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Bi-Annual Economic and Capacity Survey

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1. Economic overview

International Developments

- The global recovery is continuing, albeit at a pace, is being regarded as insufficient to make a meaningful dent in unemployment rates. However, globally, there has been a shift towards improved consumer confidence, a reduction in excess capacity, and higher levels of consumer consumption. This implies a more sustainable recovery, as opposed to the radical government stimuli that were imposed in 2008 and 2009.
- In major advanced economies, economic growth remains modest, while emerging and developing economies have experienced more robust growth.
- Global capital flows rebounded sharply following the collapse during the crisis, but remain below the pre-crisis levels in many economies. The recovery therefore has been led by portfolio and bank flows, with a falling share of foreign direct investment inflows.
- Stronger than anticipated global demand for commodities has reduced inventories and caused a strong sustained and broad based increase in prices.
- Commodity supplies are expected to respond to higher prices in 2011. There is spare capacity in the global energy sector which could make up for production losses caused by the civil war in Libya. Current OPEC spare capacity levels, estimated at 4,5% of global demand are sufficient to make up for losses from Libya and to meet the expected increase in demand. This should restrain further upward price pressure.
- Sub-Saharan growth is projected by the IMF to remain high, reflecting sustained strength in domestic demand and rising global demand for commodities. Inflation pressures are however forecast to broaden, mainly in emerging and developing economies.
- Global headline inflation accelerated to 4% at the beginning of 2011, exceeding 2% in advanced economies and an average of 6% for developing economies.
- According to latest IMF forecasts, advanced economies are expected to increase by 2,4% in 2011, and 2,6% 2012. Emerging and developing economies are projected to increase by 6,5% in 2011 and 2012, with a forecast of over 9% projected for China. Sub Saharan Africa is projected to increase by 5,5% in 2011 and 5,9% in 2012.

Global leading indicators are showing evidence of a pickup in growth following the inventory-led slowdown

Table 1: Macro economic growth projections (Economist Poll)

	2009	2010	2011	2012	2013	2014
GDP	-1.85	2.8	3.9	4.4	4.3	4.6
Household consumption	-1.60	4.60	4.80	5.00	4.30	4.4
Government consumption	4.77	4.2	3.9	3.8	3.8	4.5
Gross Fixed capital formation	-2.93	-2.7	4.1	6.5	8.7	9.5
US/ZAR	8.56	7.41	7.33	7.82	8.14	8.31
CPI Inflation	7.13	4.3	4.5	5.4	5.7	6.0
Prime Lending rate	10.75	9.3	9.0	10.6	11.3	11.8

Poll: RMB, Investec, FNB, Standard Bank.

Domestic Economy

- Domestic growth slowed to 1,3% (y-y, seasonally adjusted compound) in 2011Q2, from 4,5% in 2011Q1. The manufacturing sector contracted in the 2nd quarter, from a positive growth of 14,5% (2011Q1) to -7,0%. The agriculture, forestry and fishing contracted for the 2nd quarter (down 7,8% in 2011Q2), while the mining and quarry sector also reported a decline for the 2nd quarter (down 4,2%). Most of the sectors reported slower growth including electricity and water, wholesale and retail trade, transport and communication, and finance and real estate.
- Household consumption remains the key economic driver (as opposed to investment led growth). Household consumption makes up about 60% of GDP. Any premature change to lending rates therefore will spiral the economy into another recession. Household debt is however on the rise (SA Economic perspective 2011Q3, ABSA) which further intensifies the vulnerability of the current recovery.

- Inflation accelerated to 5,3% in July 2011, averaging 4,4% for the first seven months of 2011. Most economists expect inflation to average between 4.8% and 5,0% in 2011 (reaching 6% by year end), accelerating to an average of 5,5% in 2012.
- Inflationary pressures have been forthcoming from mainly administered prices, education, health, housing (incorporating higher electricity prices), and transport.
- The price of petrol increased by 19% between January and August, as oil prices exceeded \$100/barrel for Brent crude and the currency weakened to over R7/US Dollar in the last few months. On the upside, the IMF does not expect any substantial supply constraints amidst relative weak global demand, which would curb any further exorbitant price increase in the international price of oil. The 54% y/y increase in the price of Brent crude oil (peaking at \$123/barrel in May 2011), is still busy filtering through the economy and will continue to support higher inflation in the near term.
- The monetary policy committee kept the repo rate unchanged at 5,5% at the July 2011 meeting, in view of slower expected economic performance in the 2nd quarter, declining wage settlements, and a slow pace in job creation. The committee is of the view that the underlying inflation pressures are mainly of a “cost push” nature, while several indicators are suggesting a downside risk to inflation. ABSA expects the first interest rate hike by 2012.
- While the prime lending rate is therefore also unchanged at 9,9%, financial institutions hardly provide financing at the current prime rate. Compared to historical offerings of prime “less”, it is now prime “plus”, pending your financial position and risk exposure.
- The annual growth in retail sales slowed following a relatively robust performance of growth in excess of 5% y/y in the 12 months prior to May and June 2011, when the growth rate fell to 0.2% (May 2011) and 2.2% in June 2011.
- Vehicle sales continued to report positive growth in excess of 10% y/y, while nominal house prices improved slightly to 4% by July 2011. In real terms however, house prices continued to decline. The outlook for house prices remains bleak for the next 12 to 18 months in view of sustained affordability constraints.
- Growth in manufacturing production continued to disappoint and remained below 5% since August 2010. In June 2011 manufacturing production increased by only 0,9% y/y.
- Kagiso’s Purchasing Managers index (PMI) reported broad spectrum declines in terms of new sales orders, inventories as well as general business activity.

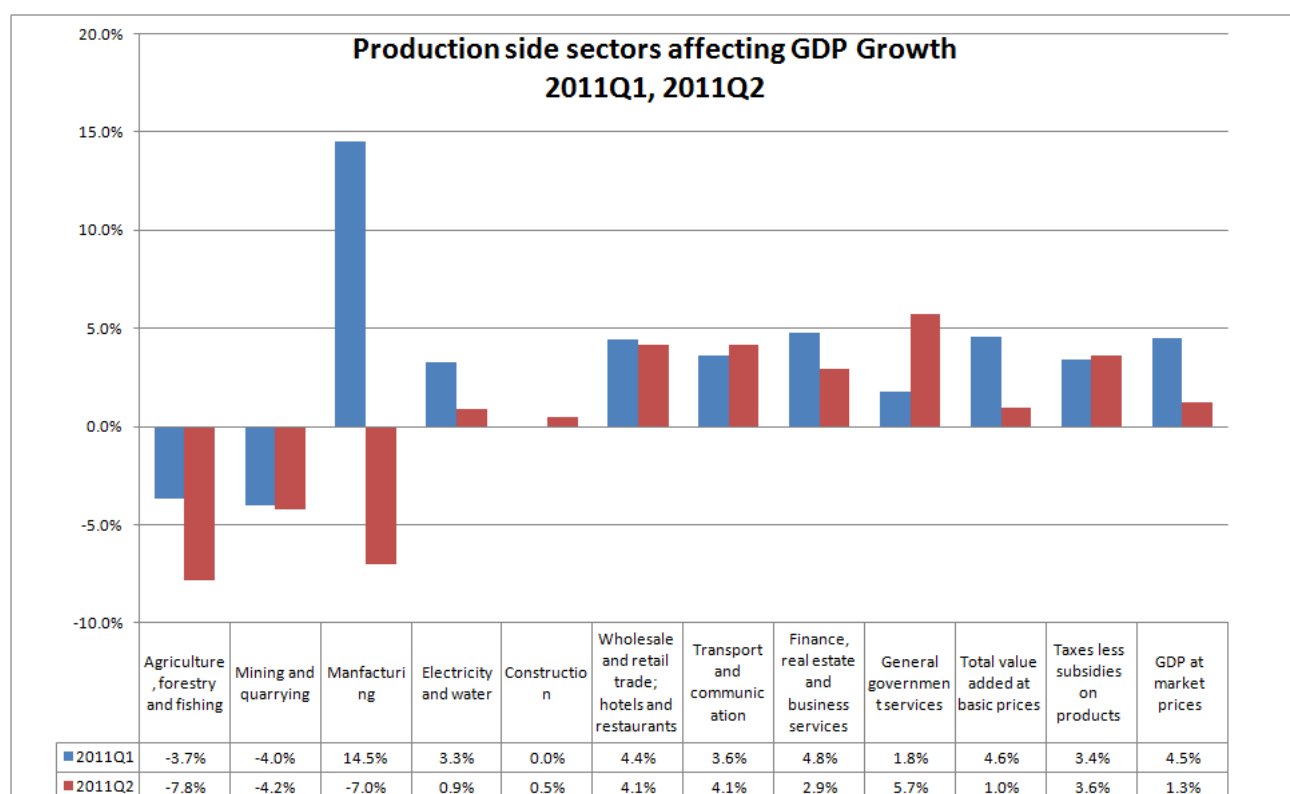
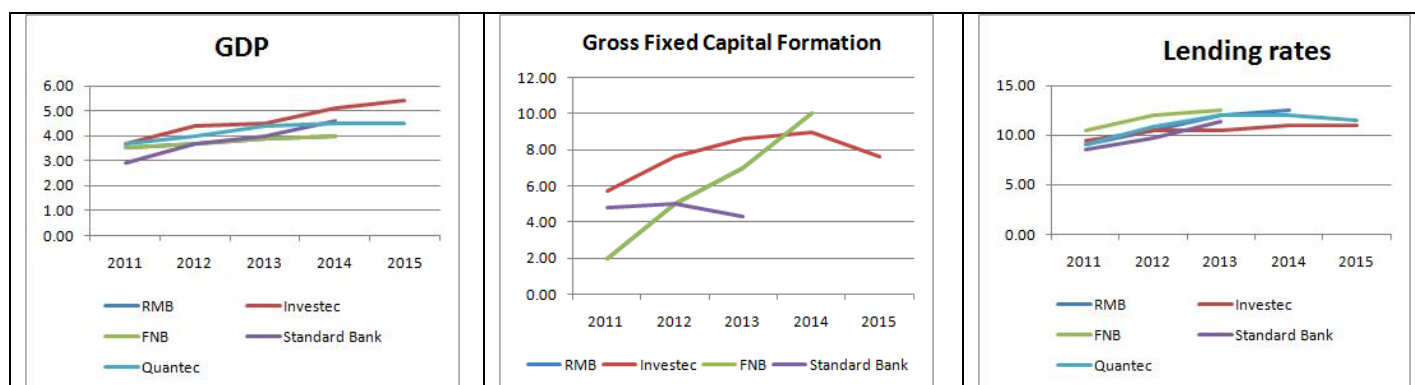
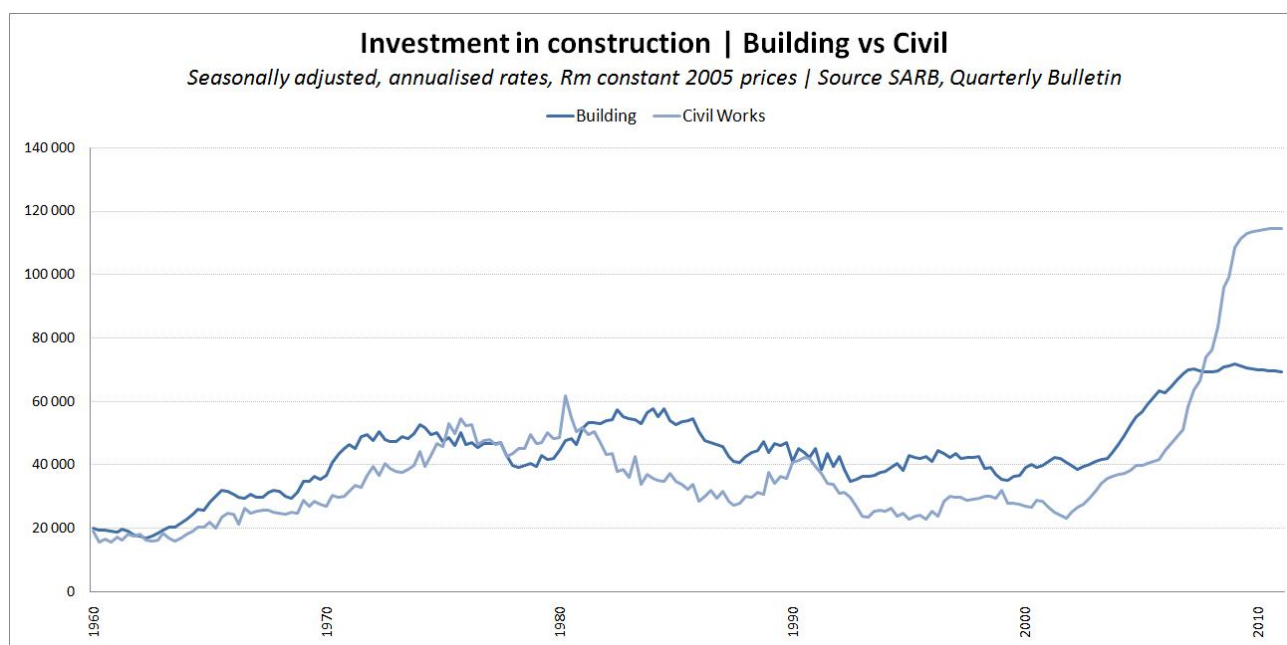


Figure 1: Production side sectors affecting GDP: 2011Q1 vs 2011Q2

Table 2: Macro economic forecasts: 2011Q2

Gross fixed capital formation

Investment in gross fixed capital formation contracted during 2009 and 2010 ending flat in the 4th quarter of 2010. In the first quarter of 2011 investment rose marginally, up 1,7% y/y (seasonally adjusted annualised rates), mainly due to an acceleration in machinery and equipment from 4,1% (2010Q4) to 5,3% y/y (2011Q1). The contribution of GFCF to GDP slowed to 19,5%, from 19,9% in 2010Q1. Over the last four years there has been a substantial increase in fixed capital stock, which is critical to support longer term and sustainable economic growth. Strong investment in fixed capital will provide structural support to the economy. The construction sector contributed 50% to GFCF, but poor private sector spending lowered its contribution slightly to 9,8% of GDP (from 10,1% in 2010Q1). Over the last four years the construction industry was supported by robust government investment as well as an increase in capital spending by Eskom, ACSA and Transnet, while private sector investment was boosted primarily by residential and retail construction. Given the current economic climate, private sector investment has already contracted sharply and is likely to contract further during the first half of 2011. Given the commitment by government to improve capacity, we believe that spending on infrastructure such as roads, water and electricity (albeit over the longer term) will continue to support future investment in construction, albeit at much slower growth rates than those experienced in recent years.

**Figure 2: Investment in construction**

Investment in civil works (including spending on machinery and equipment and engineering services) ended flat in the last two quarters (2010Q4 and 2011Q1), while investment in buildings (including residential and non-residential buildings), contracted for the 8th consecutive quarter (since 2009Q3). While positive growth was still recorded for investment in non-residential buildings, 2,1% y/y (2011Q), investment in

residential buildings declined by 4,9% y/y compared to a decline of 6% y/y in 2010Q4. On the upside it seems the rate of decline has improved in terms of residential buildings while the rate of contraction is expected to accelerate in terms of non-residential buildings.

The Presidential Infrastructure Coordinating Commission is preparing the release of a list of key priority economic and social projects, within the next two months. The establishment of this commission was necessary given the lack of coordination and integrated planning surrounding key infrastructure projects and poor or delayed project execution. These issues have been a major problem for the construction industry and caused much frustration. The question remains whether this commission can turn talk into action. The commission ultimately seeks to develop a ten-year rolling pipeline of priority projects, which would be updated once a year.

2. CESA Survey: Background

CESA implemented an on-line data management system to streamline the questionnaire and data capturing system. Due to many firms still not familiar with the new electronic system, the response rate has been weaker prompting CESA to offer firms the opportunity to complete the questionnaire in the traditional hard copy format. As a result the response rate improved with 139 firms participating in the current survey. Of the 139 questionnaires submitted, only 49 could be used for this survey, due to the requirement that only responses from firms that participated in the last two consecutive surveys can be included.

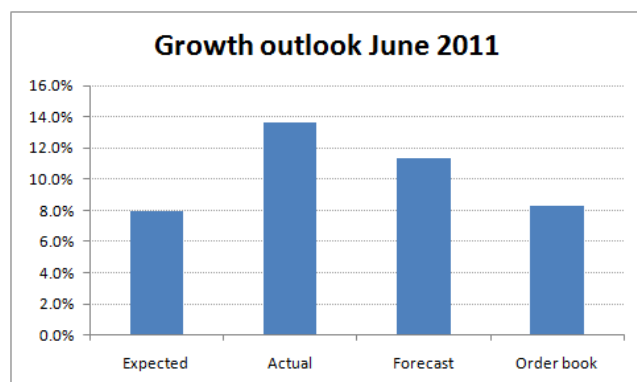
The analysis of the questionnaires completed by active firms in the consulting engineering profession provides a proxy of current and expected working conditions for the profession, which can be measured on a regular basis.

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 sample size for the June 2011 survey was 49 out of the 458 firms surveyed (and 139 questionnaires returned) compared to 38 responses received in the December 2010 survey. The sample was based on a total fee income of R2,8 billion and approximately 8884 employees for the period January to June 2011.

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.

3. Prevailing conditions in the Consulting Engineering Industry



3.1 Financial Indicators

Figure 3: Growth outlook June 2011

In the previous survey, respondents expected fee earnings to increase by between 5% and 8% in the first 6 months of 2011, while actual earnings increased by 13%. Expectations for the next 6 months (July – December 2011) are for earnings to increase by around 11%. Total fee income as at June 2011 (annualised, current prices) is estimated to have increased to R17,6bn. Taking inflation into consideration, fee earnings are estimated to have increased by 9,5% y/y in real terms.

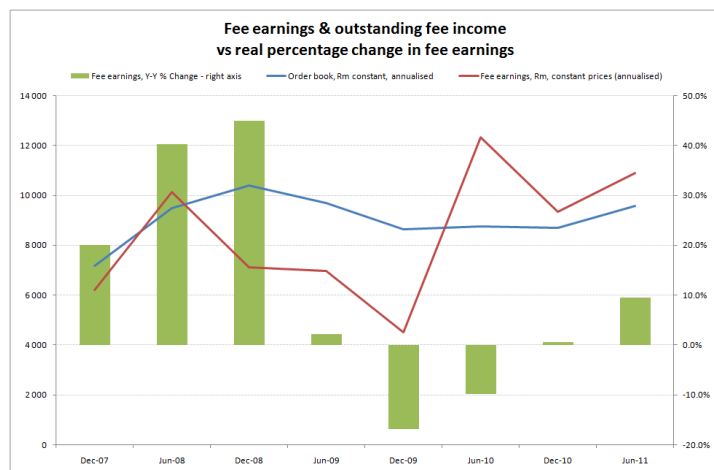
Fee earnings increase by higher than expected rate, but profit margins remain under pressure...

The average (un-weighted) **net profit** (before tax) improved in the first 6 months of 2011, from 11,3% in the previous survey to an average of 15,3%. Profit margins are expected to stabilize in the next 6 months, with a possible further, albeit marginal improvement, to an average of 14,6%. An increasing number of respondents are unhappy with profit margins. During 2005 and 2009 less than 10% of respondents were unsatisfied with profitability. This ratio has now increased to over 55% (59% in the December 2011 survey and 56% in the June 2011 survey). Only 3% of the respondents considered the

profit margins to be “good”, the lowest response rate since 2001.

Order books (the value of outstanding (not yet invoiced) for confirmed appointments, (excluding sub-consultants or JV partners) improved marginally in the last survey, up 8%. Some of the larger firms increased their order books in the last six months by between 20% and 30%, a marked improvement from the poor results reported in the December 2010 survey.

Employment estimates were revised in the December 2007 survey to correlate with information supplied by CESA firms in their annual declaration submissions



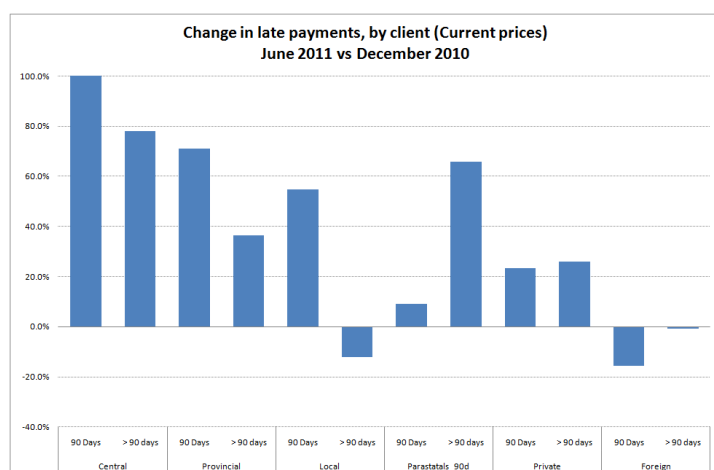
operating capital as it affects the day to day operating liquidity. An increase in working capital indicates the business has either increased current assets (ie accounts receivable or inventory), or has decreased its current liabilities (accounts payable).

However, in relation to income, the order book : current income ratio improved from 107

(December 2010) to 113.78 in the current survey. This means the gap between current income and order books has narrowed, translating into increased prospects for future earnings.

The industry's **return on working capital** (un-weighted average) dropped from 73.9% (Jun-10) to 45%. Majority of firms reported a ROI of between 20% and 100%, with a few reporting negative rates.

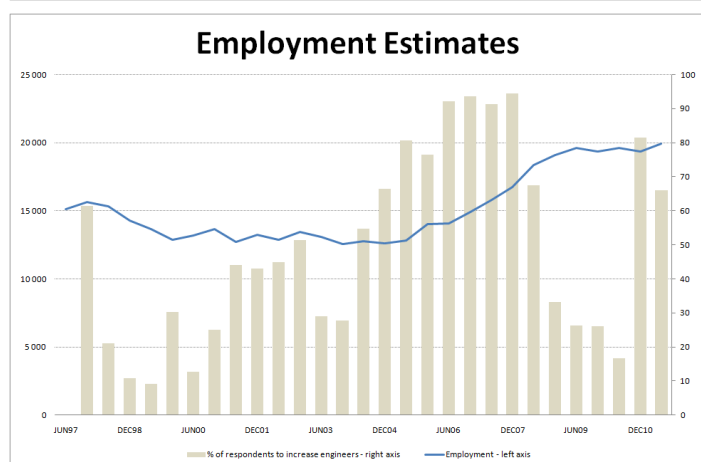
Return on investment is defined as the company's annual profit after interest and tax, as a percentage of Net Working Capital (current assets – current liabilities) during the last completed financial year. Working capital is considered part of



Approximately 18% of fee earnings were outstanding for longer than 90 days, compared to 23% in the June 2010 survey. This translates to an estimated value of R3 bn in current prices and R1,7bn in constant 2000 prices.

Fees outstanding for longer than 90 days, has increased by 13% (nominal terms) between the first 6 months of 2011 and the last six months of 2010, with a substantial increase reported in earnings due by central government.

According to respondents, foreign clients are the worst payers with over 75% of their fees outstanding for longer than 90 days, followed by private enterprises (12,2%), local government (12%), provincial government (11,6%), state owned enterprises (10,8%) and central government at 4%.



Latest figures released by Treasury, shows that provinces have spent 22,9% of their combined budgets in the first quarter of the 2011/12 financial period. This represents a spending increase of 10,8% compared to the same period last year. Spending was the lowest in the North West and Western Cape (both at 20,9% of their budgets) and highest in the Eastern Cape and Gauteng (both at 24,2%). (Source: www.treasury.gov.za). In terms of capital expenditure, 23,9% of the education capital budget was spent (with only 8,5% spent in the Eastern Cape), 16,5% of the Health capital budget was spent and 18% of the Human settlement development grant. Interestingly, the Free State had already spent almost 50% of their human settlement grant in the first quarter of 2011/12. Overall, payments for capital assets recorded a spending rate of 18,4% in the first quarter, representing a 21% nominal increase compared to last year.

However a rate of 18,4% remains below 25% (target for first quarter) and gives reason to believe that the tradition of under spending will continue.

3.2 Human Resources

Employment increased by 3% since the December 2010 survey to an estimated 19 937. Black people represented between 41% and 45% of the total number of people employed (at all levels), (including African, Coloured and Asian). The contribution of black people in professional appointments (including engineers, architects, quantity surveyors and other) slowed to 11,8% from 12,8% (December 2010) and 12.1% (June 2010).

The number of firms looking for engineers dropped from 81,5% in the December 2010 survey to 66% in the current survey. 62% of the firms reported difficulties in recruiting engineers, and 83% reported difficulties in recruiting engineers from a previously disadvantaged background. It is also becoming more difficult to employ previously disadvantaged technologists and technicians (79% and 68% reported difficulties respectively, compared to 48% and 35% in the December 2010 survey).

More than half of the respondents are also looking to increase employment of technologists and technicians (51.8% and 52,8% respectively). The increase in the industry's order book has supported the demand for increased skills.

Table 3: % of firms wanting to increase staff, by type of personnel

Type of personnel	% of firms wanting to increase staff June 2009	% 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
Engineers	26.4	26.1	16.6	81.5	66.0
Technologists	12.8	73.6	11.9	18.3	51.8
Technicians	12.5	25.5	1.7	18.3	52.7
Other technical staff	3.8	14.9	11.0	10.1	8.3
Support Staff	1.9	14.0	0.4	5.8	6.6

Table 4: Employment change (sample based as reported by respondents in June 2011 and December 2010 surveys)

Type	June 2011	December 2010	% Change
Professional Engineer Pr.Eng	1128	943	19.6%
Professional Architects	7	0	-
Professional Quantity Surveyors	4	14	-71.4%
Professional Other	10	230	-95.7%
Technologists Pr TEchEng	253	257	-1.6%
Technicians PrTechni	73	82	-11.0%
Unregistered technical staff: Engineer	879	880	-0.1%
Unregistered technical staff: Technologist	279	289	-3.5%
Unregistered technical staff: Technician	754	815	-7.5%
Unregistered technical staff: Other	861	722	19.3%
Technical Assistants	532	625	-14.9%
Draughtspersons	425	450	-5.6%
Laboratory / Survey Assistants	293	217	35.0%
Administration / Support staff	2117	1886	12.2%
Total	7 615	7410	2.8%

Employment increased by 2,8% between December 2010 and June 2011, with a 19,6% increase in professionally qualified engineers. Employment of unregistered technical staff also increased by 19,3% while laboratory and survey assistance increased by 35% and admin staff by 12,2%. The data seems questionable in terms of professional other, where there was a substantial decline. However, this could unfortunately not be verified with the particular firms. In terms of employment by gender, there was a 13% increase in the employment of black women and a 10% increase in Asian women.

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 7% increase in black Pr. Eng in the first six months of 2011 compared to the December 2010 survey.

Salary and wage bill put increased pressure on firms

Inspite of a marginal increase in employment, the salary and wage bill stabilized at 59% of gross fee earnings, on par with

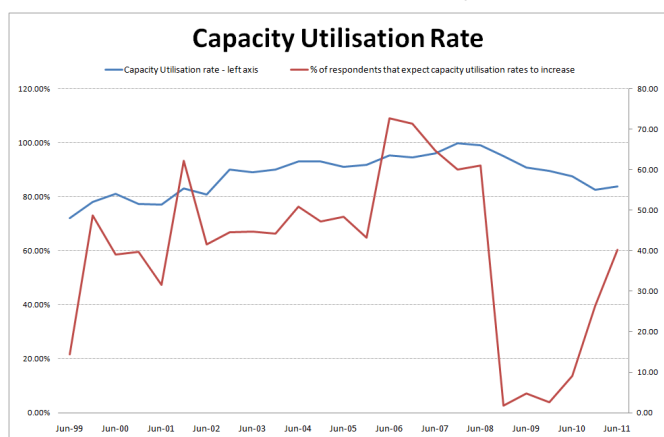
the December 2010 survey. Inflated to annualised rates, the salary and wage bill increased by 11% in nominal terms to R10,3 billion, up from R9,3 bn in the December 2010 survey.

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 utilise internal capacity.

3.3 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 22,6% and 23,6% in the December 2010 and June 2010 survey respectively. 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 0.3% of the salary and wage bill, compared to 1,3% in the preceding survey. This is the lowest rate since the inception of this survey and does raise the question on whether or not the tougher working conditions are having an impact on training opportunities. 56% of the firms that responded to the survey spent less than 1% of their salary and wage bill on direct training costs. CESA recently expressed concern about the fact that the government and Eskom are focusing on training more engineers citing the lack of infrastructure projects and excess capacity as a stumbling block to increase training.

Bursaries are important to improve productivity in the industry, as well as to secure future employment opportunities. The industry spent between 0,4% and 0,8% of the salary and wage bill on bursaries, with no real significant change reported in the last five years. However, given the role that bursaries play and the shortage of skilled engineers, particularly black and female engineers, firms are not spending enough on black bursaries. Spending on black bursaries remained below the target of 0,3% (as set out in the construction charter) and averaged between 0,15% and 0,20% of the salary and wage bill.



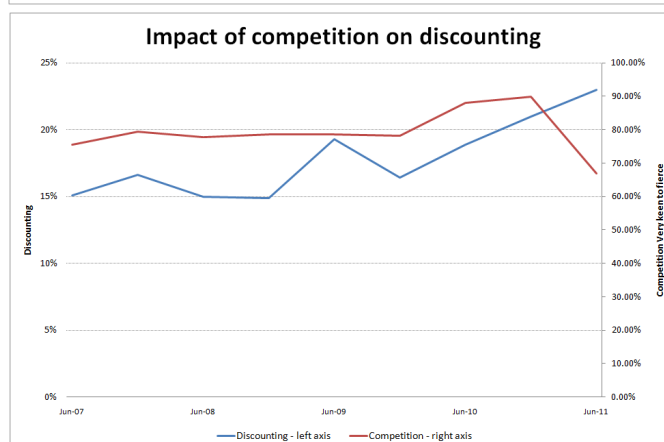
Industry Equity / Ownership Profile

Black (including Asian and Coloured) equity, including executive directors, non-executive directors, members and partners, stabilized dropped slightly to 21,2% from 21,4% in June 2010. This means that almost a quarter of people in the industry that have some sort of ownership or equity in the firm they work for, is represented by black people (including Asian and Coloured).

3.4 Capacity Utilisation

Capacity utilisation remains well below the 90%, but did pick up marginally from the 82,5% reported in the December 2010 survey to an average of 83,7% in the June 2011 survey. Majority of firms (although down to just 55% compared to 71% in the previous survey) expect capacity utilisation rates to remain static for the last six months of 2011, while 40% expect rates to increase compared to just 26% in the previous survey. Large firms are mostly running at full capacity, while a few however do expect capacity utilisation rates to increase.

The busier larger firms, earn a higher percentage from private sector (as opposed to local authorities as per the December 2010 survey), while medium size firms (employing between 20 and 100 people) who reported high capacity utilisation rates, earned on averaged over 40% from local authorities. Smaller firms (with high capacity



utilisation rates) earned between 60% and 70% (on average) from the private sector.

3.5 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 slowed to 66,9% in June 2011, compared to 89,9% in the December 201 survey and 88% in the June 2010 survey. However, while competition may have eased slightly, the average discounting rate has increased to 23%, compared to 21% in the previous survey.

The smaller firms, operating in specialist fields are more likely to report on lower levels of competition. Competition was extremely fierce in Western Cape, especially for those firms working in local government and the private sector. Fierce competition was also reported by firms working in the Western Cape mainly within the private sector (disciplines of civil and structural services).

3.6. 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

Discounting of fees, benchmarked against fee guidelines gazetted by ECSA, continued during the survey period, and accelerated to 23%, (highest rate since the inception of the survey) compared to an average of 21% in December 2010 and 18,9% in the June 2010 survey. 35% of the firms reported a discounting rate of 20% or more, the highest being 60%. High discounting rates were offered by firms mainly operating in Western Cape and Gauteng, where a higher percentage of fees were earned from local authorities particularly in the transportation sector. Larger firms discounted by between 10% and 40% (compared to an average of 25% and 15% in the previous two surveys). Interestingly those firms already running at a capacity rate of 100% or more, also seem to be offering the highest discounting rates (more than 25%) with the exception of a few firms.

CESA’s labour cost indicator, increased by 8,5% y/y, compared to an average of 7,8% in the last six months of 2010, and 4,3% during the first six months of 2010. The inflation rate (as measured by the Consumer Price Index CPI) averaged 4,2% during the same period, which means the increase in engineering costs has, since June 2003, surpassed the increase in the CPI, which means the real change in fee income is probably overstated, given the fact that the CPI is used as a nominal fee income deflator. The impact of higher salaries and wages is profound on the engineering business considering that close to 60% 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 - much lower - increase of 5,1% in the first half 2010 and 3,5% in the second half of 2010, down from an average of 7% in 2009.

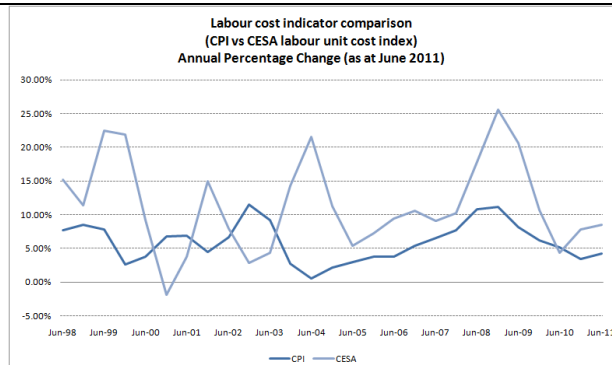


Figure 4: CESA Labour Cost Indicator

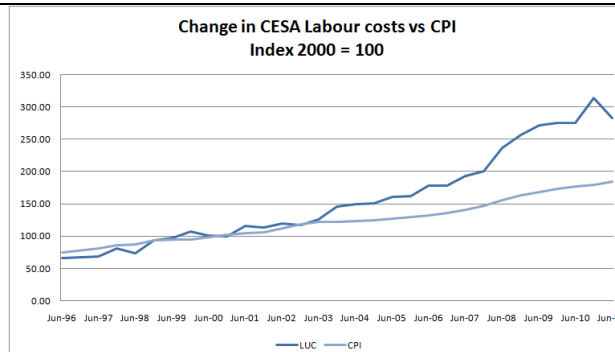


Figure 5: Change in CESA LCI vs CPI

3.7 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.

Confidence levels deteriorated somewhat in the first six months of 2011, from an index value of 86.7 in December 2010 to 83.2, down 4%. The outlook for the last 6 months of 2011 remains more upbeat compared to conditions experienced in the first six months, up to an index value of 88.7, remaining at those levels for the first six months of 2012 (at an index value of 88.3). Confidence levels therefore seem to remain relatively stable in the next 6 to 12 months supported by an improved order book. Fee earnings were also better than expected for the first six months, while the outlook for earnings in the next 6 months is also projected at double digit rates (11,3% December 2011 compared to June 2011). The consulting engineering industry seems to have survived the construction slowdown much better compared to the contracting industry. It remains to be seen if these firms' expectations will be met during the latter part of 2011 moving into 2012.

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.

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

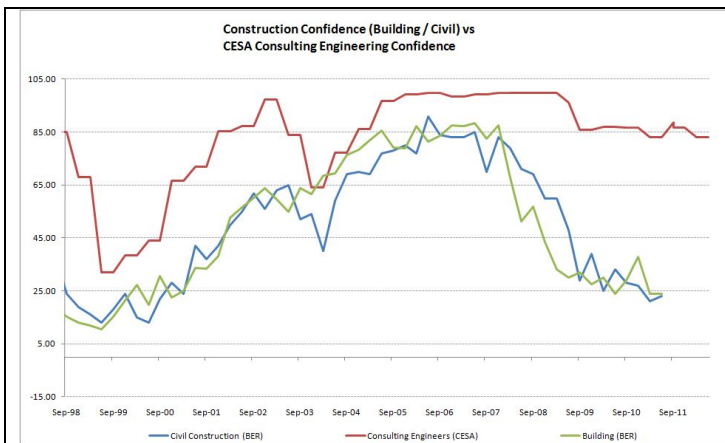


Figure 6: Confidence indices (Source: FNB/BER, CESA)

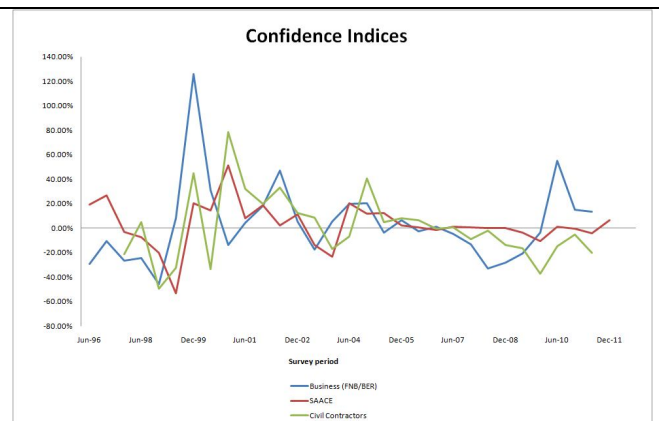


Figure 7: Confidence Indices – Y-Y change

Confidence in the consulting engineering sector generally lags business sentiment. Business sentiment, dropped to an index value of just 39 in the 3rd quarter of 2011, from 48 in the 2nd quarter and 55 in the first quarter. Strikes amongst municipal workers contributed to the level of pessimism experienced within the business sector. Project postponements and delays in project implementation affected confidence in the contracting fraternity. Civil contracting confidence deteriorated from an average of 27.5 in the last six months of 2010, to 22 in the first six months of 2011. Lack of funding and a review of capital expenditure plans have affected confidence in the consulting industry, but levels of optimism remain surprisingly upbeat, maintaining a level an index level of more than 80.0. Confidence levels amongst building contractors also weakened from an average of 33.5 in the last six months of 2010 to 24 in the first six months of 2011 (according to the BER confidence indices).

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	88.7	6.6%	2.3%
Jun-12	88.3	-0.5%	6.1%

3.8 Industry challenges

- 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.
- The image of the municipal engineering industry, although much improved in the private sector, continues to deteriorate in the public sector environment. Career prospects are limited, affecting the development of mentors and the transfer of critical skills in the public sector. The fact that engineers are generally appointed in a five year contract by government, doesn't make for an attractive career opportunity, and no matter the price, not many professional qualified engineers would be interested.
- The involvement of non-CESA members in government tenders and procurement continues to threaten the standard and performance of the industry. 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.
- The issue of tendering for work was again raised as a major challenge to the financial viability of the engineering industry.
- Firms are of the opinion that the increasing tendency to discount is suicide to the industry, as firms are forced to discount more aggressively to secure work.
- 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 kilometre 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. The 2011 Budget included a R1,5 bn road infrastructure grant to facilitate the maintenance of roads. However this will be geared primarily towards pothole repairs.

- A major 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.
- Lack of broad based cooperation from clients to adhere to procurement procedures as prescribed by the Construction Industry Charter.
- The “Local Government: Municipal Systems Amendment Act 7 of 2011” was published on 5 July 2011 in Government Gazette 34433 and became immediately effective. The Act provides amongst others for procedures and competence criteria in the appointment of municipal managers, timeframes for the finalization of performance agreements, and put in place a set of uniform standards with regards to personnel and staff systems.
- The Construction Education and Training Authority (CETA) was placed under administration in March 2011 through a notice published in the Government Gazette despite a Labour Court interdict still active to prevent this from happening.
- Energy constraints could lead to a rebound in load shedding, as supply will be under more severe threat in 2011/12 as economic activity is expected to pick up more strongly with no additional supply coming under stream during those periods. Load shedding poses a serious risk to the economic wellbeing of the country and could stall approval of upcoming commercial and residential developments. The need to implement green building technologies is becoming a major drive, which prompted the Green Building Council of South Africa to engage more strongly with professionals to learn about green building techniques and the green building rating systems.

4. Salient Features

4.1 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 also play an important role in earnings.

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

4.2 Economic Sectors

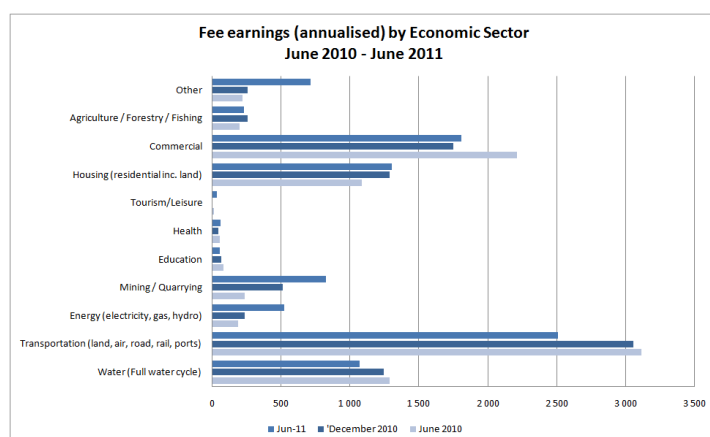


Figure 8: Economic Sectors

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 contribution of the transport sector dropped from 32,5% of fee earnings in the December 2010 survey to 22,8% in the June 2011 survey, while the contribution of the fees earned in the commercial sector increased in the first six months from 18,1% to 21,3%. Fees earned

in terms of water dropped from 14% to 9,7% in the last survey, the lowest level since the inception of this question in the survey. The contribution of the housing sector dropped back to around 12% in the first six months after reporting a 16% contribution in the previous survey. The contribution of the energy sector increased to 7,8% (from 3,4% in the previous survey), while the most profound increase was reported in “other”, up from 2,6% to 12,5%. Most of the responding firms did not specify what this was related to. Earnings in the commercial sector dropped from a market share of 28,8% in December 2009 to 18% in December 2010.

4.3 Geographic Location

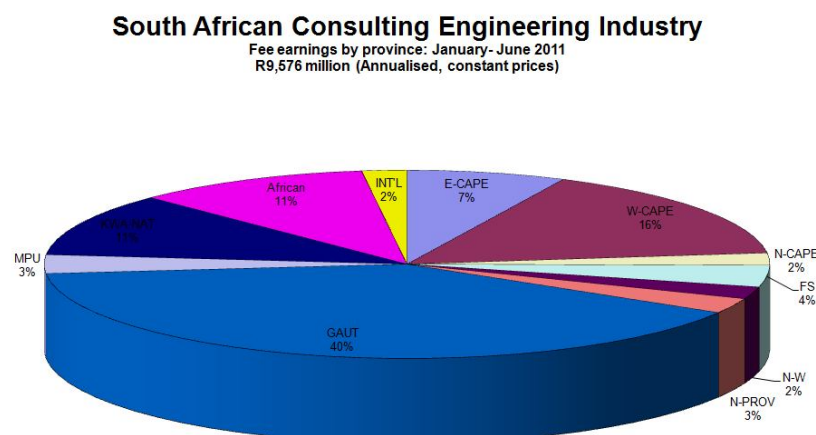
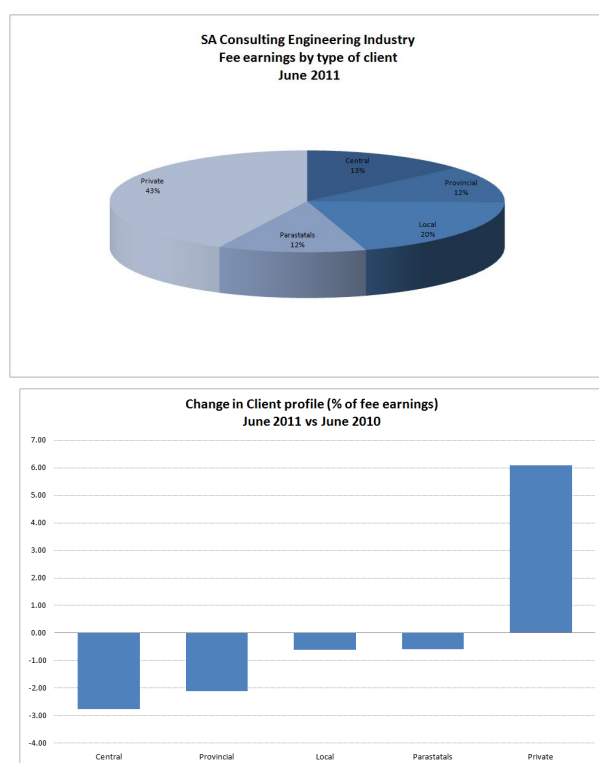


Figure 9: Fee earnings by province: January – June 2011

The bulk of fees were earned in Gauteng (39%), followed by 16% in the Western Cape and 10,9% in Kwazulu Natal. Averaging fee income in rand terms over the last two surveys, across the provinces, annualised real earnings increased by 23% y/y in Gauteng, with a similar increase reported in Mpumalanga. Earnings also increased in the Northern Cape (up 98%), Free State (up 17,5%) and North West province (up 10,7%). Fee earnings dropped in the Eastern Cape (down 20%), Limpopo (down 12,9%), and Kwazulu Natal (down 17%). Cross border activity represented between 10% and 11% in Africa and between 2% and 3% internationally.

4.4 Clients



In the last 12 months, the contribution in terms of clients, dropped across all government sectors, in favour of private sector earnings. The contribution of private sector earnings increased from 36,6% in June 2010 survey to 42,7% in the June 2011 survey. Although this was slightly down from the 43% reported in the December 2010 survey, it remains above the 40% mark. Subsequently the contribution of the central government slowed from 16,4% (June 2010) to 13,6% (June 2011), private sector slowed from 13,9% to 11,8%, local government from 20,4% to 19,8% and state owned enterprises from 12,7% to 12,1%.

Capital spending, apart from state owned enterprises, may be geared towards rural development and much of the budgetary allocations are specifically channeled through these municipal departments, but urban densification is also a key consideration in terms of budgetary allocations. Considering government's targets to alleviate poverty, increase skills development and job creation, it is likely that an increasing portion of the budget will be focused on metropolitan areas. Fee earnings from the private sector were supported mostly by developments in the commercial sector, while earnings in the public sector were focused on transportation, water services and housing.

Work in the private sector is largely geared towards mining and commercial activities.

While the private sector may account for just over 40% of fees earned, the public sector cumulatively contribute just under 60% of earnings, which means the issues related to under spending and poor capacity within government departments continue to impact negatively on the industry.

5. Professional Indemnity Insurance

The annual premium as a percentage of gross fee income over a 12 month period, averaged 2,8% for the industry (un-weighted) compared to 1,2% in the December 2010 survey. For the purpose of this report, these outliers have been removed. Most of the larger firms reported a level of between 1% and 1,5%.

Majority of firms (60%) reported a low risk exposure, while 2,2% respondents reported to have a high risk exposure (compared to 0,0% in the December 2010 survey and 3,1% in the June 2010 survey).

The total value of claims paid by firms' insurers as a percentage of premiums paid increased from an average of 3% to 5,5% in December 2010 survey. The number of claims per firm averaged 1,1 over the last five years, on par with previous surveys. Approximately 21% of the claims notified to insurers by respondents were not refunded, up from 10% of claims in the December 2010 survey. Firms employing less than 100 people, were responsible for 73% of the claims, a third of which were not refunded.

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 participating of larger firms that affected the average. The limit of indemnity averaged between 40% and 50% for larger firms, and a weighted average of 62,3% for the industry. 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 increased to 2,7%, up from 0,5% in the December 2010 survey but lower than the 5,2% reported in the first six months of 2010. Larger firms averaged between 3% and 10%.

6. 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. A total of 95% of the firms reported to have a QMS in place, compared to an industry average of 84% in the June 2009 survey.

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:9001:2000 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 advisory note released by CESA.

Members are obliged to use accredited agents should they wish to obtain an ISO 9001:2000 certificate. Details of certification bodies used by Members consenting to make this information available, is published on the CESA website. On average 47% of the firms complied, compared to 44% (December 2010) and 50% (June 2010).

Statistical Tables

Table 6: Summary of key indicators by firm size

Please note that due to a decrease in the number of respondents, credible information on this section of the report is no longer available.

Table 7: 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
Dec-03	12,540	1,713	4,176	3,426	-8.0%	121.9	2.8%
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-11	19,357	5,220	15,588	8,699	0.5%	179.2	3.5%
Jun-12	19,937	5,650	17,614	9,576	9.5%	183.9	4.2%

Table 8: 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)
Dec-03	-6.9%	0.0%	-8.0%	2.8%
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%

* Revised

² Revised June 2007

Table 9: Sub-disciplines: June 2010 – June 2011, Percentage share

Sub-discipline	Jun-10	Dec-10	Jun-11	Change in market share Last 6 months	Change in market share Last 12 months
Agricultural	0.7%	0.8%	0.8%	0.0%	0.1%
Architecture	0.0%	0.2%	0.2%	0.1%	0.2%
Mechanical building Services	1.6%	3.1%	3.5%	0.4%	1.8%
Civil	43.6%	42.4%	30.0%	-12.4%	-13.5%
Electrical / Electronic	4.3%	4.3%	5.8%	1.5%	1.5%
Environmental	13.4%	4.4%	4.7%	0.3%	-8.8%
Facilities Management (New)	1.4%	1.2%	1.6%	0.4%	0.2%
Geotechnical	0.5%	2.1%	0.7%	-1.4%	0.2%
Industrial Process / Chemical	0.5%	0.5%	6.1%	5.6%	5.6%
GIS	0.9%	0.8%	0.8%	0.0%	-0.1%
Hydraulics (New)	0.6%	0.8%	0.6%	-0.2%	0.0%
Information Systems / Technology	1.1%	0.6%	0.7%	0.0%	-0.4%
Marine	0.3%	2.5%	1.1%	-1.5%	0.8%
Mechanical	2.1%	2.0%	3.0%	0.9%	0.9%
Mining	3.1%	4.6%	4.9%	0.2%	1.7%
Project Management	9.3%	9.4%	10.8%	1.4%	1.5%
Quantity Surveying	0.3%	0.0%	0.2%	0.2%	-0.1%
Structural	15.9%	19.8%	23.9%	4.1%	7.9%
Town planning	0.3%	0.4%	0.8%	0.5%	0.5%
Total	100.0%	100.0%	100.0%	0.0%	0.0%

Table 10: Sub-disciplines: Dec 2009 – Dec 2010, Annualized R mill, 2000 prices

Sub-discipline	Jun-10	Dec-10	Jun-11	Change Dec-10/Jun-11	Change Jun-11 / Jun-10
Agricultural	R 63	R 73	9 576	12.2%	29.1%
Architecture	R 0	R 14	R 81	54.6%	-
Mechanical building Services	R 144	R 267	R 21	24.3%	131.0%
Civil	R 3 812	R 3 691	R 332	-22.1%	-24.5%
Electrical / Electronic	R 379	R 372	R 2 877	49.6%	46.8%
Environmental	R 1 173	R 382	R 556	16.5%	-62.0%
Facilities Management (New)	R 120	R 102	R 445	48.3%	26.3%
Geotechnical	R 42	R 186	R 152	-63.8%	58.4%
Industrial Process / Chemical	R 46	R 47	R 67	1136.0%	1155.4%
GIS	R 76	R 73	R 584	6.9%	2.9%
Hydraulics (New)	R 49	R 70	R 78	-23.5%	10.0%
Information Systems / Technology	R 94	R 56	R 54	12.4%	-33.7%
Marine	R 25	R 221	R 63	-53.2%	313.7%
Mechanical	R 186	R 178	R 103	60.6%	53.3%
Mining	R 274	R 403	R 286	15.8%	70.2%
Project Management	R 814	R 814	R 467	26.8%	26.8%
Quantity Surveying	R 28	R 1	R 1 032	2580.9%	-40.2%
Structural	R 1 392	R 1 719	R 17	32.9%	64.1%
Town planning	R 26	R 31	R 2 285	151.0%	196.2%
Total	R 8 746	R 8 698	R9 576	10.1%	9.5%

Table 11: Provincial Turnover, R mill, 2000 prices (Annualized)

Province	Survey period							
	Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11
EC	664	836	552	757	900	817	687	680
WC	1 307	1 263	1 342	912	1 471	1 425	1 400	1 532
NC	119	180	104	155	69	142	217	201
FS	336	389	250	213	260	405	426	354
NW	586	266	364	184	199	179	217	201
LIM	175	275	291	310	277	239	200	249
GAU	2 510	3 116	4 048	4 375	2 596	2 951	3 018	3 811
MPU	283	304	343	252	251	257	322	306
KZN	811	1 320	1 280	1 959	1 497	1 042	1 061	1 044
AFRICAN	324	1 016	1 301	378	926	1 079	948	1 006
INT'L	68	532	541	204	208	210	200	192
Total	7 183	9 499	10 417	9 700	8 653	8 746	8 698	9 576

Table 12: Y-Y Change (Trend – Smoothed over two consecutive surveys)

Province	Survey period							
	Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11
EC	13.6%	14.5%	4.0%	-12.8%	19.4%	31.2%	-9.2%	-20.4%
WC	7.7%	19.3%	4.0%	-12.3%	-8.6%	28.5%	18.6%	1.3%
NC	-26.8%	50.2%	46.4%	-13.3%	-21.1%	-18.7%	60.0%	98.5%
FS	33.4%	32.8%	1.1%	-36.2%	-26.0%	43.5%	75.7%	17.5%
NW	79.8%	62.6%	-25.7%	-35.6%	-39.2%	-31.0%	3.5%	10.6%
LIM	10.2%	-0.5%	36.2%	33.7%	3.6%	-14.3%	-25.3%	-12.9%
GAU	23.2%	33.1%	48.8%	49.7%	-2.7%	-34.1%	-14.4%	23.1%
MPU	37.0%	52.1%	31.3%	1.5%	-22.3%	-14.7%	15.1%	23.7%
KZN	15.1%	27.0%	49.3%	52.0%	32.9%	-21.6%	-39.1%	-17.1%
AFRICAN	-10.1%	26.3%	189.4%	25.3%	-43.7%	19.4%	55.4%	-2.6%
INT'L	-1.5%	178.6%	527.0%	24.1%	-61.7%	-43.9%	-0.3%	-6.2%
Total	16.9%	30.8%	42.7%	20.6%	-7.8%	-13.5%	-5.0%	5.0%

Table 13: Market share (% of fee earnings)

Province	Survey period							
	Dec-07	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11
EC	9.25	8.80	5.30	7.80	10.40	9.34	7.90	7.10
WC	18.20	13.30	12.90	9.40	17.00	16.29	16.10	16.00
NC	1.65	1.90	1.00	1.60	0.80	1.62	2.50	2.10
FS	4.68	4.10	2.40	2.20	3.00	4.63	4.90	3.70
NW	8.16	2.80	3.50	1.90	2.30	2.05	2.50	2.10
LIM	2.43	2.90	2.80	3.20	3.20	2.73	2.30	2.60
GAU	34.94	32.80	38.90	45.10	30.00	33.74	34.70	39.80
MPU	3.94	3.20	3.30	2.60	2.90	2.94	3.70	3.20
KZN	11.29	13.90	12.30	20.20	17.30	11.92	12.20	10.90
AFRICAN	4.51	10.70	12.50	3.90	10.70	12.34	10.90	10.50
INT'L	0.95	5.60	5.20	2.10	2.40	2.40	2.30	2.00
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100%

Table 14: Fee income earned by type of client, R mill, 2000 prices (Annualized)

Client	Survey period						
	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11
Central	921	728	621	1 359	1 432	1 287	1 302
Provincial	1 501	1 842	1 038	857	1 217	1 044	1 130
Local	1 995	2 904	2 231	2 371	1 786	1 578	1 896
State Owned	1 216	1 082	951	1 108	1 110	1 018	1 159
Private	3 866	3 851	4 870	2 959	3 202	3 775	4 089
Total	9 499	10 407	9 710	8 653	8 746	8 702	9 576

Table 15: Percentage market share by client

Client	Survey period						
	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11
Central	9.7%	7.0%	6.4%	15.7%	16.4%	14.8%	13.6%
Provincial	15.8%	17.7%	10.7%	9.9%	13.9%	12.0%	11.8%
Local	21.0%	27.9%	23.0%	27.4%	20.4%	18.1%	19.8%
State Owned	12.8%	10.4%	9.8%	12.8%	12.7%	11.7%	12.1%
Private	40.7%	37.0%	50.2%	34.2%	36.6%	43.4%	42.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 16: Percentage of fee income earned by economic sector

Economic sector	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Change in the last 6 months
Water (Full water cycle)	17.8%	19.2%	15.0%	14.57%	14.0%	9.7%	-4.2%
Transportation (land, air, road, rail, ports)	32.5%	27.8%	34.0%	37.57%	32.5%	22.8%	-9.6%
Energy (electricity, gas, hydro)	5.5%	3.6%	2.3%	2.07%	3.4%	7.8%	4.4%
Mining / Quarrying	3.3%	9.9%	1.9%	3.53%	8.3%	9.8%	1.5%
Education	0.9%	0.6%	0.9%	0.98%	0.5%	0.7%	0.1%
Health	1.1%	1.1%	0.7%	0.57%	0.4%	0.9%	0.5%
Tourism/Leisure	3.4%	2.4%	0.3%	0.05%	0.1%	0.7%	0.7%
Housing (residential inc. land)	5.2%	10.9%	12.3%	12.74%	16.8%	12.0%	-4.8%
Commercial ³	25.6%	14.9%	28.8%	22.03%	18.1%	21.3%	3.2%
Agriculture / Forestry / Fishing	0.2%	0.8%	2.0%	2.65%	3.3%	1.8%	-1.6%
Other	4.4%	9.0%	1.8%	3.24%	2.6%	12.5%	9.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100%	-

Table 17: Fee income earned by economic sector, Constant 2000 prices, Annualized

Economic sector	Dec-08	Jun-09	Dec-09	Jun-10	Dec-10	Jun-11	Real % Change Jun-11/Jun-10
Water (Full water cycle)	1 852	1 862	1 301	1 275	1 214	931	-27.0%
Transportation (land, air, road, rail, ports)	3 379	2 697	2 941	3 286	2 825	2 187	-33.4%
Energy (electricity, gas, hydro)	577	349	202	181	297	747	312.1%
Mining / Quarrying	339	960	164	308	721	934	202.9%
Education	89	58	76	86	46	63	-25.8%
Health	117	107	62	50	38	90	80.5%
Tourism/Leisure	352	233	26	4	5	68	1583.2%
Housing (residential inc. land)	545	1 057	1 060	1 114	1 460	1 145	2.8%
Commercial	2 668	1 445	2 495	1 927	1 574	2 043	6.0%
Agriculture / Forestry / Fishing	23	78	170	232	290	169	-27.0%
Other	461	873	156	283	230	1 199	323.4%
Total	10 403	9 720	8 653	8 746	8 698	9 576	9.5%

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

Table 18: 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%	

Table 19: 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 2009 %	Jul - Dec 2009 %	Jan - Jun 2010 %	Jul - Dec 2010 %	Jan-Jun 2011 %	
Central government	7.3%	5.6%	11.6%	2.6%	4%	R80
Provincial government	3.8%	27.2%	14.4%	8.8%	11.6%	R197
Local government	13.2%	16.2%	16.4%	7.8%	12.0%	R358
State owned enterprises	1.4%	9.7%	49.7%	5.5%	10.8%	R188
Private Sector	11.9%	15.2%	65.9%	9.6%	12.3%	R795
Foreign (all EX-RSA)	13.0%	104.2%	46.5%	47.7%	75.0%	R1552
Total	9.5%	18.5%	23.4%	15.5%	18.0%	R3 171

*** 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 20: 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

⁴ Training now includes all training, in-house and external. Comparisons with previous surveys not compatible. – excludes costs related to salaries⁵ Revised: Removed outlier questionnaire erroneously included in previous sample.

Table 21: Employment profile of the consulting engineering industry: Percentage contribution: January – June 2011

Job Category	Black	Coloured	Asian	White	Total
Professional Engineer Pr.Eng	5.2%	2.9%	3.5%	88.3%	100.00%
Professional Architects	0.0%	0.0%	0.0%	100.0%	100.00%
Professional Quantity Surveyors	21.4%	0.0%	7.1%	71.4%	100.00%
Professional Other	9.6%	3.6%	5.0%	81.8%	100.00%
Technologists Pr TEchENg	5.5%	2.8%	7.9%	83.8%	100.00%
Technicians PrTechni	15.1%	12.3%	4.1%	68.5%	100.00%
Unregistered technical staff: Engineer	18.3%	3.8%	8.4%	69.5%	100.00%
Unregistered technical staff: Technologist	26.9%	10.4%	10.4%	52.3%	100.00%
Unregistered technical staff: Technician	42.7%	8.1%	4.0%	45.2%	100.00%
Unregistered technical staff: Other	21.3%	5.7%	4.6%	68.4%	100.00%
Technical Assistants	49.1%	7.5%	4.3%	39.1%	100.00%
Draughts Persons	13.9%	9.4%	7.1%	69.6%	100.00%
Laboratory / Survey Assistants	78.2%	0.3%	5.5%	16.0%	100.00%
Administration / Support staff	35.4%	11.8%	6.6%	46.2%	100.00%
Total	27.3%	7.1%	5.8%	59.8%	100.00%

**Table 22: Employment profile of the consulting engineering industry: Percentage contribution: Jan – June 2011
Change in contribution since June 2010 survey**

Job Category	Black	Coloured	Asian	White
Professional Engineer Pr.Eng	0.0%	0.9%	-0.3%	-0.6%
Professional Architects	0.0%	0.0%	0.0%	0.0%
Professional Quantity Surveyors	11.4%	0.0%	7.1%	-18.6%
Professional Other	4.4%	0.2%	-2.5%	-2.0%
Technologists Pr TEchENg	0.9%	0.3%	1.2%	-2.4%
Technicians PrTechni	-3.3%	2.1%	2.1%	-0.9%
Unregistered technical staff: Engineer	0.9%	-0.2%	-0.8%	0.0%
Unregistered technical staff: Technologist	-4.7%	-1.9%	0.9%	5.7%
Unregistered technical staff: Technician	3.7%	-2.4%	-1.4%	0.1%
Unregistered technical staff: Other	-5.7%	-1.6%	-1.1%	8.4%
Technical Assistants	-3.7%	1.5%	-1.1%	3.3%
Draughts Persons	3.8%	-0.5%	0.9%	-4.3%
Laboratory / Survey Assistants	-8.6%	-0.6%	5.5%	3.7%
Administration / Support staff	1.5%	-1.1%	0.8%	-1.3%
Total	-0.3%	-0.6%	-0.1%	1.0%

Table 23: Ownership / equity controlled by black people, as percentage of TOTAL Equity
 (Black people include Asian and Coloured people)

Company Type	Owner category	Professional Category	Jun-08	Dec-08	Jun-09	Dec-09	Jun-10 (Revised)	Dec-10	Jun-11	
(PTY) LTD	Executive Directors	Pr.Eng	12.3%	7.4%	10.5%	14.9%	9.8%	9.6%	9.2%	
		PrTechEng	25.0%	16.7%	20.0%	12.%	50.0%	33.3%	26.7%	
		Other	37.8%	43.7%	32.1%	40.4%	27.9%	26.2%	26.9%	
		TOTAL	18.6%	13.5%	14.2%	19.6%	15.5%	15.2%	15.3%	
	Non-Executive Directors	Pr.Eng	40.0%	71.4%	77.8%	100.0%	10.0%	7.1%	16.7%	
		PrTechEng	0.0%	0.0%	0.0%	100.0%	50.0%	50.0%	-	
		Other	80.0%	85.0%	70.0%	84.0%	65.6%	69.6%	82.4%	
		TOTAL	72%	81.5%	70.0%	88.0%	30.2%	35.8%	55.2%	
	CC	Members	Pr.Eng	41.7%	28.6%	20.0%	50.0%	41.7%	38.5%	33.3%
			PrTechEng	33.3%	66.7%	40.0%	60.0%	60.0%	60.0%	42.9%
			Other	42.9%	50.0%	50.0%	50.0%	66.7%	50.0%	40%
			TOTAL	41.2%	36.8%	20.0%	51.8%	50.0%	45.4%	37.5%
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%	0.0%	0.0%	66.7%	
		Other	0.0%	0.0%	0.0%	0.0%	80.0%	75.0%	0.0%	
		TOTAL	0.0%	0.0%	0.0%	0.0%	15.4%	12.5%	22.2%	
Total			27.3%	22.4%	20.0%	28.0%	21.4%	20.4%	21.2%	

Note: June 2010 revised based on information submitted in December 2010.

Table 24: 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	88.7	6.6%	2.3%
Jun-12	88.3	-0.5%	6.1%

Table 25: Employment Breakdown, by race, gender and job category January – June 2011

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	129	20	149	73	10	83	81	20	101	2 427	88	2 515	2 710	139	2 849
Professional Architects	0	0	0	0	0	0	0	0	0	13	5	18	13	5	18
Professional Quantity Surveyors	3	5	8	0	0	0	3	0	3	15	10	25	20	15	35
Professional Other	38	30	68	13	13	25	13	23	35	404	174	578	467	240	707
Technologists Pr TEchENg	35	0	35	18	0	18	48	3	51	525	10	535	626	13	639
Technicians PrTechni	28	0	28	18	5	23	5	3	8	121	5	126	172	13	184
Unregistered technical staff: Engineer	326	81	407	63	20	83	131	56	187	1 263	280	1 543	1 783	437	2 220
Unregistered technical staff: Technologist	139	51	189	51	23	73	58	15	73	336	33	369	583	121	705
Unregistered technical staff: Technician	652	162	813	116	38	154	61	15	76	785	76	861	1 614	290	1 904
Unregistered technical staff: Other	323	139	462	88	35	124	63	38	101	1 091	396	1 487	1 566	609	2 174
Technical Assistants	515	144	659	78	23	101	30	28	58	419	106	525	1 043	301	1 343
Draughts Persons	126	23	149	86	15	101	68	8	76	417	331	747	697	376	1 073
Laboratory / Survey Assistants	495	83	578	3	0	3	18	23	40	78	40	119	593	146	740
Administration / Support staff	654	1 237	1 891	149	482	631	96	255	351	755	1 717	2 472	1 654	3 692	5 346
Total	3 462	1 975	5 437	755	664	1 419	674	485	1 159	8 649	3 273	11 922	13 540	6 397	19 937
% of total	17.4%	9.9%	27.3%	3.8%	3.3%	7.1%	3.4%	2.4%	5.8%	43.4%	16.4%	59.8%	67.9%	32.1%	100.0%

Table 26: Employment Breakdown, by race, gender and job category: January – June 2011: 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	0.6%	0.1%	0.7%	0.4%	0.1%	0.4%	0.4%	0.1%	0.5%	12.2%	0.4%	12.6%	13.6%	0.7%	14.3%
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%	0.1%
Professional Quantity Surveyors	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
Professional Other	0.2%	0.2%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	2.0%	0.9%	2.9%	2.3%	1.2%	3.5%
Technologists Pr TEchENg	0.2%	0.0%	0.2%	0.1%	0.0%	0.1%	0.2%	0.0%	0.3%	2.6%	0.1%	2.7%	3.1%	0.1%	3.2%
Technicians PrTechni	0.1%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.6%	0.0%	0.6%	0.9%	0.1%	0.9%
Unregistered technical staff: Engineer	1.6%	0.4%	2.0%	0.3%	0.1%	0.4%	0.7%	0.3%	0.9%	6.3%	1.4%	7.7%	8.9%	2.2%	11.1%
Unregistered technical staff: Technologist	0.7%	0.3%	0.9%	0.3%	0.1%	0.4%	0.3%	0.1%	0.4%	1.7%	0.2%	1.8%	2.9%	0.6%	3.5%
Unregistered technical staff: Technician	3.3%	0.8%	4.1%	0.6%	0.2%	0.8%	0.3%	0.1%	0.4%	3.9%	0.4%	4.3%	8.1%	1.5%	9.6%
Unregistered technical staff: Other	1.6%	0.7%	2.3%	0.4%	0.2%	0.6%	0.3%	0.2%	0.5%	5.5%	2.0%	7.5%	7.9%	3.1%	10.9%
Technical Assistants	2.6%	0.7%	3.3%	0.4%	0.1%	0.5%	0.2%	0.1%	0.3%	2.1%	0.5%	2.6%	5.2%	1.5%	6.7%
Draughts Persons	0.6%	0.1%	0.7%	0.4%	0.1%	0.5%	0.3%	0.0%	0.4%	2.1%	1.7%	3.7%	3.5%	1.9%	5.4%
Laboratory / Survey Assistants	2.5%	0.4%	2.9%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.4%	0.2%	0.6%	3.0%	0.7%	3.7%
Administration / Support staff	3.3%	6.2%	9.5%	0.7%	2.4%	3.2%	0.5%	1.3%	1.8%	3.8%	8.6%	12.4%	8.3%	18.5%	26.8%
Total	17.4%	9.9%	27.3%	3.8%	3.3%	7.1%	3.4%	2.4%	5.8%	43.4%	16.4%	59.8%	67.9%	32.1%	100.0%

Table 27: Ownership profile: Employment, company type, race & gender: January – June 2011

Comp any 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	28	3	31	3	0	3	6	3	9	424	6	430	461	12	473
		PrTechEng	3	0	3	6	0	6	3	0	3	34	0	34	46	0	46
		Other	25	9	34	9	0	9	6	6	12	121	31	152	161	46	207
	Non-Executive Director	PrEng	0	0	0	3	0	3	0	3	3	31	0	31	34	3	37
		PrTechEng	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Other	15	12	28	6	0	6	9	0	9	9	0	9	40	12	53
CC	Member	PrEng	3	0	3	3	0	3	6	0	6	25	0	25	37	0	37
		PrTechEng	9	0	9	0	0	0	0	0	0	12	0	12	22	0	22
		Other	3	3	6	0	0	0	0	0	0	3	6	9	6	9	15
Partnership	Partner	PrEng	0	0	0	0	0	0	0	0	0	15	0	15	15	0	15
		PrTechEng	0	0	0	6	0	6	0	0	0	3	0	3	9	0	9
		Other	0	0	0	0	0	0	0	0	0	0	0	3	0	0	3
GRAND TOTAL			87	28	115	37	0	37	31	12	43	678	43	724	832	84	919
% distribution			9.4%	3.0%	12.5%	4.0%	0.0%	4.0%	3.4%	1.3%	4.7%	73.7%	4.7%	78.8%	90.6%	9.1%	100.0%
% directorship only			7.7%	1.7%	9.4%	2.6%	0.0%	2.6%	2.1%	1.3%	3.4%	79.6%	5.1%	84.7%	91.9%	8.1%	100.0%
Total employment			3 550	2 016	5 566	770	675	1 445	686	479	1 165	8 548	3 212	11 761	13 554	6 383	19 937
% ownership / equity			2.4%	1.4%	2.1%	4.8%	0.0%	2.6%	4.5%	2.6%	3.7%	7.9%	1.3%	6.2%	6.1%	1.3%	4.6%

End of report

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