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CESA

Consulting Engineers South Africa

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1. Economic overview

1.1 International Developments

- According to IMF's latest forecasts an already sluggish global recovery shows signs of further weakness, mainly because of continuing financial problems in Europe and slower than expected growth in emerging economies.
- As a result the IMF reduced growth forecast for 2012 and 2013, as risks to financial stability increased in the second quarter. According to the latest "World Economic Outlook" the global economy is likely to grow by 3,5% in 2012 and 3,9% in 2013, based on the following key assumptions:
    - There will be sufficient policy action for financial conditions in the euro area periphery (including Greece and Spain) to ease gradually through 2013
    - That US fiscal policy does not tighten sharply in 2013
    - That steps by some major emerging markets to stimulate growth gain traction
- There has been an increase in downside risks
- Growth has slowed in a number of major emerging economies, especially in Brazil, China and India, due to weaker external environment and a deceleration in domestic demand in response to capacity constraints and policy tightening.
- In contrast to the rest of the world, growth in the Middle East and North Africa is expected to be stronger, as key oil exporters continue to boost oil production and drive up domestic demand, while activity in Libya rebounds after the 2011 unrest.
- Sub Saharan Africa is also expected to enjoy relatively robust growth in 2012-13.

Latest IMF projections

The global economy should grow moderately next year.

(percent change)

			Projections		Difference from April 2012 WEO projections	
	2010	2011	2012	2013	2012	2013
World Output	**5.3**	**3.9**	**3.5**	**3.9**	**–0.1**	**–0.2**
Advanced Economies	**3.2**	**1.6**	**1.4**	**1.9**	**0.0**	**–0.2**
United States	3.0	1.7	2.0	2.3	–0.1	–0.1
Euro Area	1.9	1.5	–0.3	0.7	0.0	–0.2
Germany	3.6	3.1	1.0	1.4	0.4	–0.1
France	1.7	1.7	0.3	0.8	–0.1	–0.2
Italy	1.8	0.4	–1.9	–0.3	0.0	0.0
Spain	–0.1	0.7	–1.5	–0.6	0.4	–0.7
Japan	4.4	–0.7	2.4	1.5	0.4	–0.2
United Kingdom	2.1	0.7	0.2	1.4	–0.6	–0.6
Canada	3.2	2.4	2.1	2.2	0.1	0.0
Other Advanced Economies	5.8	3.2	2.4	3.4	–0.2	–0.1
Newly Industrialized Asian Economies	8.5	4.0	2.7	4.2	–0.6	0.0
Emerging and Developing Economies	**7.5**	**6.2**	**5.6**	**5.9**	**–0.1**	**–0.2**
Central and Eastern Europe	4.5	5.3	1.9	2.8	0.0	–0.1
Commonwealth of Independent States	4.8	4.9	4.1	4.1	0.0	–0.1
Russia	4.3	4.3	4.0	3.9	0.0	–0.1
Excluding Russia	6.0	6.2	4.5	4.5	–0.1	–0.1
Developing Asia	9.7	7.8	7.1	7.5	–0.3	–0.4
China	10.4	9.2	8.0	8.5	–0.2	–0.3
India	10.8	7.1	6.1	6.5	–0.7	–0.7
ASEAN-5[1]	7.0	4.5	5.4	6.1	0.0	–0.1
Latin America and the Caribbean	6.2	4.5	3.4	4.2	–0.3	0.1
Brazil	7.5	2.7	2.5	4.6	–0.6	0.5
Mexico	5.6	3.9	3.9	3.6	0.3	0.0
Middle East and North Africa (MENA)	5.0	3.5	5.5	3.7	1.3	0.0

Figure 1: IMF World Economic outlook July 2012

1.2 Domestic Economy

- The South African economy grew by an estimated 3,2% in the 2nd quarter of 2012, up from 2,7% in the preceding quarter.
- Growth in the 2nd quarter was mainly supported by an acceleration in the mining sector, which increased by 31%, after recording a -16,8% contraction in the 1st quarter. This sector contributed 1,5% to the GDP performance, concealing the poor performance in the other underlying sectors. Had the mining sector not rebounded during the 2nd quarter, the growth rate would have been a more modest 1,7% (annualised q-q).
- Growth is expected to slow through the second half of 2012 as contagion from the external sector spreads. GDP is expected to grow by 2,6% in 2012 rising to just over 3% in 2013, assuming no further significant weakening in the global economy.
- Demand side indicators improved in the last few months, but remain fairly sluggish. Growth in retail sales accelerated by between 7% an 8% y/y during May and June 2012, while vehicle sales accelerated by 14% and 17,9% y/y during the same period. The rate of change in the approval of private sector building plans is volatile, but has shown some improvement, albeit at lower levels by comparison to the previous boom period (2005 – 2008). House price growth remained muted, not expecting to grow in real terms for the next 24 months, while growth in manufacturing production fell to 0,8% y/y in June, from 4,4% in May, mainly moving sideways.
- In-line with the trends shown in key demand indicators, inflationary pressures have subsided. Consumer inflation (CPI) increased by 4,9% in July 2012, from 5,5% in June 2012, while producer prices also weakened from an annual increase of 6,6% in June 2012 to 5,4% in July. While a decrease in the transport index had a positive impact on the CPI in July it is likely to put some pressure on inflation as the price of petrol is increased by 93c/litre in September 2012.
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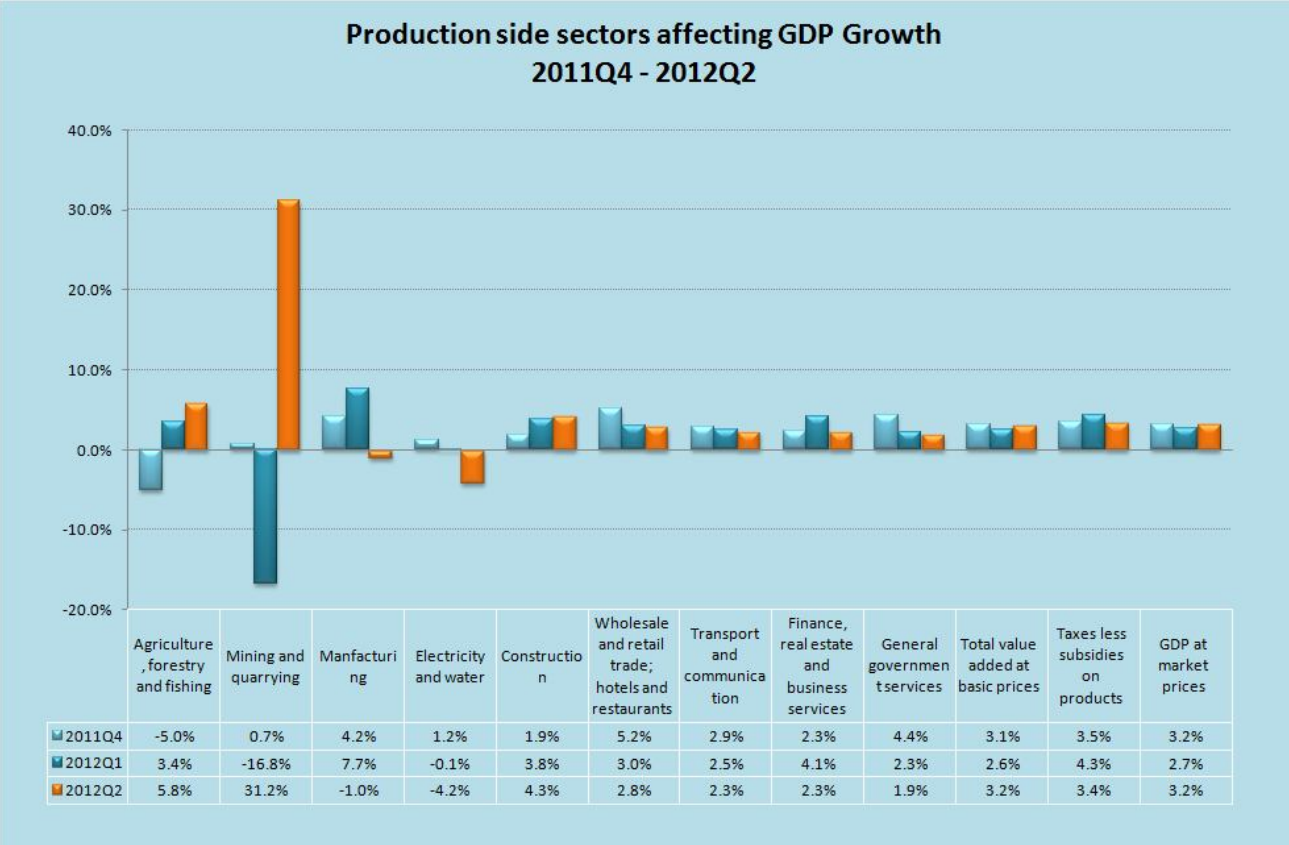


	Agriculture, forestry and fishing	Mining and quarrying	Manfacturing	Electricity and water	Construction	Wholesale and retail trade; hotels and restaurants	Transport and communication	Finance, real estate and business services	General government services	Total value added at basic prices	Taxes less subsidies on products	GDP at market prices
2011Q4	-5.0%	0.7%	4.2%	1.2%	1.9%	5.2%	2.9%	2.3%	4.4%	3.1%	3.5%	3.2%
2012Q1	3.4%	-16.8%	7.7%	-0.1%	3.8%	3.0%	2.5%	4.1%	2.3%	2.6%	4.3%	2.7%
2012Q2	5.8%	31.2%	-1.0%	-4.2%	4.3%	2.8%	2.3%	2.3%	1.9%	3.2%	3.4%	3.2%

Figure 2: Production side sectors affecting GDP: 2011Q4 – 2012Q2

Table 1: Macro economic forecasts: 2012Q2

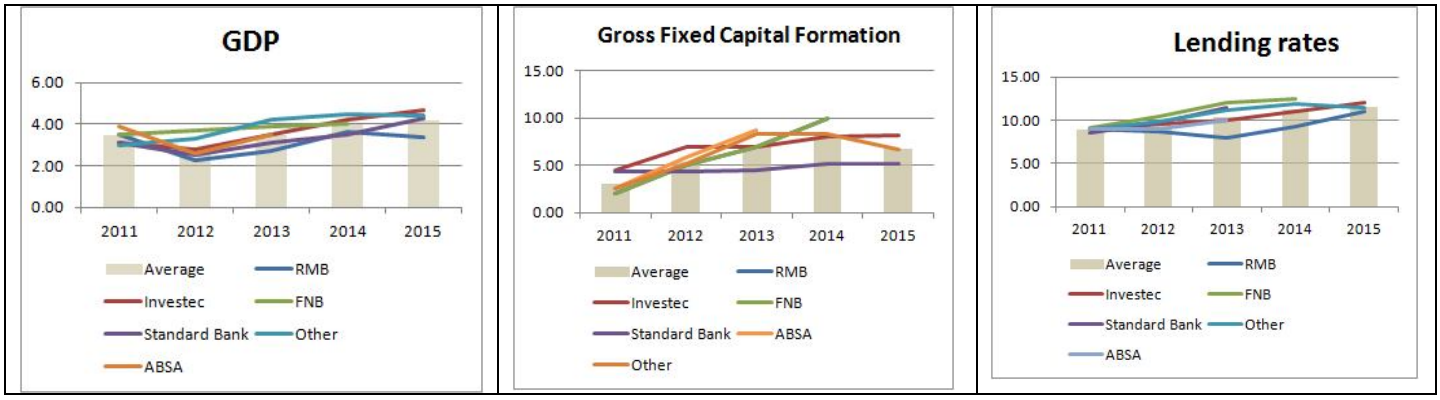


Table 2: Macro economic growth projections (Economist Poll)

	2011	2012	2013	2014	2015
GDP	3.5	2.9	3.5	4.0	4.2
Household consumption	4.8	4.0	4.2	4.1	4.2
Government consumption	4.5	4.1	4.0	4.2	4.0
Gross Fixed capital formation	3.0	5.4	7.1	8.3	6.7
US/ZAR	7.1	7.9	7.8	8.2	9.1
CPI Inflation	4.9	5.8	5.3	5.5	5.6
Prime Lending rate	8.9	9.5	10.4	11.2	11.5

Poll: RMB, Investec, FNB, Standard Bank, Quantech, Treasury (2012 Budget Review)

1.3 Gross fixed capital formation

Investment in gross fixed capital formation increased by 5,8% y/y in the first quarter of 2012 (latest available data), compared to 5,6% in the 4th quarter of 2011. Investment growth accelerated mainly due to an increase in Machinery and Equipment (up 12% y/y in 201Q1), and Transport (up 11,2%). Constructions works improved, albeit marginally, from 0,8% in 2011Q4 to 1,8% in 2012Q1, following a 2,9% increase in civil works of set against negative rates in building investment (down -0.06%). Interestingly a marginal improvement was reported in residential investment, up 0.2%,following 18 consecutive quarters of negative growth, while the decline in non-residential investment experienced over the last 8 quarters also slowed to -0.2%. The contribution of GFCF to GDP improved to 20,4% in 2012Q1, slightly above the 20,3% reported in 2011Q4, but certainly higher from the levels reported in 2010 (averaging 19,8%). The contribution of the construction sector to GDP, has stabilized at 9,0%.

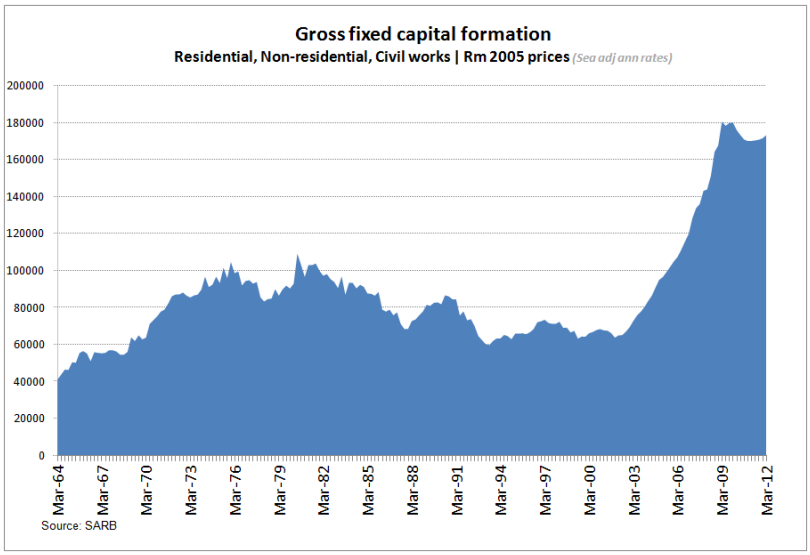


Figure 3: GFCF (Res, Nonres, and Construction works), Rm 2005 prices (Source SARB QTR Bulletin)

3. CESA Survey: Background

A total of 136 questionnaires were returned via both the on-line and hard copy system. Of these 97 were used in the survey, having submitted returns for the last two consecutive surveys. This compares well with the 93 used in the sample for the December 2011 survey. The sample for the current survey represents a fee income of R3,3 bn, and 10 569 employees for the period January – June 2012.

The analysis of the questionnaires completed by active firms in the consulting engineering profession provides a proxy for current and expected working conditions for the profession, which can be measured on a regular basis.

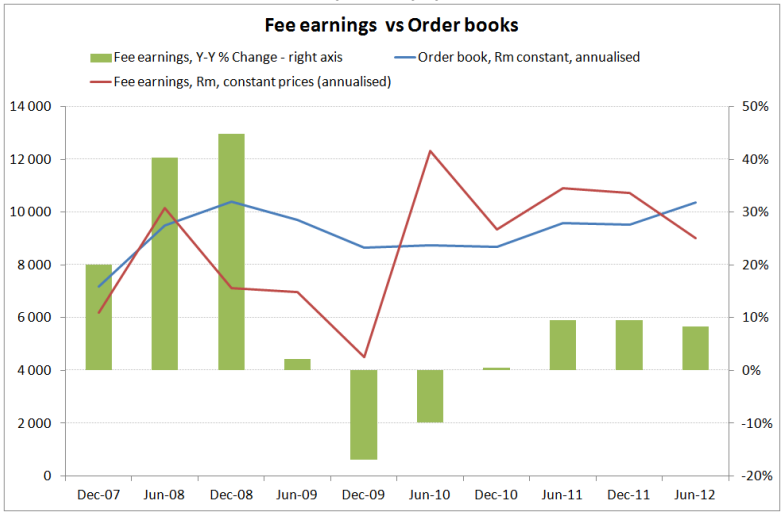
The CESA welcomes commentary received from firms and invites all members to actively participate in sending commentary on either the survey or conditions in the work place thereby increasing the relevance of these reports.

The survey is re-evaluated on a continuous basis, to ensure that the questions asked are pertinent and relevant to current conditions in the industry.

4. Prevailing conditions in the Consulting Engineering Industry

4.1 Financial Indicators

Fee income increased by 12% in the first six months of 2012 - in-line with expectations - although some of the larger firms reported poorer growth than expected. More than 60% of the firms reported positive growth in the first six months compared to the last six months in 2011, while 43% reported growth exceeding 10%. Fee income is expected to increase by around 6% in the last six months of 2012, although dwindling order books may suggest otherwise. Total fee income as at June 2012 (annualised, current prices) is estimated to have increased to just over R20,0bn. Taking inflation into consideration, fee earnings are estimated to have increased by 8,4% y/y in real terms, with similar increases reported in the previous survey.



The average (un-weighted) **net profit** (before tax) improved slightly in the first six months, from an average rate of 13,5% last year to 14,7%. Contrary to previous surveys, the average margin for firms employing more than 100 people, reported slightly softer margins (averaging below 10%), while the medium to smaller firms, reported an average profit of between 12% and 16%. While most firms in recent surveys expected margins to come under pressure, most firms expected in this survey for margins to stabilize or increase. Majority of firms (39%) were satisfied with the profit margins also an improvement from previous surveys where most of the firms were dissatisfied.

Order books (the value of outstanding (not yet invoiced) for confirmed appointments, (excluding sub-consultants or JV partners) declined by 7% in the June 2012 survey, compared to a 13% in the December 2011 survey.

As a result, in relation to income, the order book : current income ratio deteriorated from 1.13 (June 2011) to 0.87 in June 2012. A rate above 1.00 means the order book is higher than current income, which is a good for short term future earnings.

The industry's **return on working capital** (un-weighted average) dropped from 45% (Jun-11) to an average of 40,8%. Majority of firms reported a ROI of between 20% and 100%, with a few reporting negative rates.

Return on investment is defined as the company's annual profit after interest and tax, as a percentage of Net Working Capital (current assets – current liabilities) during the last completed financial year. Working capital is considered part of operating capital as it affects the day to day operating liquidity. An increase in working capital indicates the business has either increased current assets (ie accounts receivable or inventory), or has decreased its current liabilities (accounts payable).

Approximately 9,4% of fee earnings were outstanding for longer than 90 days, compared to 24% in December 2011 and 18% in the June 2011 survey. This is the lowest rate since the December 2002 survey. This translates to an estimated R1,9bn outstanding in fee earnings. The "improvement" was mainly due to firms reporting less monies outstanding from foreign clients, down from 62% of fee earnings internationally to 15,3%. Provincial clients were the poorest paying client, where 17% of earnings were outstanding for longer than 90 days, up from 12,2% in the December 2011 survey.

4.2 Human Resources

Employment increased by an estimated 6% to 20 796 since December 2011, mainly due to an increase in black, coloured and asian staff, which increased by 30,2%, 16% and 21,5% respectively. The strongest increases were reported in the employment of unregistered technicians, and other as well as laboratory assistants. The employment of professional Engineers increased by 3,4% to an estimated 2 956 employed in private consulting firms.

Table 3

Skill	Dec-12	Jun-12	% Change
Administration	4 998	5 166	3.4%
Prof Eng	2 858	2 956	3.4%
Unreg Technician	2 105	2 550	21.2%
Unreg Tech other	2 042	2 378	16.5%
Unreg Eng	2 020	2 048	1.4%
Tech Assistant	1 371	1 307	-4.7%
Draughts person	1 208	1 237	2.4%
Unreg Technologist	816	835	2.3%
Prof Other	570	710	24.5%
Lab Assistant	541	655	21.2%
Technologist	684	628	-8.2%
Technician	307	261	-14.8%
Prof Arch	39	33	-15.7%
Prof QS	59	31	-47.1%
Grand Total	**19 618**	**20 796**	6.0%

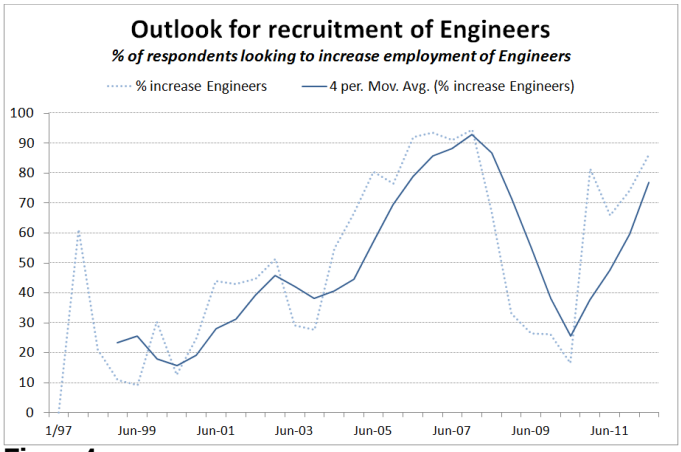


Figure 4

The number of firms looking for engineers increased to 86,5% in June 2012, from 74% in December 2011 and 66% in the June 2011 survey. This is the highest rate since December 2007 when 94% of firms were looking to increase the employment of engineers.

Table 4: % of firms wanting to increase staff, by type of personnel

Type of personnel	% of firms wanting to increase staff December 2009	% of firms wanting to increase staff June 2010	% of firms wanting to increase staff December 2010	% of firms wanting to increase staff June 2011	% of firms wanting to increase staff December 2011	% of firms wanting to increase staff June 2012
Engineers	26.1	16.6	81.5	66.0	74.0	86.5
Technologists	73.6	11.9	18.3	51.8	36.0	38.2
Technicians	25.5	1.7	18.3	52.7	22.0	22.2
Other technical staff	14.9	11.0	10.1	8.3	4.8	17.5
Support Staff	14.0	0.4	5.8	6.6	6.9	6.6

Trying to conform to BBBEE requirements, means demand for black engineers will continue to put pressure on firms, as there are simply not enough black engineers available to fill those positions. There was a further 5% increase in black Pr. Eng in the first six months of 2012 compared to a 7% increase during the same period last year.

Inspite of a marginal decrease in employment, the salary and wage bill averaged 59% of fee earnings, down from 63% in the previous survey. Inflated to annualised rates, the salary and wage bill increased by 4% in nominal terms since the December 2011 survey, to an estimated R11,9 billion, up from R10,3 bn in the June 2011 survey.

On average, between 16% and 20% of firms' total fee income earned were outsourced to external enterprises or individuals, including sub-consultants, joint venture and contract workers. This amounted to between R1 billion and R2 billion (annualised) in constant rand terms (2000 prices), or around R3bn in current prices. Larger firms (employing more than 100 people) by comparison to the industry average, outsourced a higher percentage of turnover (by between 22% and 25%). There appears to be a tendency amongst firms (particularly larger firms) to lower their levels of outsourcing, having to better utilize internal capacity.

4.3 Training

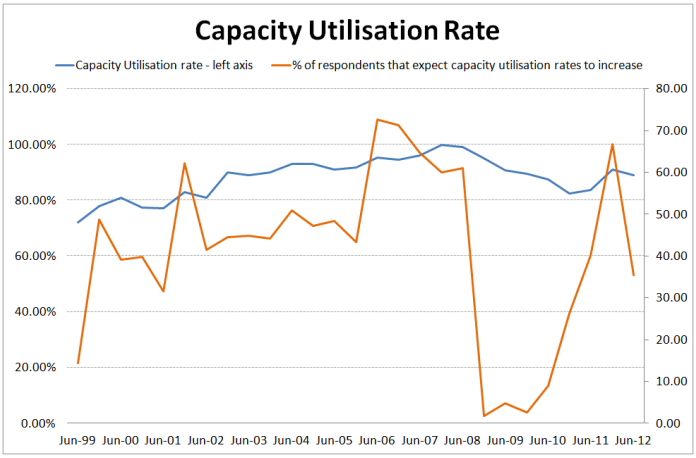
Training expenses, which include the costs directly associated with training as well as the cost of salaries but excluding the 1% CETA skills development levy, averaged 17,6% of the total estimated salary bill, compared to 18% in the June 2011 survey, 22,6% in the December 2010 survey and 23,6% in the June 2010 survey. This data is not entirely reliable, as many firms did not complete this section of the questionnaire. Most of the firms reported only on direct training costs. Direct training costs, an easier measurement of firms contribution to training, averaged 1,2% of the salary and wage bill, compared to 1,9% in the December 2011 survey, and only 0.3% in the June 2011 survey. 69% of the firms that responded to the survey spent less than 1% of their salary and wage bill on direct training costs, compared to 56% in the June 2011 survey.

Firms are spending less on bursaries, in relation to the growing salary and wage bill. Bursaries are important to improve productivity in the industry, as well as to secure future employment opportunities. The industry spent on average 0,8% of the salary and wage bill on bursaries, slightly up from 0,3% in the December 2011 survey.

4.4 Industry Equity / Ownership Profile

Black (including Asian and Coloured) equity, including executive directors, non-executive directors, members and partners, increased to 27,8%, from 21,2% in the June 2011 survey. This means that there is a positive improvement in the contribution of black people (including Asian and Coloured) that have obtained some sort of ownership or equity in the firm they work for, but they are still in the minority. For a detailed breakdown by race and gender please refer to tables 27 and 31.

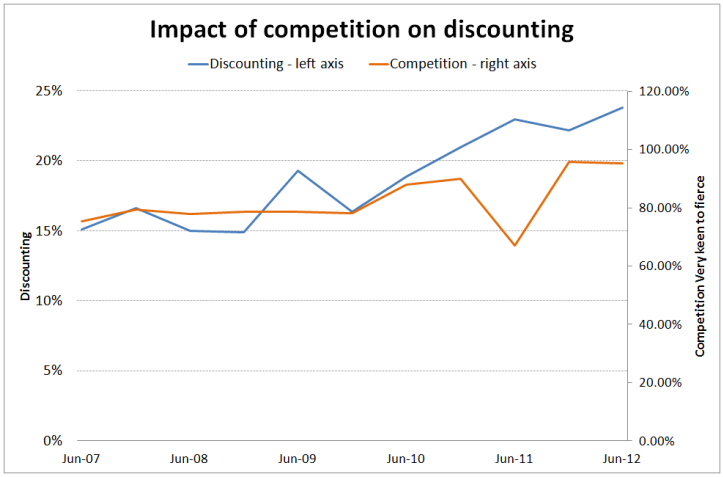
4.5 Capacity Utilisation



Capacity levels dipped slightly in the first six months of 2012, from an average utilisation rate of 90,9% in December 2011 to 89,10% in the current survey. The average utilisation rate of larger firms was the lowest, at 86% compared to an average of 96,7% for firms employing between 10 and 20 people.

Fewer firms expect capacity utilisation to increase, from 66% in the previous survey to 35% in the current survey. Majority of firms (63%) expect capacity utilisation rates to remain the same in the next 6 months.

4.6 Competition in tendering



Competition in tendering generally eases during a time when the availability of work increases and intensifies during periods of work shortages. An easing of competition will generally lead to an increase in prices, while price inflation is capped during periods of work shortages due to the fact that an increasing number of firms tender on the same project. The tendering process is costly and time consuming, and higher levels of competition significantly increases the risk for the engineering firm.

The percentage of respondents saying that competition was very keen to fierce continued to increase more aggressively, up from an average of 66,9% in the June 2011 survey, to 95,7% and 95,2% in the last two surveys. Discounting has subsequently increased from an average of between 15% and 20% up to 2010 to 23,8% as at June 2012, the highest rate since the inception of this question in the survey (June 2007). Larger firms discounted more aggressively, averaging 31%, while smaller firms (employing less than 10 people) discounted by a lower average rate of 18%.

4.7 Pricing

No specific escalation index is available for the consulting engineering industry. After exploring many different avenues it was proposed to calculate a CESA Cost index that is based on a ***"labour unit cost"*** *and extracted directly from the CESA MIS Survey. This should accommodate at least 50% of the firms' costs and should therefore, in theory, be a reliable indicator of escalation. The CPI is currently used to deflate all financial information, until such time CESA officially applies the CESA Labour cost index as an industry price deflator.*

The index is based on the sample of total number of employees versus the salaries and wages paid during the period under review

According to CESA's labour cost indicator, the average unit cost of labour for the industry, increased by 5% in 2011, following an increase of 8,5% in the first half and 1,5% increase in the second half of 2011. Labour costs increased by 4,4% during the first half of 2012, slightly below the average consumer inflation rate of 5,9%. The impact of higher salaries and wages is profound on the engineering business considering that between 55% and 65% of earnings are paid towards the salary and wage bill.

While changes in the general cost of living (as measured by the Statistics South Africa's Consumer Price Index) are clearly not indicative of labour cost changes in the consulting engineering industry, the CPI may have a strong influence in the determination of ECSA Fees, which has shown an average increase of 5,8% in the second half of 2011 and 5,9% in the first half of 2012. Consumer inflation is expected to increase by 5,7% in 2012 (revised downwards from initial expectations of 6,2%), and between 5,0% and 5.5% in 2013. According to the BER CPI expectations survey, financial analysts have consistently revised inflationary expectations downward. Good news for the future outlook for lending rates, which was already lowered to 8,5% in July 2012, which could provide some stimulus for future private sector spending. Administered prices (those controlled by government) will however continue to put upward pressure on the inflation, and increased by 12% on average for the first seven months of 2012, supported by mainly by electricity and higher fuel prices.

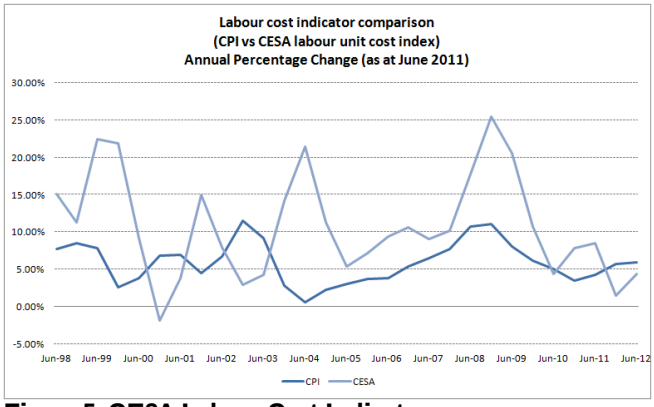


Figure 5: CESA Labour Cost Indicator

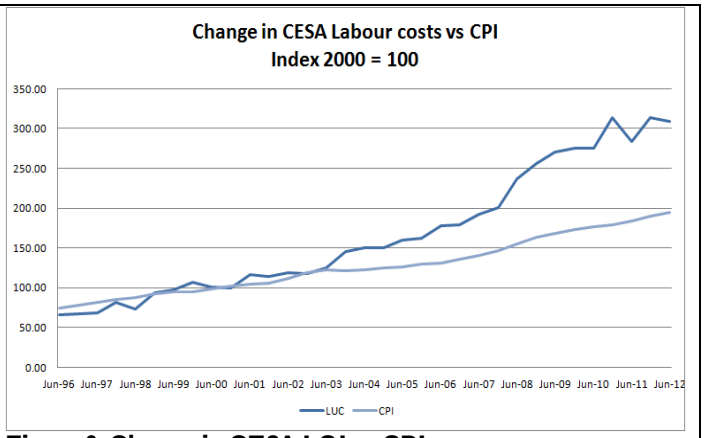


Figure 6: Change in CESA LCI vs CPI

5. Industry Outlook

The confidence index, as an indicator of members' assessments regarding current and future prospects with regard to market developments, is a "weighted" index. The response of each company is weighted according to its total employment, including full and part time staff, and the index represents the net percentage of members satisfied with business conditions.[1] To ensure that possible distortions emanating from ad hoc replies do not occur, only those members that have submitted returns during the last two consecutive surveys are used. The confidence index is used as a leading indicator to determine a short to medium term outlook for the consulting engineering industry.

Conditions in the first six months of 2012 were more difficult than expected, especially with regards to earnings and work conditions affecting the larger firms, although most of the larger firms were quite busy during the first half of 2012. It just didn't materialize into the expected earnings. Overall confidence in the industry fell by 6,4% to 81.8 as at June 2012, from 87.4 in the last six months of 2011 and was lower than the expected level of 89.0 predicted in the previous survey. Firms nonetheless remain optimistic that conditions will improve in the next 6 to 12 months, increasing the confidence index to 94.5 and 94.7 for the next 12 months.

It must be noted that the confidence index is a weighted index and thus somewhat biased towards the outlook for larger firms. Greater disparity between key indicators is generally a sign of cyclical turning points. Larger firms are neutral regarding the outlook for the next 6 and 12 months, and reported working conditions as mostly satisfactorily, coupled with fierce competition. Medium to smaller size firms (employing less than 20 people) were the least optimistic, with confidence levels remaining below 60.0 for the next 12 months.

[1] The net percentage reflects only those members that expect conditions to be satisfactory, quite busy or very busy.

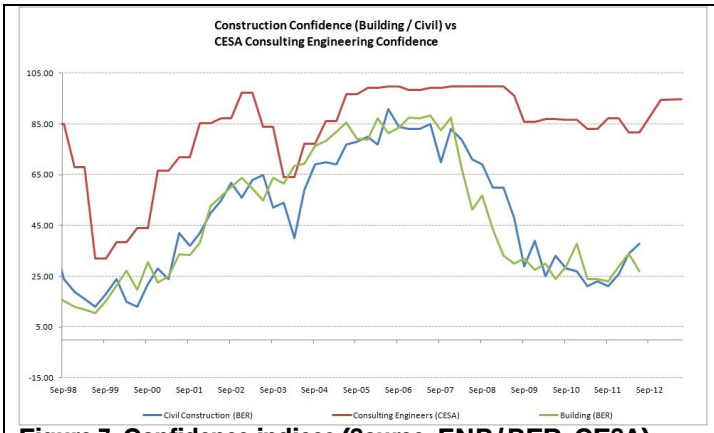


Figure 7: Confidence indices (Source: FNB/BER, CESA)

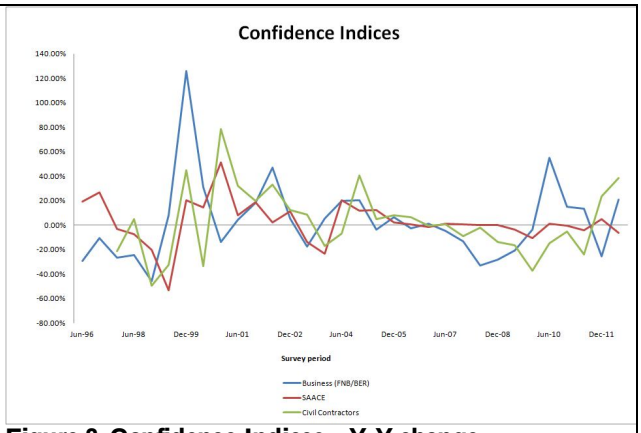


Figure 8: Confidence Indices – Y-Y change

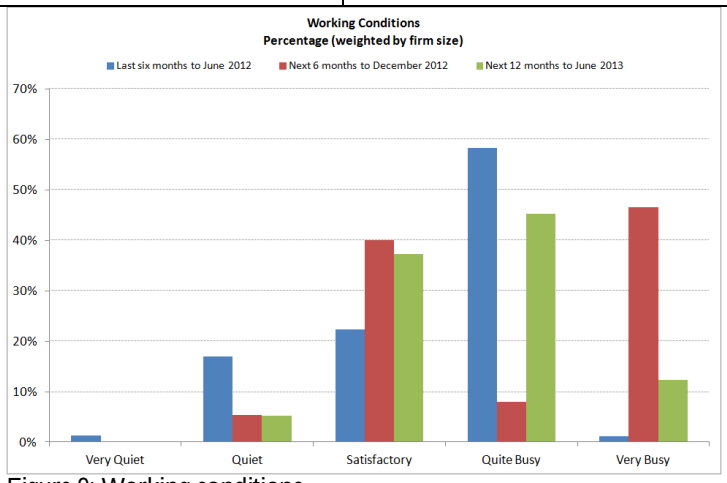


Figure 9: Working conditions

Confidence in the consulting engineering sector generally lags business sentiment. Business sentiment deteriorated (again) after improving to 52 in the first quarter of 2012, down 21% to an index value of 41, mainly due to growing concerns over the global economy and the widespread downward revision of South Africa's growth outlook. Project postponements and delays in project implementation affected confidence in the contracting fraternity. Civil contracting confidence (based on the BER surveys) improved marginally to 34 and 38 in the first two quarters of 2012, but is still well below levels experienced between 2005 and 2008.

Confidence levels amongst building contractors deteriorated in the 2nd quarter to 27 after showing a mild improvement to 34 fro in the 1st quarter. The contracting industry is gripped in a "flat line" stripped from any evidence of a sustainable recovery or upward cycle. Indicators across the board are doing no more than fluctuating sideways. This trend is likely to continue until such time that the economy can provide sufficient stimulus to promote infrastructure expenditure. Infrastructure spending by government is capped by available funds, currently being eroded by poor economic growth, limiting revenue collection. Private sector spending is being hampered by affordability constraints (linked to financial institutions new policies in terms of mortgage finances requiring excessive deposits) as well as high vacancy rates due to an oversupply of commercial buildings during the retail and property boom.

Table 5: CESA Confidence index: % respondents satisfied with working conditions

Survey Period	CESA Confidence Index	% Change on previous survey	% Change on survey same time last year
Jun-05	96.8	12.2%	25.4%
Dec-05	99.3	2.5%	14.9%
Jun-06	99.7	0.5%	3.0%
Dec-06	98.4	-1.30	-0.8
Jun-07	99.4	1.0%	-0.3%
Dec-07	99.8	0.4%	1.4%
Jun-08	99.9	0.1%	0.5%
Dec-08	99.8	-0.1%	0.0%
Jun-09	96.2	-3.6%	-3.7%
Dec-09	86.0	-10.6%	-13.8%
Jun-10	87.1	1.3%	-9.4%
Dec-10	86.7	-0.5%	0.8%
Jun-11	83.2	-4.0%	-4.5%
Dec-11	87.4	5.0%	0.8%
Jun-12	81.8	-6.4%	-1.7%
Dec-12 (forecast)	94.5	15.6%	8.2%
Jun-13 (forecast)	94.7	0.2%	15.8%

6. Industry challenges as noted by respondents

- Unlocking greater private sector participation is seen as a critical element to fast track delivery which will support engineering fees and as such engineering development in the industry. Private sector participation in this context refers to involvement on a more technical level (and not as a client), to improve municipal capacity and efficiency.
- Service delivery, especially at municipal level remains a critical burning issue. The consulting engineering industry is threatened by incapacitated local and provincial governments. As major clients to the industry, it is important that these institutions become more effective, more proactive in identifying needs and priorities and more efficient in project implementation and – management. Pravin Gordhan made it very clear that under spending of infrastructure budgets is a serious concern for the industry, where only R177bn of the R266bn was spent during 2010/11.
- The involvement of non-CESA members in government tenders and procurement continues to threaten the standard and performance of the industry, and was again raised by several members in the December 2011 survey. Non-Cesa members do not seem to comply with the same standards and principles as those firms that are members of CESA. Whether this is linked to complaints of "below cost" tendering during 2009, is not certain, but CESA members should be better informed about engaging in below cost tendering.
- Firms from across South African borders are tendering at rates that are not competitive for local firms. Complaints have been received of some of these firms not producing proper drawings and not attending site visits. Clients, unfortunately, are not always properly experienced or educated to conduct proper procurement assessments and unknowingly award contracts to these "unscrupulous" firms. While these occurrences may be limited to smaller rural areas, it remains an unacceptable practice.
- Lack of attention to maintain infrastructure poses a serious problem to the industry. Not only is it much more costly to build new infrastructure, but dilapidated infrastructure hampers economic growth potential. The cost of resurfacing a road after seven years at current prices, is estimated at R175 000 per kilometre, compared to R3 million per kilometer to rebuild, less than 6% of the construction price. In many cases, infrastructure is left to deteriorate to such a state, that maintenance becomes almost impossible. This simply translates to ineffective spending of tax payer's money. Government increased the budget for road maintenance to R25,4bn over the next three years (2012/13 – 2014/15), which is higher than the allocations for new road construction via SANRAL projected at R21bn over the 2012 MTEF. By 2014/15 over R8bn will be spent on road maintenance according to the 2012 Budget.
- A further challenge to the industry is to find a way to standardize the procurement procedures applied by the different government departments. Procurement procedures should be standard for the country, or at least for the specific tier of government.

7. Salient Features

7.1 Sub-disciplines of fee income earned

The South African consulting engineering industry is represented by many different sub-disciplines. The most common disciplines within larger firms include civil, structural services and project management. Within the smaller and micro firms, electrical services and mechanical building services had the largest impact on earnings. Project Management is a fast growing discipline in the industry, contributing an average of 16,8% and 17,5% of fee earnings in the last two surveys, the highest levels since the inception of the survey.

Details of the various sub-disciplines are provided for under Statistical Tables.

7.2 Economic Sectors

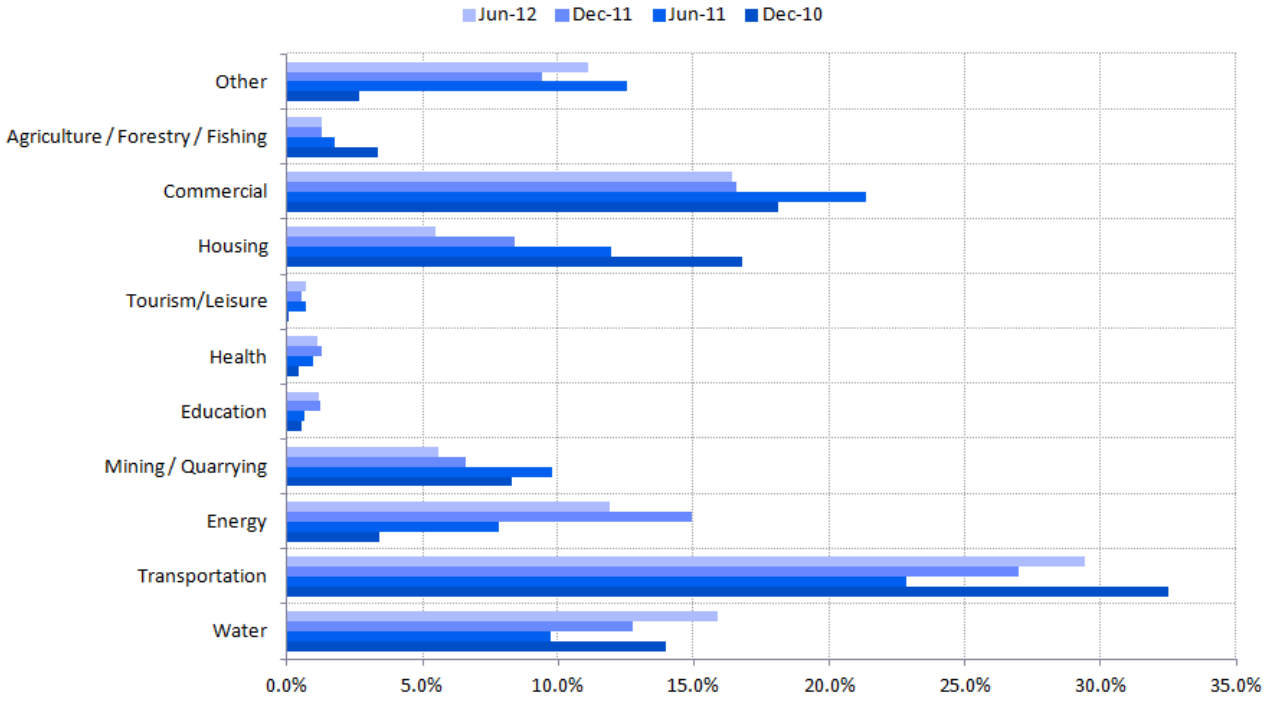


Figure 10: Fee earnings by Economic Sector

The economic sectors include all infrastructure associated within that sector including expenditure related to soft issues such as feasibility studies or environmental assessments. From this, three key sectors evolved namely water services, transportation and commercial, with a growing emphasis on housing.

The two most prominent sectors are Transportation (averaging 24,9% for 2011, up to 29,4% in June 2012) and Commercial (averaging 18,9% for 2011, but falling to 16,4% in June 2012. Water and Energy increased from an average of 11,2% in 2011 to 15,9% in June 2012, while energy also increased, albeit not by as much as the December 2011 survey, from an average contribution of 11,4% in 2011 to 11,9%. All the other sectors reported a decrease in market shares (in favour of water, transport and energy), including housing which fell to just 5,5% from an average of 10,2% in 2011.

Table 6: Distribution of fee earnings by economic sector, by firm size

	Water	Transportation	Energy	Mining	Education	Health	Tourism	Housing	Commercial	Agriculture	Eco other	Total
Large	14.2%	30.5%	12.8%	6.3%	1.0%	0.5%	0.7%	5.4%	16.6%	1.4%	10.6%	100.0%
Medium	23.3%	24.5%	4.2%	2.2%	2.3%	4.3%	0.6%	5.4%	17.0%	0.6%	15.6%	100.0%
Small	34.4%	23.0%	7.9%	1.3%	1.9%	4.7%	0.6%	5.0%	11.6%	2.2%	7.4%	100.0%
Micro	7.7%	10.7%	35.2%	0.0%	3.6%	0.8%	0.5%	13.2%	12.5%	0.0%	15.8%	100.0%
Total	15.9%	29.4%	12.0%	5.6%	1.2%	1.1%	0.7%	5.5%	16.4%	1.3%	11.1%	100.0%

Table 7: Charts depicting fee earnings by sector split by high capacity provinces

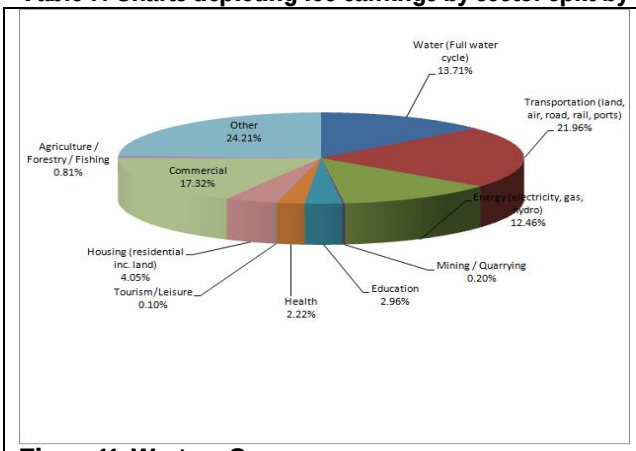


Figure 11: Western Cape

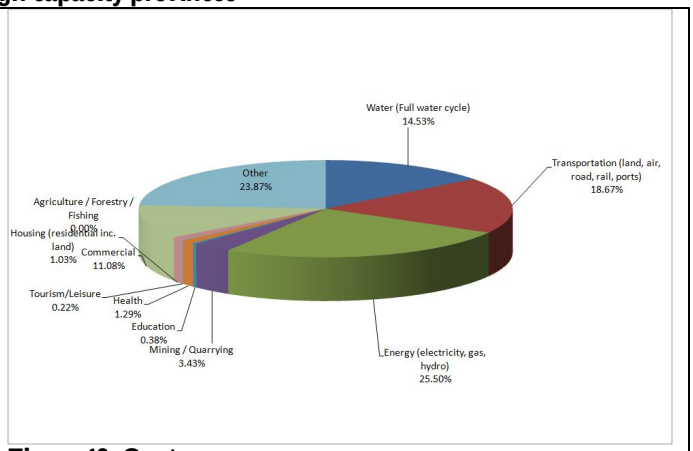


Figure 12: Gauteng

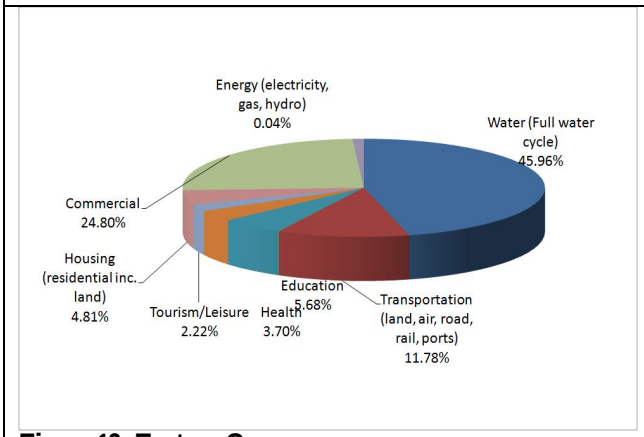


Figure 13: Eastern Cape

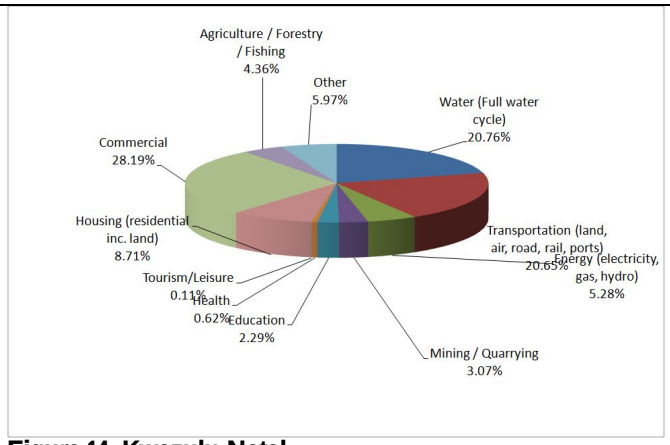


Figure 14: Kwazulu Natal

Based on a provincial distribution of fee earnings - where earnings for a particular firm exceeded 50% within one specific province – the four charts above show the distribution within the high capacity provinces by economic sector in order to gauge some profile of activity at a provincial level. In the Eastern Cape for example earnings were dominated by energy and water services, while commercial and transport contributed the highest earnings in Kwazulu Natal. In Gauteng energy contributed almost 25% to fee earnings, while earnings were most evenly spread in Western Cape.

7.3 Geographic Location

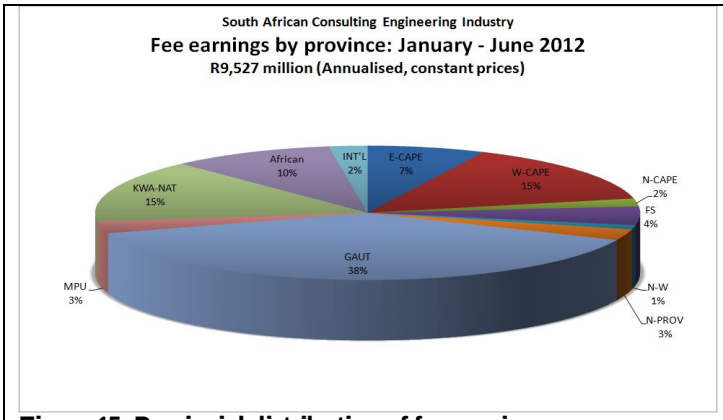


Figure 15: Provincial distribution of fee earnings

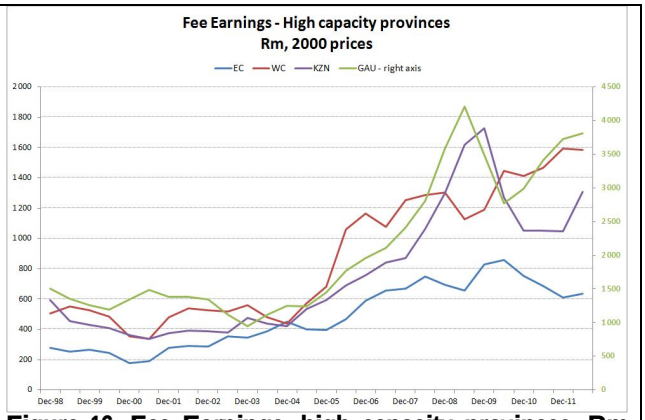


Figure 16: Fee Earnings, high capacity provinces, Rm 2000 prices

The bulk of fees were earned in Gauteng (38%), followed by 15% in the Western Cape and Kwazulu Natal. Fee earnings in Kwazulu Natal increased dramatically during 2009, contributing almost 19% of fee earnings, and although this has slowed to a more "normal" level for the area, averaging between 10% and 12%, the share has once again increased strongly, to 15% in The June 2012 survey. Kwazulu Natal is currently experiencing robust growth in particularly public sector spending where the value of public sector contracts awarded in the first six months has more than doubled in nominal terms. The 9% increase in earnings since December 2011 was mainly due to higher earnings in Eastern Cape, Free State, Gauteng (albeit marginally), and Kwazulu Natal (where earnings increased the strongest, up 49%). International earnings also increased, up 47%, but this represented less than 3% of total earnings in the industry.

7.4 Clients

The contribution by the private sector fell to 34,3% in the June 2012 survey, down from an average of 44,8% in 2011, while the contribution by Parastatals or State Owned Enterprises improved to 20,5% (from an average of 13% in 2011), and provincial government to 14,3% (from an average of 9,7% in 2011). At a rate of 34%, this is the lowest contribution by the private sector since 2005 and as a result reported a 20% drop in earnings since December 2011. Earnings by provincial government doubled since December 2011, with a 56% and 66% increase reported in earnings respectively from Parastatals and Central government.

Table 8: Fee earnings distribution by client by firm size

	Central	Provincial	Local	Parastatals	Private	Total
Large	8.8%	14.0%	21.1%	21.7%	34.4%	100.0%
Medium	6.6%	14.3%	25.0%	17.0%	37.0%	100.0%
Small	2.2%	17.6%	42.8%	12.0%	25.3%	100.0%
Micro	6.2%	18.2%	25.0%	20.2%	30.3%	100.0%
Total	8.1%	14.3%	22.8%	20.5%	34.3%	100.0%

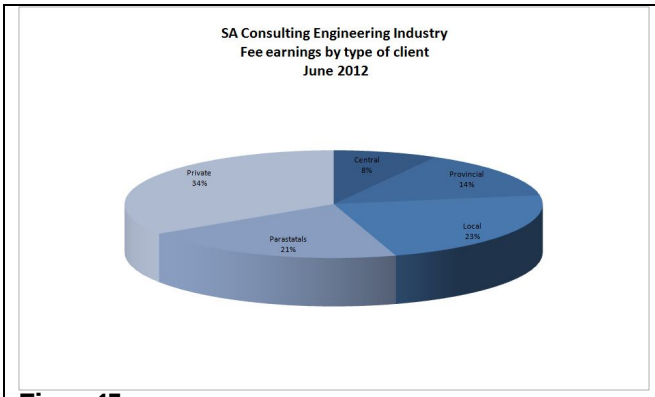


Figure 17

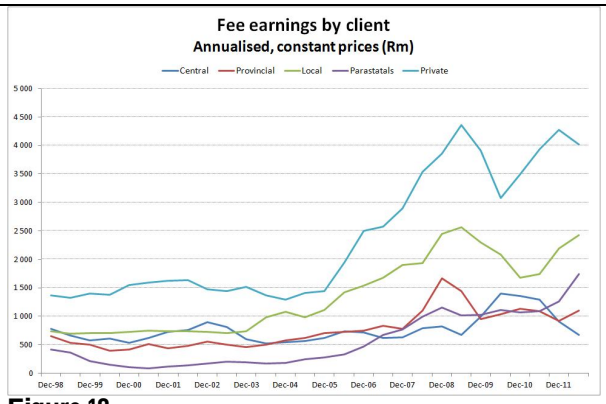


Figure 18

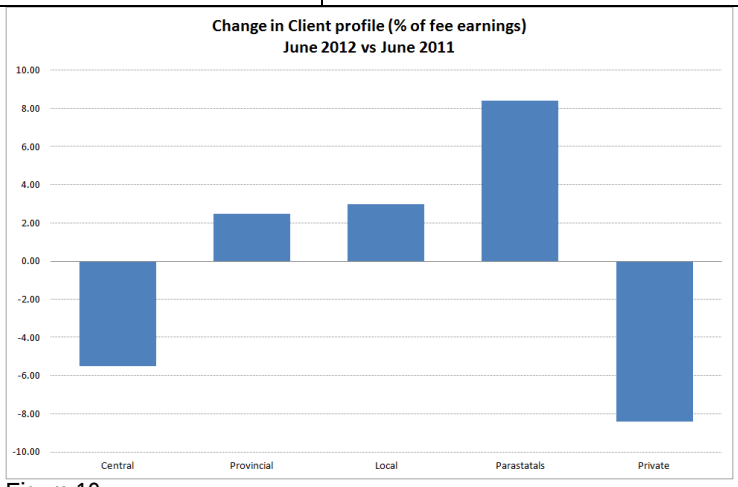


Figure 19

8. Professional Indemnity Insurance

The industry spends approximately R400 million on premiums for professional indemnity insurance, or roughly 1% of gross fee earnings. Majority of firms spend less than 1% of their income on insurance, but a few did report as high as 4%. For the purpose of this report, firms reporting a premium higher than 20% were removed. Most of the larger firms reported a level of between 1% and 1,5%.

Majority of firms (78%) reported a low risk exposure, while only 1% respondents reported to have a high risk exposure (compared to 3,5% and 2,2% in the December 2011 and June 2011 surveys).

Only a few firms reported on the value of claims paid by insurers as a percentage of premiums paid, so the results from this section of the survey is deemed unreliable and not suitable for analytical purposes. 25% of firms that responded to the survey, reported claims over the last five years, averaging 2,2 claims per firm. Based on the responses received, majority of firms (75%) had not notified the insurers of any claims.

On average (based on limited responses), of the 59 claims reported by participating firms, 8 were not refunded, representing 14,8% of the total number of claims notified.

The industry's average limit of indemnity as a percentage of gross fee income over the 12 month period increased substantially compared to previous surveys, mainly due to participation of larger firms that affected the average. The limit of indemnity averaged between 40% and 50% for larger firms, and a weighted average of 17% compared to a revised 21% in the December

2011 survey. Less than 20% of the firms reported an indemnity limit of 100% or more, majority reported between 20% and 80%. The industry average in terms of deductibles as a percentage of the indemnity limit fell moderated to 3,4% from 4,1% in the December 2011 survey. Larger firms averaged between 3% and 25%.

9. Quality Management System

A quality management system (QMS) is a control that is implemented at various stages of production process or service delivery stages. A QMS system is important for all firms, big and small. Majority of firms have a QMS system in place (91%).

Having a QMS in place is now compulsory for all CESA members, who recognize the importance of good efficient quality control. CESA recommends the ISO:9001:2008 frame work, recognizing this framework as being comprehensive and internationally recognized.

Members can, provided the correct procedures are followed, claim a portion of the skills development levy for quality management training. For more information on statutory requirements for members, please refer to the practice note released by CESA.

Members are obliged to use accredited agents should they wish to obtain an ISO 9001:2008 certificate. Details of certification bodies used by Members consenting to make this information available, is published on the CESA website. On average 40% of the firms complied, compared to 47% in June 2011. Majority of the small to micro firms are not IS0 9001:2008 certified, compared to 89% of the larger firms (employing more than 100 people) that are certified.

Statistical Tables

Table 9: General financial indicators

Survey period	Employment[2]	Salaries / Wages 2000 prices (Annualised)	Fee Income, R mill (Annualised)			Cost Deflator	
			Current prices	Constant 2000 prices	Y/Y real % change	CPI Index 2000 = 100	CPI y/y % Change
Jun-04	12,791	1,870	4,511	3,666	2.0%	123.0	0.6%
Dec-04	12,599	1,957	4,601	3,692	7.8%	124.6	2.2%
Jun-05	12,798	2,030	5,015	3,957	7.9%	126.8	3.0%
Dec-05	14,026	2,247	5,597	4,330	17.3%	129.3	3.7%
Jun-06	14,068	3,096	7,835	5.954	50.5%	131.6	3.8%
Dec-06	14,912	3,350	8,149	5.983	38.2%	136.2	5.4%
Jun-07	15,807	3,613	9,493	6,771	13.7%	140.2	6.5%
Dec-07	16,755	3,542	10,537	7,183	20.1%	146.7	7.7%
Jun-08	18,347	4,940	14,752	9,499	40.3%	155.3	10.8%
Dec-08	19,081	5,516	16,965	10,407	44.9%	163.0	11.1%
Jun-09	19,596	5,141	16,287	9,700	2.1%	167.9	8.1%
Dec-09	19,342	5,019	14,984	8,653	-16.9%	173.2	6.2%
Jun-10	19,632	4,723	15,433	8,746	-9.8%	176.5	5.1%
Dec-10	19,357	5,220	15,588	8,699	0.5%	179.2	3.5%
Jun-11	19,937	5,650	17,614	9,576	9.5%	183.9	4.2%
Dec-11	19,618	6,002	18,054	9,527	9.5%	189.5	5.8%
Jun-12	20,796	6,124	20,221	10,380	8,4%	194.8	5.9%

Table 10: Consulting Engineering Profession: Financial indicators: Annual Percentage Change (Real)

Survey period	Employment	Salaries and Wage Bill	Fee income	Cost escalation based on CPI index (Stats Sa)
Jun-04	-2.1%	8.4%	2.0%	0.6%
Dec-04	0.5%	14.2%	7.8%	2.2%
Jun-05 *	0.0%	8.6%	7.9%	3.0%
Dec-05	11.3	14.8%	17.3%	3.7%
Jun-06	9.9%	52.5%	50.5%	3.8%
Dec-06	6.3%	49.1%	38.2%	5.4%
Jun-07	12.3%	16.7%	13.7%	6.5%
Dec-07	12.3%	5.7%	20.1%	7.7%
Jun-08	16.1%	36.7%	40.3%	10.8%
Dec-08	13.8%	54.1%	44.9%	11.1%
Jun-09	6.8%	53.0%	2.1%	8.1%
Dec-09	1.4%	58.0%	-16.9%	6.2%
Jun-10	0.2%	54.0%	-9.8%	5.1%
Dec-10	0.1%	60.0%	0.5%	3.5%
Jun-11	1.6%	59.0%	9.5%	4.2%
Dec-11	1.4%	63.0%	9.5%	5.8%
Jun-12	4.3%	60.0%	8.4%	5.9%

* Revised

[2] Revised June 2007

Table 11: Sub-disciplines: June 2011 – June 2012, Percentage share

Sub-discipline	Jun-11	Dec-11	Jun-12	Change in market share Last 6 months	Change in market share Last 12 months
Agricultural	0.8%	0.8%	0.55%	-0.2%	-0.3%
Architecture	0.2%	0.2%	0.31%	0.1%	0.1%
Mechanical building Services	3.5%	3.4%	2.45%	-1.0%	-1.0%
Civil	**30.0%**	**40.1%**	**41.60%**	**1.5%**	**11.6%**
Electrical / Electronic	5.8%	6.5%	7.60%	1.1%	1.8%
Environmental	4.7%	1.4%	2.33%	0.9%	-2.3%
Facilities Management (New)	1.6%	1.5%	1.50%	0.0%	-0.1%
Geotechnical	0.7%	0.9%	0.96%	0.1%	0.3%
Industrial Process / Chemical	6.1%	1.4%	0.74%	-0.7%	-5.4%
GIS	0.8%	0.8%	1.00%	0.2%	0.2%
Hydraulics (New)	0.6%	0.7%	0.60%	-0.1%	0.0%
Information Systems / Technology	0.7%	0.9%	0.54%	-0.4%	-0.1%
Marine	1.1%	0.4%	0.85%	0.5%	-0.2%
Mechanical	3.0%	4.1%	3.32%	-0.8%	0.3%
Mining	4.9%	4.1%	4.02%	-0.1%	-0.9%
Project Management	10.8%	16.8%	17.46%	0.7%	6.7%
Quantity Surveying	0.2%	0.3%	0.36%	0.1%	0.2%
Structural	**23.9%**	**15.3%**	**13.41%**	**-1.9%**	**-10.4%**
Town planning	0.8%	0.4%	0.36%	0.0%	-0.4%
Total	100.0%	100.0%	100.0%	0.0%	0.0%

Table 12: Sub-disciplines: June 2011 – June 2012, Annualized R mill, 2000 prices

Sub-discipline	Jun-11	Dec-11	Jun-12	Change Jun-12/Dec-11	Change Jun-12/Jun-11
Agricultural	R 81	R 76	R 57	-24.6%	-29.3%
Architecture	R 21	R 19	R 33	71.4%	54.4%
Mechanical building Services	R 332	R 324	R 254	-21.5%	-23.4%
Civil	R 2 877	R 3 820	R 4 318	13.0%	50.1%
Electrical / Electronic	R 556	R 619	R 789	27.4%	41.9%
Environmental	R 445	R 133	R 242	81.4%	-45.7%
Facilities Management (New)	R 152	R 143	R 156	9.0%	2.6%
Geotechnical	R 67	R 86	R 100	16.8%	48.9%
Industrial Process / Chemical	R 584	R 133	R 77	-42.4%	-86.8%
GIS	R 78	R 76	R 104	36.8%	33.0%
Hydraulics (New)	R 54	R 67	R 62	-7.1%	15.7%
Information Systems / Technology	R 63	R 86	R 56	-34.7%	-10.6%
Marine	R 103	R 38	R 89	132.8%	-14.2%
Mechanical	R 286	R 391	R 344	-11.9%	20.5%
Mining	R 467	R 391	R 417	6.7%	-10.7%
Project Management	R 1 032	R 1 601	R 1 812	13.2%	75.6%
Quantity Surveying	R 17	R 29	R 38	32.5%	128.0%
Structural	R 2 285	R 1 458	R 1 392	-4.5%	-39.1%
Town planning	R 77	R 38	R 38	-0.9%	-51.1%
Total	R9 576	R9 527	R10,380	8.9%	8.4%

Table 13: Provincial Turnover, R mill, 2000 prices (Annualized)

Province	Survey period							
	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12
EC	552	757	900	817	687	680	543	727
WC	1 342	912	1 471	1 425	1 400	1 532	1 658	1 516
NC	104	155	69	142	217	201	210	197
FS	250	213	260	405	426	354	343	467
NW	364	184	199	179	217	201	133	104
LIM	291	310	277	239	200	249	295	280
GAU	4 048	4 375	2 596	2 951	3 018	3 811	3 639	3 986
MPU	343	252	251	257	322	306	438	301
KZN	1 280	1 959	1 497	1 042	1 061	1 044	1 048	**1 567**
AFRICAN	1 301	378	926	1 079	948	1 006	1 058	1 007
INT'L	541	204	208	210	200	192	162	239
Total	10 417	9 700	8 653	8 746	8 698	9 576	9 527	10 380

Table 14: Y-Y Change (Trend – Smoothed over two consecutive surveys)

Province	Survey period							
	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12
EC	4.0%	-12.8%	19.4%	31.2%	-9.2%	-20.4%	-18.7%	-7.1%
WC	4.0%	-12.3%	-8.6%	28.5%	18.6%	1.3%	12.9%	8.2%
NC	46.4%	-13.3%	-21.1%	-18.7%	60.0%	98.5%	14.4%	-2.8%
FS	1.1%	-36.2%	-26.0%	43.5%	75.7%	17.5%	-16.1%	3.8%
NW	-25.7%	-35.6%	-39.2%	-31.0%	3.5%	10.6%	-15.7%	-43.3%
LIM	36.2%	33.7%	3.6%	-14.3%	-25.3%	-12.9%	24.0%	28.2%
GAU	48.8%	49.7%	-2.7%	-34.1%	-14.4%	23.1%	24.8%	11.6%
MPU	31.3%	1.5%	-22.3%	-14.7%	15.1%	23.7%	28.6%	17.7%
KZN	49.3%	52.0%	32.9%	-21.6%	-39.1%	-17.1%	-0.6%	24.2%
AFRICAN	189.4%	25.3%	-43.7%	19.4%	55.4%	-2.6%	1.8%	5.7%
INT'L	527.0%	24.1%	-61.7%	-43.9%	-0.3%	-6.2%	-13.8%	2.3%
Total	42.7%	20.6%	-7.8%	-13.5%	-5.0%	5.0%	9.5%	9.0%

Table 15: Market share (% of fee earnings)

Province	Survey period							
	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12
EC	5.30	7.80	10.40	9.34	7.90	7.10	5.70	7.00
WC	12.90	9.40	17.00	16.29	16.10	16.00	17.40	14.60
NC	1.00	1.60	0.80	1.62	2.50	2.10	2.20	1.90
FS	2.40	2.20	3.00	4.63	4.90	3.70	3.60	4.50
NW	3.50	1.90	2.30	2.05	2.50	2.10	1.40	1.00
LIM	2.80	3.20	3.20	2.73	2.30	2.60	3.10	2.70
GAU	38.90	45.10	30.00	33.74	34.70	39.80	38.20	38.40
MPU	3.30	2.60	2.90	2.94	3.70	3.20	4.60	2.90
KZN	12.30	20.20	17.30	11.92	12.20	10.90	11.00	**15.10**
AFRICAN	12.50	3.90	10.70	12.34	10.90	10.50	11.10	9.70
INT'L	5.20	2.10	2.40	2.40	2.30	2.00	1.70	2.30
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100%	100%	100%

Table 16: Fee income earned by type of client, R mill, 2000 prices (Annualized)

Client	Survey period						
	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12
Central	621	1 359	1 432	1 287	1 302	505	841
Provincial	1 038	857	1 217	1 044	1 130	715	1 484
Local	2 231	2 371	1 786	1 578	1 896	2 477	2 367
State Owned	951	1 108	1 110	1 018	1 159	1 362	2 128
Private	4 870	2 959	3 202	3 775	4 089	4 468	3 560
Total	9 710	8 653	8 746	8 702	9 576	9 527	10 380

Table 17: Percentage market share by client

Client	Survey period						
	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12
Central	6.4%	15.7%	16.4%	14.8%	13.6%	5.3%	8.1%
Provincial	10.7%	9.9%	13.9%	12.0%	11.8%	7.5%	14.3%
Local	23.0%	27.4%	20.4%	18.1%	19.8%	26.0%	22.8%
State Owned	9.8%	12.8%	12.7%	11.7%	12.1%	14.3%	20.5%
Private	50.2%	34.2%	36.6%	43.4%	42.7%	46.9%	34.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table 18: Percentage of fee income earned by economic sector

Economic sector	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Change in the last 6 months
Water (Full water cycle)	15.0%	14.57%	14.0%	9.7%	12.8%	15.9%	3.1%
Transportation (land, air, road, rail, ports)	34.0%	37.57%	32.5%	22.8%	27.0%	29.4%	2.4%
Energy (electricity, gas, hydro)	2.3%	2.07%	3.4%	7.8%	14.9%	11.9%	-3.0%
Mining / Quarrying	1.9%	3.53%	8.3%	9.8%	6.6%	5.6%	-1.0%
Education	0.9%	0.98%	0.5%	0.7%	1.3%	1.2%	-0.1%
Health	0.7%	0.57%	0.4%	0.9%	1.3%	1.1%	-0.2%
Tourism/Leisure	0.3%	0.05%	0.1%	0.7%	0.5%	0.7%	0.2%
Housing (residential inc. land)	12.3%	12.74%	16.8%	12.0%	8.4%	5.5%	-2.9%
Commercial[3]	28.8%	22.03%	18.1%	21.3%	16.6%	16.4%	-0.2%
Agriculture / Forestry / Fishing	2.0%	2.65%	3.3%	1.8%	1.3%	1.3%	0.0%
Other	1.8%	3.24%	2.6%	12.5%	9.4%	11.0%	1.7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100%**	-

Table 19: Fee income earned by economic sector, Constant 2000 prices, Annualized

Economic sector	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Real % Change Jun-12/Jun-11
Water (Full water cycle)	1 301	1 275	1 214	931	1 216	1 650	77.4%
Transportation (land, air, road, rail, ports)	2 941	3 286	2 825	2 187	2 569	3 052	39.5%
Energy (electricity, gas, hydro)	202	181	297	747	1 423	1 235	65.4%
Mining / Quarrying	164	308	721	934	629	581	-37.8%
Education	76	86	46	63	119	125	96.2%
Health	62	50	38	90	123	114	26.4%
Tourism/Leisure	26	4	5	68	49	73	6.7%
Housing (residential inc. land)	1 060	1 114	1 460	1 145	797	571	-50.1%
Commercial	2 495	1 927	1 574	2 043	1 581	1 702	-16.7%
Agriculture / Forestry / Fishing	170	232	290	169	122	135	-20.2%
Other	156	283	230	1 199	898	1 142	-3.9%
Total	**8 653**	**8 746**	**8 698**	**9 576**	**9 527**	**10 380**	8.4%

[3] Commercial includes: Manufacturing, industrial buildings, communication, financial, facilities management

Table 20: Proposed CESA Labour unit cost index

Survey period	Labour Unit cost (LUC) per hour	Index (2000 = 100) Smoothed	Year on Year percentage change in Index	Annual Average Annual Increase
Dec-97	R 51.64	75.13		
Jun-98	R 46.93	77.63	15.2%	
Dec-98	R 59.30	83.65	11.4%	13.3%
Jun-99	R 61.46	95.10	22.5%	
Dec-99	R 68.01	101.96	21.9%	22.2%
Jun-00	R 63.90	103.88	9.2%	
Dec-00	R 63.08	100.00	-1.9%	3.7%
Jun-01	R 73.80	107.80	3.8%	
Dec-01	R 72.23	115.00	15.0%	9.4%
Jun-02	R75.56	116.39	8.0%	
Dec-02	R74.67	118.31	2.9%	5.4%
Jun-03	R79.51	121.42	4.3%	
Dec-03	R92.14	135.18	14.3%	9.3%
Jun-04 * Revised	R95.22	147.56	21.5%	
Dec-04	R95.75	150.40	11.3%	16.4%
Jun-05	R101.62	155.44	5.3%	
Dec-05	R 103.07	161.20	7.2%	6.3%
Jun-06	R 112.97	170.14	9.5%	
Dec-06	R113.40	178.28	10.6%	10.0%
Jun-07	R122.3	185.61	9.1%	
Dec-07	R127,21	196.49	10.2%	9.7%
Jun-08	R150.43	218.65	17.8%	
Dec-08	R162.80	246.68	25.5%	21.7%
Jun-09	R171.98 r	263.65 r	20.6% r	
Dec-09	R174.77	273.07	10.7%	15.6%
Jun-10	R174.50	275.06	4.3%	
Dec-10	R199.3	294.37	7.8%	6.1%
Jun-11	R179.8	298.5	8.5%	
Dec-11	R199.5	298.7	1.5%	5.0%
Jun-12	R196.2	311.6	4.4%	

Table 21: Fee income outstanding for more than 90 days (including foreign fee income earnings)

Income distribution	Fee income outstanding for more than 90 days as % of total annualized fee income (total fee income = gross fee income + fee income outstanding)					Fee income outstanding longer than 90 days R mill, current prices
	Jan - Jun 2010 %	Jul - Dec 2010 %	Jan-Jun 2011 %	July - Dec 2011 %	Jan - Jun 2012 %	
Central government	11.6%	2.6%	4%	7.1%	6.2%	R69
Provincial government	14.4%	8.8%	11.6%	12.2%	17.0%	R404
Local government	16.4%	7.8%	12.0%	14.6%	10.7%	R368
State owned enterprises	49.7%	5.5%	10.8%	3.6%	21.3%	R60
Private Sector	65.9%	9.6%	12.3%	12.9%	11.4%	R604
Foreign (all EX-RSA)	46.5%	47.7%	75.0%	62.0%	15.3%	R397
Total	**23.4%**	15.5%	18.0%	24.0%	9.4%	R1 901

** Note:*
In the July – December 2001 survey the questionnaire was changed to exclude non-payment for periods less than 60 days, which leads to distortions when comparing previous survey's results.
In the July – December 2002 survey the questionnaire was changed to include non-payments by foreign clients (irrespective of client classification). The total percentage of fee income outstanding therefore includes non-payments by foreign clients, previously excluded.

Table 22: Contribution to education and training (excluding 1% CETA Levy)

Survey	Bursaries % of salary bill	Bursaries R mill current prices	Training % of Salary bill[4]	Training R mill current prices
Jun-00	1,1%	R17	2,9%	R 44.5
Dec-00	0,6%	R10	2,1%	R 36.0
Jun-01	0,8%	R14	2,0%	R 36.6
Dec-01	0,5%	R9	1,5%	R 25.7
Jun-02	0,5%	R10	1,3%	R 25.7
Dec-02	0,9%	R19	0,7%[5]	R 14.6
Jun-03	0,6%	R13	1,5%	R 31.7
Dec-03	0,5%	R11	1,3%	R 28.0
Jun-04	0,6%	R13	1,3%	R30.0
Dec-04	0,5%	R12	1,8%	R44.6
Jun-05	0,6%	R15	1,3%	R33.7
Dec-05	0,7%	R19	1,5%	R44.2
Jun-06	0,9%	R35	1,2%	R48.5
Dec-06	0,6%	R29	1,1%	R49.7
Jun-07	0,9%	R44	1,0%	R52.2
Dec-07	0,6%	R32	1,3%	R67.0
Jun-08	1.1%	R82	1.4%	R107.4
Dec-08	0.5%	R40	0.8%	R70.1
Jun-09	0.6%	R52	0.8%	R68.2
Dec-09	0.4%	R37	1.0%	R88.9
Jun-10	0.9%	R72	0.9%	R74.2
Dec-10	0.4%	R37	1.3%	R121.6
Jun-11	0.5%	R 53	0.3%	R31.2
Dec-11	0.3%	R34	1.9%	R212
Jun-12	0.8%	R95	1.2%	R148

[4] Training now includes all training, in-house and external. Comparisons with previous surveys not compatible. – excludes costs related to salaries
[5] Revised: Removed outlier questionnaire erroneously included in previous sample.

Table 23: Employment profile of the consulting engineering industry: Percentage contribution: Jan – Jun 2012

Job Category	Black	Coloured	Asian	White	Total
Professional Engineer Pr.Eng	6.1%	2.6%	3.6%	87.7%	100.00%
Professional Architects	5.9%	0.0%	11.8%	82.4%	100.00%
Professional Quantity Surveyors	18.8%	0.0%	0.0%	81.3%	100.00%
Professional Other	25.0%	6.6%	8.2%	60.2%	100.00%
Technologists Pr TEchENg	9.9%	7.1%	6.5%	76.4%	100.00%
Technicians PrTechni	27.6%	12.7%	4.5%	55.2%	100.00%
Unregistered technical staff: Engineer	21.2%	3.6%	9.2%	65.9%	100.00%
Unregistered technical staff: Technologist	32.9%	8.9%	8.9%	49.3%	100.00%
Unregistered technical staff: Technician	46.0%	9.1%	7.5%	37.4%	100.00%
Unregistered technical staff: Other	30.8%	7.1%	7.3%	54.9%	100.00%
Technical Assistants	50.1%	7.3%	4.9%	37.6%	100.00%
Draughts Persons	16.1%	10.9%	8.7%	64.4%	100.00%
Laboratory / Survey Assistants	78.3%	2.4%	6.5%	12.8%	100.00%
Administration / Support staff	40.2%	12.5%	6.8%	40.5%	100.00%
Total	31.5%	7.9%	6.8%	53.8%	100.00%

Table 24: Employment profile of the consulting engineering industry: Percentage contribution: Jan – Jun 2012 Change in contribution since June 2011 survey

Job Category	Black	Coloured	Asian	White
Professional Engineer Pr.Eng	0.9%	-0.4%	0.0%	-0.6%
Professional Architects	5.9%	0.0%	11.8%	-17.6%
Professional Quantity Surveyors	-2.7%	0.0%	-7.1%	9.8%
Professional Other	15.4%	3.0%	3.2%	-21.6%
Technologists Pr TEchENg	4.4%	4.4%	-1.4%	-7.4%
Technicians PrTechni	12.5%	0.4%	0.4%	-13.3%
Unregistered technical staff: Engineer	2.9%	-0.1%	0.8%	-3.6%
Unregistered technical staff: Technologist	6.1%	-1.5%	-1.5%	-3.0%
Unregistered technical staff: Technician	3.3%	1.0%	3.5%	-7.8%
Unregistered technical staff: Other	9.5%	1.4%	2.7%	-13.5%
Technical Assistants	1.1%	-0.2%	0.6%	-1.5%
Draughts Persons	2.2%	1.5%	1.6%	-5.3%
Laboratory / Survey Assistants	0.1%	2.0%	1.1%	-3.2%
Administration / Support staff	4.8%	0.7%	0.2%	-5.8%
Total	4.3%	0.8%	1.0%	-6.0%

Table 25: Ownership / equity controlled by black people, as percentage of TOTAL Equity
(African include Black, Asian and Coloured)

Company Type	Owner category	Professional Category	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Dec-11	Jun-12
(PTY) LTD	Executive Directors	Pr.Eng	10.5%	14.9%	9.8%	9.6%	9.2%	11.2%	12.3%
		PrTechEng	20.0%	12.%	50.0%	33.3%	26.7%	23.7%	33.3%
		Other	32.1%	40.4%	27.9%	26.2%	26.9%	45.9%	46.5%
		TOTAL	**14.2%**	**19.6%**	**15.5%**	**15.2%**	**15.3%**	**20.8%**	**19.7%**
	Non-Executive Directors	Pr.Eng	77.8%	100.0%	10.0%	7.1%	16.7%	100.0%	66.7%
		PrTechEng	0.0%	100.0%	50.0%	50.0%	-	50.0%	50.0%
		Other	70.0%	84.0%	65.6%	69.6%	82.4%	86.2%	89.0%
		TOTAL	**70.0%**	**88.0%**	**30.2%**	**35.8%**	**55.2%**	**85.7%**	**79.6%**
CC	Members	Pr.Eng	20.0%	50.0%	41.7%	38.5%	33.3%	32.5%	36.7%
		PrTechEng	40.0%	60.0%	60.0%	60.0%	42.9%	35.7%	36.4%
		Other	50.0%	50.0%	66.7%	50.0%	40%	55.6%	33.3%
		TOTAL	**20.0%**	**51.8%**	**50.0%**	**45.4%**	**37.5%**	**36.5%**	**36.0%**
Partnership	Partners	Pr.Eng	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
		PrTechEng	0.0%	0.0%	0.0%	0.0%	66.7%	-!	0.0%
		Other	0.0%	0.0%	80.0%	75.0%	0.0%	50.0%	50.0%
		TOTAL	**0.0%**	**0.0%**	**15.4%**	**12.5%**	**22.2%**	**14.3%**	**20.0%**
Total			**20.0%**	**28.0%**	**21.4%**	**20.4%**	**21.2%**	**27.8%**	**28.1%**

Table 26: CESA Confidence index: % respondents satisfied with working conditions

Survey Period	CESA Confidence Index	% Change on previous survey	% Change on survey same time last year
Dec-99	38.5	20.31%	-43.4%
Jun-00	44.0	14.29%	37.5%
Dec-00	66.5	51.05%	72.6%
Jun-01	71.9	8.23%	63.5%
Dec-01	85.4	18.67%	28.4%
Jun-02	87.3	2.24%	21.3%
Dec-02	97.2	11.34%	13.8%
Jun-03	83.8	-13.76%	-3.9%
Dec-03	64.2	-23.38%	-33.9%
Jun-04	77.2	20.25%	-7.9%
Dec-04	86.3	11.77%	34.4%
Jun-05	96.8	12.2%	25.4%
Dec-05	99.3	2.5%	14.9%
Jun-06	99.7	0.5%	3.0%
Dec-06	98.4	-1.30	-0.8
Jun-07	99.4	1.0%	-0.3%
Dec-07	99.8	0.4%	1.4%
Jun-08	99.9	0.1%	0.5%
Dec-08	99.8	-0.1%	0.0%
Jun-09	96.2	-3.61%	-3.7%
Dec-09	86.0	-10.6%	-13.8%
Jun-10	87.1	1.3%	-9.4%
Dec-10	86.7	-0.5%	0.8%
Jun-11	83.2	-4.0%	-4.5%
Dec-11	87.4	5.0%	0.8%
Jun-12	81.8	-6.4%	-1.7%
Dec-12 (forecast)	94.5	15.6%	8.2%
Jun-13 (forecast)	94.7	0.2%	15.8%

Table 27: Employment Breakdown, by race, gender and job category January – June 2012

Job category	Black			Coloured			Asian			White			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Professional Engineer Pr.Eng	166	16	181	68	8	76	90	16	105	2 491	101	2 593	2 815	140	2 955
Professional Architects	2	0	2	0	0	0	4	0	4	21	6	27	27	6	33
Professional Quantity Surveyors	2	4	6	0	0	0	0	0	0	18	8	25	20	12	31
Professional Other	107	70	178	25	21	47	31	27	59	322	105	427	486	224	710
Technologists Pr TEchENg	60	2	62	39	6	45	39	2	41	451	29	480	589	39	628
Technicians PrTechni	66	6	72	29	4	33	10	2	12	133	12	144	238	23	261
Unregistered technical staff: Engineer	341	94	435	53	21	74	150	39	189	1 120	230	1 350	1 664	384	2 048
Unregistered technical staff: Technologist	213	62	275	53	21	74	57	18	74	375	37	412	696	139	835
Unregistered technical staff: Technician	905	267	1 172	174	59	232	166	25	191	862	92	954	2 107	443	2 550
Unregistered technical staff: Other	517	215	732	127	41	168	125	49	174	972	334	1 305	1 740	638	2 378
Technical Assistants	484	172	655	76	20	96	37	27	64	390	101	492	987	320	1 307
Draughts Persons	133	66	199	109	25	135	90	18	107	462	334	796	794	443	1 237
Laboratory / Survey Assistants	445	68	513	14	2	16	27	16	43	70	14	84	556	99	655
Administration / Support staff	798	1 278	2 076	160	488	648	111	240	351	492	1 600	2 091	1 561	3 605	5 166
Total	4 239	2 320	6 559	927	716	1 643	936	478	1 414	8 178	3 002	11 180	14 280	6 516	**20 796**
% of total	20.4%	11.2%	31.5%	4.5%	3.4%	7.9%	4.5%	2.3%	6.8%	39.3%	14.4%	53.8%	68.7%	31.3%	100.0%

Table 28: Employment Breakdown, by race, gender and job category: January – June 2012: Percentage share

Job category	Black			Coloured			Asian			White			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Professional Engineer Pr.Eng	0.8%	0.1%	0.9%	0.3%	0.0%	0.4%	0.4%	0.1%	0.5%	12.0%	0.5%	12.5%	13.5%	0.7%	14.2%
Professional Architects	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.0%	0.2%
Professional Quantity Surveyors	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%	0.2%
Professional Other	0.5%	0.3%	0.9%	0.1%	0.1%	0.2%	0.2%	0.1%	0.3%	1.5%	0.5%	2.1%	2.3%	1.1%	3.4%
Technologists Pr TEchENg	0.3%	0.0%	0.3%	0.2%	0.0%	0.2%	0.2%	0.0%	0.2%	2.2%	0.1%	2.3%	2.8%	0.2%	3.0%
Technicians PrTechni	0.3%	0.0%	0.3%	0.1%	0.0%	0.2%	0.0%	0.0%	0.1%	0.6%	0.1%	0.7%	1.1%	0.1%	1.3%
Unregistered technical staff: Engineer	1.6%	0.5%	2.1%	0.3%	0.1%	0.4%	0.7%	0.2%	0.9%	5.4%	1.1%	6.5%	8.0%	1.8%	9.8%
Unregistered technical staff: Technologist	1.0%	0.3%	1.3%	0.3%	0.1%	0.4%	0.3%	0.1%	0.4%	1.8%	0.2%	2.0%	3.3%	0.7%	4.0%
Unregistered technical staff: Technician	4.4%	1.3%	5.6%	0.8%	0.3%	1.1%	0.8%	0.1%	0.9%	4.1%	0.4%	4.6%	10.1%	2.1%	12.3%
Unregistered technical staff: Other	2.5%	1.0%	3.5%	0.6%	0.2%	0.8%	0.6%	0.2%	0.8%	4.7%	1.6%	6.3%	8.4%	3.1%	11.4%
Technical Assistants	2.3%	0.8%	3.2%	0.4%	0.1%	0.5%	0.2%	0.1%	0.3%	1.9%	0.5%	2.4%	4.7%	1.5%	6.3%
Draughts Persons	0.6%	0.3%	1.0%	0.5%	0.1%	0.6%	0.4%	0.1%	0.5%	2.2%	1.6%	3.8%	3.8%	2.1%	5.9%
Laboratory / Survey Assistants	2.1%	0.3%	2.5%	0.1%	0.0%	0.1%	0.1%	0.1%	0.2%	0.3%	0.1%	0.4%	2.7%	0.5%	3.2%
Administration / Support staff	3.8%	6.1%	10.0%	0.8%	2.3%	3.1%	0.5%	1.2%	1.7%	2.4%	7.7%	10.1%	7.5%	17.3%	24.8%
Total	20.4%	11.2%	31.5%	4.5%	3.4%	7.9%	4.5%	2.3%	6.8%	39.3%	14.4%	53.8%	68.7%	31.3%	100.0%

Table 29: Ownership profile: Employment, company type, race & gender: January – June 2012

Company Type	Owner category	Professional	Black			Coloured			Asian			White			Total		
		Category	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
(PTY) LTD	Executive Director	PrEng	23	3	26	16	0	16	6	2	8	388	2	390	437	8	445
		PrTechEng	5	0	5	8	0	8	8	2	10	51	0	51	74	2	76
		Other	43	7	50	2	0	2	2	2	4	35	10	45	66	18	84
	Non-Executive Director	PrEng	5	2	7	0	0	0	0	2	2	6	0	6	16	2	18
		PrTechEng	2	0	2	0	0	0	0	0	0	6	0	6	12	0	12
		Other	21	10	31	8	0	8	4	4	8	4	2	6	37	20	57
CC	Member	PrEng	5	0	5	6	0	6	10	0	10	37	0	37	59	0	59
		PrTechEng	5	0	5	0	0	0	2	0	2	10	4	14	18	4	21
		Other	2	3	5	0	0	0	4	0	4	8	4	12	14	4	18
Partnership	Partner	PrEng	0	0	0	0	0	0	0	0	0	4	0	4	4	0	4
		PrTechEng	0	0	0	0	0	0	0	0	0	2	0	2	2	0	2
		Other	0	0	0	2	0	2	0	0	0	6	0	2	8	0	4
GRAND TOTAL			111	26	137	41	0	41	35	12	47	556	21	574	745	57	798
% distribution			13.9%	3.3%	17.2%	5.1%	0.0%	5.1%	4.4%	1.5%	5.9%	69.7%	2.7%	71.9%	93.4%	7.1%	100.0%
% directorship only			11.8%	1.7%	13.5%	4.2%	0.0%	4.2%	2.6%	1.0%	3.5%	78.4%	1.9%	80.3%	95.5%	4.5%	100.0%
Total employment			**4 239**	**2 320**	**6 559**	**927**	**716**	**1 643**	**936**	**478**	**1 414**	**8 178**	**3 002**	**11 180**	**14 280**	**6 516**	**20 796**
% ownership / equity			**2.6%**	**1.1%**	**2.1%**	**4.4%**	**0.0%**	**2.5%**	**3.8%**	**2.4%**	**3.3%**	**6.8%**	**0.7%**	**5.1%**	**5.2%**	**0.9%**	**3.8%**

End of report

For further information please contact

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