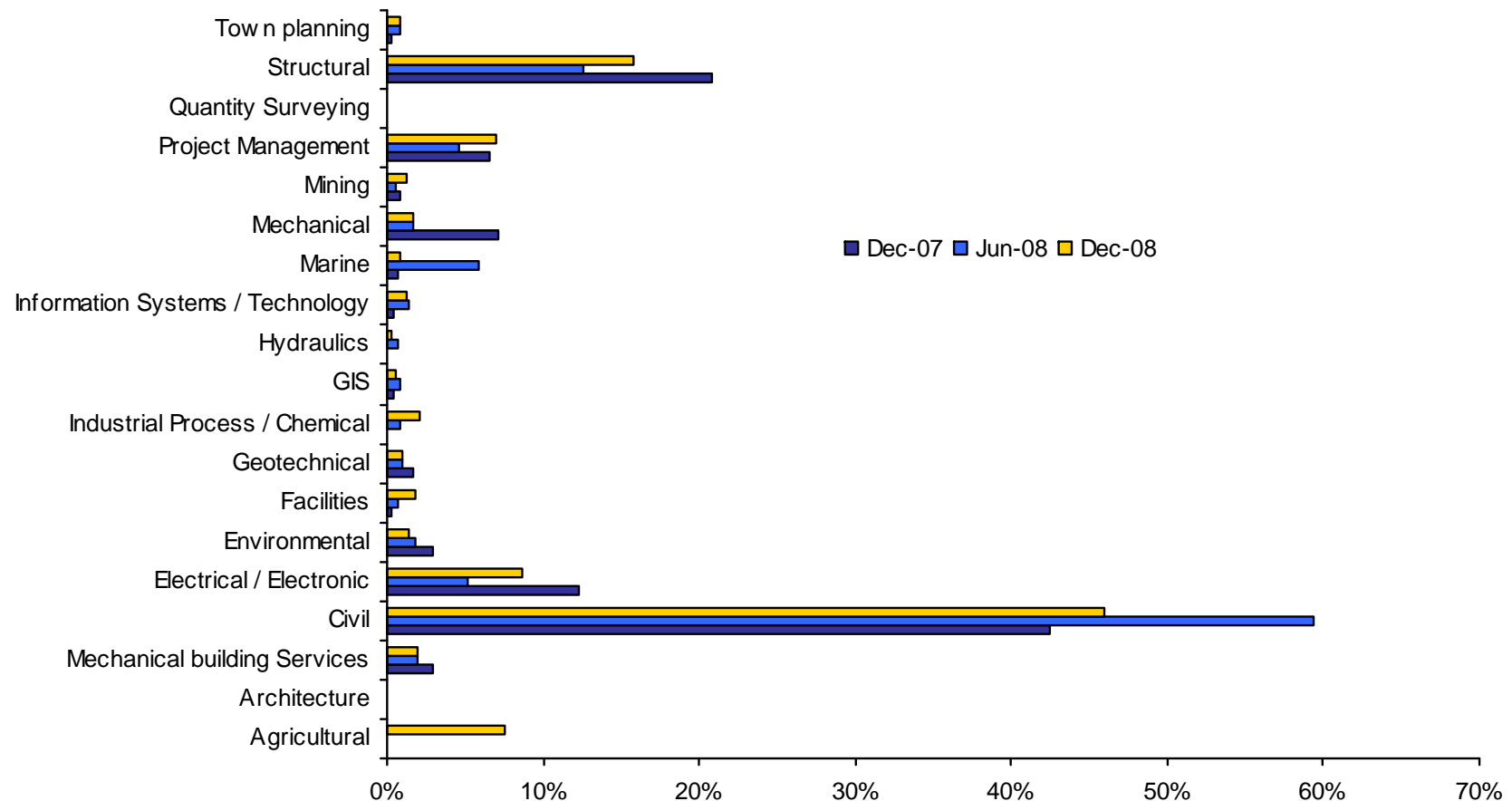
## Disciplines



## Fee income earned by Sub-disciplines: % Share December 2007 to December 2008

*Question:*

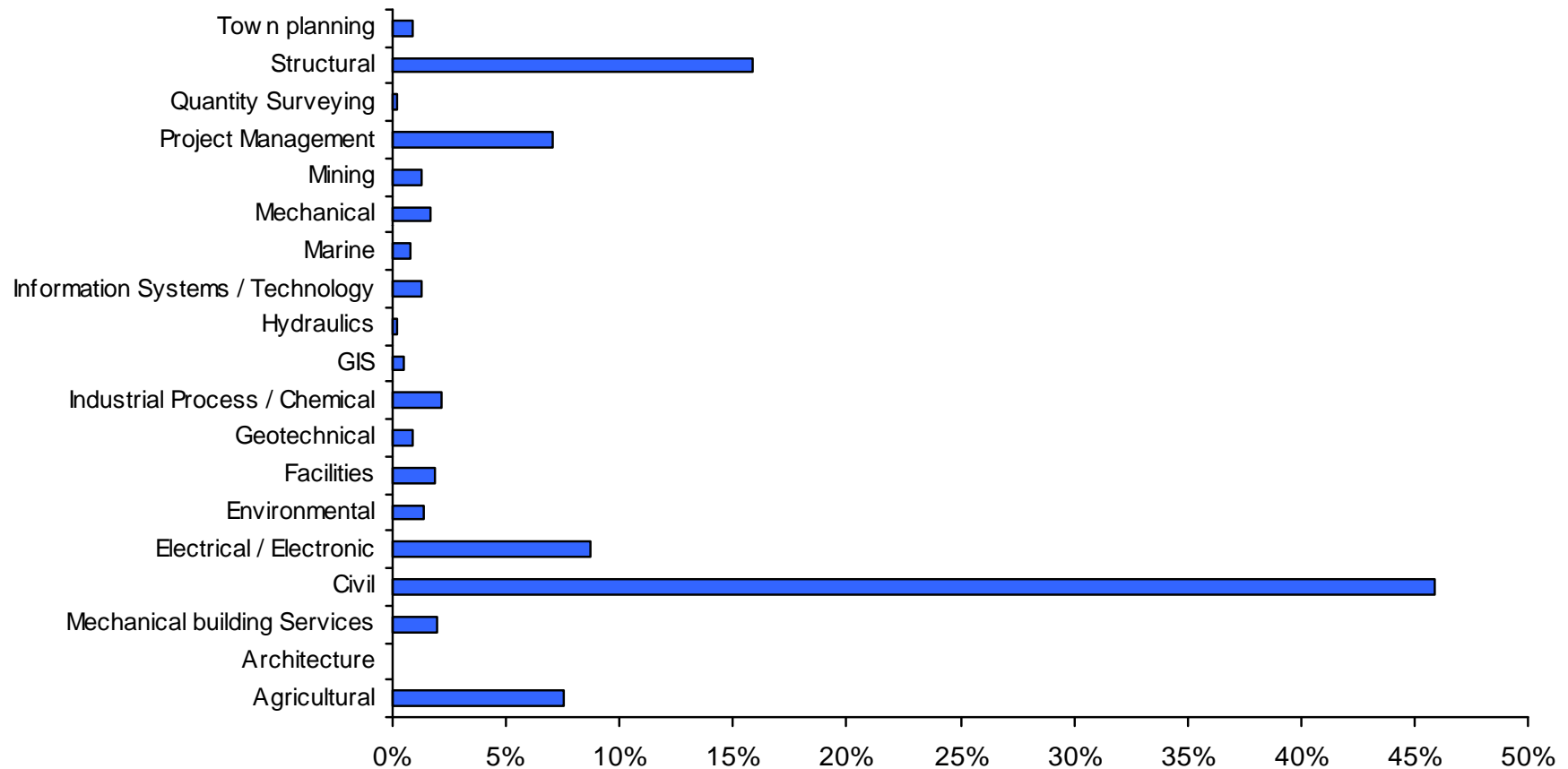
*What type of work did your company engage in during the past 6 months?*



## Fee income earned by Sub-disciplines: % Share July – December 2008

*Question:*

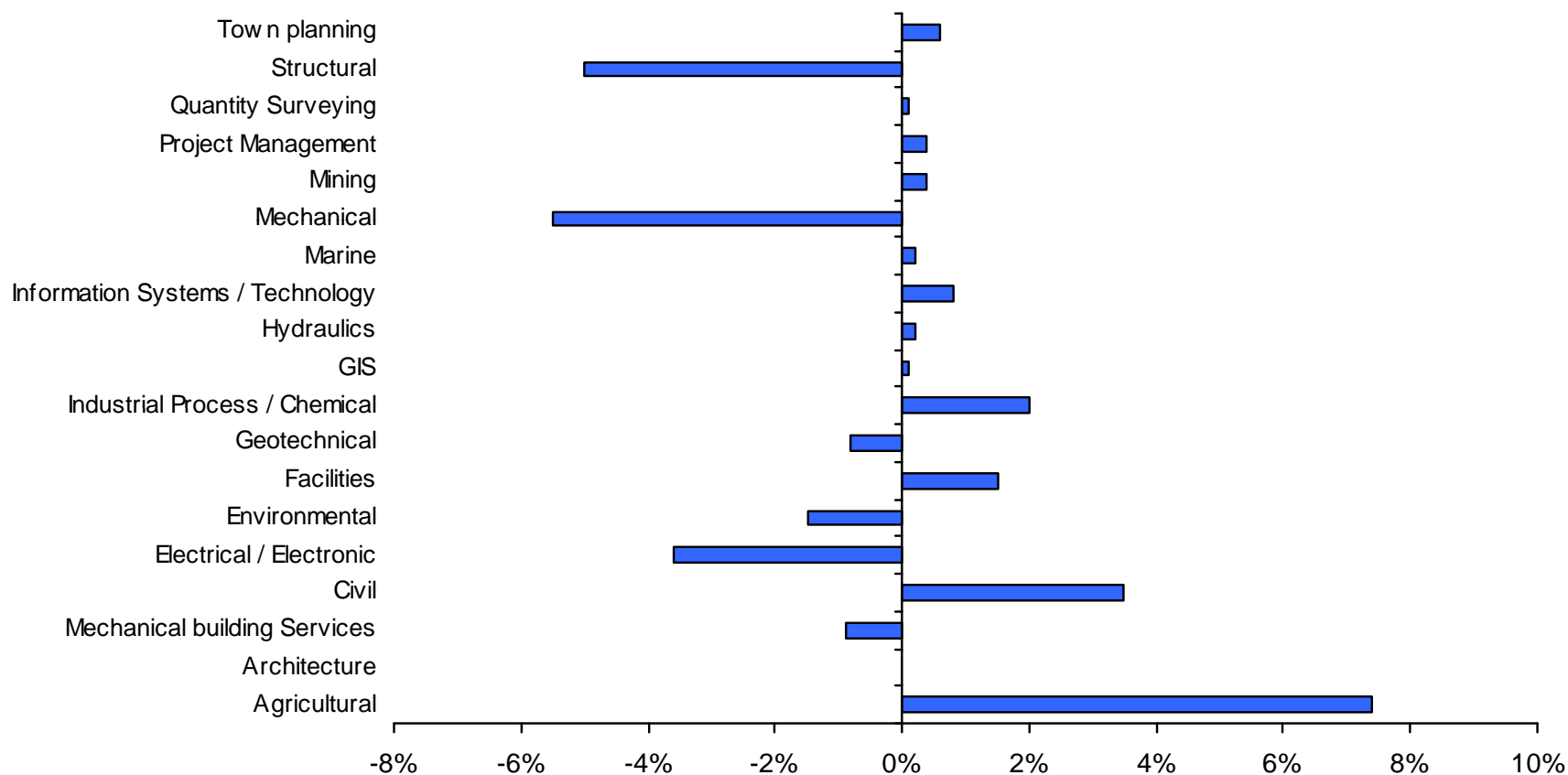
*What type of work did your company engage in during the past 6 months?*



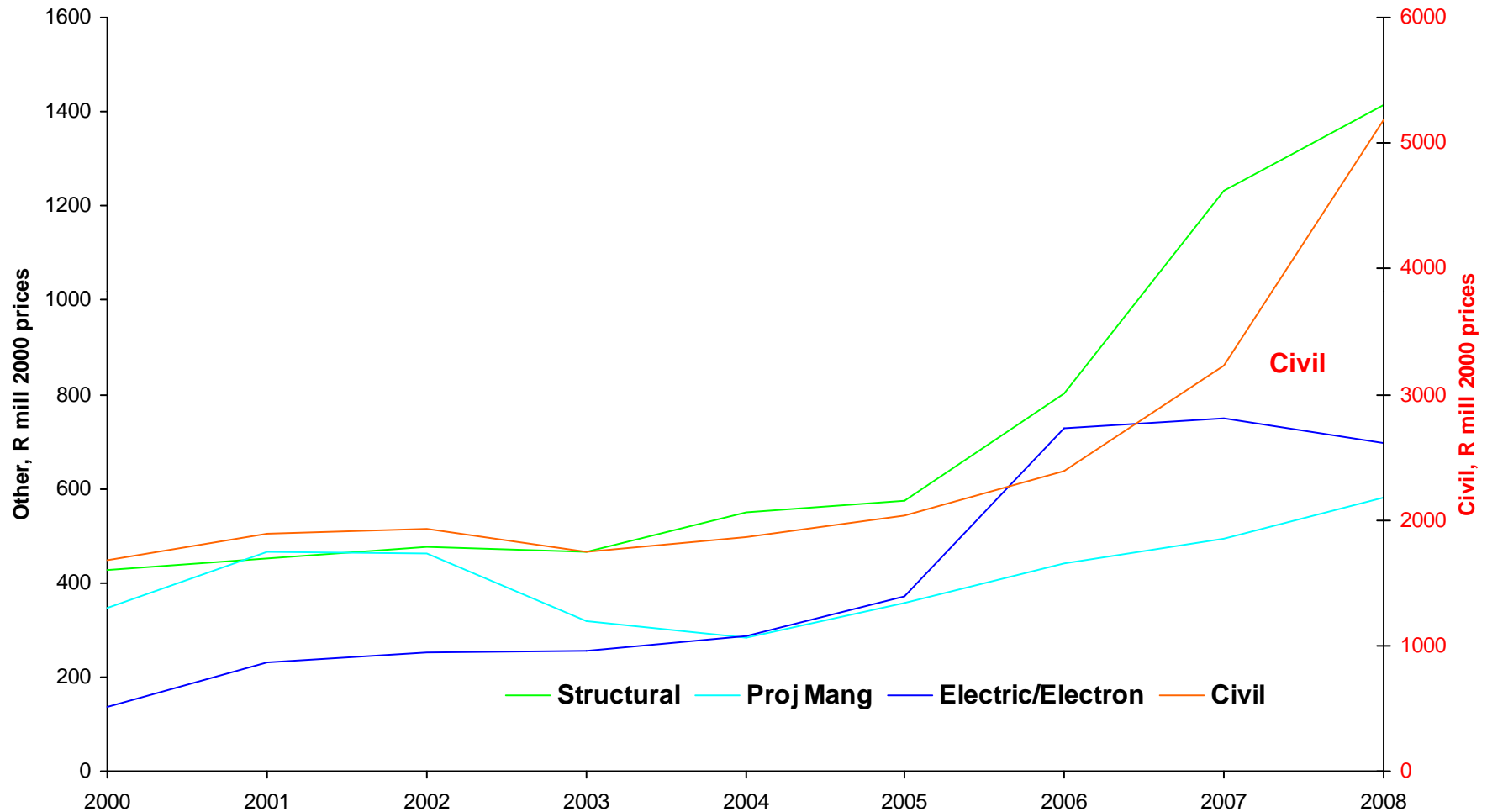
## Fee income earned by Sub-disciplines: % Share Change in the last 12 months

*Question:*

*What type of work did your company engage in during the past 6 months?*



## Fee income earned by Top five disciplines: R mill 2000 prices Annual average: 2000 – 2008 (annualised)



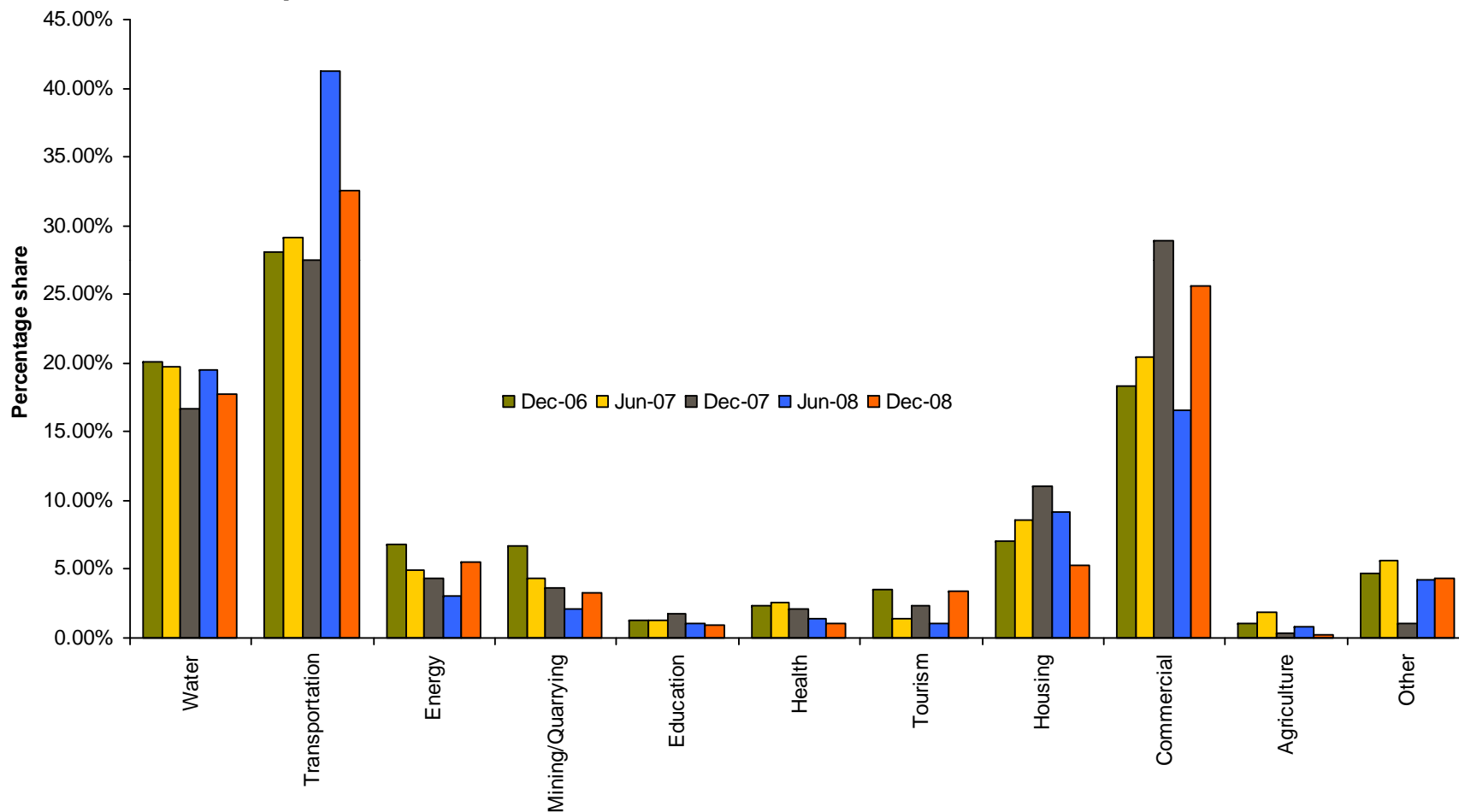
## Economic Sector

# Fee income earned by economic sector (NEW)

## Percentage market share

### December 2006 – December 2008

Section A General Questions: Question:  
Income distribution per economic sector

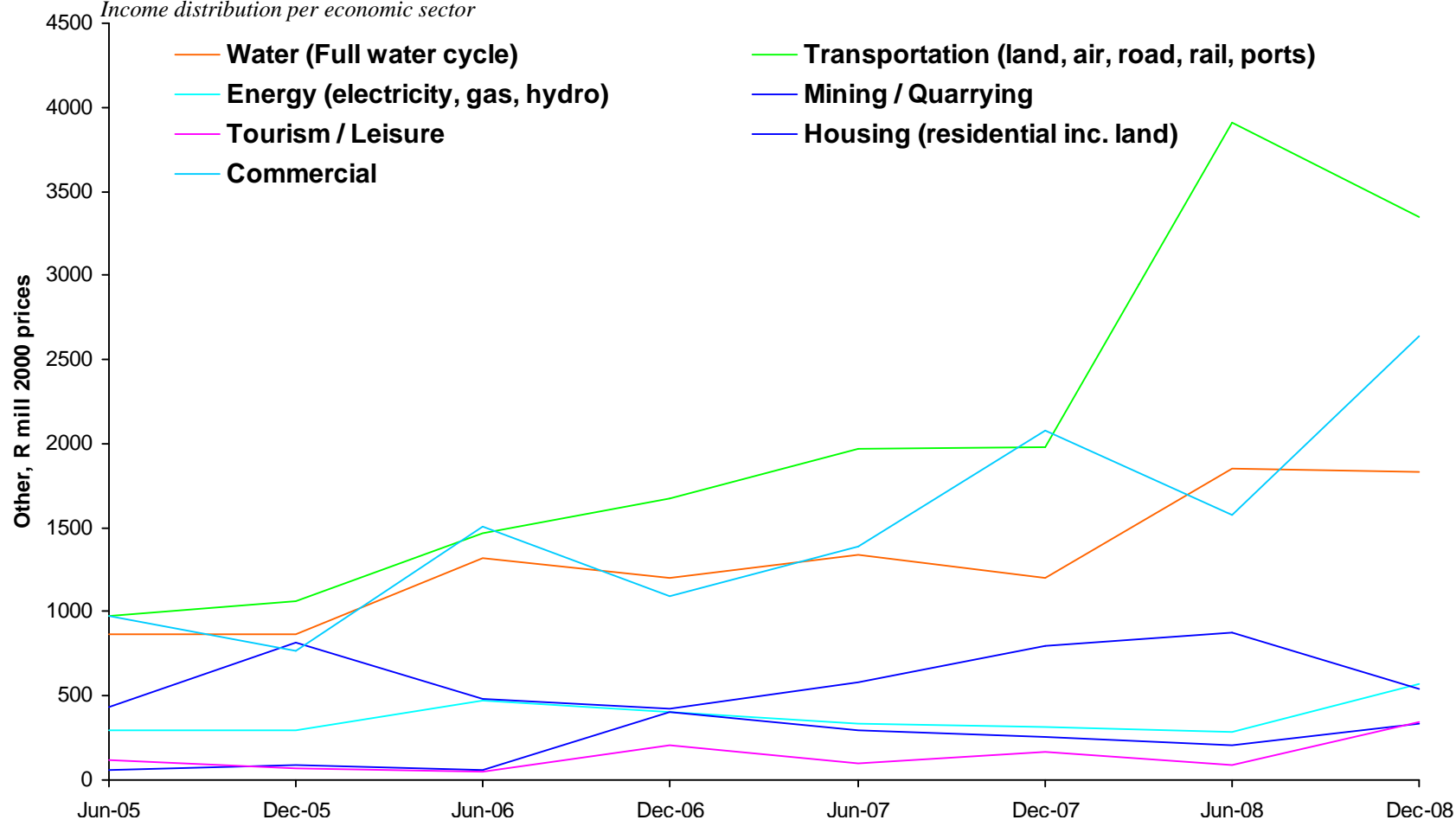


# Consulting Engineering Industry

## Fee income earned by key economic sectors

### December 2005 – December 2008

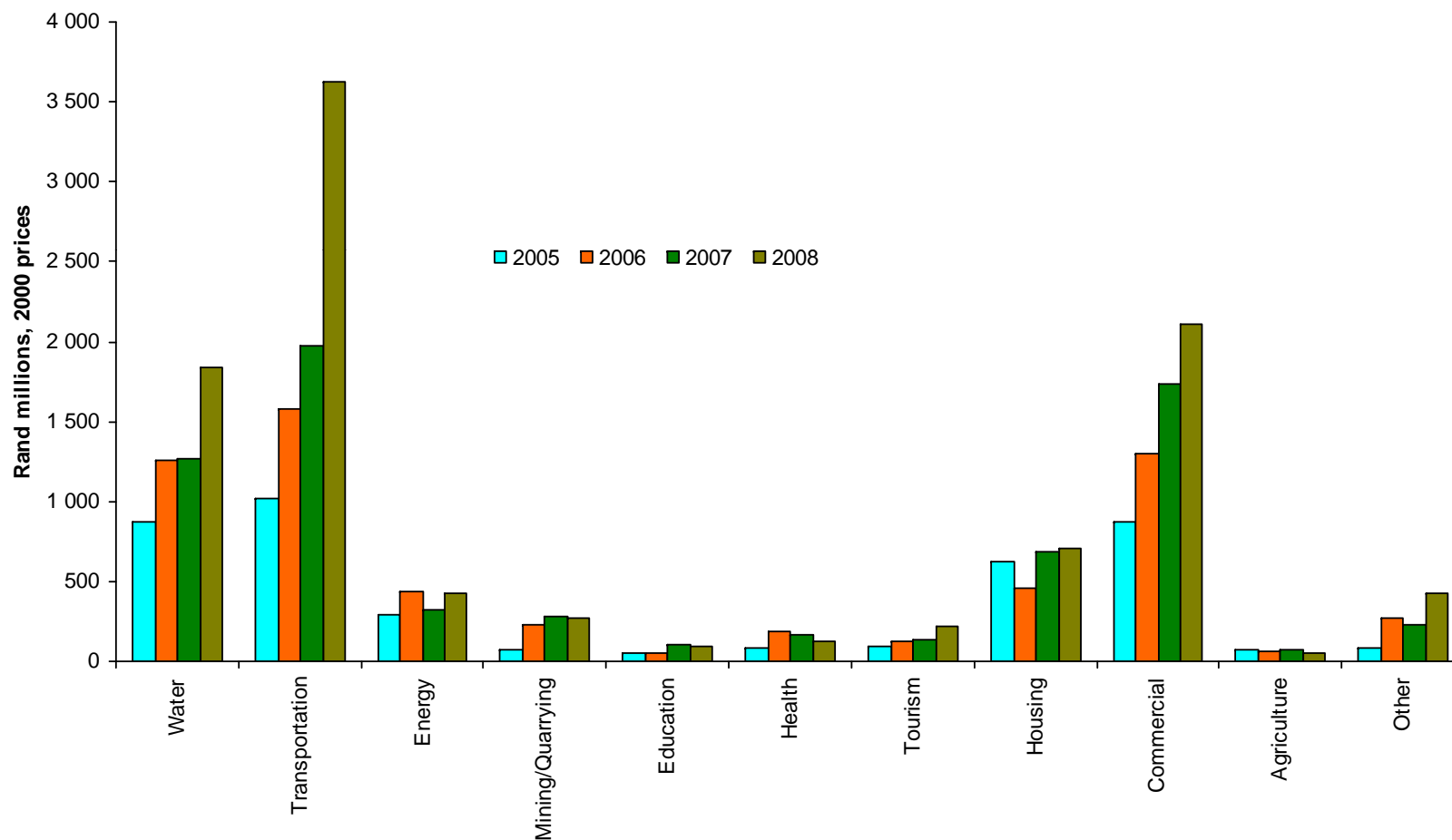
Section A General Questions: Question:  
Income distribution per economic sector



# Fee income earned by economic sector (NEW)

R mill annualised 2000 prices  
Average 2005, 2006, 2007, 2008

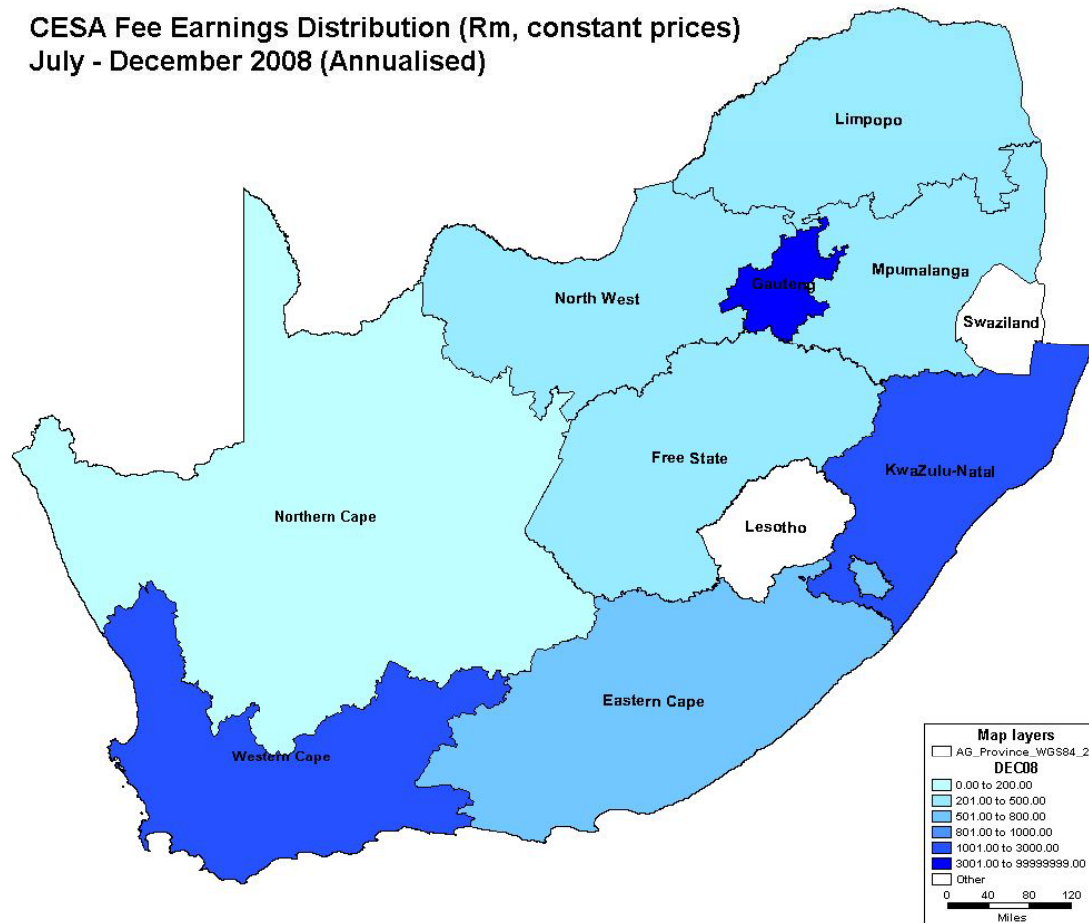
Section A General Questions: Question:  
Income distribution per economic sector



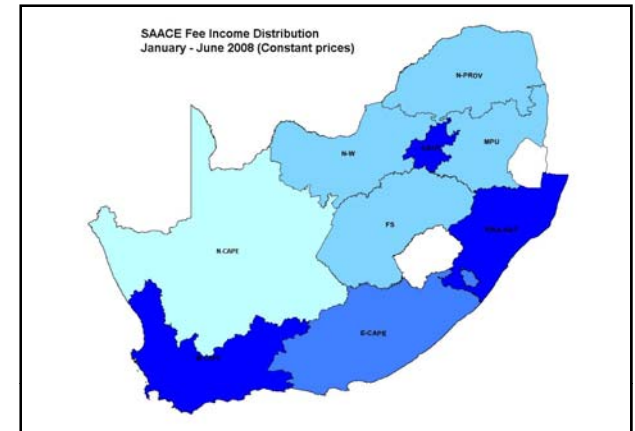


## Geographical Profile

**CESA Fee Earnings Distribution (Rm, constant prices)  
July - December 2008 (Annualised)**



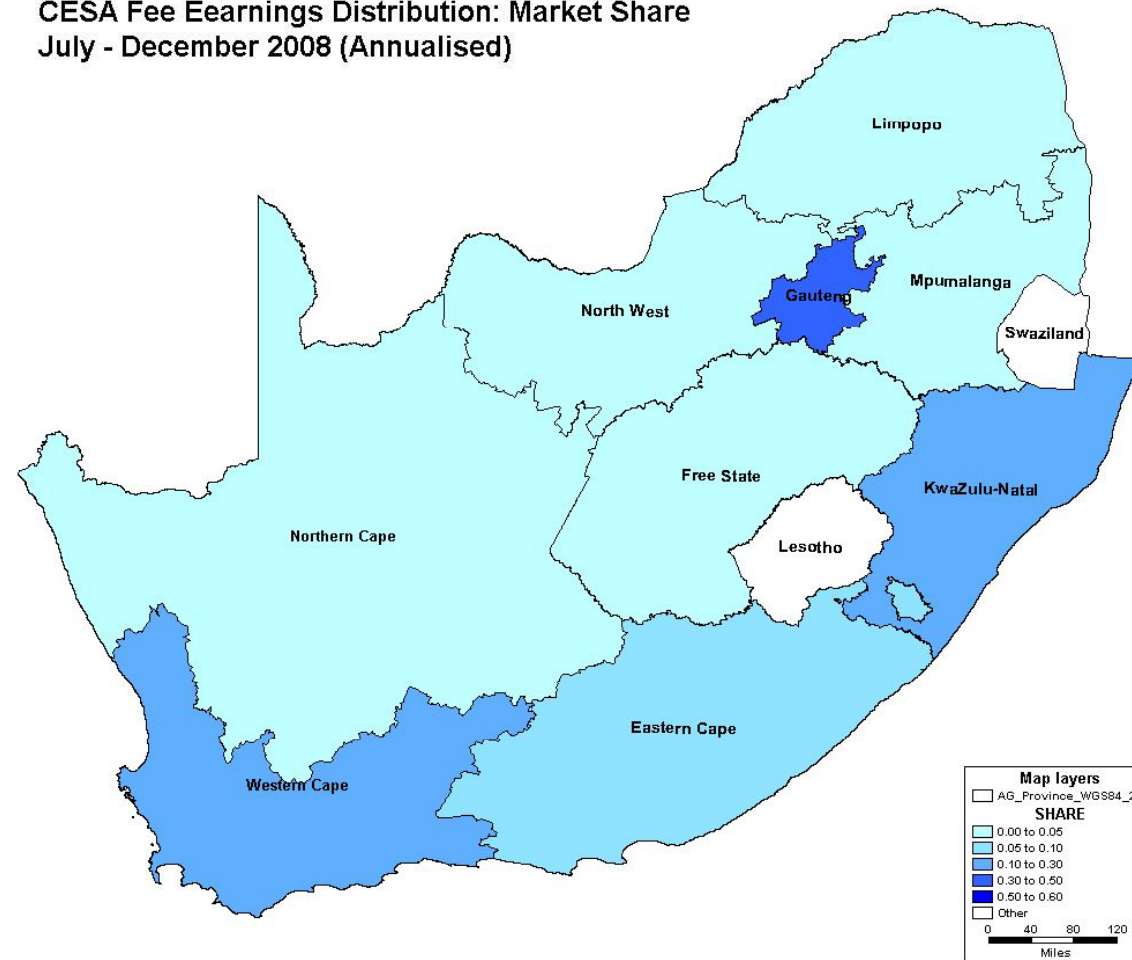
Section A: General Questions: Question 10  
Income distribution per province



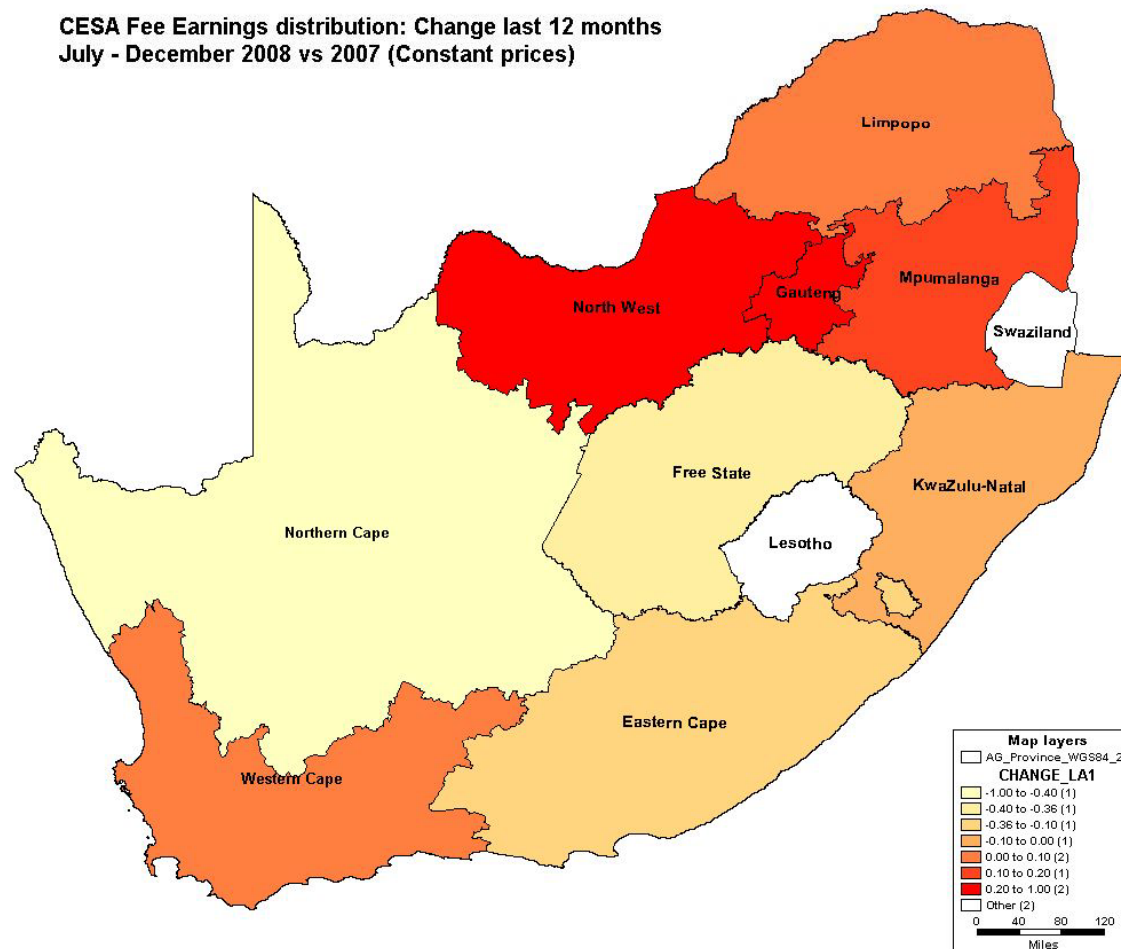
January – June 2008

July - December 2008

**CESA Fee Earnings Distribution: Market Share**  
**July - December 2008 (Annualised)**



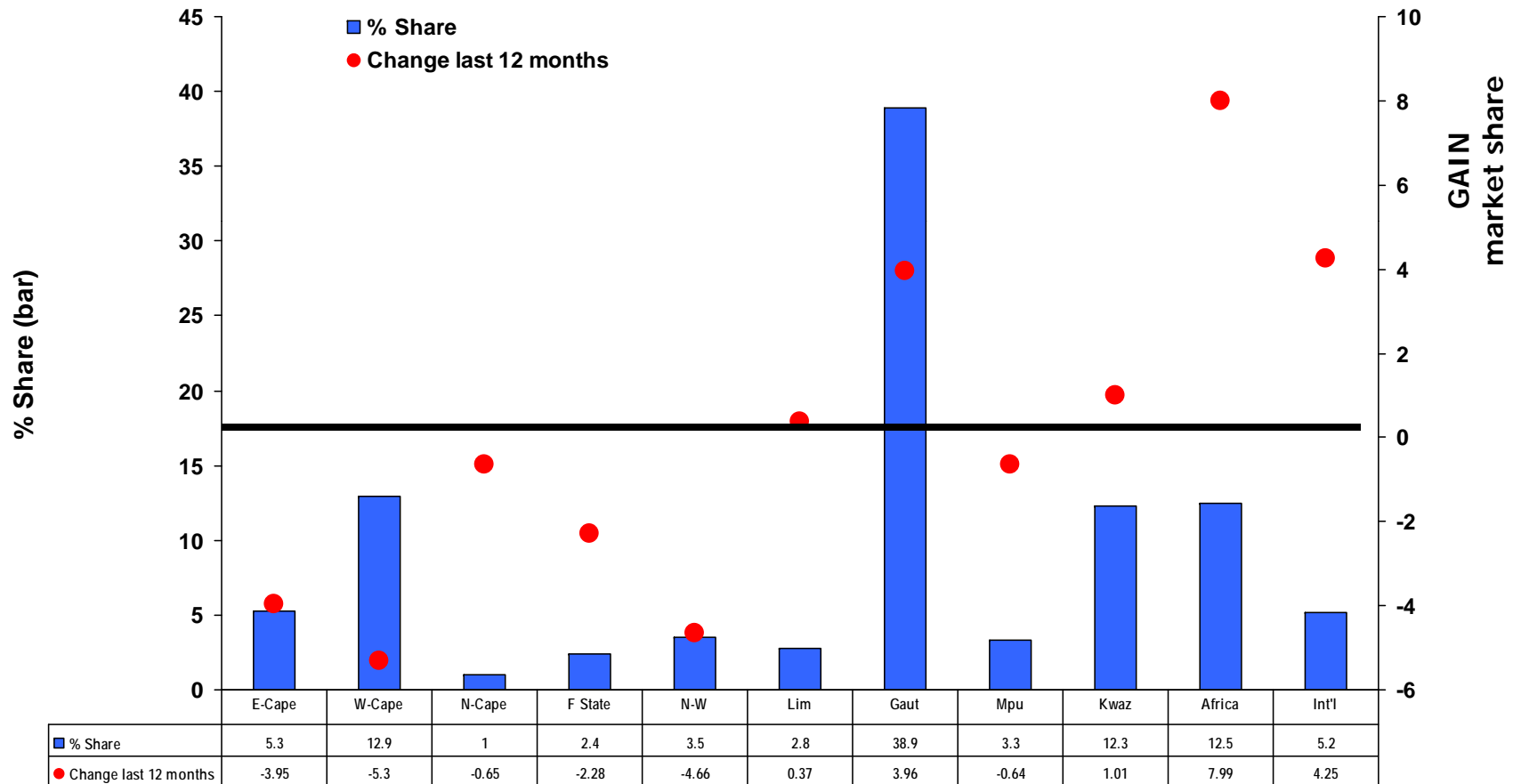
**CESA Fee Earnings distribution: Change last 12 months  
July - December 2008 vs 2007 (Constant prices)**



## Provincial Market Share: December 2008

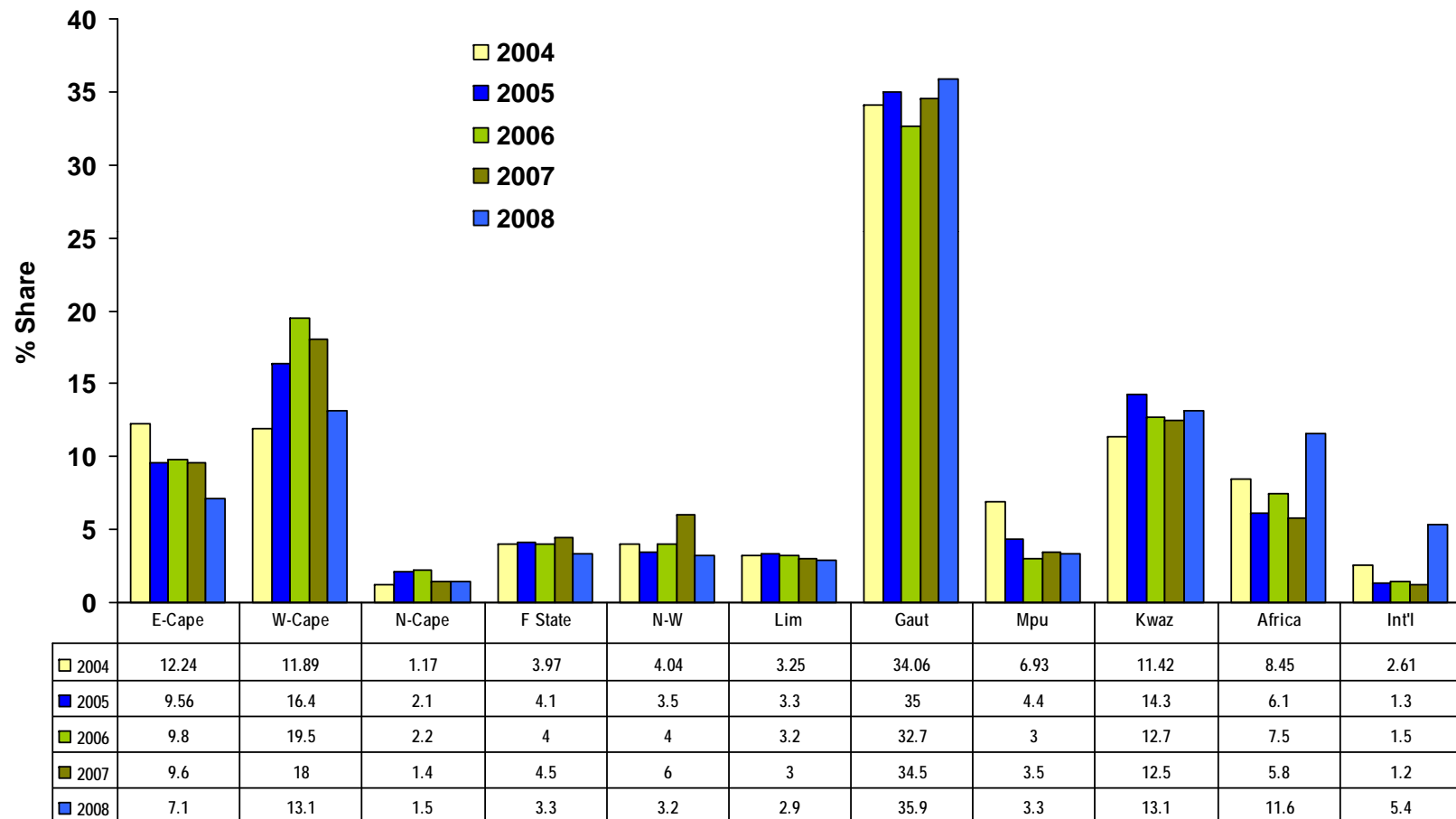
### Vs change in market share from December 2007

Section A: General Questions: Question 10  
Income distribution per province



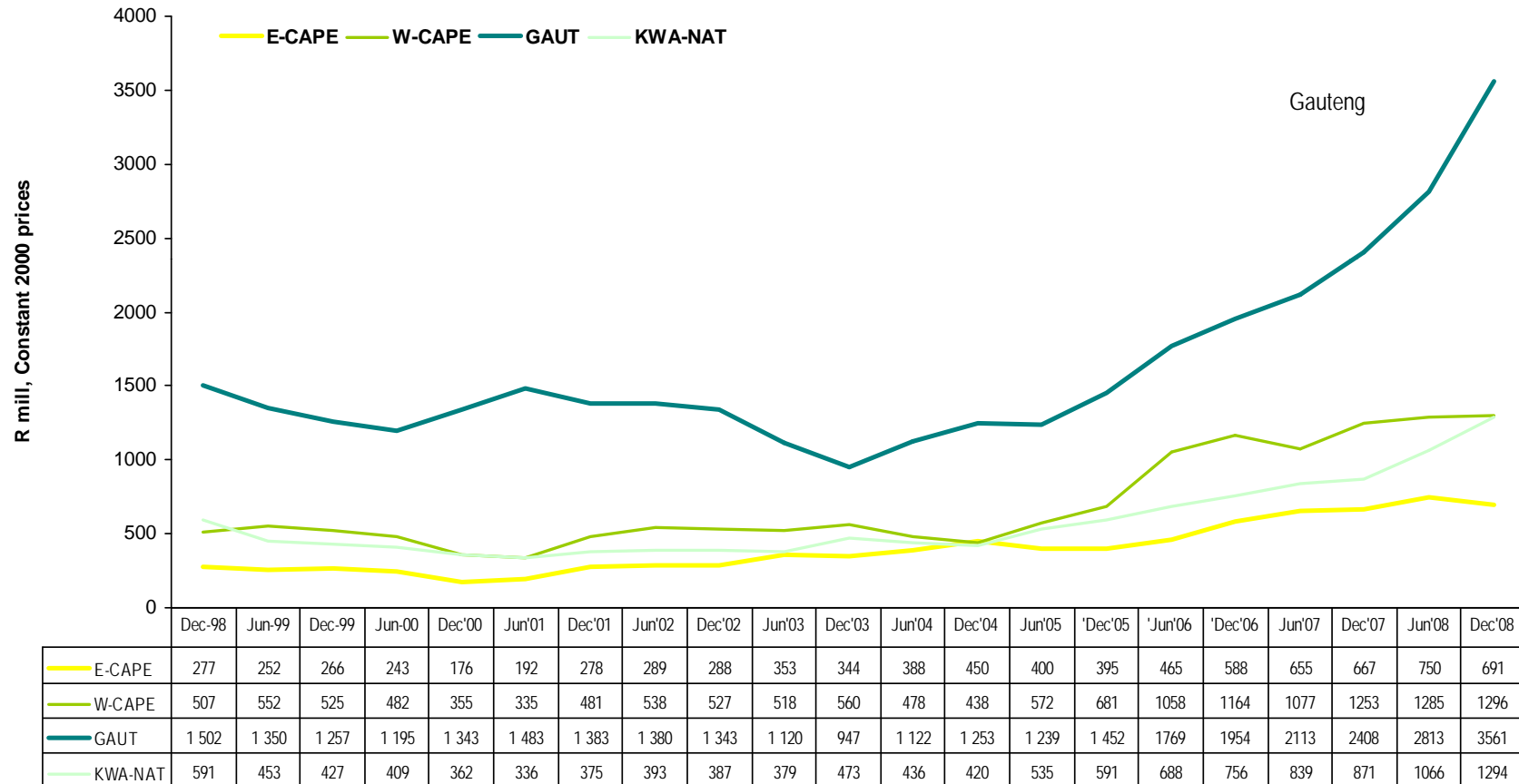
# Provincial Market Share 2004 – 2008 (Annual Average)

Section A: General Questions: Question 10  
Income distribution per province



# Fee income earned by province (High Capacity economies) – Annualised smoothed

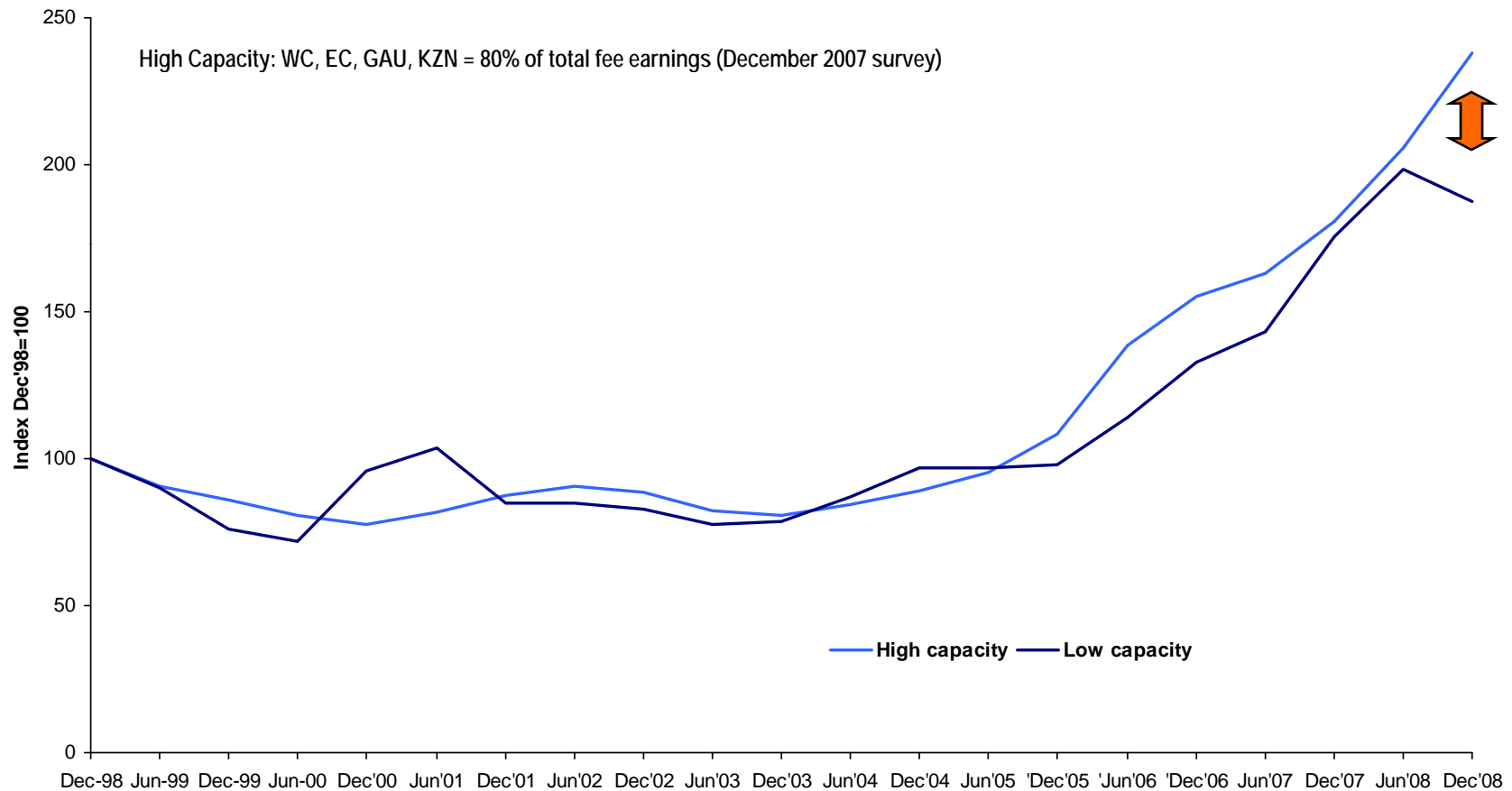
Section A: General Questions: Question 10  
Income distribution per province



# Fee income earned (Constant 2000 prices)

## High Capacity vs lower capacity provincial economies (Smoothed)

Section A: General Questions: Question 10  
Income distribution per province

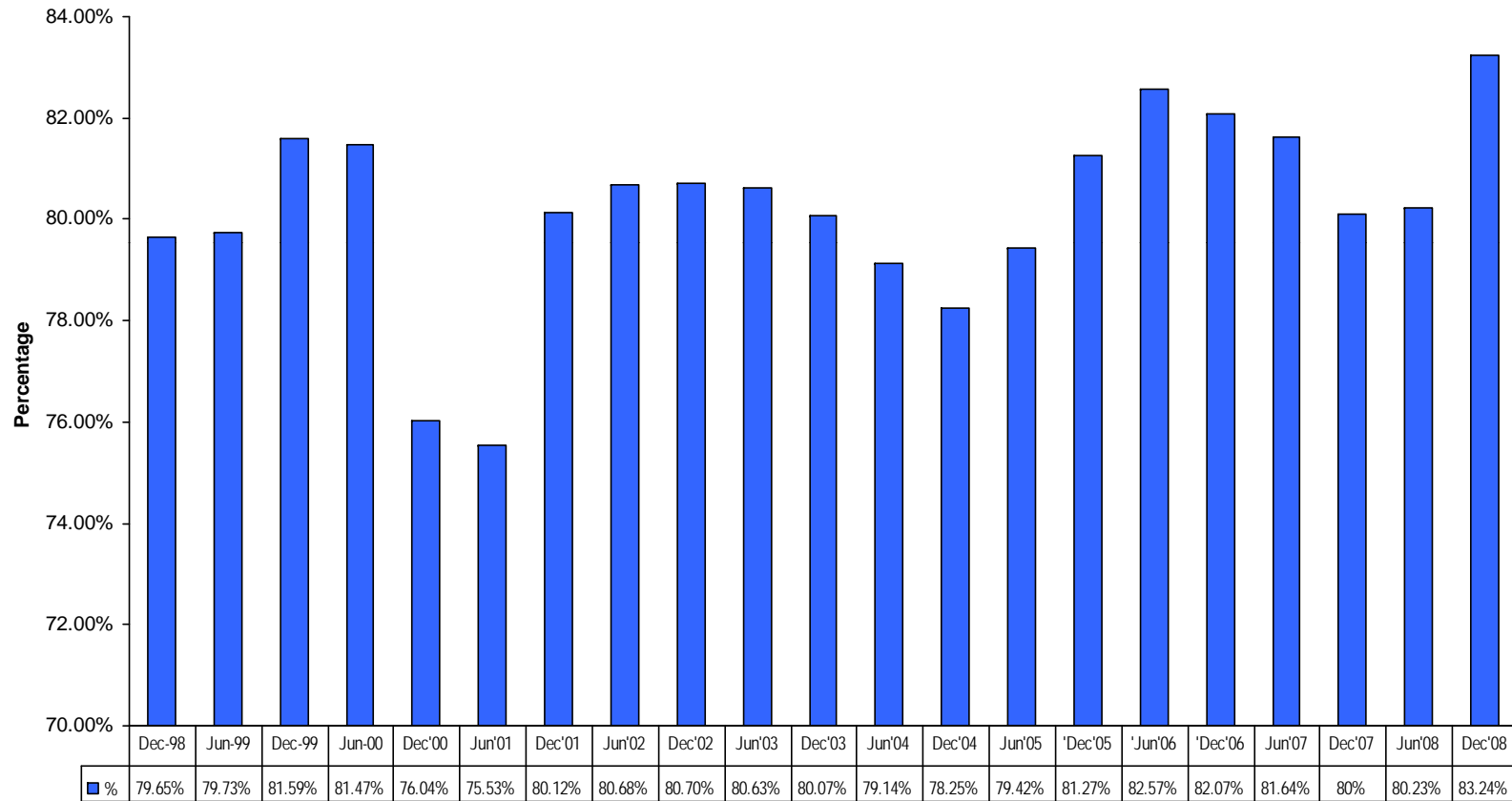




# Fee income earned (Constant 2000 prices)

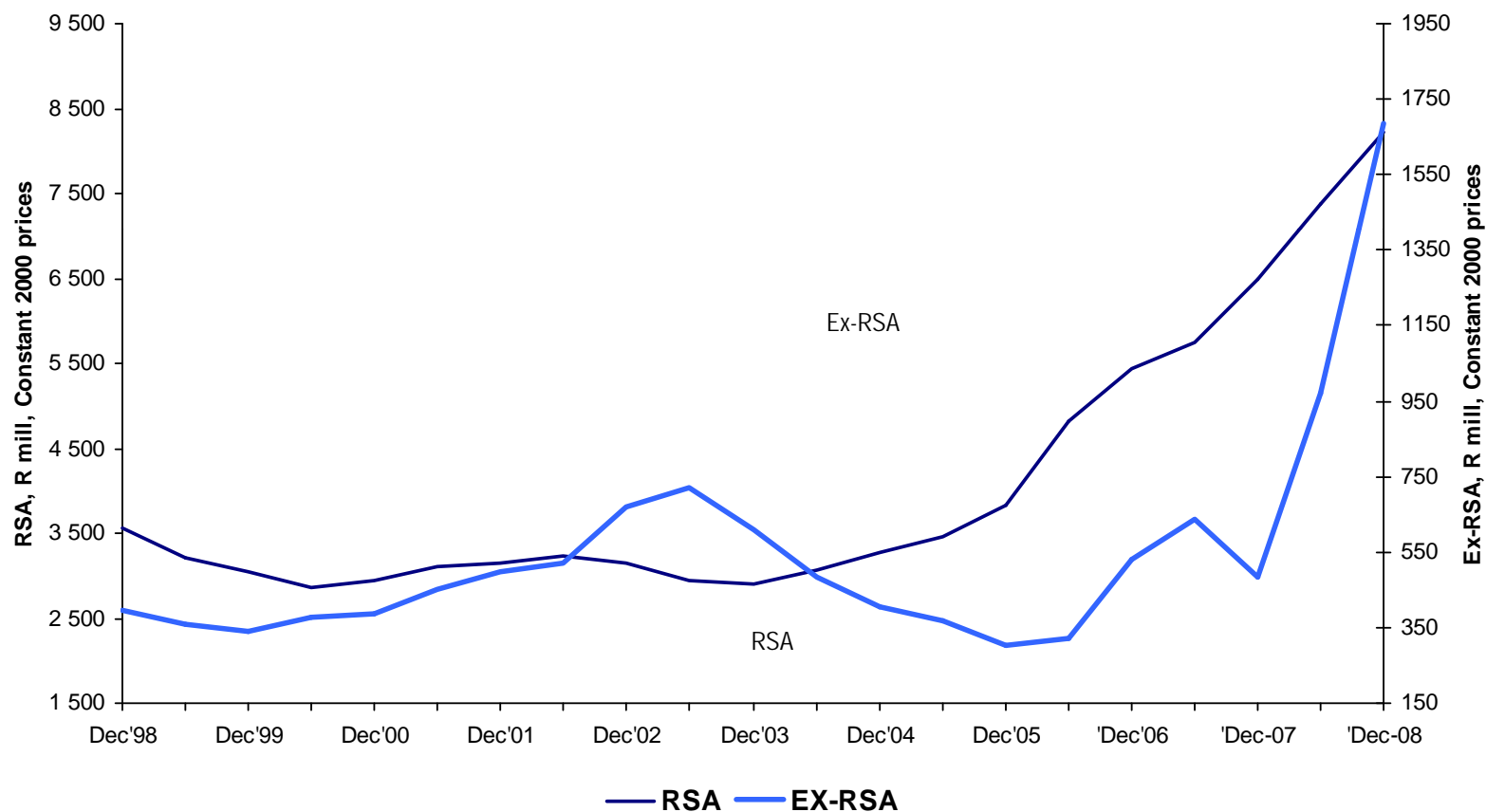
## % of RSA Earnings : High Capacity provincial economies (Smoothed)

Section A: General Questions: Question 10  
Income distribution per province



## Fee income earned : RSA vs EX-RSA R mill, 2000 prices (Annualised, smoothed)

Section A: General Questions: Question 10  
Income distribution per province

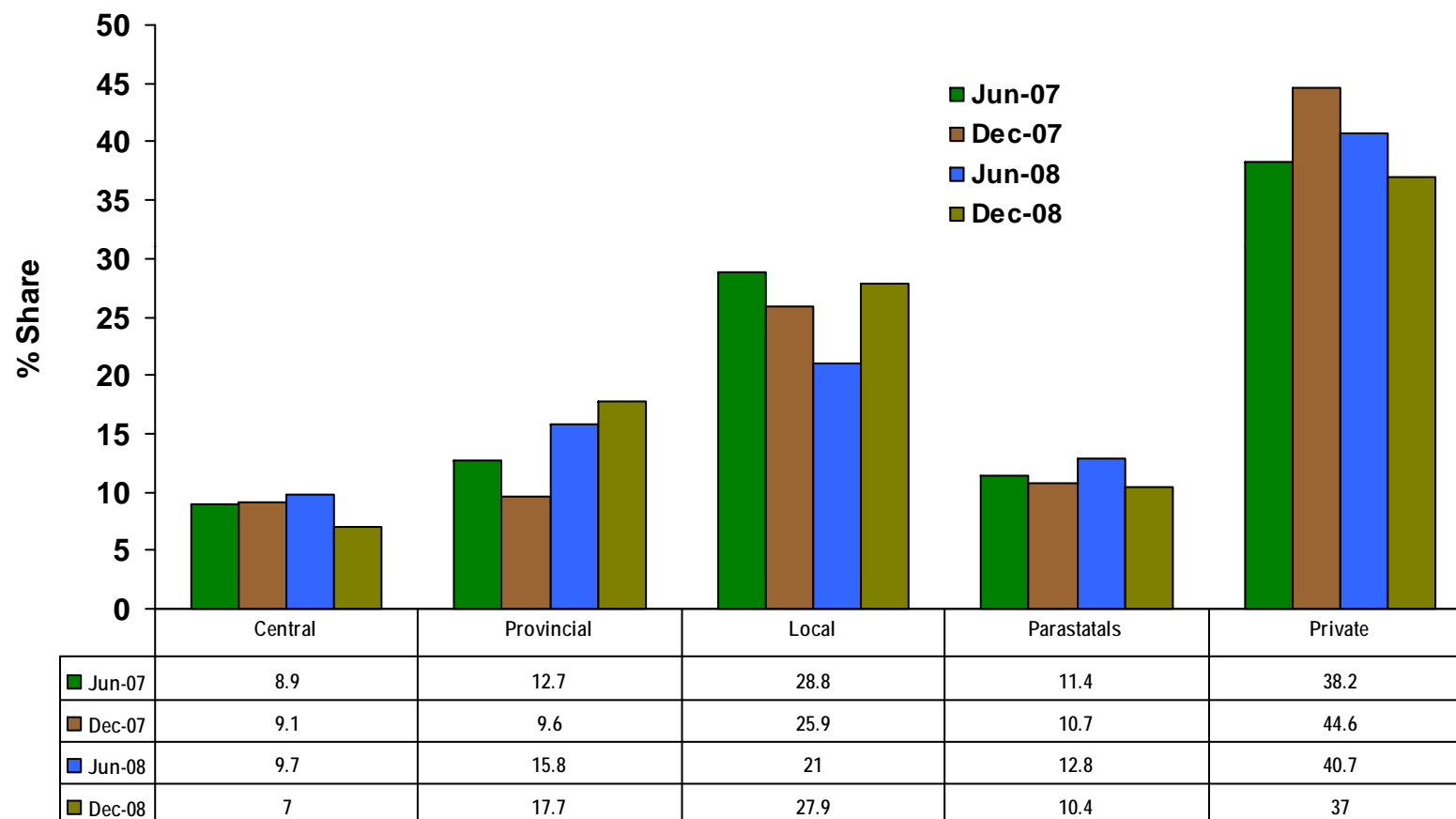


**Client**

## Fee income earned by type of client % Share

Section A: General Questions: Question 11

Local (SA) Income distribution per fee paying client type, during the past 6 months



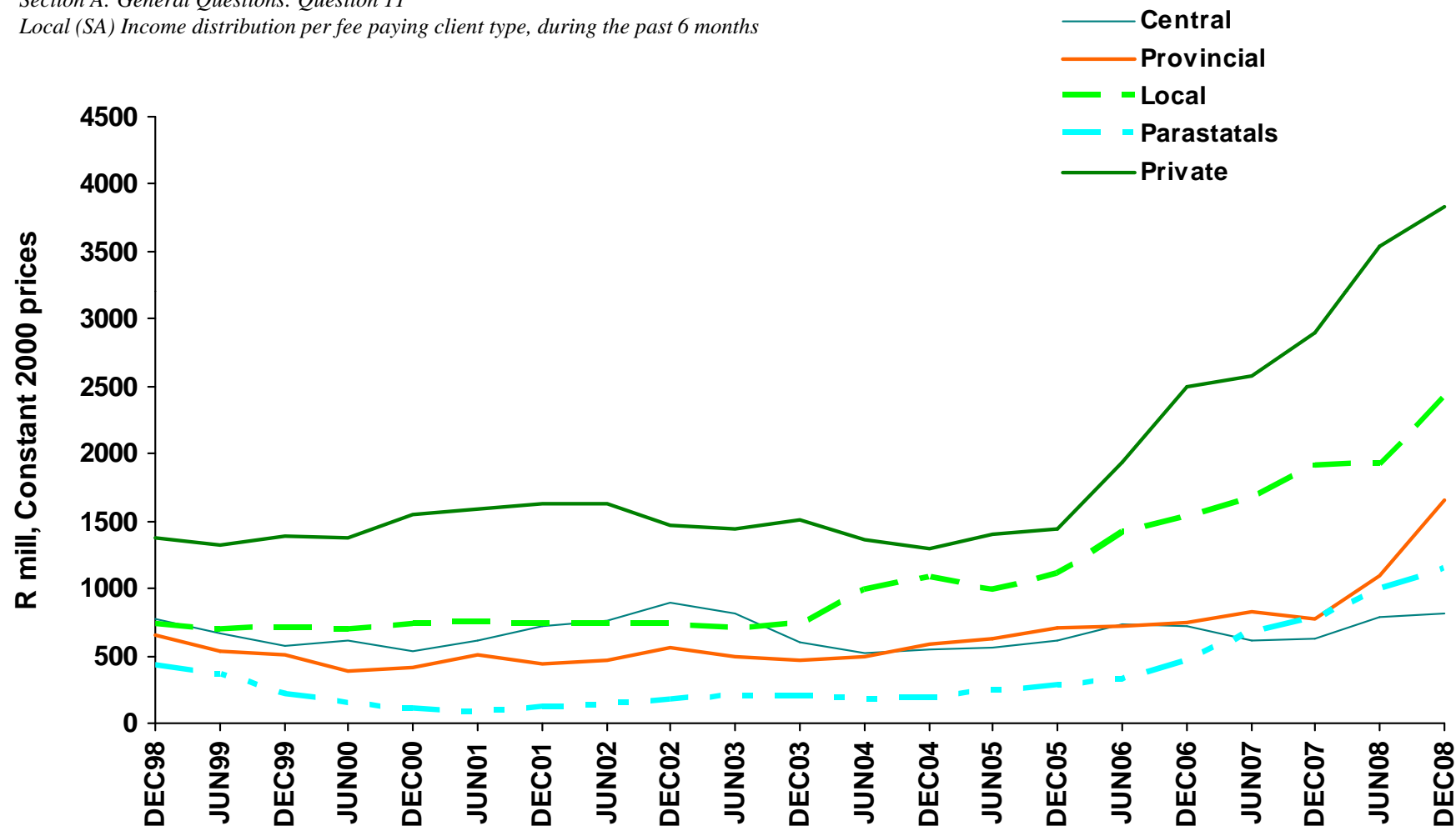
# Fee income earned by type of client

R mill 2000 prices

(Annualised, smoothed - avg over 2 survey periods)

Section A: General Questions: Question 11

Local (SA) Income distribution per fee paying client type, during the past 6 months



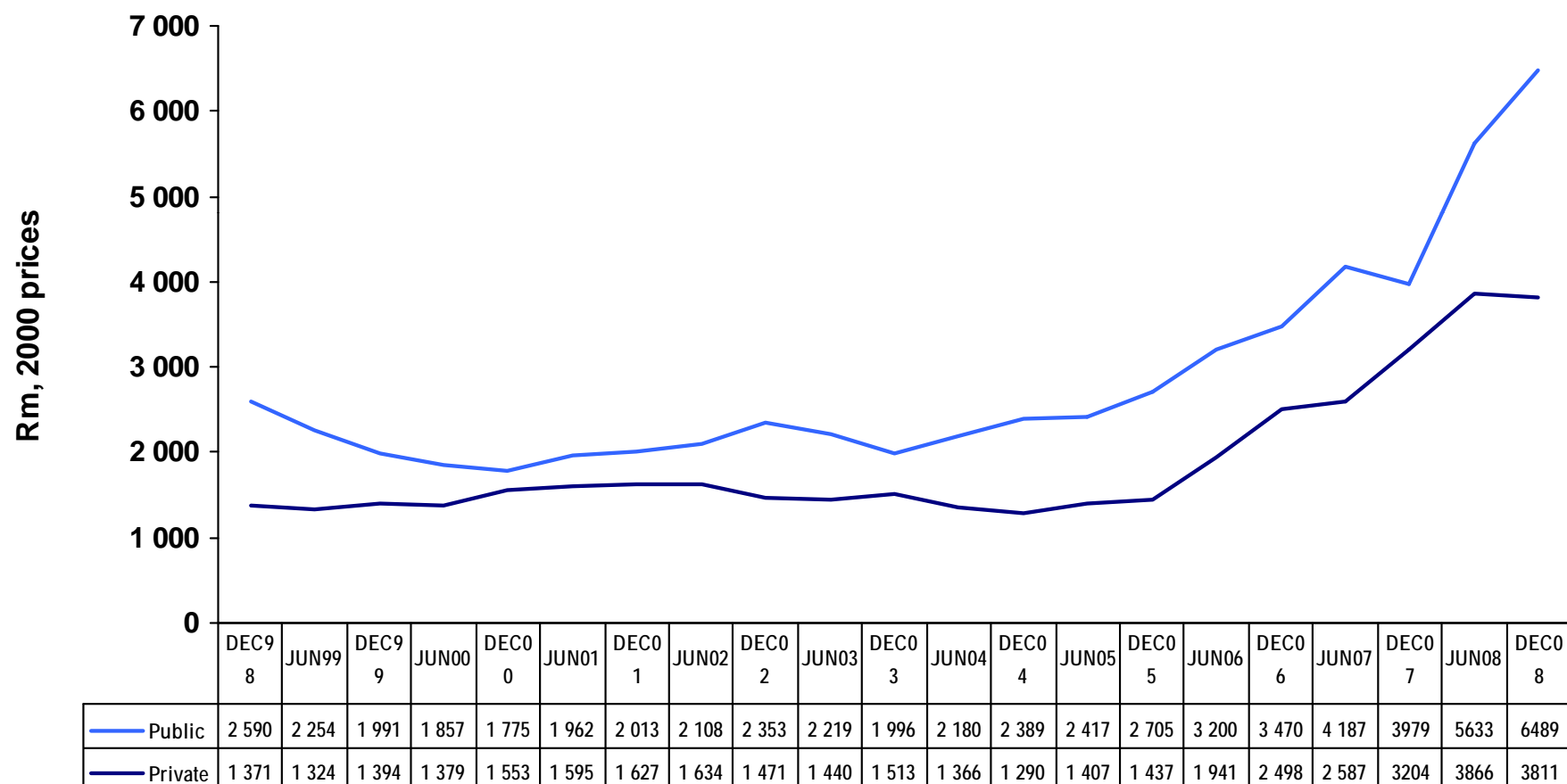
# Fee income earned by type of client

Constant 2000 prices  
 (Annualised, smoothed - avg over 2 survey periods)

Section A: General Questions: Question 11

Local (SA) Income distribution per fee paying client type, during the past 6 months

— Public  
 — Private



## Fee income earned within Public Sector Percentage

Section A: General Questions: Question 11

Local (SA) Income distribution per fee paying client type, during the past 6 months



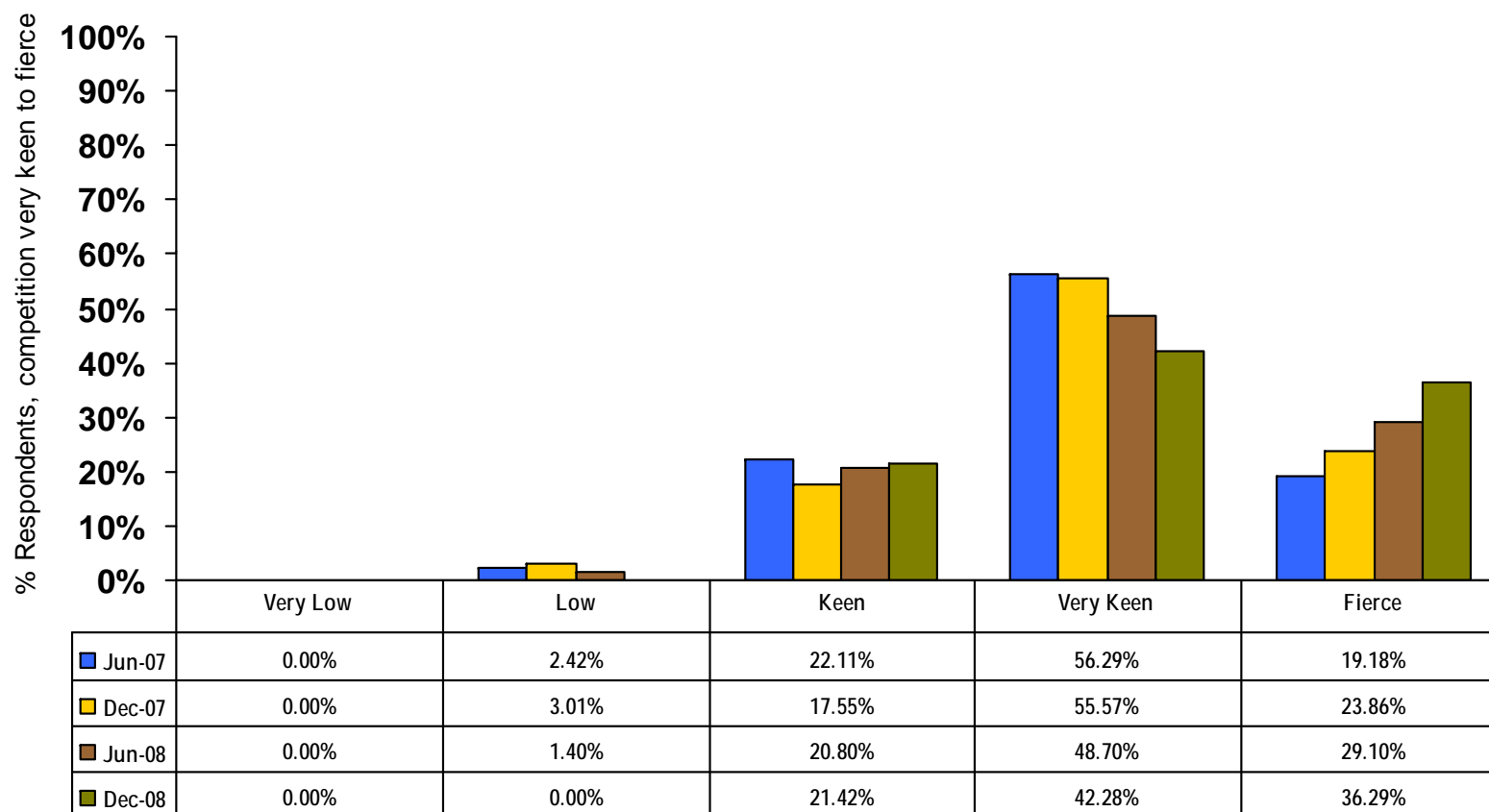
## Competition



# Competition in tendering

Section B: Business Cycle Indicators - Question 16

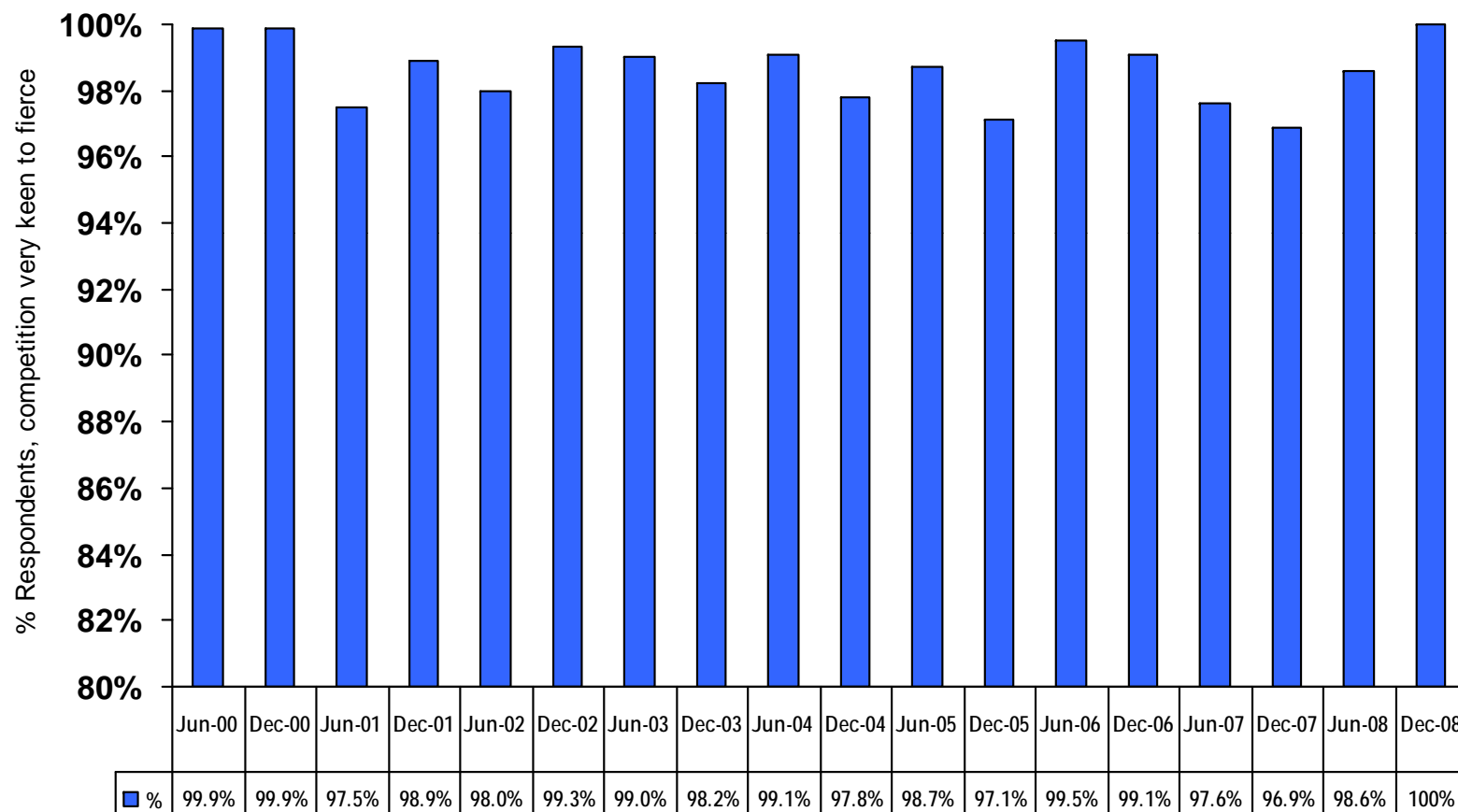
During Jan – June 2008 competition for work was (Tick selection)



# Competition in tendering

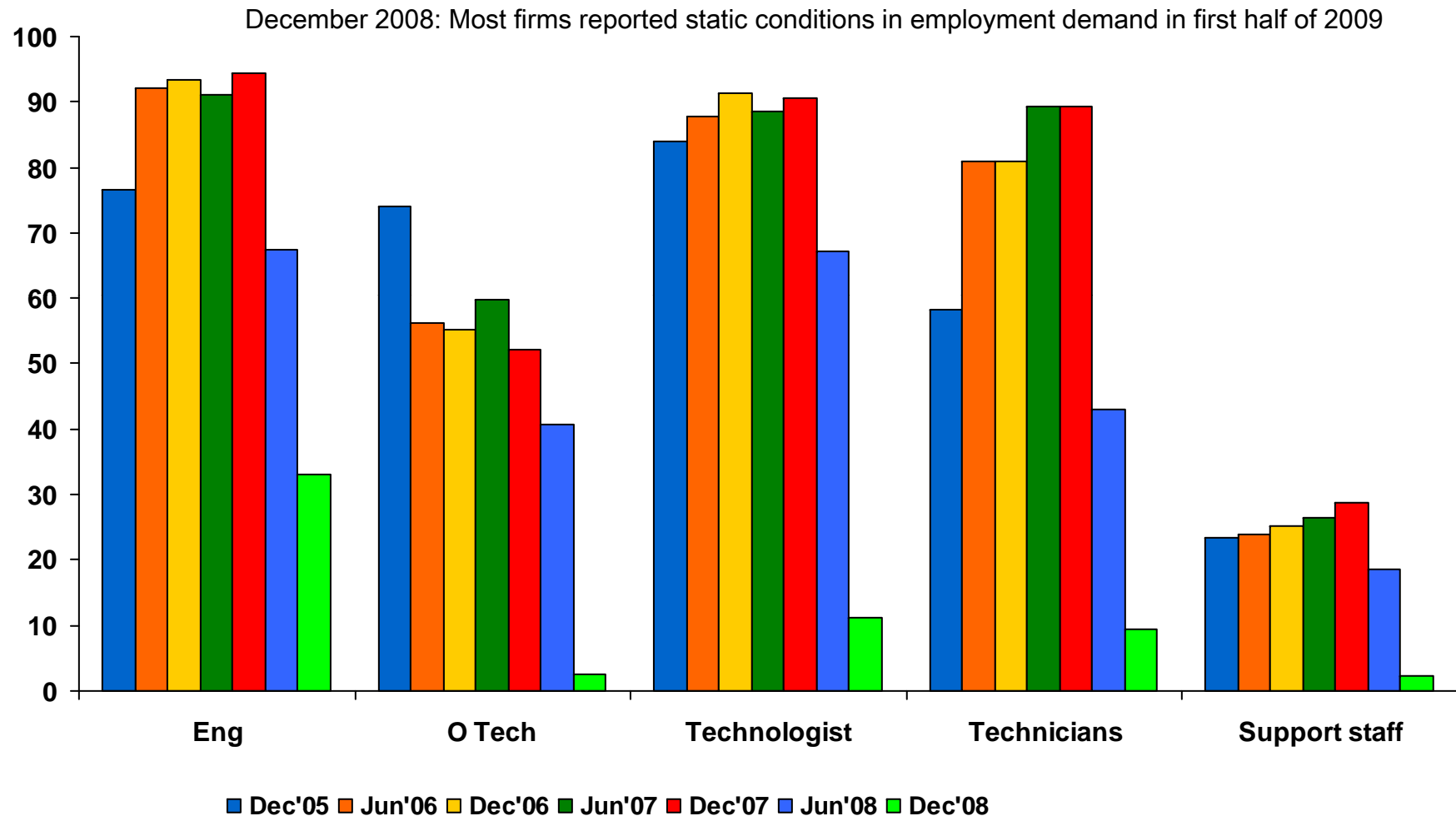
Section B: Business Cycle Indicators - Question 16

During Jan – June 2008 competition for work was (Tick selection)

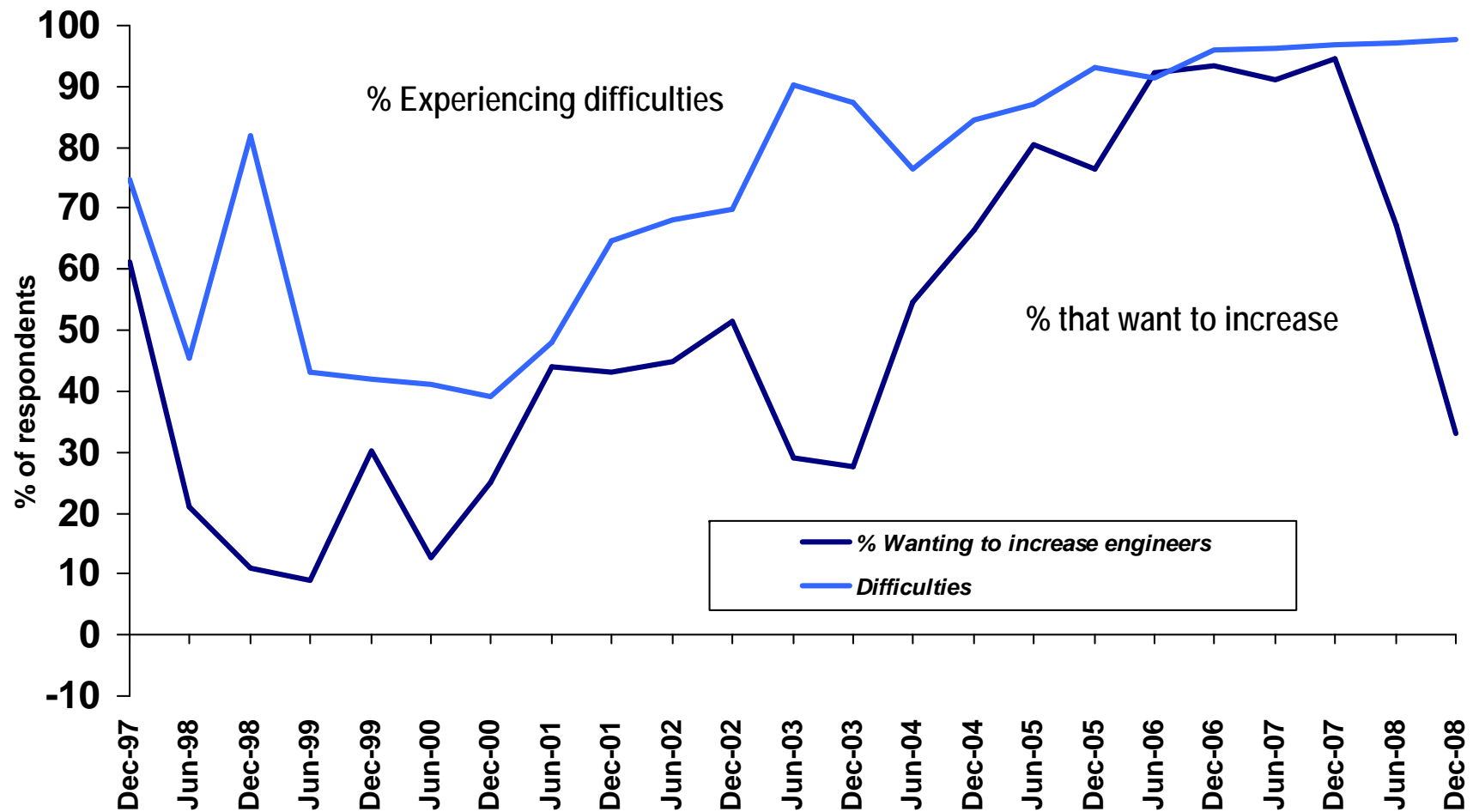


## Recruitment

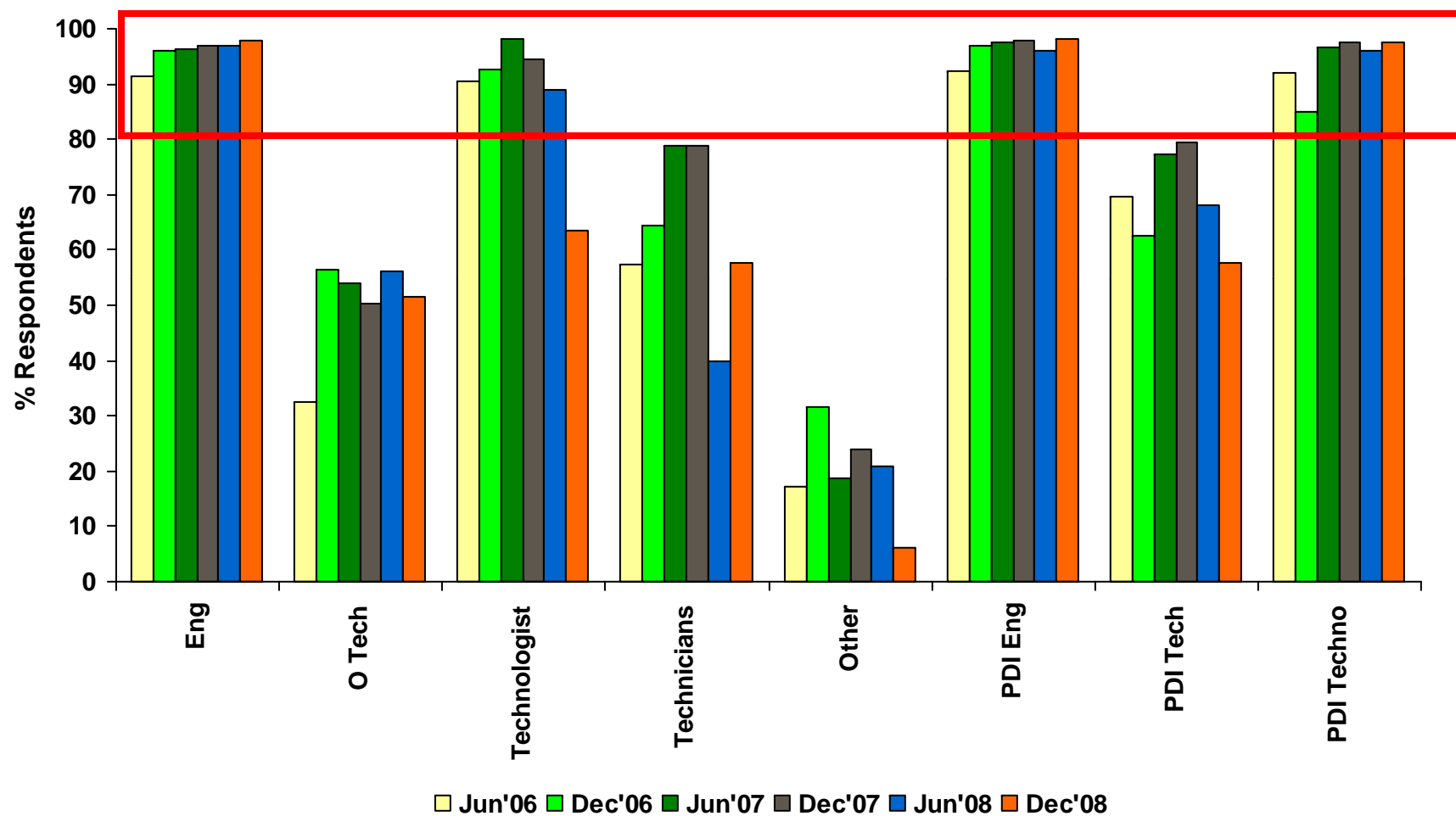
## % of Firms wanting to increase staff



# Engineering shortage now critical



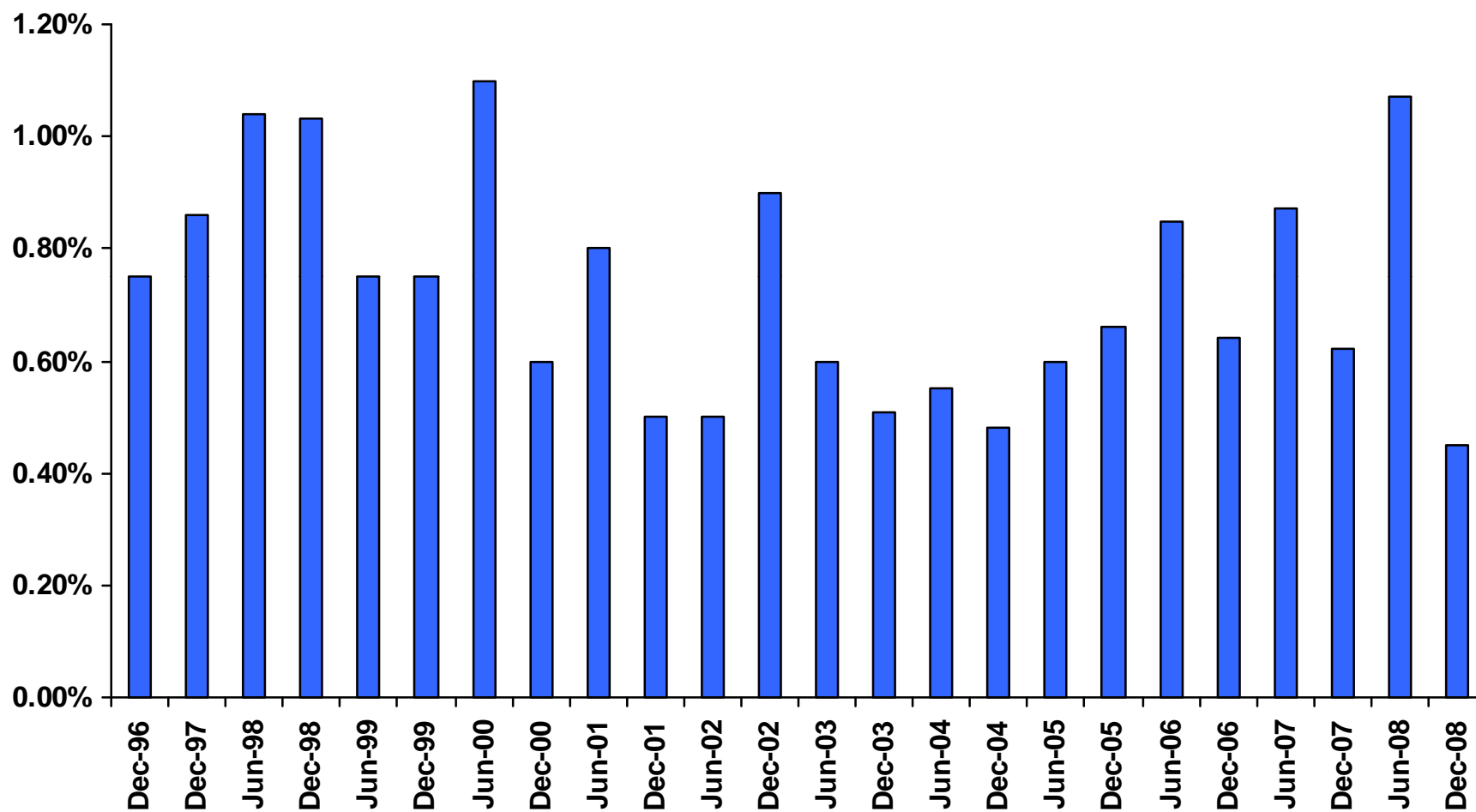
# Recruitment problems



## Training / Bursaries

# Bursaries

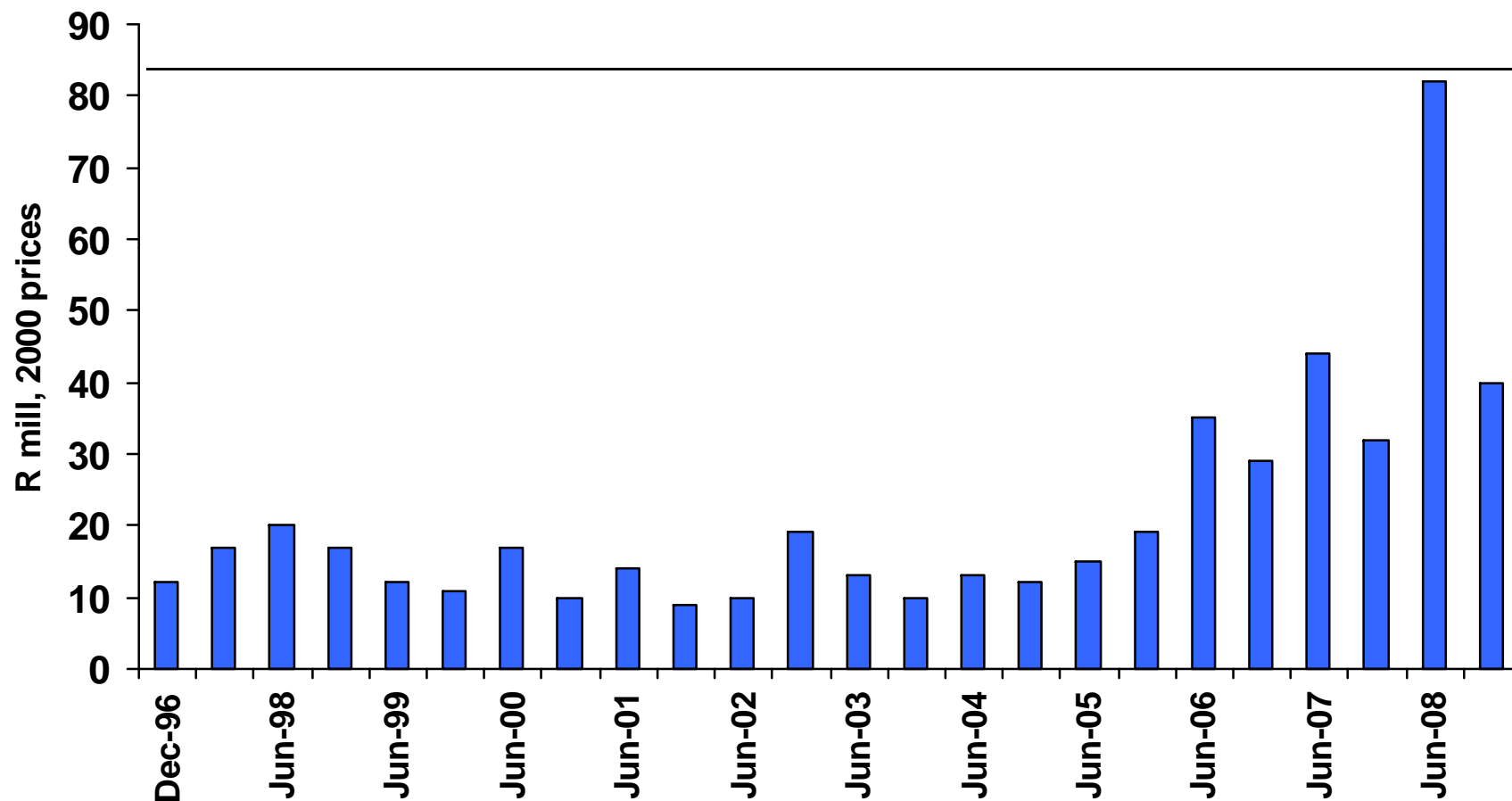
## % of Salary / Wage bill





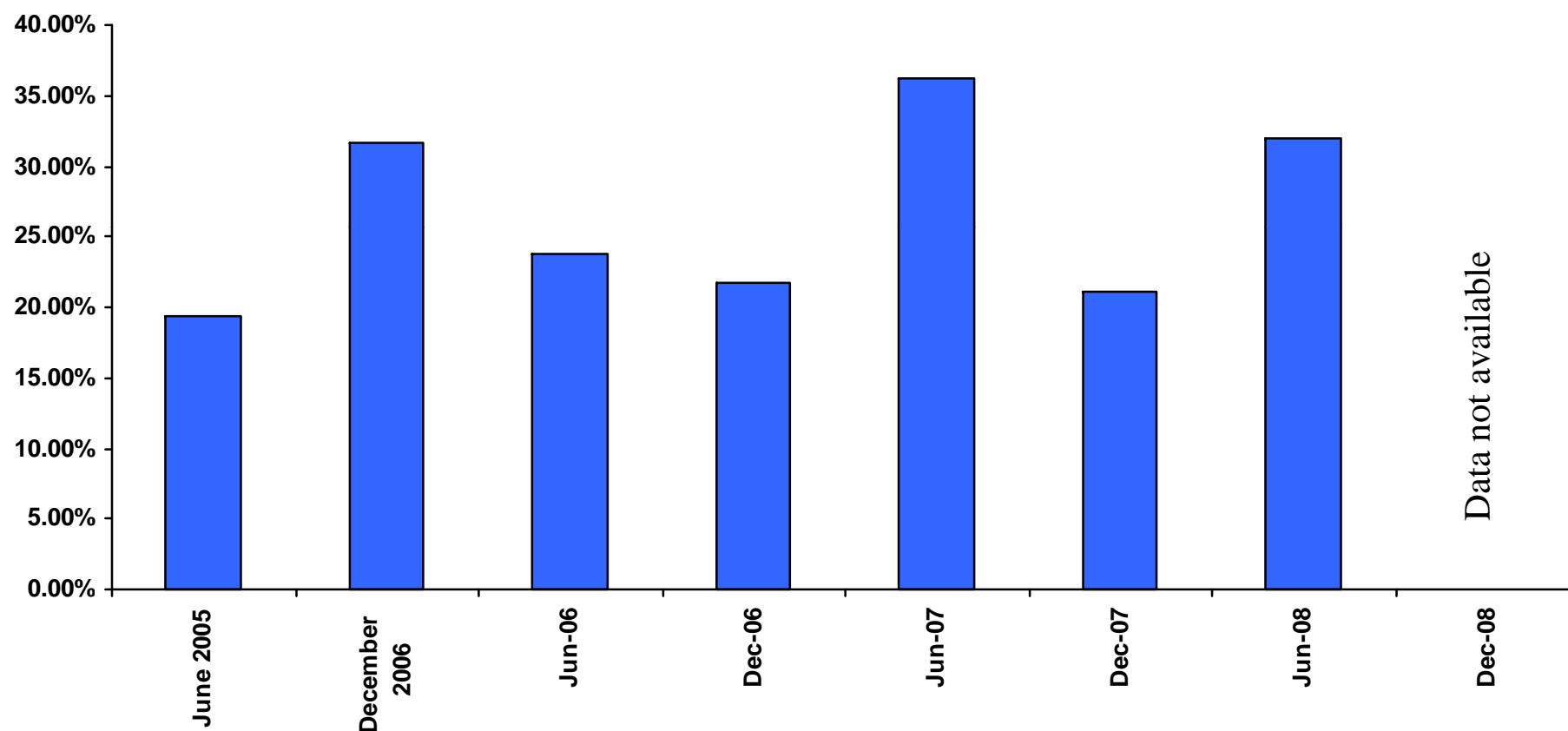
# Bursaries

## R mill 2000 prices (Annualised)



## Training (Salaries and Direct Training Costs) % of Payroll

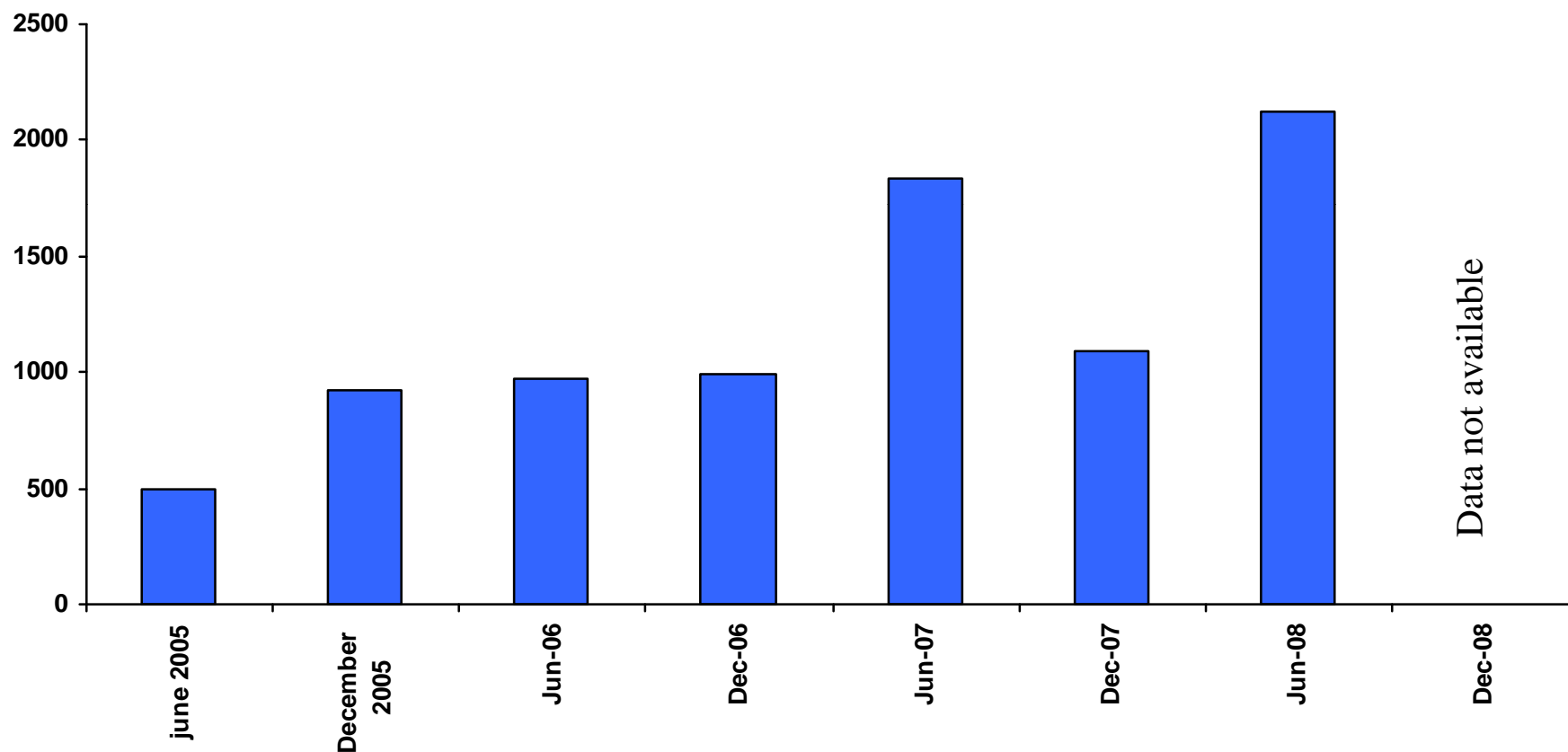
*Large % of respondents did not complete information on salaries in December 2008 survey*



## Training (Salaries and Direct Training Costs)

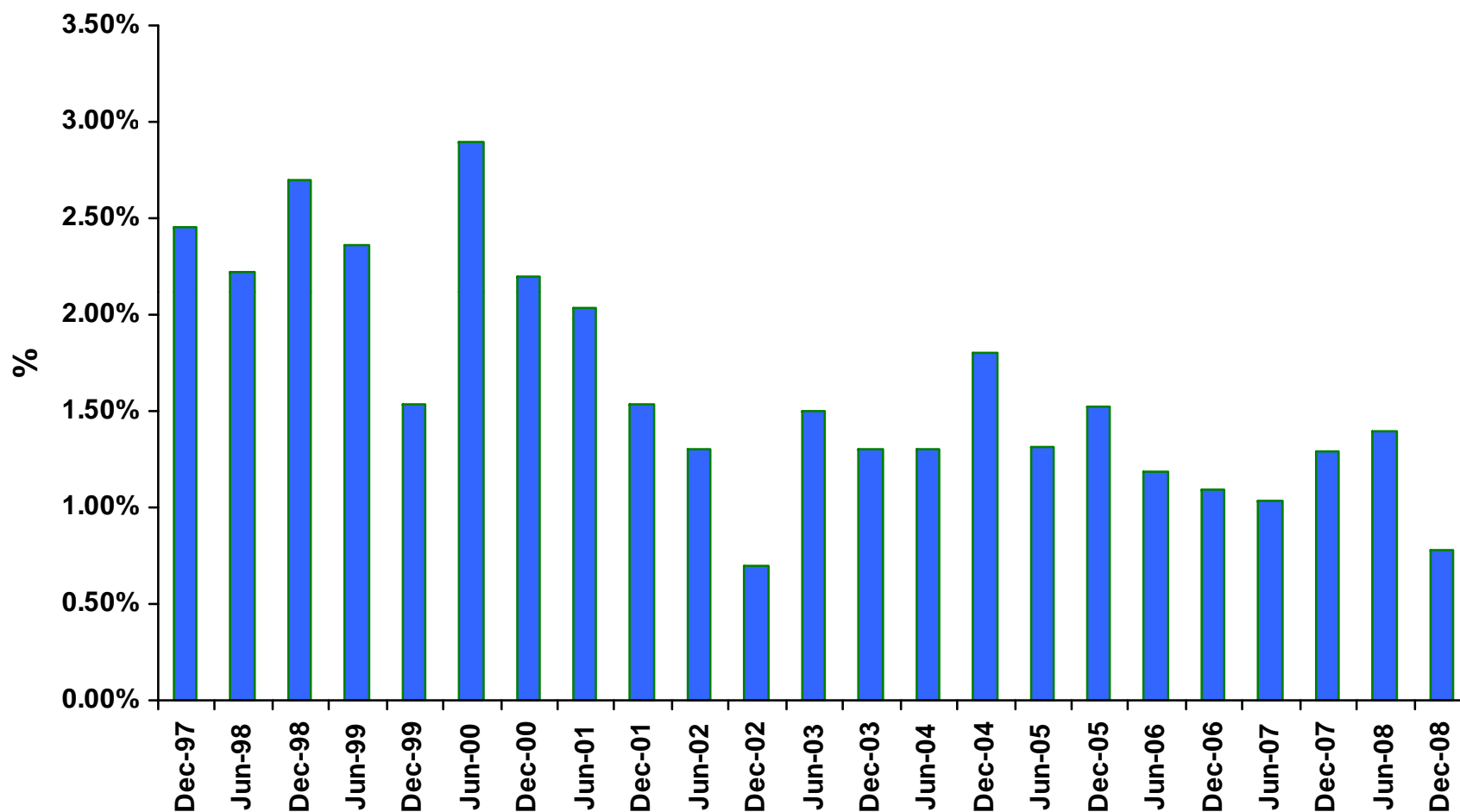
Rand millions, Constant 2000 prices

*Large % of respondents did not complete information on salaries in December 2008 survey*



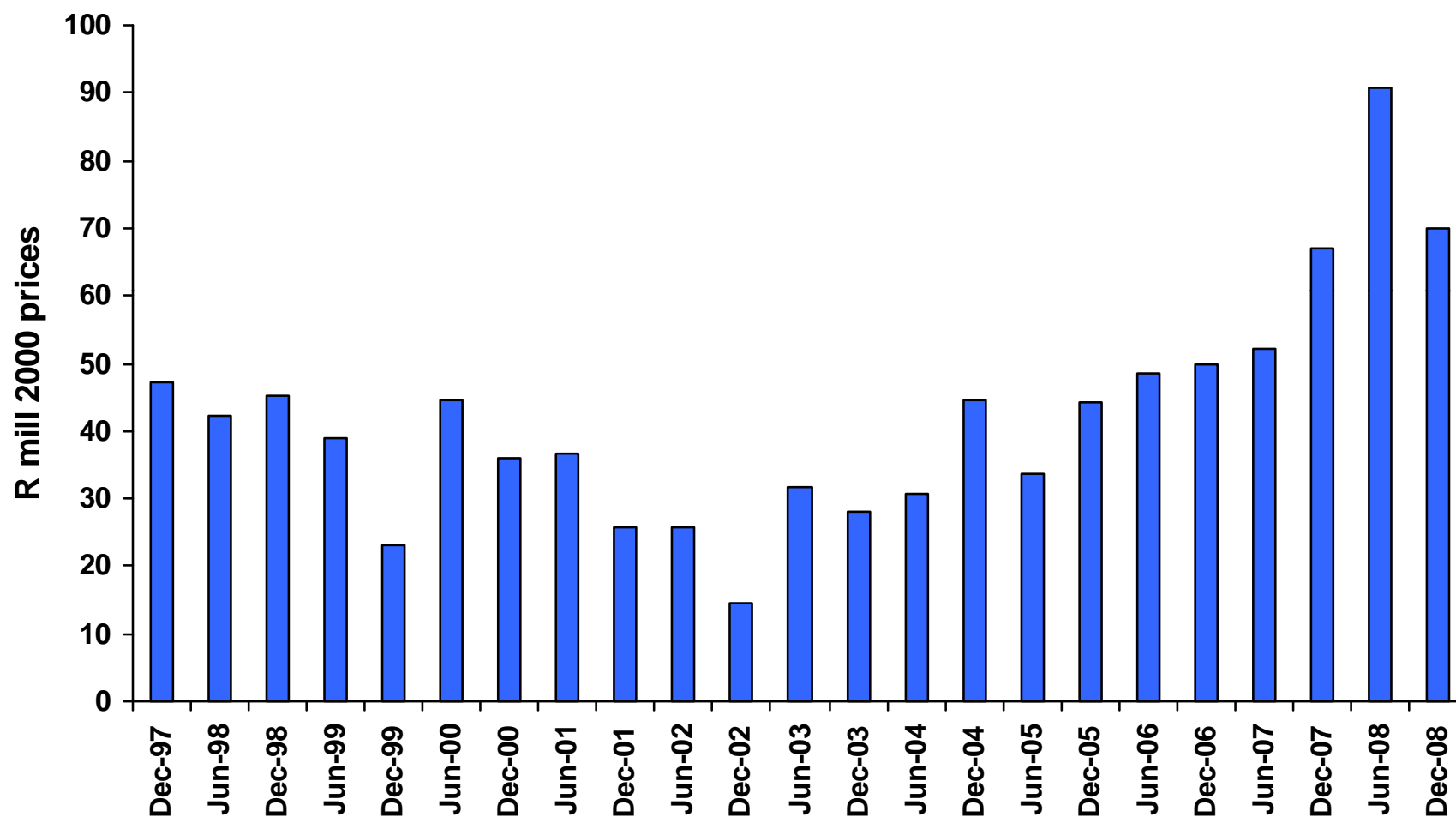
# Training (Direct costs only)

## % of Payroll

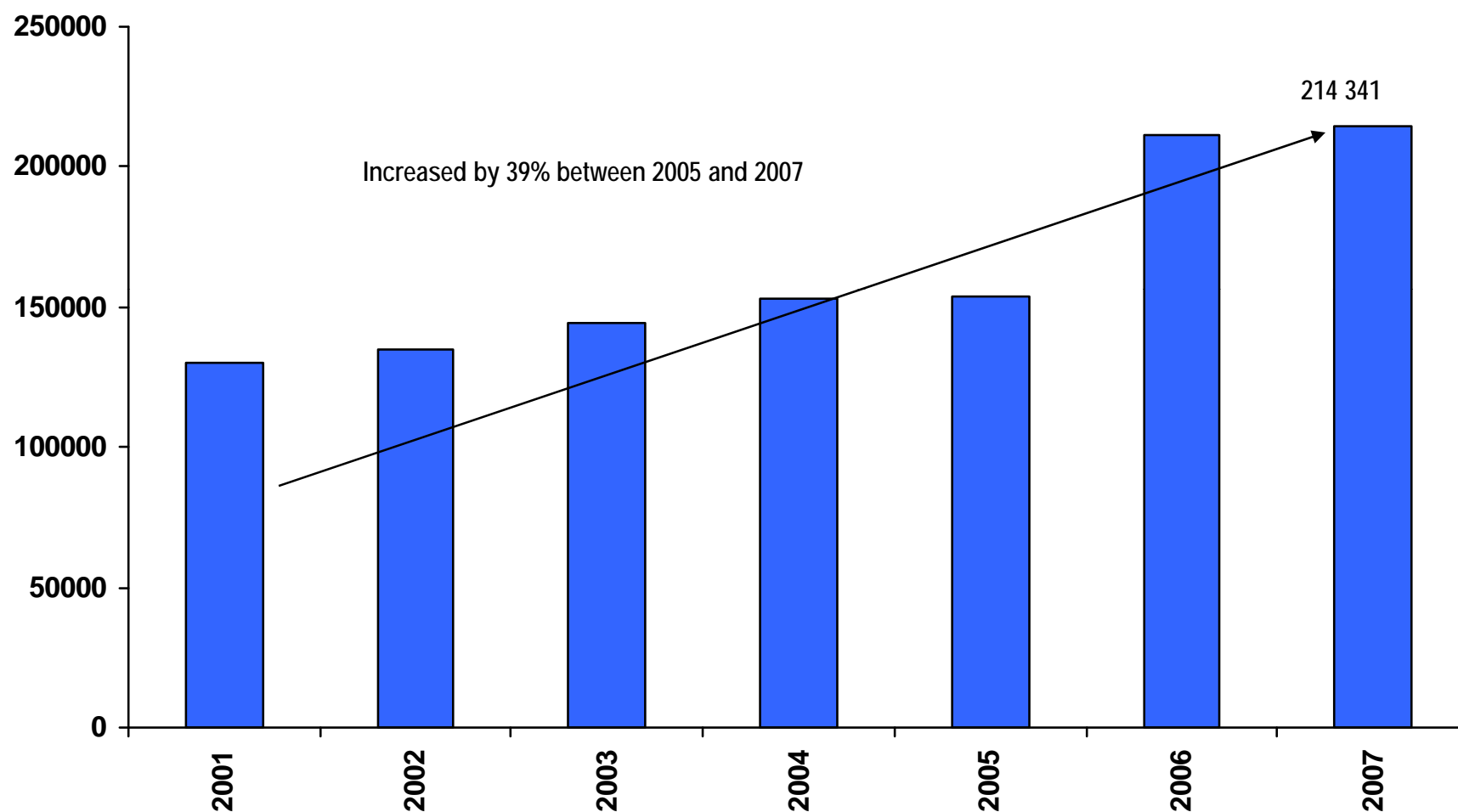


# Training (Direct costs)

Rand millions, Constant 2000 prices



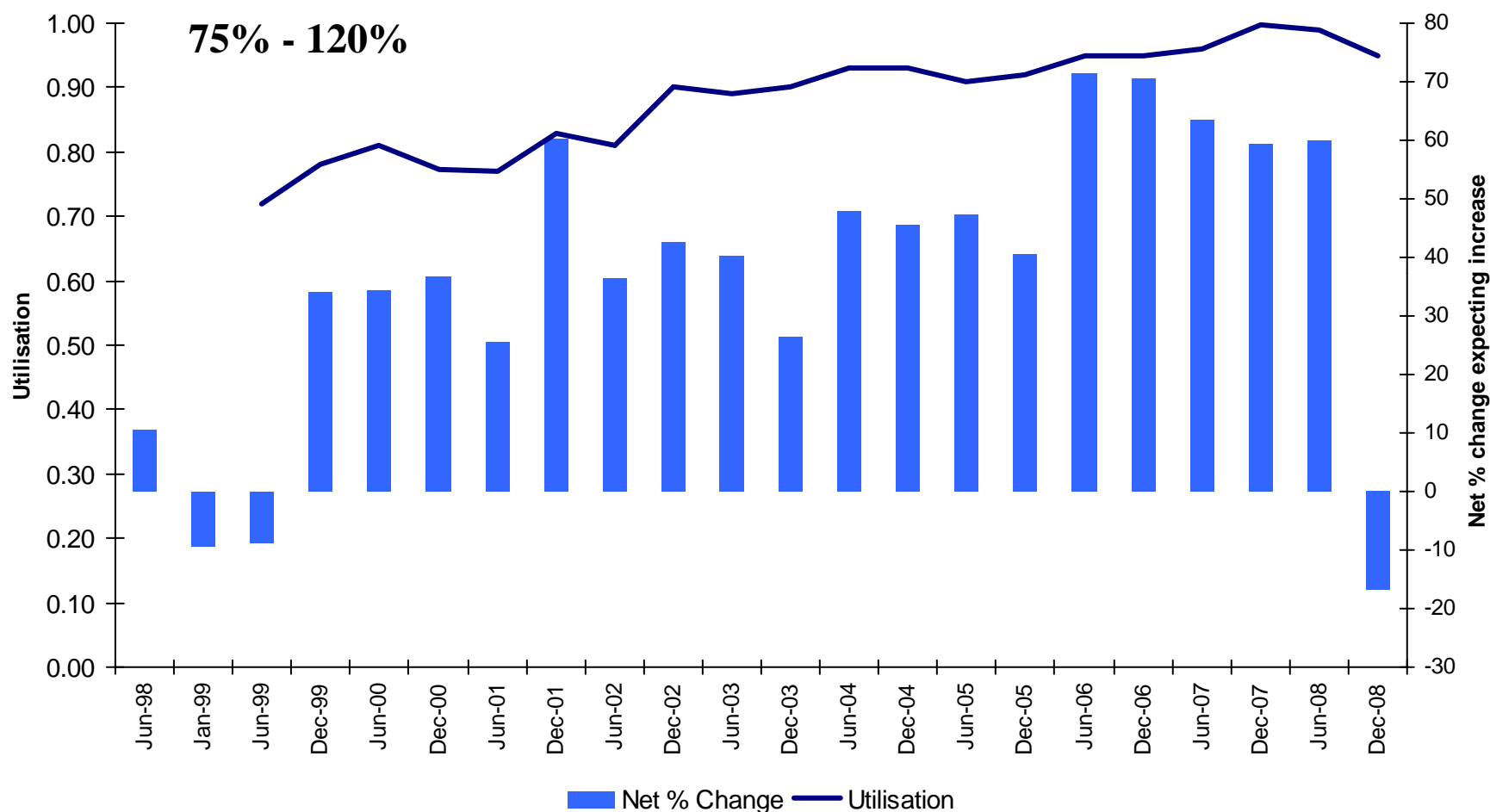
## Student enrolments in public higher education institutions Science, Engineering & Technology



## Capacity

# Industry Capacity Utilisation

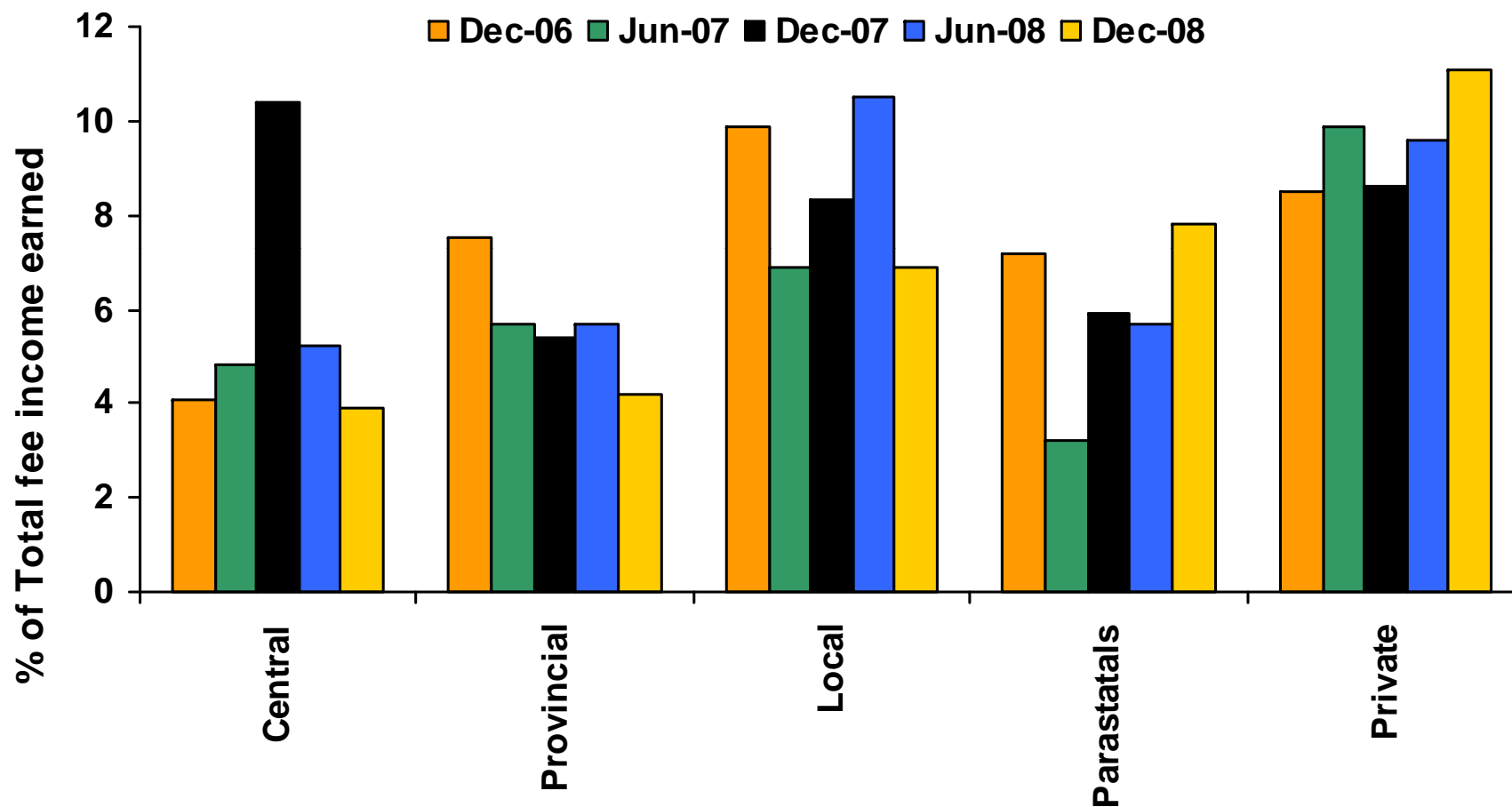
Of existing technical staff





## Delayed Payments

## Total fee income outstanding, by client Exceeding 90 days



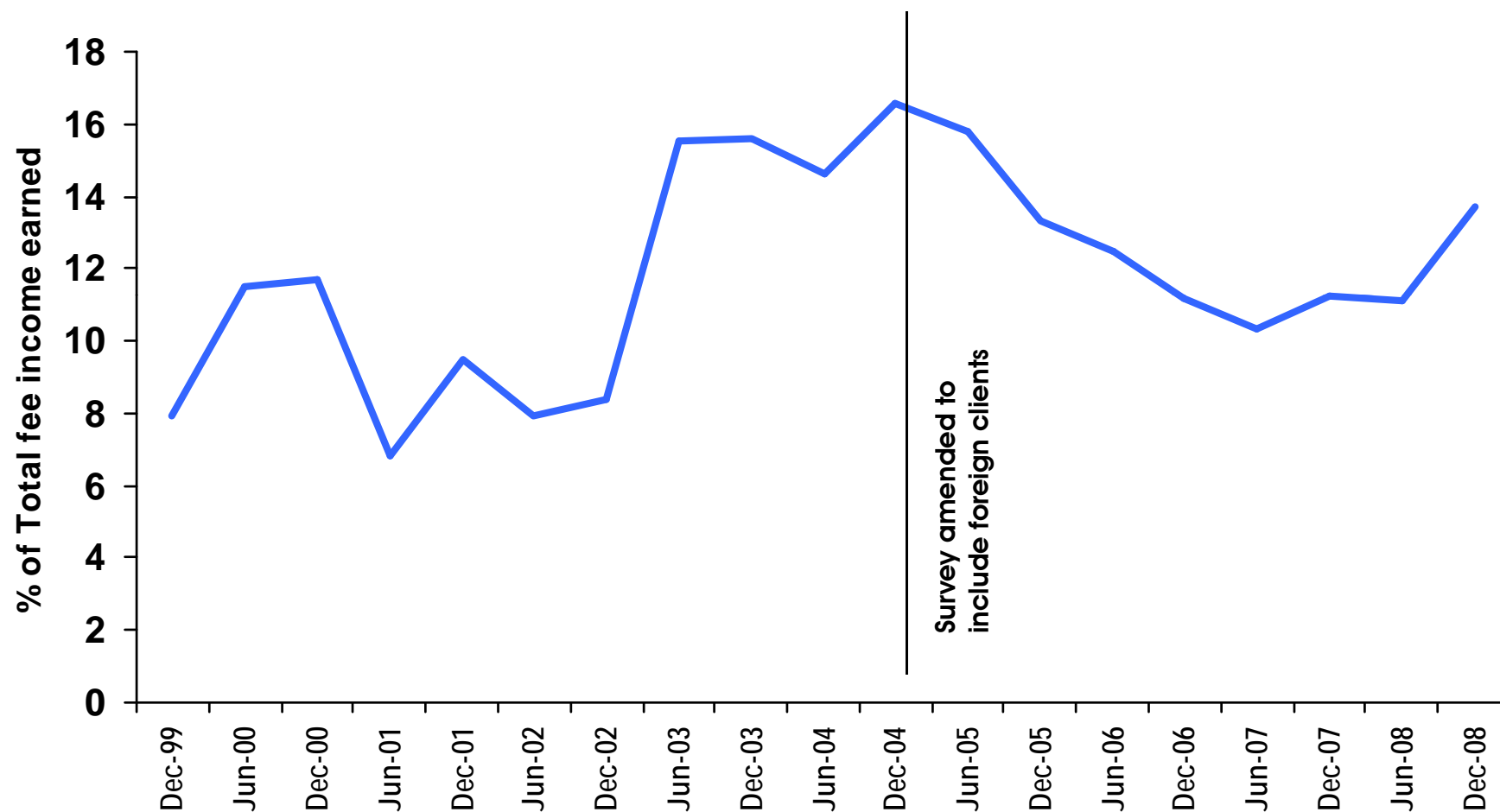
## **Fees outstanding for more than 90 days**

**R mill, annualised, nominal prices**

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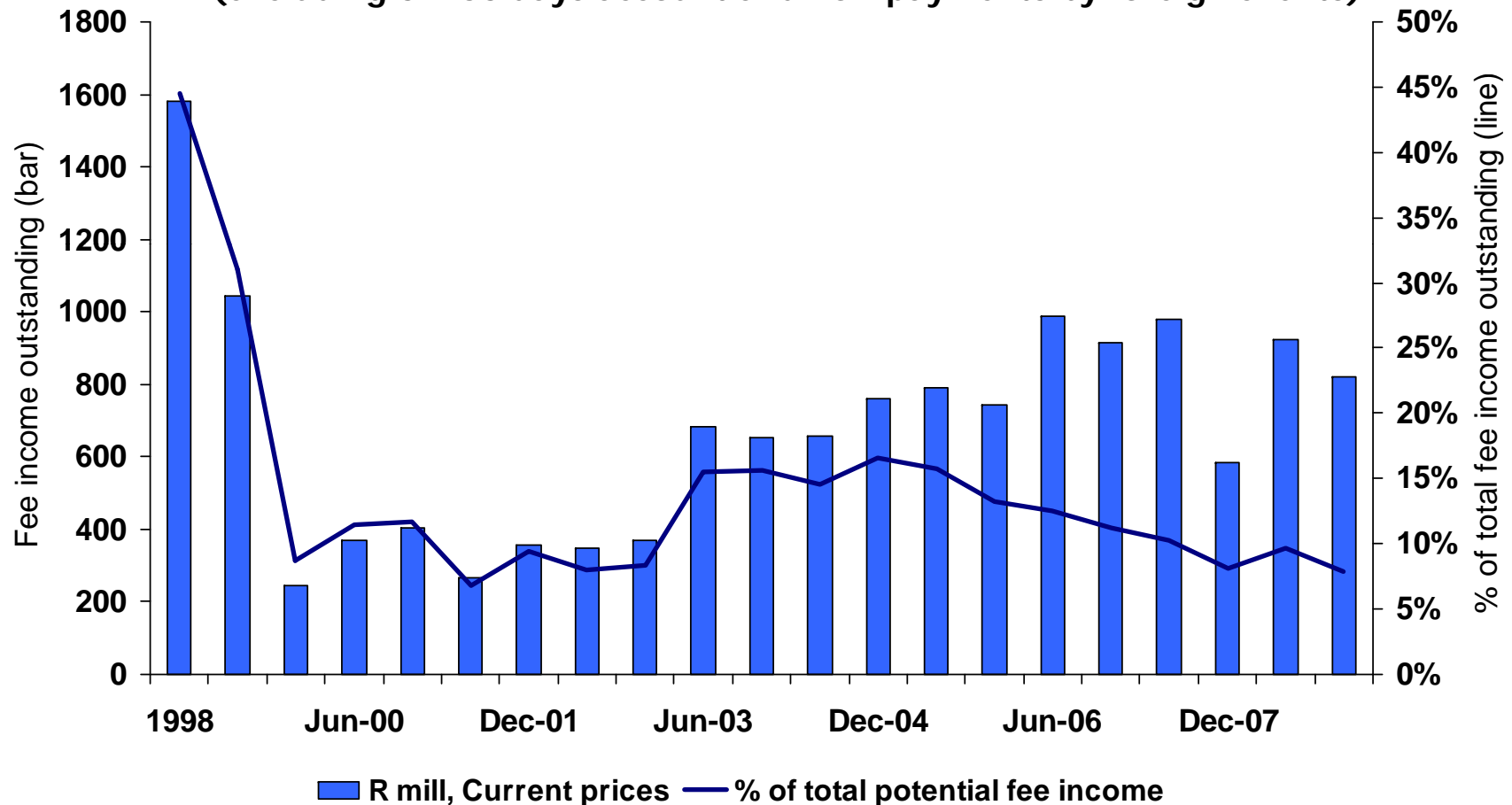
<b>Client</b>	<b>R mill (annualised) current prices</b>
<b>Central government</b>	<b>R38.1</b>
<b>Provincial</b>	<b>R112</b>
<b>Local</b>	<b>R289</b>
<b>State Owned Enterprises</b>	<b>R128</b>
<b>Private sector</b>	<b>R657</b>
<b>Foreign</b>	<b>R1096</b>
<b>Total</b>	<b>R2321</b>

## Total fee income outstanding for longer than 90 days % of total fee income earned



## Comparison of total fees outstanding 90 Days or more

**As percentage of total potential fee income**  
(excluding 0 – 60 days account and non-payments by foreign clients)

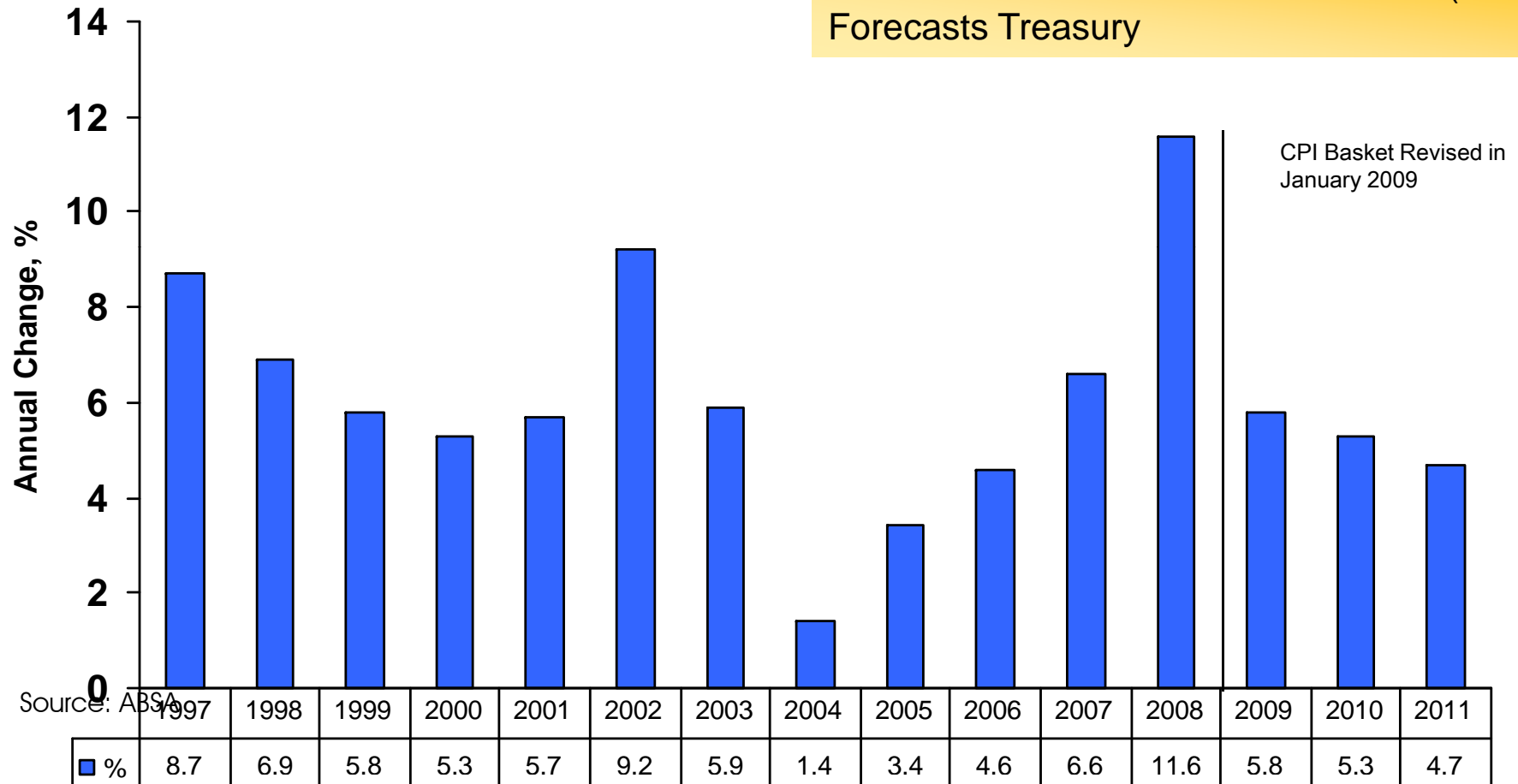


## Inflation

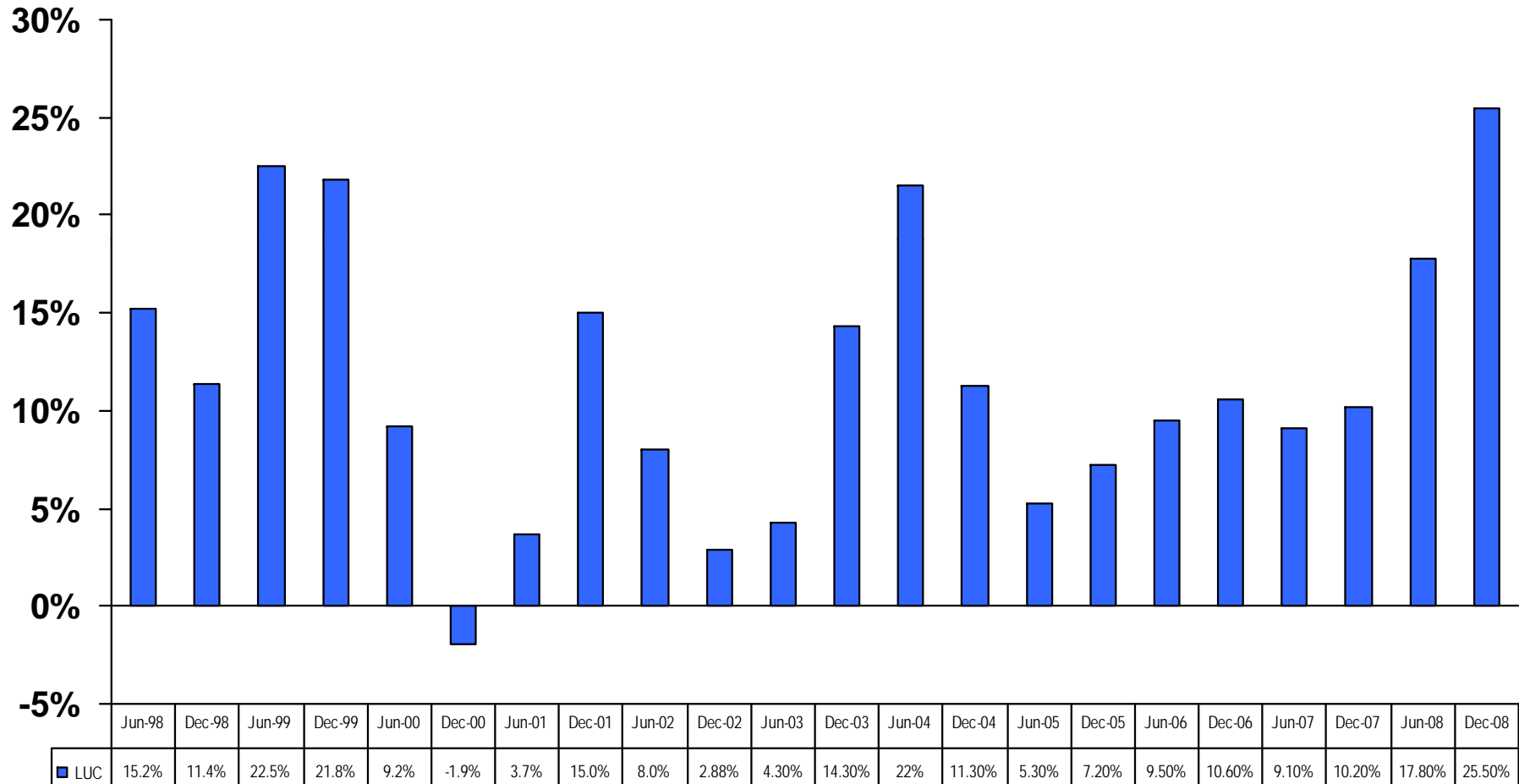
# Escalation trends

## Year-on-Year % Change

Based on headline consumer inflation (CPI)  
Forecasts Treasury

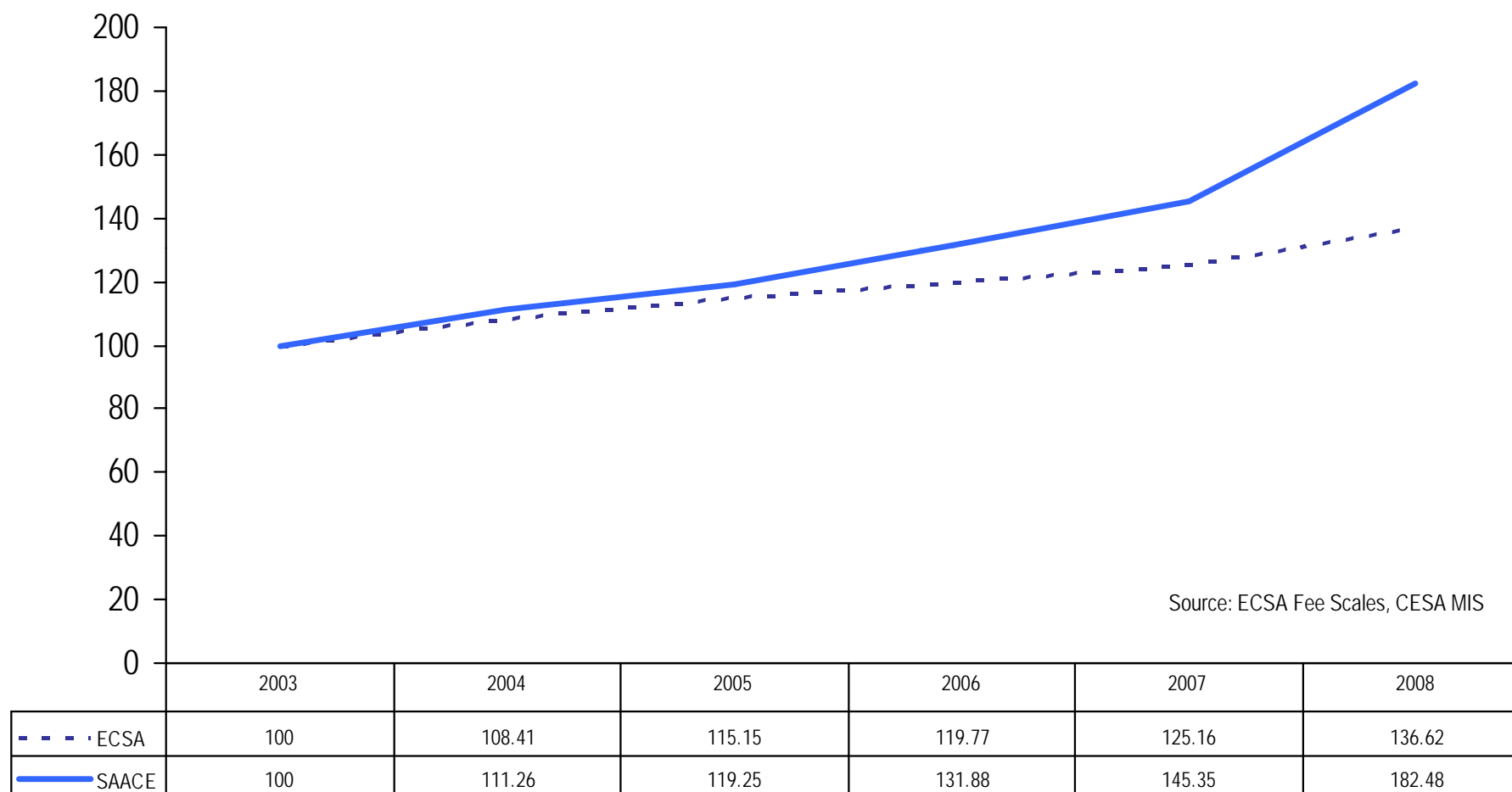


## Consulting Engineering Profession Labour unit cost indicator: Year-on-Year % Change (Smoothed)

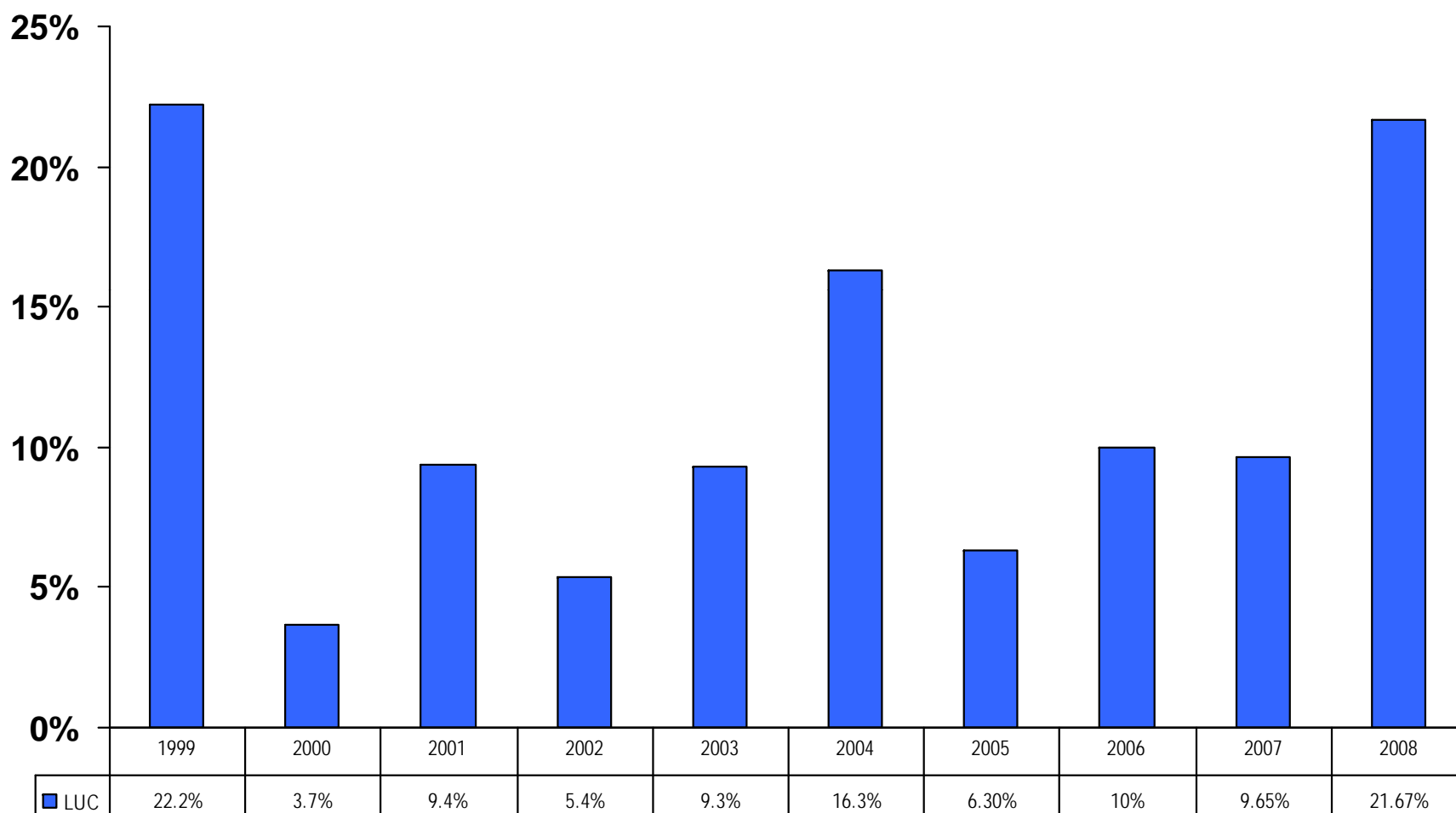




## CESA LABOUR COSTS ESCALATION VS ECSA FEES (Average) Index 2003 = 100

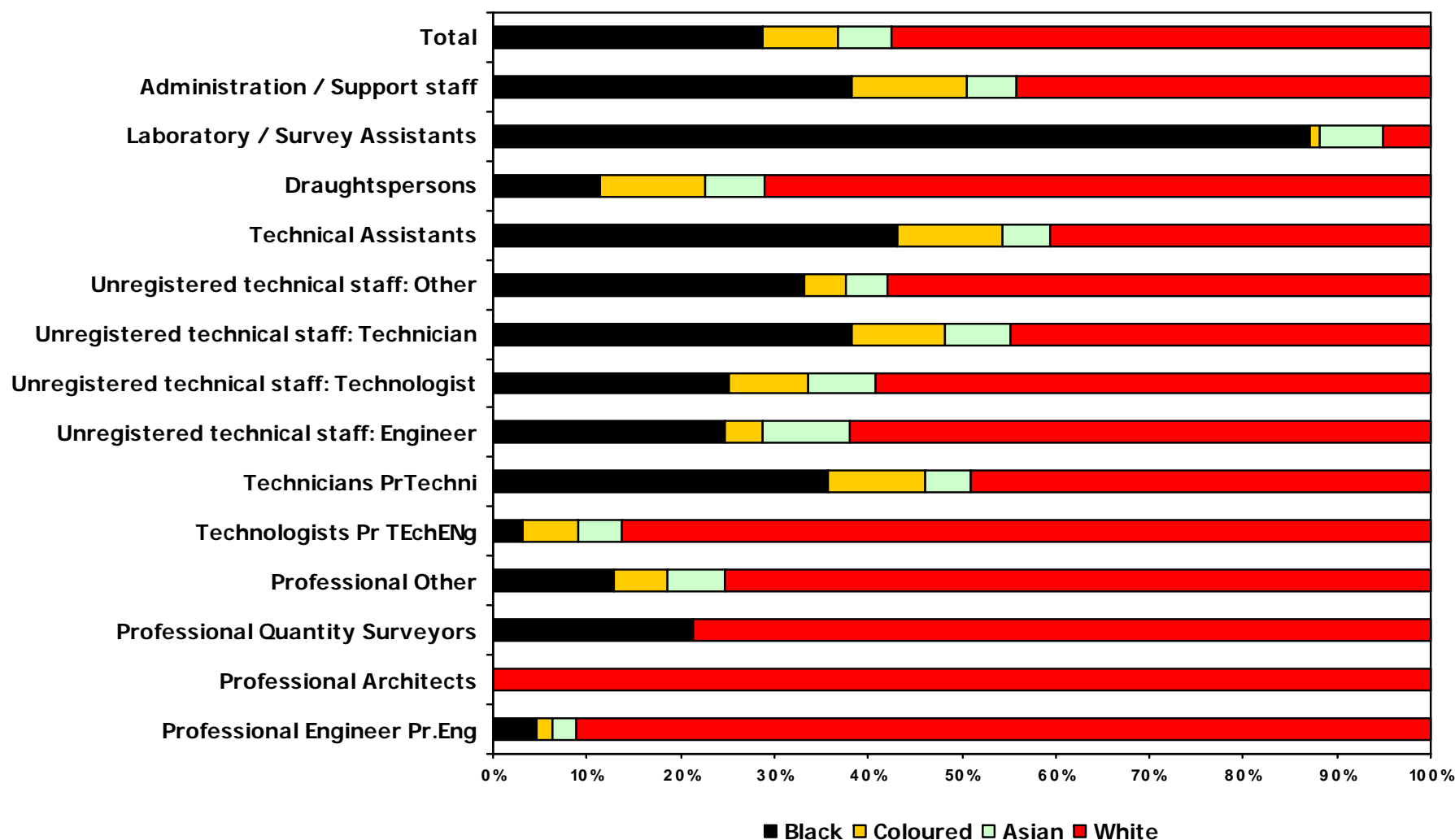


## Consulting Engineering Profession Labour unit cost indicator: Annual Average: Year-on-Year % Change

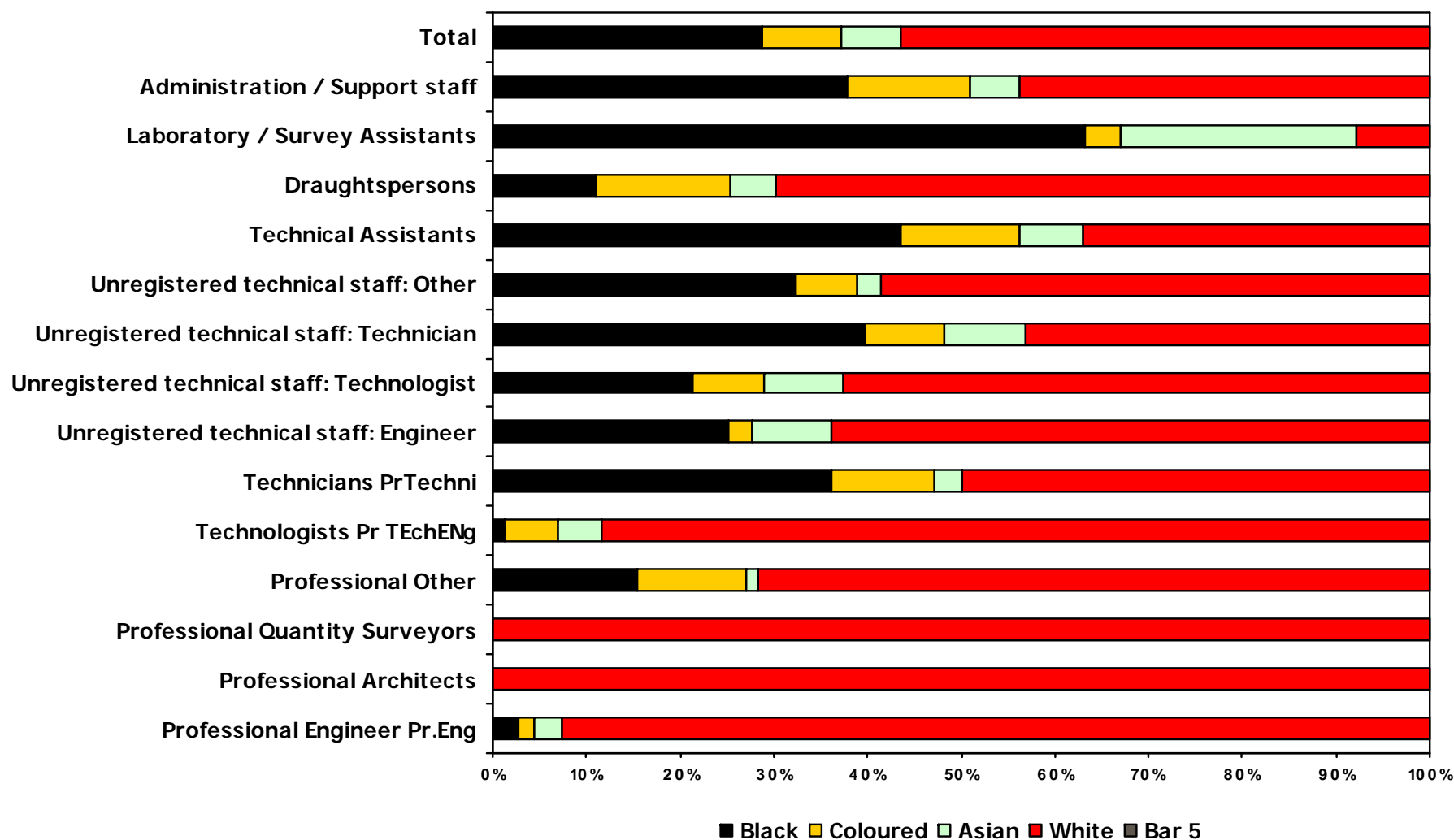


## Employment Profile

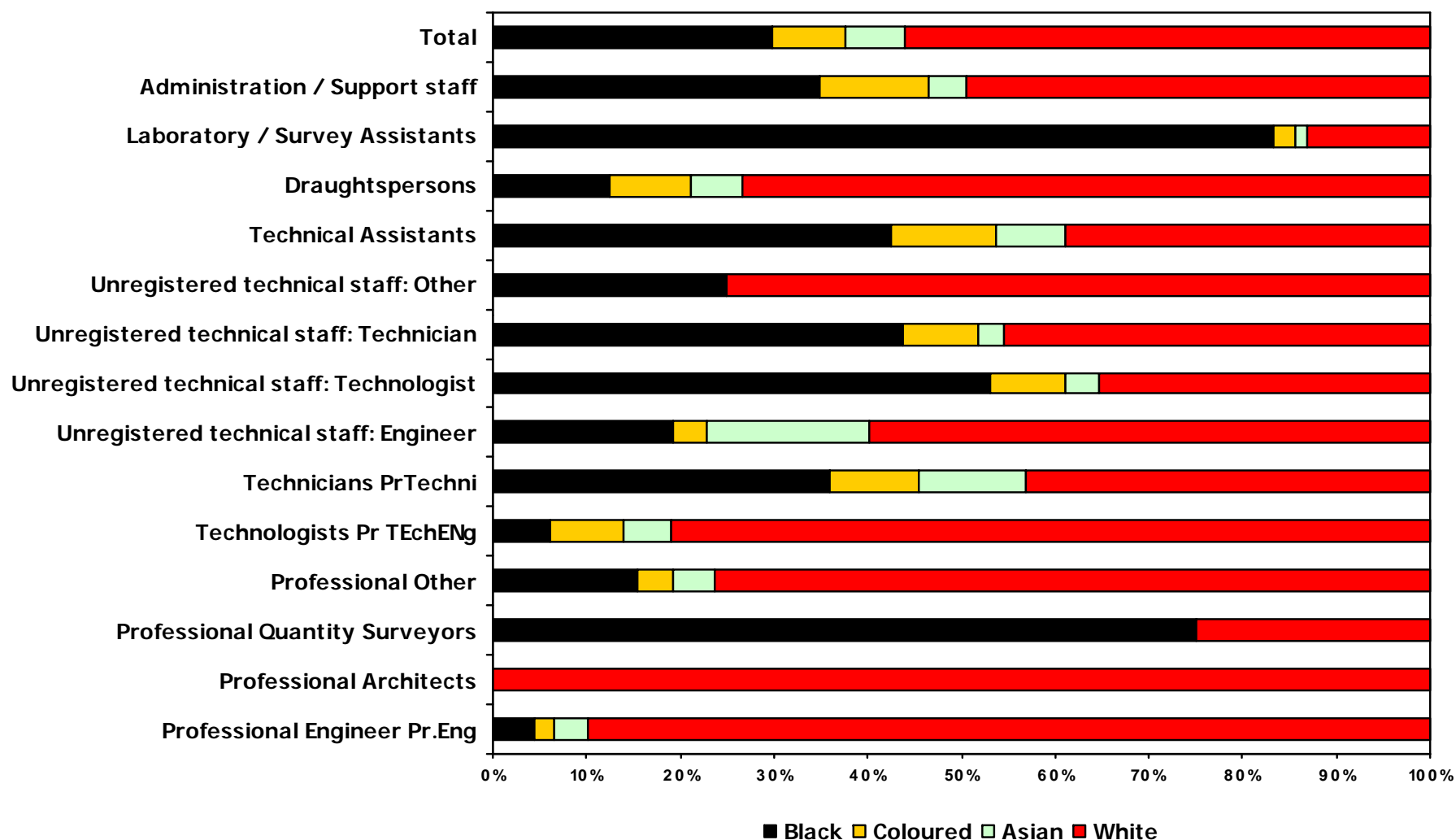
## Typical Employment Breakdown January – June 2007



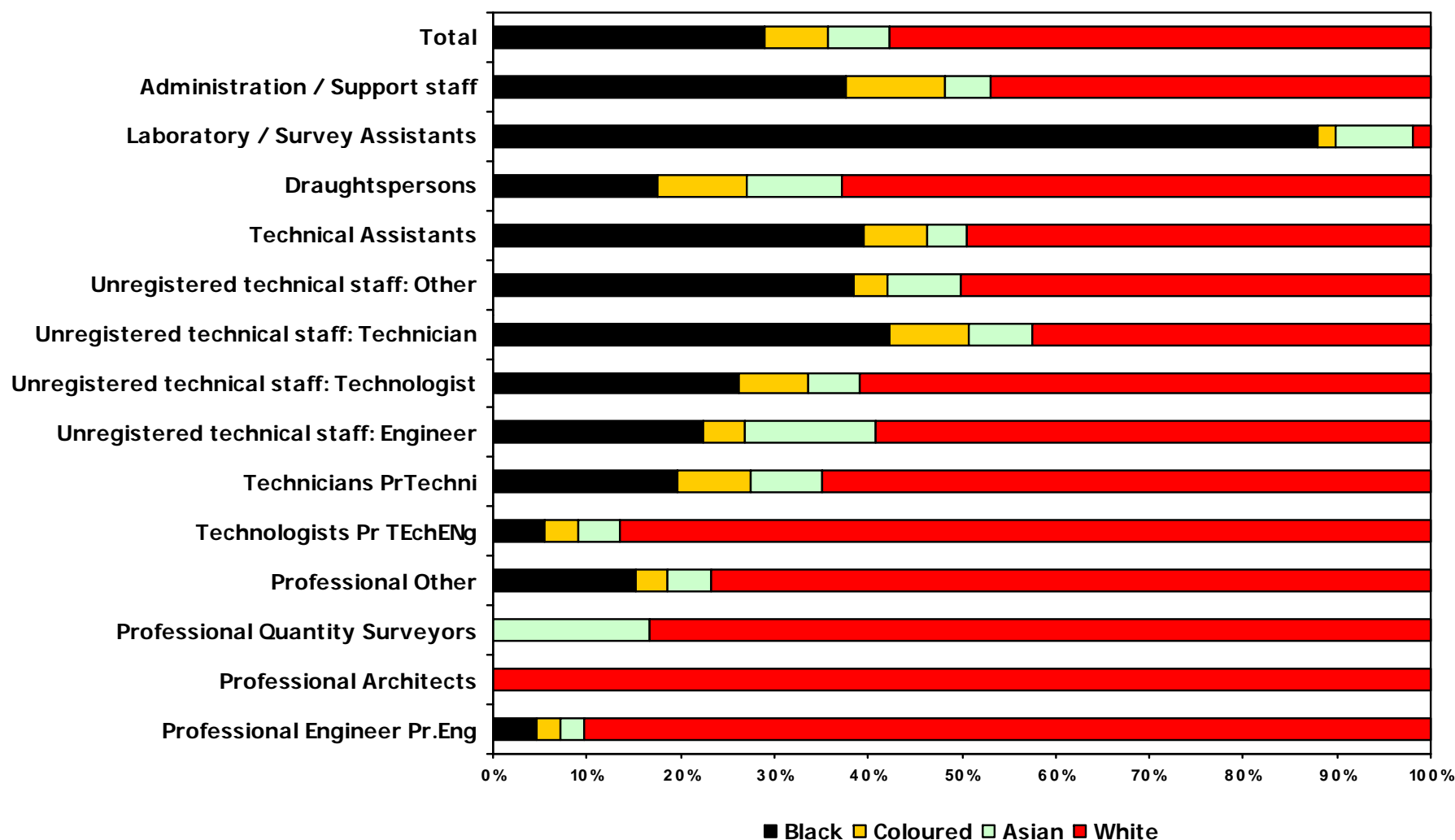
## Typical Employment Breakdown July – December 2007



## Typical Employment Breakdown January – June 2008

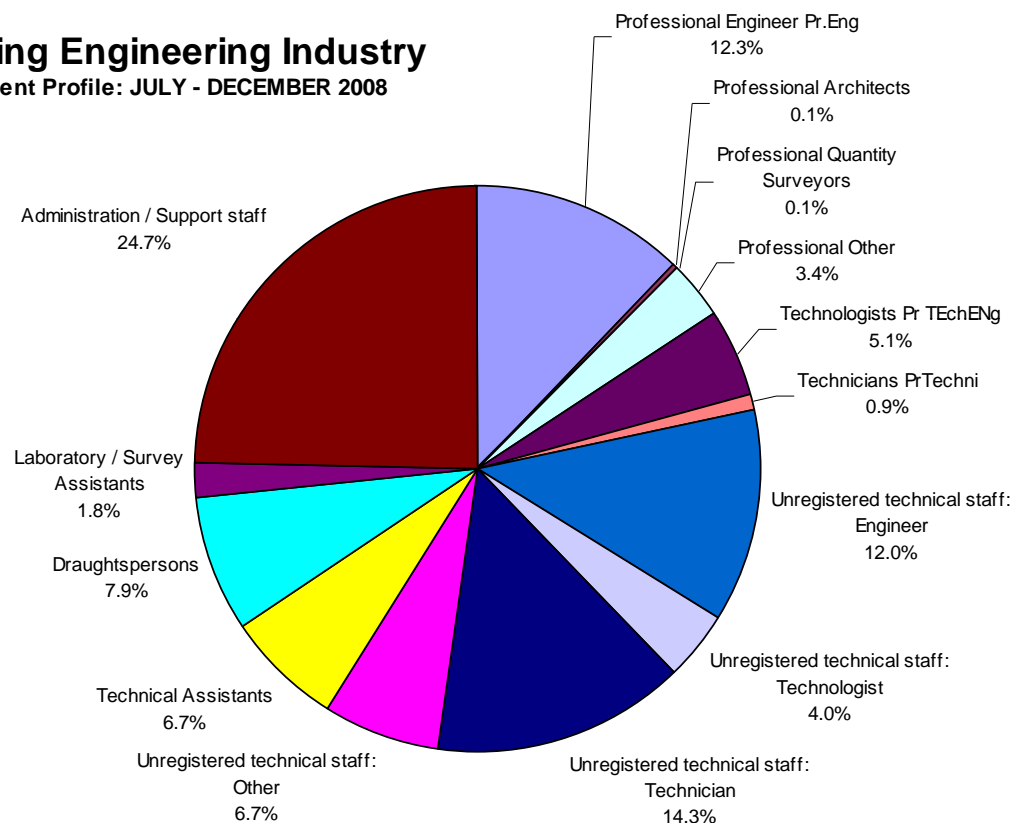


## Typical Employment Breakdown July - December 2008



## Typical Employment profile: July – December 2008

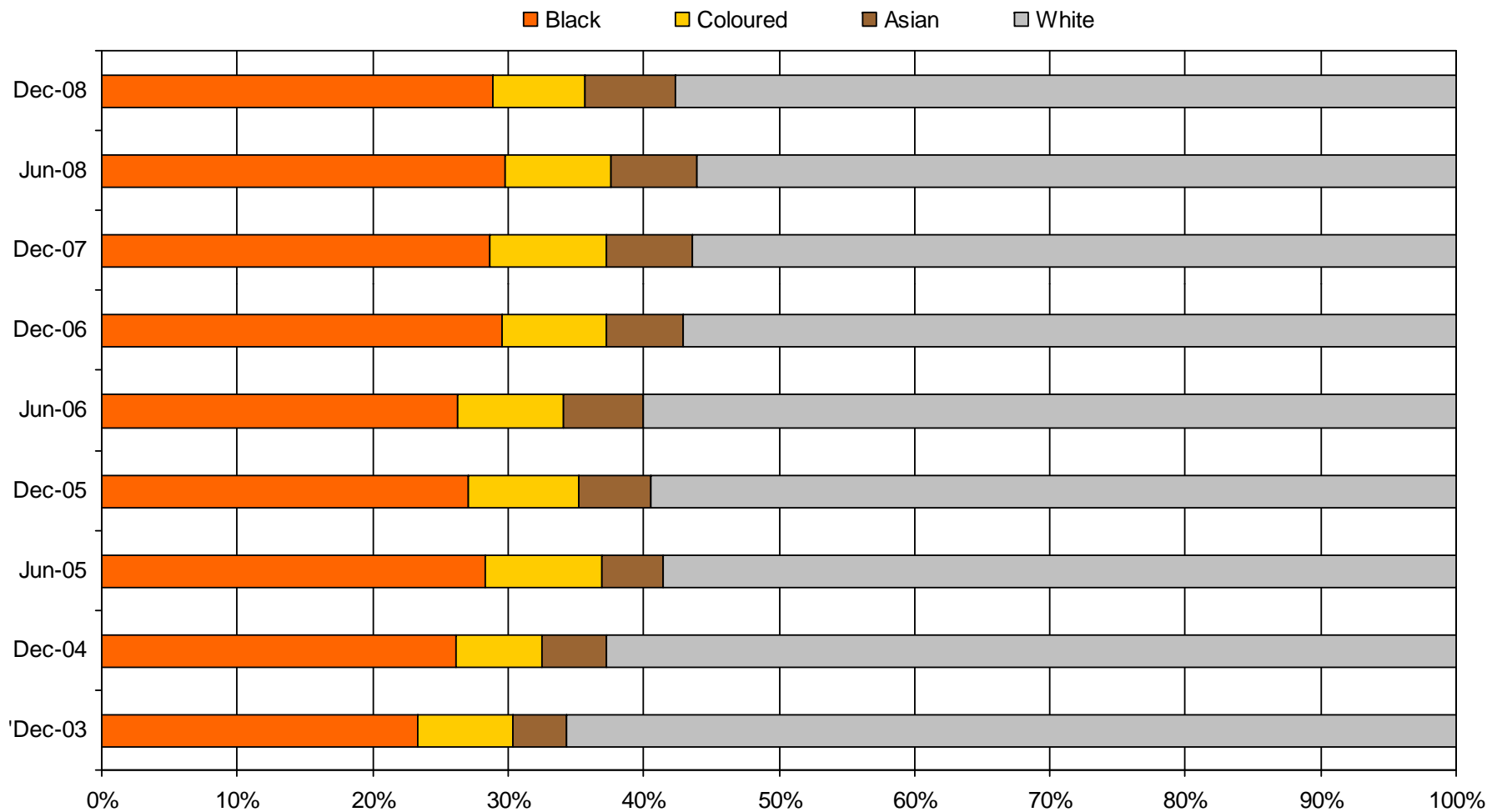
### Consulting Engineering Industry Employment Profile: JULY - DECEMBER 2008



**Total employment 19 081**

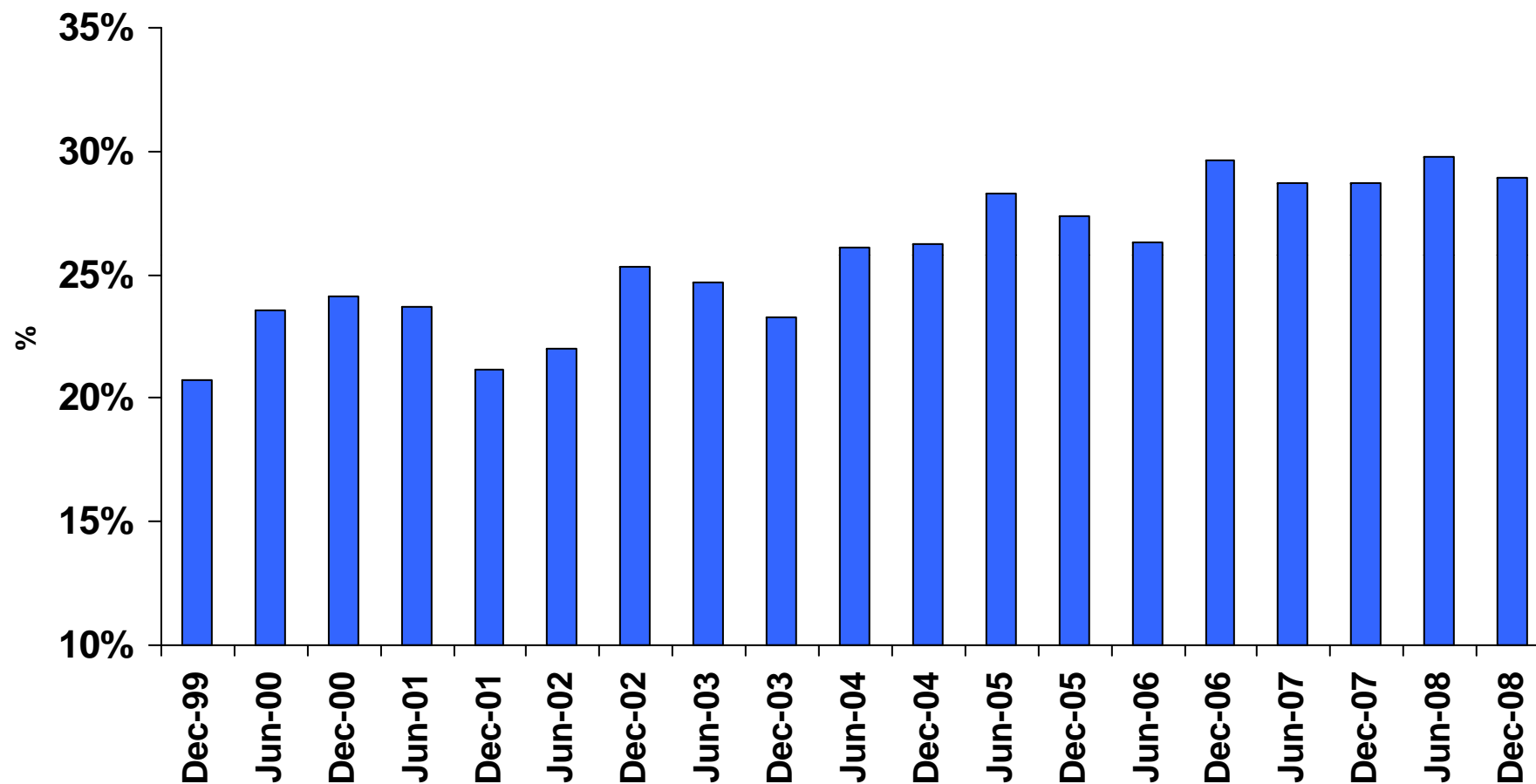


## Overall Employment Breakdown, by race December 2003 – December 2008



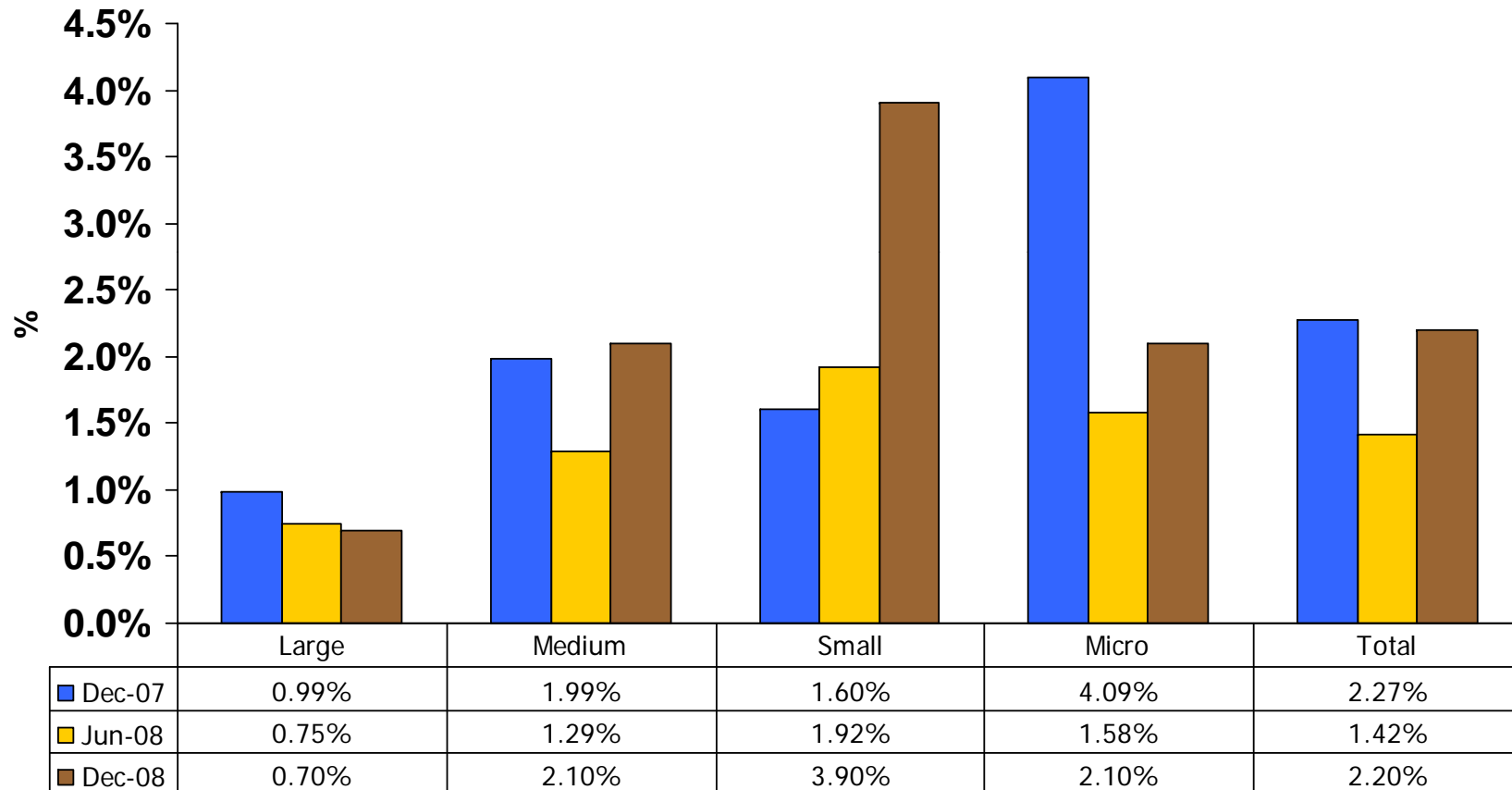
## Employment profile: Black only (excluding Asian / Coloureds) representation of total employment

% Share of total employment

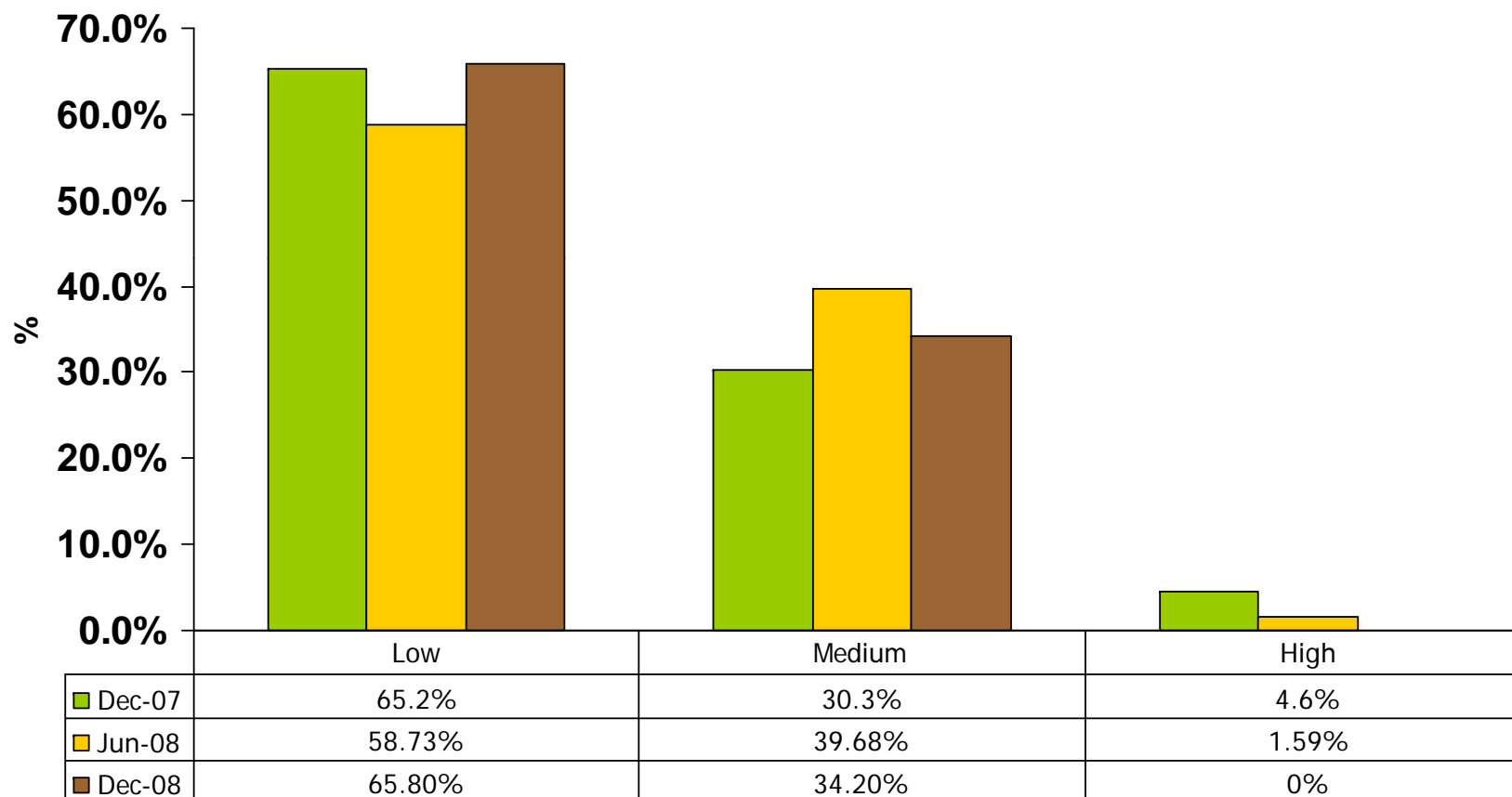


## Professional Indemnity Insurance

## Professional Indemnity Insurance: Annual Premium % of Gross Fee Income

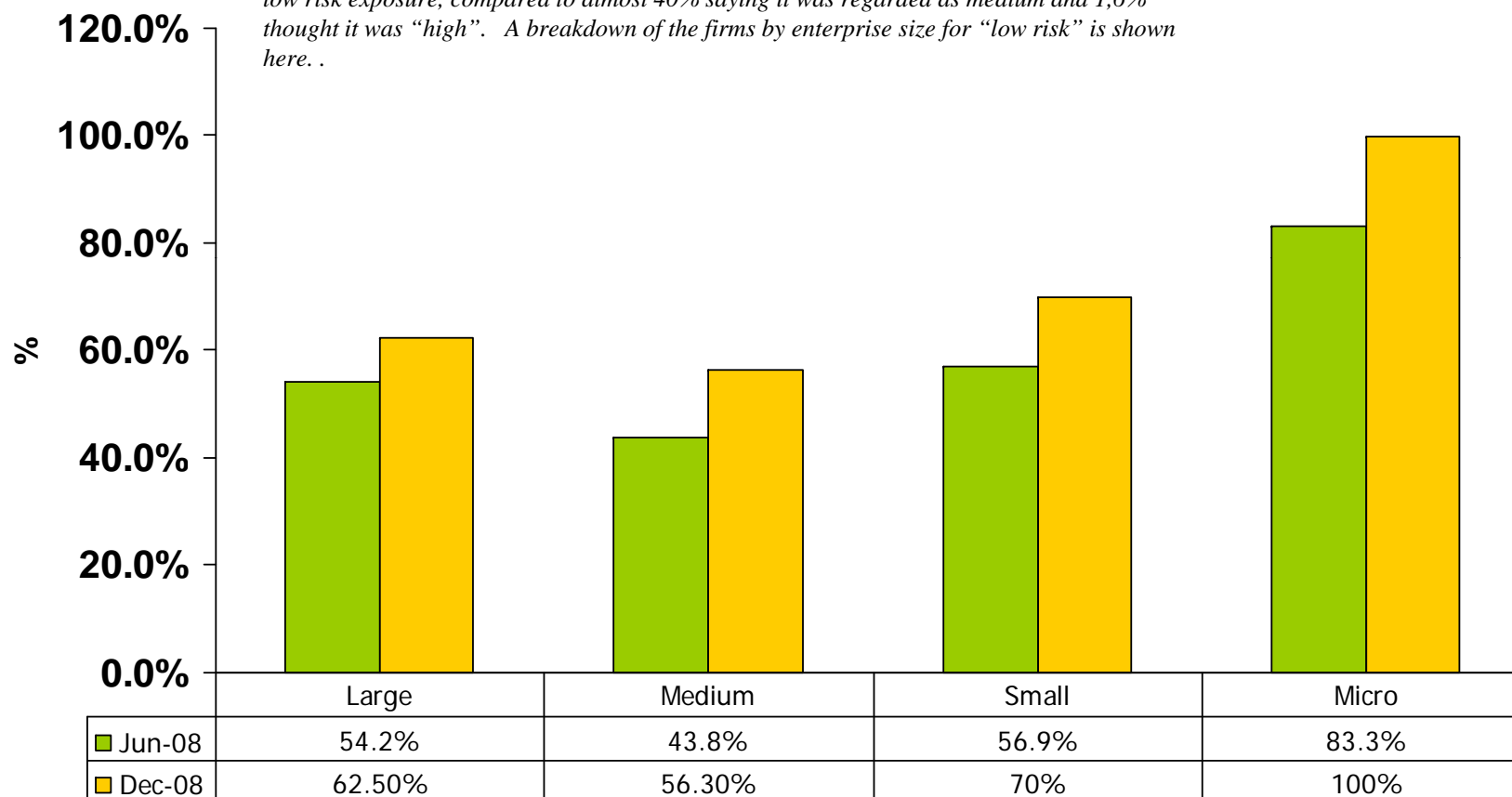


## Professional Indemnity Insurance Risk profile



## Professional Indemnity Insurance: Low Risk profile

*In terms of firm's perceptions of risk, close to 60% of respondents said that their firm had a low risk exposure, compared to almost 40% saying it was regarded as medium and 1,6% thought it was "high". A breakdown of the firms by enterprise size for "low risk" is shown here. .*



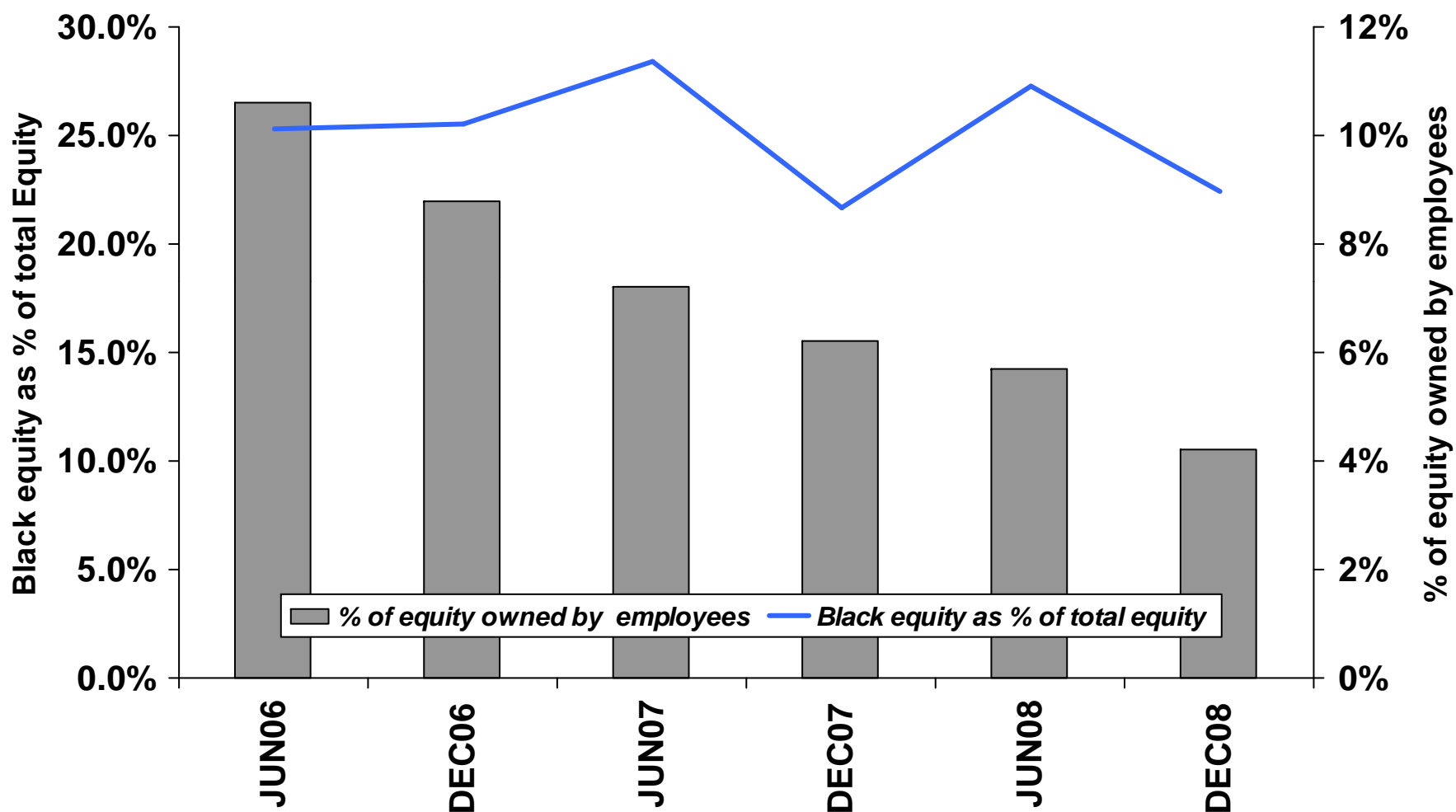
## Professional Indemnity Insurance: Summary: December 2008

	Premium as % of gross fee income	Value of claims paid as % of premiums paid over the last 5 years	Average number of claims over 5 years	Limit of indemnity as % of gross fee income (weighted)	Current deductible as % of limit of indemnity
Large	0.7%	39.2%	7.3	12%	3.9%
Medium	2.1%	11.2%	1.4	32%	2.2%
Small	3.9%	6.5%	1.2	100%	4.8%
Micro	2.1%	0%	1.0	74%	1.9%
<b>Industry Average</b>	<b>2.2%</b>	<b>27.8%</b>	<b>3.1</b>	<b>16%</b>	<b>4.9%</b>

## Equity / Ownership

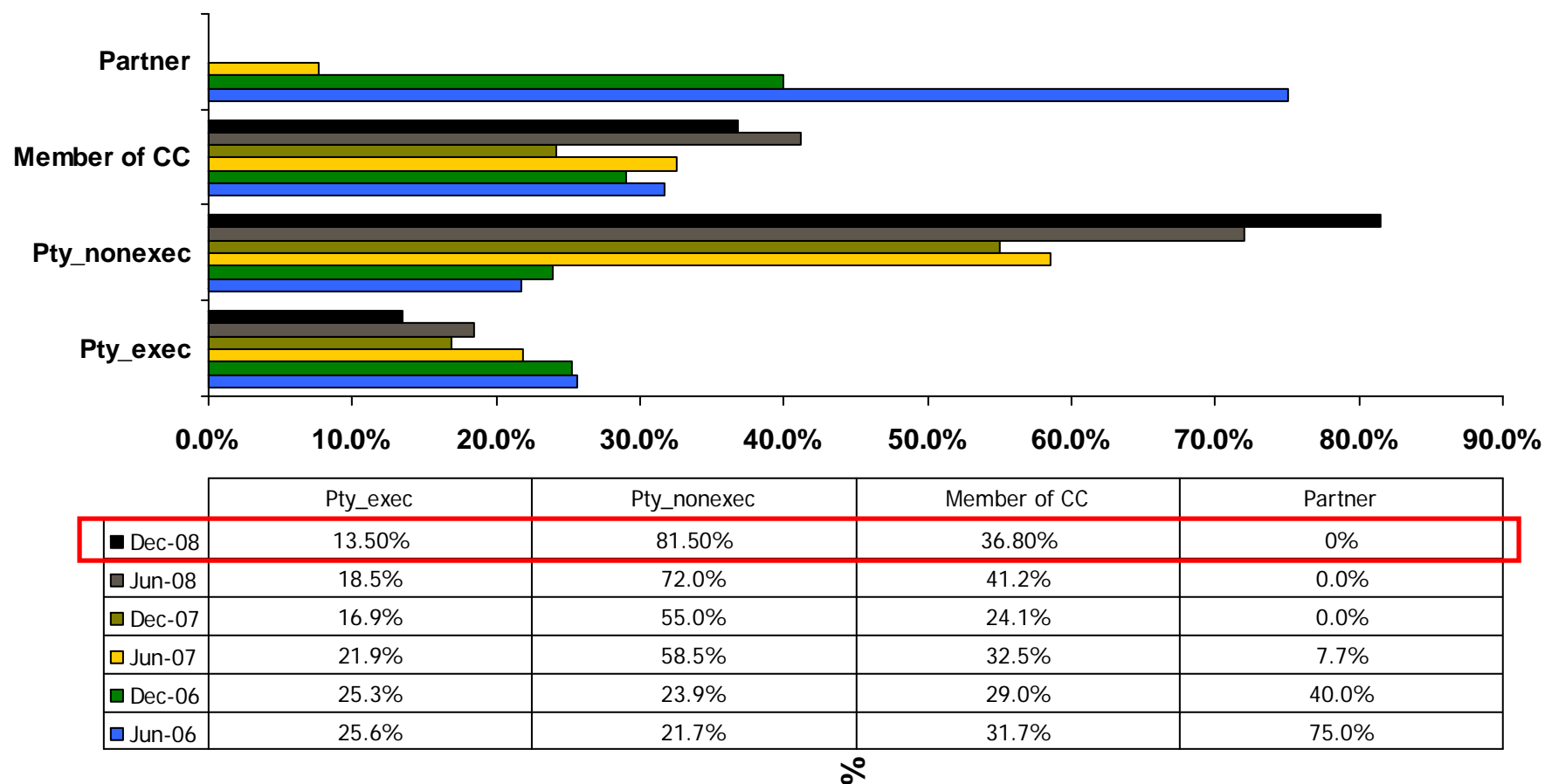


## Ownership / Equity: % Share of total employment PTY, CC & Partnerships



# Black ownership / equity

as % of total ownership / equity by type of company  
June 2006 – December 2008



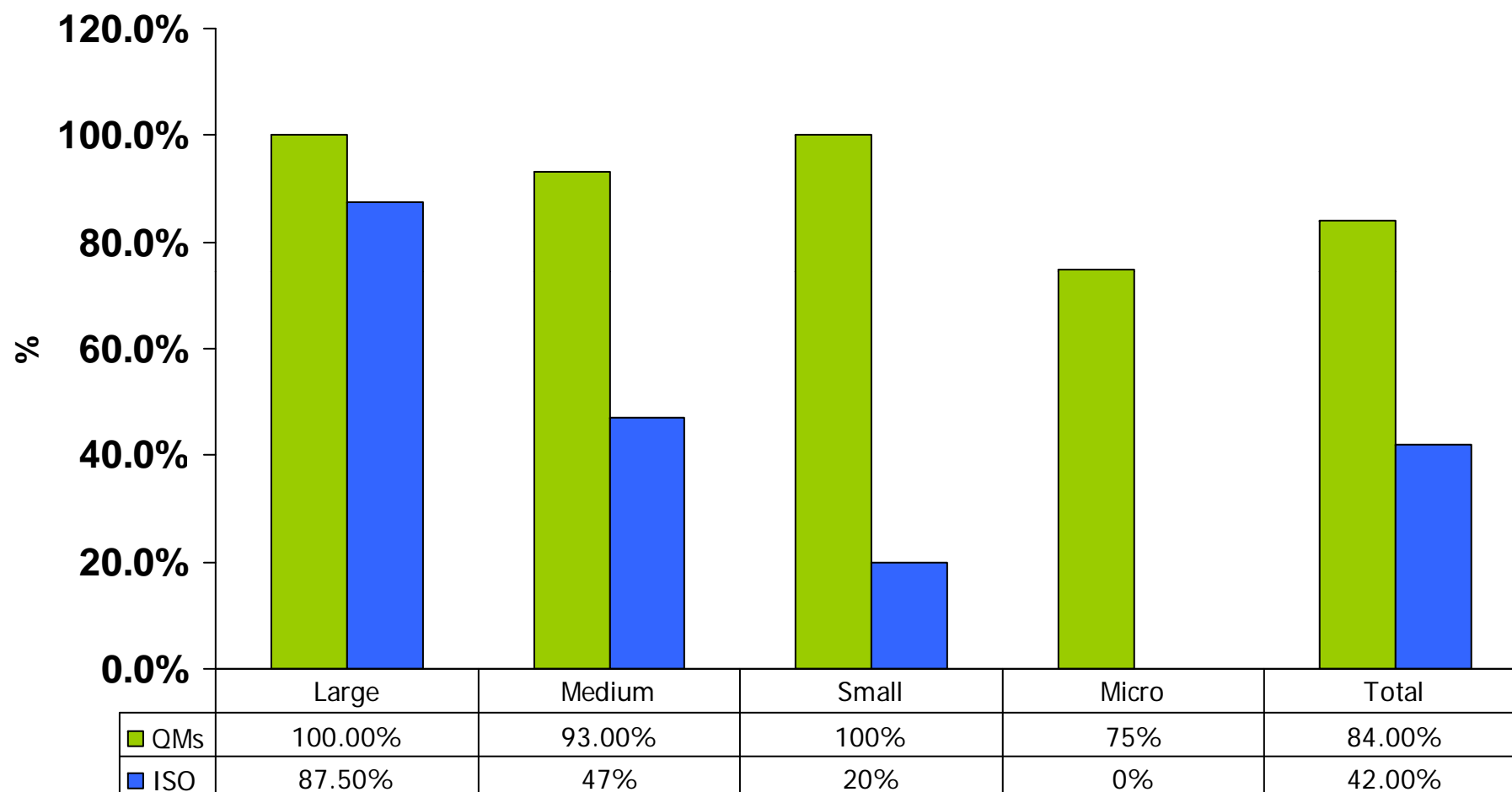
June 2006 revised due to late returns

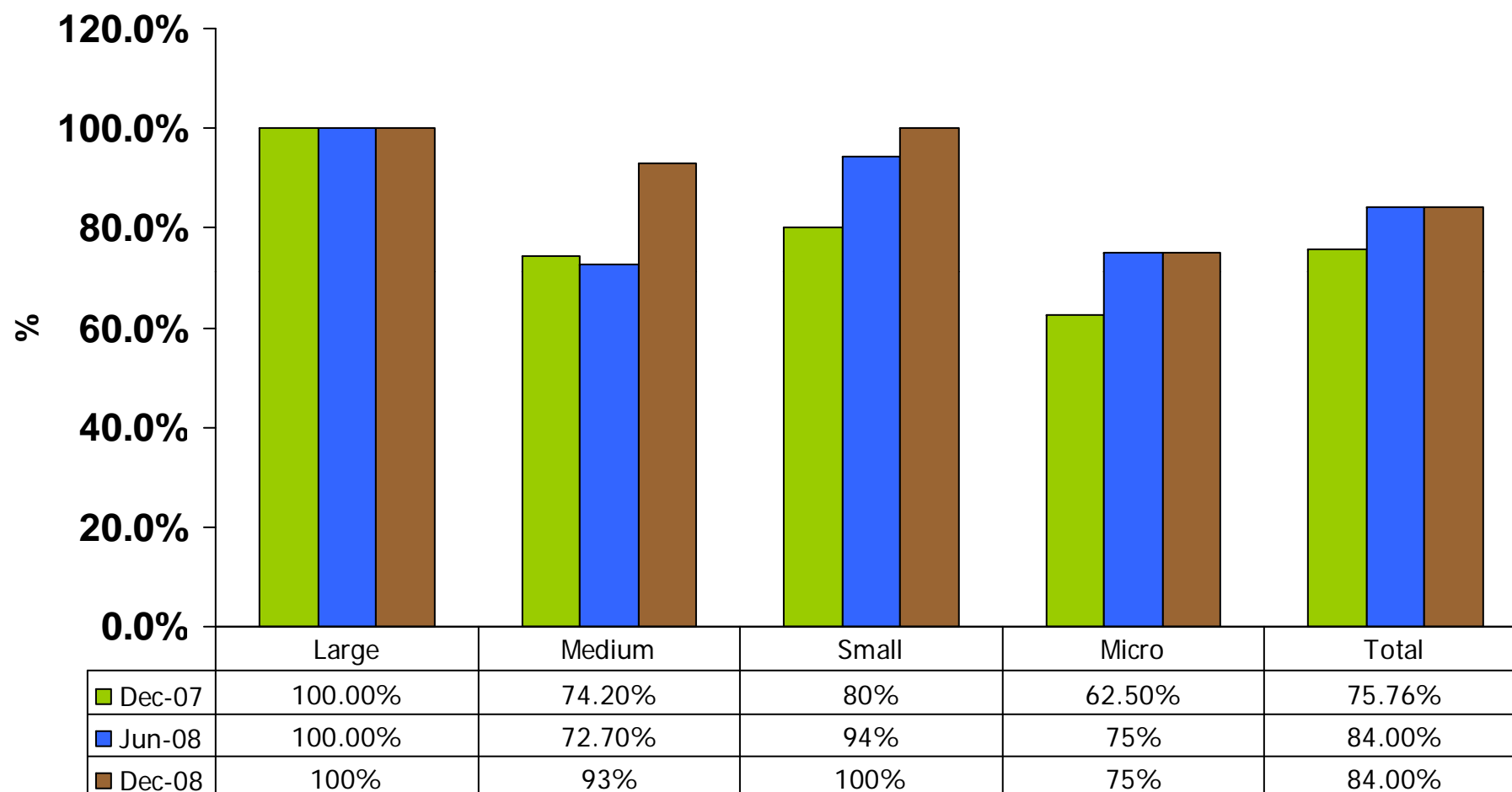
**Black** includes Asian and Coloureds

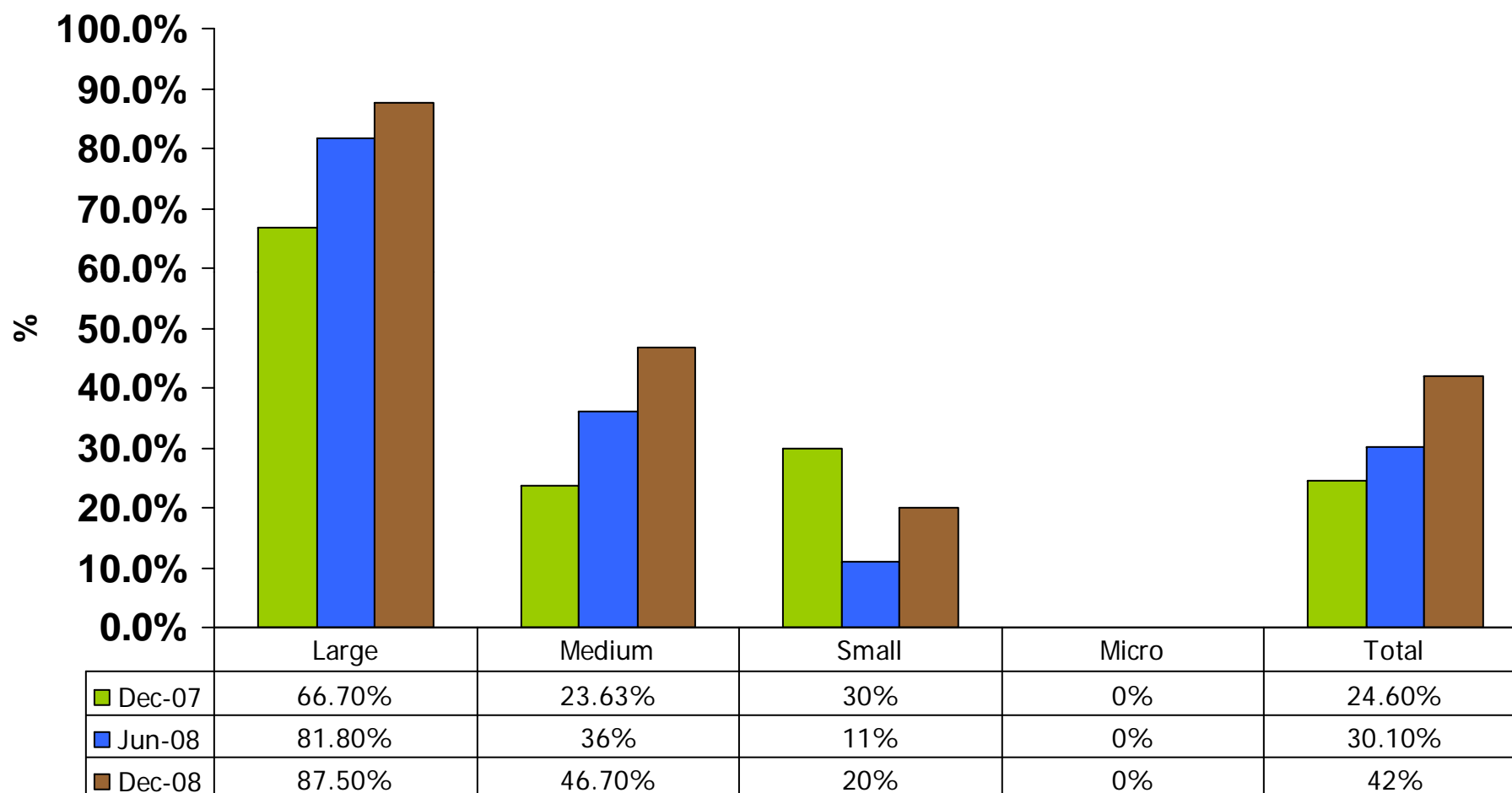
■ Jun-06 ■ Dec-06 ■ Jun-07 ■ Dec-07 ■ Jun-08 ■ Dec-08

## Quality Management

## Quality Management System vs ISO 9001:2000 Certificate December 2008









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*Thank you*

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