



## **FIRST BASELINE REPORT**



**STATE OF EMPOWERMENT IN THE CONSTRUCTION SECTOR SINCE  
THE GAZETTE OF THE CONSTRUCTION EMPOWERMENT CODE IN  
2009 - 2013**

**APRIL 2014**

## TABLE OF CONTENTS

LISTING OF TABLES AND GRAPHS.....	1
ABBREVIATIONS.....	2
1. PROCESS UTILISED TO CONDUCT THIS BASELINE REPORT .....	3
1.1. Data gathering .....	3
1.2. Information captured .....	3
1.3. Data analysis .....	4
2. EXECUTIVE SUMMARY .....	5
2.1. Overall B-BBEE performance improvement .....	6
2.2. Upward bias in Contributor Level Status .....	7
2.3. Inaccurate industry classification.....	8
2.4. Data integrity .....	9
2.5. Industry representative sample .....	9
2.6. Tracking movements from year to year .....	10
3. BACKGROUND, PURPOSE AND OBJECTIVES OF THIS BASELINE REPORT .....	11
4. SUMMARY OF SCORECARDS CAPTURED .....	12
5. DATA ANALYSIS TRENDS.....	14
5.1. Weighted Average Score Per Element – Large and QSEs .....	14
5.2. Contributor Level Status - scorecards in total .....	15
5.3. Contributor Level Status - Large Enterprises .....	16
5.4. Contributor Level Status - QSEs .....	17
5.5. Contributor Level Status - EMEs .....	18
5.6. Black Ownership .....	19
5.7. Black Women Ownership .....	21
6. MOVEMENT IN ENTITY SIZE .....	24
7. DETAIL SCORECARD ELEMENT ANALYSIS.....	26
7.1. Large Enterprises .....	26
7.2. QSEs.....	27
8. CONCLUSION .....	30

---

## LISTING OF TABLES AND GRAPHS

### Tables

Table 1	Total scorecards captured
Tables 2-5	Change in entity size annually
Table 6	Number of QSE entities per element

### Graphs

Graph 1	Overall industry performance on B-BBEE
Graph 2	Number of scorecards, with relevant Contributor level Status
Graph 3	Summary of level status - Large Enterprises in total
Graph 4	Summary of level status - Large Enterprises BEPs
Graph 5	Summary of level status - Large Enterprises Contractors
Graph 6	Summary of level status - QSEs in total
Graph 7	Summary of level status - EMEs in total
Graph 8	Scorecards with Black Ownership
Graph 9	Black Ownership > 50%
Graph 10	Black Ownership %
Graph 11	Scorecards with Black Women Ownership
Graph 12	Breakdown of Black Women Ownership exceeding 30%
Graph 13	Black Women Ownership %
Graph 14	Average performance by element - Large BEPs
Graph 15	Average performance by element - Large Contractors
Graph 16	Average performance per element - Total QSEs

## ABBREVIATIONS

B-BBEE	Broad-Based Black Economic Empowerment
BEP	Built Environment Professional
CSCC	Construction Sector Charter Council
dti	Department of Trade and Industry
EME	Exempt Micro Enterprise
QSE	Qualifying Small Enterprise

## **1. PROCESS UTILISED TO CONDUCT THIS BASELINE REPORT**

In producing this baseline report for the Construction Sector, the CSCC has:

- obtained verified scorecards for entities operating within the Construction Sector;
- appointed an independent IT service provider (Cuma IT) to design an IT system to capture Construction Sector scorecards;
- appointed data capturers, on a contract basis, to capture salient information from the verified scorecards into the IT system, so as to accumulate data in the form of a database, for further analysis; and
- appointed an independent B-BBEE specialist service provider (black lite consulting) to analyse and report on data captured in the database, and to produce this baseline report
- appointed an independent auditor (SP3) to determine the factual accuracies of the data captured and analysed in this Report.

### **1.1. Data gathering**

The CSCC received and captured a total of 3 557 verified B-BBEE scorecards through various interactions with members and Verification Agents for the calendar period 2009 to 2013. In preparing this baseline report and against a total of 3 557 captured scorecards:

- a total of 3 530 scorecards have been analysed and reported on in this baseline report;
- a total of 18 scorecards have been excluded from the analysis in this baseline report, as it falls outside the measurement period of 2009 to 2013; and
- a total of 9 scorecards were excluded from the analysis in this baseline report, as these scorecards were incorrectly captured as Exempt Micro Enterprise (“EME”) certificates, when they relate to either Qualifying Small Enterprises (“QSEs”) or Large Enterprises.

### **1.2. Information captured**

The CSCC utilised contract staff to capture information detailed in the scorecards. The salient information captured included the following:

- General entity information, including entity details (name, registration number, etc)
- Name of the verification agency;
- Industry classification of the entity, being either a Built Environment Professional (“BEP”) or Contractor;
- Size of the entity, being either an Exempt Micro Enterprise (“EME”), Qualifying Small Enterprise (“QSE”) or Large Enterprise;
- Overall B-BBEE score achieved, and respective score per Element of the captured scorecard, where applicable; and
- Extent of Black Ownership and Black Women Ownership for the entity.

### **1.3. Data analysis**

In preparing this Baseline Report, scorecards were requested and captured for the period 2009 to 2013. The analysis in this baseline report was based on the respective calendar year when the certificate was issued e.g. if the scorecard was issued by the verification agency on 10 February 2010, the data was included in the analysis for the 2010 calendar year. In addition to the above, certificates received that are not compliant with the Construction Sector Charter (i.e. complaint with the dti Codes) were captured as Non-Compliant and have accordingly been excluded from the analysis in this baseline report.

## 2. EXECUTIVE SUMMARY

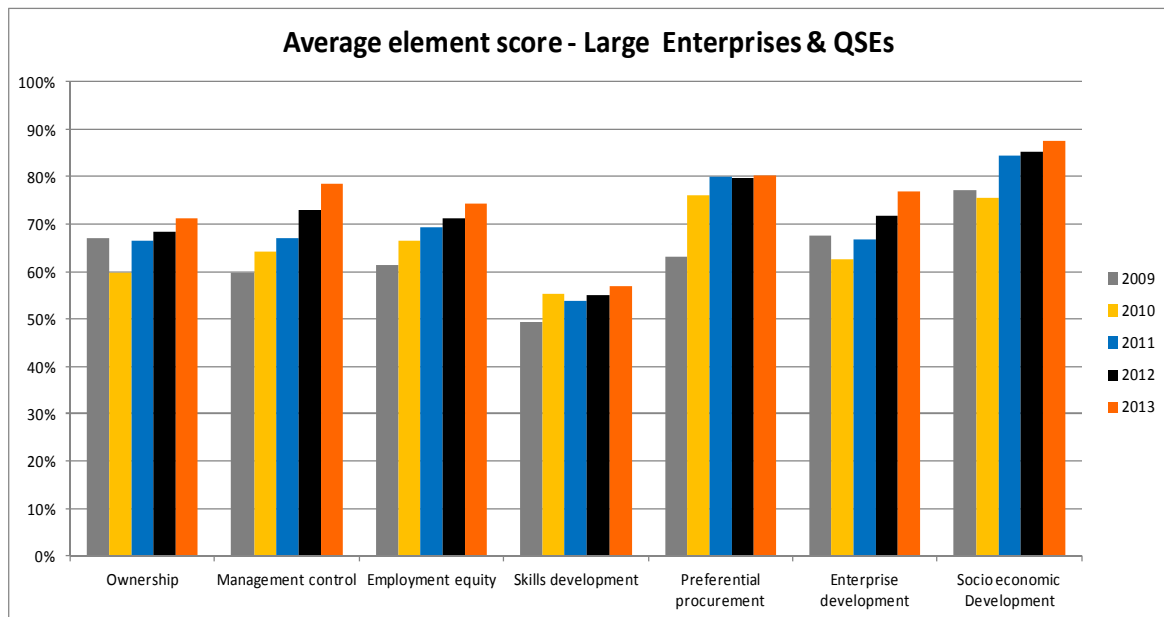
The CSCC initiated this Baseline Report as an important process intended to assess the objective state of transformation and empowerment in the Construction Sector for the period June 2009 and 2013. It is intended to provide clarity and information on the level of compliance with the Construction Sector Code as gazette in 2009, with further clarity on how entities in the construction sector have performed in terms of B-BBEE compliance over the reporting period. These results will highlight areas that require improvement and or research and development, with certain areas that need to be strengthened as part of the ongoing measurement of empowerment in the sector. It forms the basis on which the CSCC will engage with key stakeholders including the dti and industry.

On an overall basis, it is encouraging to note that the **Construction Sector is showing progress towards achieving transformation**. This is evidenced by both an increasing number of scorecards received and analysed on an annual basis, and an overall improvement in the level of compliance (between Contributor Level Status 2 to 4) over the measurement period.

The key findings of this baseline report relate to the following:

1. Overall B-BBEE performance has improved over the 5-year measurement period;
2. An upward bias in the overall B-BBEE Contributor Level Status of entities;
3. Inaccurate industry classification, particularly between BEPs and Contractors;
4. Data integrity due to capturing errors that have been subsequently corrected;
5. A relatively small sample of scorecards over the measurement period have been analysed; and
6. Tracking movements from year to year.

## 2.1. Overall B-BBEE performance improvement



*Graph 1: Overall industry performance on B-BBEE*

The overall weighted average scores for both Large and QSEs shows a significant upward trend for all the elements except Preferential Procurement which shows in later years a stagnant position at approximately 80% of the target.

This shows a positive trend of transformation in the Construction Industry. EMEs were excluded from this analysis as they do not have to comply with individual elements and therefore we are unable to analyse this data and to provide comparisons.

Over the reporting period, there has been an enhanced level of compliance due to better reporting and compliance with the Construction Sector Charter. The number of scorecards increased from 186 scorecards in 2009 to 1 246 scorecards in 2012. This represents an increase of:

- 107% (2009 to 2010);
- 78% (2010 to 2011); and
- 82% (2011 to 2012).



There was a 17% decrease in the number of scorecards captured for 2013 when captured to 2012. This is primarily due to the CSCC requesting information for the period 2009 to 2012; entities submitted scorecards for 2013, and the Monitoring and Compliance Sub Committee of the CSCC took a decision to include these in the analysis due to the high number of scorecards actually received for 2013.

## **2.2. Upward bias in Contributor Level Status**

EMEs and QSEs represent 32% and 39% respectively of the overall scorecards captured as part of this baseline report. The majority of the scorecards (representing 82% of the 3 268 certificates analysed) achieved an overall Contributor Level Status of between Level 1 to Level 4 over the measurement period. Given the nature of the industry, one expects that there will be higher number of EMEs and QSEs operating in the sector. The effect of this is that there is an upward bias when one looks at the overall average performance of the Sector in relation to B-BBEE.

The analysis confirmed the following:

- The 2013 overall analysis confirmed that 88% of analysed scorecards (compared to 82% in 2012) achieved a Contributor Level Status of between Level 1 to Level 4.
- There was a general improvement in Large entities scores, where 65% of the entities in 2013 (compared to 60% in 2012) achieved a Contributor Level Status of between Level 1 to Level 4. In addition, 2 Large scorecards achieved a Level 1 status in 2013. This clearly indicates an improvement in Large entity scores due to the nature of their customer based being mainly Public Sector procurement.
- There was a general improvement in QSE scorecards, where 91% of the scorecards in 2013 (compared to 88% in 2012) achieved a Contributor Level Status of between Level 1 to Level 4. In addition, 93 QSEs achieved a Level 1 status in 2013.
- The 2013 analysis for EMEs confirmed that 81% of scorecards (compared to 71% in 2012) achieved a Contributor Level Status of Level 3.
- There is an upward trend of entities achieving Black Ownership exceeding 50%. In 2013 59% of entities confirmed Black Ownership exceeding 50%, compared to 47% of

scorecards in 2012. This indicates that black owned companies are choosing to start their own enterprises as opposed to buy equity interests in established or existing construction companies. In 2012, of the 47%, a total of 85% of the entities that are more than 50% black owned were EMEs and QSEs.

- There is also an upward trend of entities achieving Black Women Ownership exceeding 30%. In 2013, 24% of scorecards confirmed Black Women Ownership exceeding 30%, compared to 19% of scorecards in 2012. In 2012, of the 19% a total of 85% of the scorecards that are more than 30% black women owned were EMEs and QSEs.

### **2.3. Inaccurate industry classification**

The CSCC conducted an internal analysis, which indicated an incorrect classification of BEP and Contractor scorecards. Of a sample size of approximately 750 scorecards, the following were identified:

- 172 scorecards were inconsistently reflected as Contractor scorecards when they should be classified as BEP scorecards.
- 206 scorecards were reflected as dti Generic scorecards, but should have been classified as Contractor scorecards.

To maintain the integrity of the data captured, it was agreed, by the Monitoring and Compliance Sub Committee of the CSCC, that the above incorrect classifications would not be updated in the database. The main reason for this is that it will require quite an extensive process of re-verification of mainly QSEs as the scorecards for BEPs and Contractors are different. The misclassification is primarily as a result of either the verification agency not correctly classifying the measured entity as either a BEP or a Contractor, or the measured entity not correctly denoting its entity status to the verification agency and benefitting from an inaccurate classification.

#### **Recommendations:**

- a) The verification industry needs to be further educated on the classification of entities in the Construction Sector.*

- b) In addition, entities in the Construction Sector should be encouraged to correctly classify their entity status as either a BEP or a Contractor.*
- c) The CSCC needs to engage with procurement officials in both the public and private sectors to encourage them to reject incorrectly classified B-BBEE scorecards.*

## **2.4. Data integrity**

During the initial review of the data captured, it was observed that a total of 53 EME captured scorecards reflected a Contributor Level Status of Level 5 and below. This is not possible as EMEs can achieve a Level Contributor Status of either Level 3 or Level 4. At the request of the Monitoring and Compliance Sub Committee of the CSCC, the Level Contributor Status of these scorecards was amended to correctly reflect the Status as indicated on the actual verified scorecard. Of these scorecards, a total of 9 scorecards were excluded from the analysis as a review of the scorecard indicated that the affected entities were either QSE or Large Enterprises. The reason for the exclusion is that the database containing the data had been locked down and by amending certain of the information it could bring the data integrity of the whole process into question.

The CSCC also commissioned an independent Factual Findings report to assess the level of accuracy with regards to the capture of scorecard data. An extract of the findings of SP3 Ratings (Pty) Ltd - dated 8 April 2014 - confirms the following:

*“As a result we can conclude that the capturing process resulted in a complete, accurate and valid Table report of raw data for:-*

- Size classifications*
- Construction classifications and*
- Performance data as defined. “*

## **2.5. Industry representative sample**

Based on information provided by various Construction Sector industry bodies, it is estimated there are approximately 12 500 active entities operating in the Construction

Sector. Over the 5-year review period, a total of 3 530 scorecards were captured over the past 7 (seven months), representing a relatively low representative sample. This is made up of 1770 companies who submitted only one certificate over the reporting period. We estimate that this represents approximately 14% of the commercially active construction industry entities of an estimated 12 500 as advised by the CSCC.

A total of 1 037 scorecards were captured for the 2013 year. Whilst this represents a decrease of 17% from the number of scorecards captured for 2012, it should be noted that the initial request to the Construction Sector was for the submission of scorecards for the period 2009 to 2012. However, scorecards were received for the 2013 year, and the CSCC Monitoring and Compliance Sub Committee took an informed decision to include these scorecards in this baseline report.

Recommendations:

- a) The CSCC should review and improve its current strategy for data collection, and should make it compulsory for entities to submit their B-BBEE scorecards on an annual basis.*
- b) The CSCC should have further engagements with the dti to ensure there is compulsory reporting to the Council via the BEE Commission.*

## **2.6. Tracking movements from year to year**

The movement in entity size from year to year (e.g. EME in 2010, and QSE in 2011) could not be fully tracked due to data inconsistency. Of the 3 530 scorecards analysed, a total of 1 770 scorecards represented entities that submitted a scorecard for only 1 of the 5 years under review. Furthermore the nature of the industry is such that many companies start up new legal entities for each new contract and as such there is a very low level on consistent data to track.

Recommendation:

- a) Once the CSCC implements a revised data collection strategy, the consistency of data gathering will improve over time, which will result in more in-depth data and trend analysis.*

### **3. BACKGROUND, PURPOSE AND OBJECTIVES OF THIS BASELINE REPORT**

The Construction Sector Charter Council (“CSCC”) is established by means of the Construction Sector Codes (“Codes”). These Codes were gazetted in June 2009 in terms of Section 9(1) of the Broad Based Black Economic Empowerment (“B-BBEE”) Act, No. 53 of 2003. The CSCC is mandated to provide strategic direction and oversight of the implementation of the Codes within the Construction Sector, and to report to the Department of Trade and Industry (“dti”) on the status of industry implementation of such Codes.

The purpose of this baseline report is to assess and report on the state of transformation in the Construction Sector, and to measure the impact of empowerment since the gazette of the Codes in June 2009.

The overall objectives of this baseline report are to:

- Obtain an understanding of how entities in the construction sector are performing in terms of B-BBEE compliance;
- Understand the short-comings entities have in terms of transformation and impacts of the short-comings and non-compliance and to advise the Council of such finding; and
- Recommend areas of improvement/research and development of initiatives to improve the state of empowerment in sector for the Council to consider.

## 4. SUMMARY OF SCORECARDS CAPTURED

The table below provides a summary, on an annual basis by entity type, of the scorecards captured for purposes of this baseline report.

Scorecard Type	Discipline	Total Scorecards Captured						Not analysed	TOTAL
		2009	2010	2011	2012	2013	Subtotal	2014	
	DTI codes	1	4	6	6	15	32	1	48
	Built Environment Professional	2	2	4	3	10	21	0	31
	Contractor	69	103	162	329	384	1047	2	1433
<b>Exempted Micro Enterprises</b>		<b>72</b>	<b>109</b>	<b>172</b>	<b>338</b>	<b>409</b>	<b>1091</b>	<b>3</b>	<b>1094</b>
	DTI codes	11	52	48	36	13	160	0	160
	Built Environment Professional	3	6	18	48	44	119	3	122
	Contractor	49	97	225	443	318	1132	6	1138
<b>Qualifying Small Enterprises</b>		<b>63</b>	<b>155</b>	<b>291</b>	<b>527</b>	<b>375</b>	<b>1411</b>	<b>9</b>	<b>1420</b>
	DTI codes	7	17	14	19	12	69	0	69
	Built Environment Professional	8	21	41	71	66	207	1	208
	Contractor	36	83	167	291	175	752	5	757
<b>Large Enterprises</b>		<b>51</b>	<b>121</b>	<b>222</b>	<b>381</b>	<b>253</b>	<b>1028</b>	<b>6</b>	<b>1034</b>
<b>Grand Total</b>		<b>186</b>	<b>385</b>	<b>685</b>	<b>1246</b>	<b>1037</b>	<b>3530</b>	<b>18</b>	<b>3548</b>

Table 1: Total scorecards captured

Key matters to note include the following:

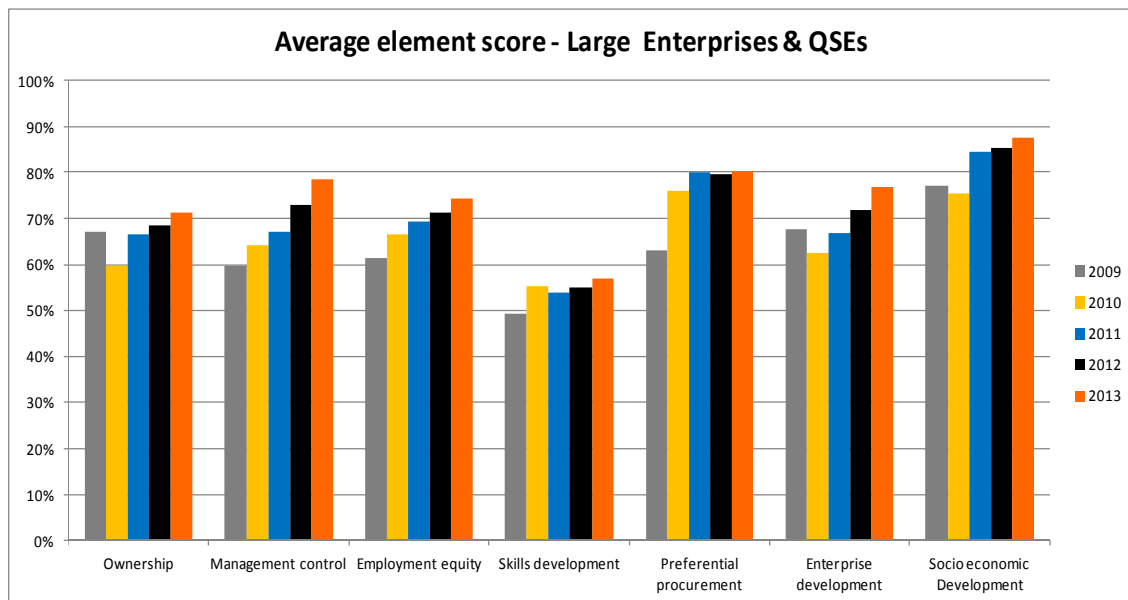
- A total of 3 548 scorecards were captured, of which 3 530 scorecards relate to the measurement period of 2009 to 2013.
- There is an annual increase in scorecards captured from 2009 to 2012 of 107%, 78% and 82% respectively.
- There is a 17% decrease in the number of scorecards captured in 2012. This is mainly due to the initial request from the CSCC for scorecards relating to the period 2009 to 2012.
- Contractors represent 90% of the total number of scorecards analysed, whilst BEPs account for 10% of the scorecards analysed. This discrepancy is due to incorrect classification between BEPs and Contractors.
- Of the total of 3 268 scorecards analysed:
  - 1 068 (32%) relate to EMEs;
  - 1 251 (39%) relate to QSEs; and

- 959 (29%) relate to Large Enterprises.
- A total of 261 scorecards, being those scorecards that were captured and verified under the dti Generic Codes rather than the Construction Sector Code, have been excluded from the overall analysis as they were deemed to be non-compliant.

## 5. DATA ANALYSIS TRENDS

### 5.1. Weighted Average Score Per Element – Large and QSEs

The graph below details the average Element score for Large Enterprises and QSEs on a combined basis. The analysis has been done on the basis of relative average percentage score contribution, based on the total number of scorecards.



Graph 1: Overall industry performance on B-BBEE

We provide a weighted average score per element for Large and QSEs as EMEs do not have to comply with each of the individual elements. This weighting was done on the total number of Large BES, Large Contractors and QSEs scorecards received in the period 2009 to 2013. The overall weighted average scores for both Large and QSEs shows a significant upward trend for the following elements:

- Ownership;
- Management and Control;
- Employment Equity;
- Skills Development;
- Enterprise Development; and
- Socio-Economic Development.



Preferential Procurement in later years shows a stagnant position at approximately 80% of the target.

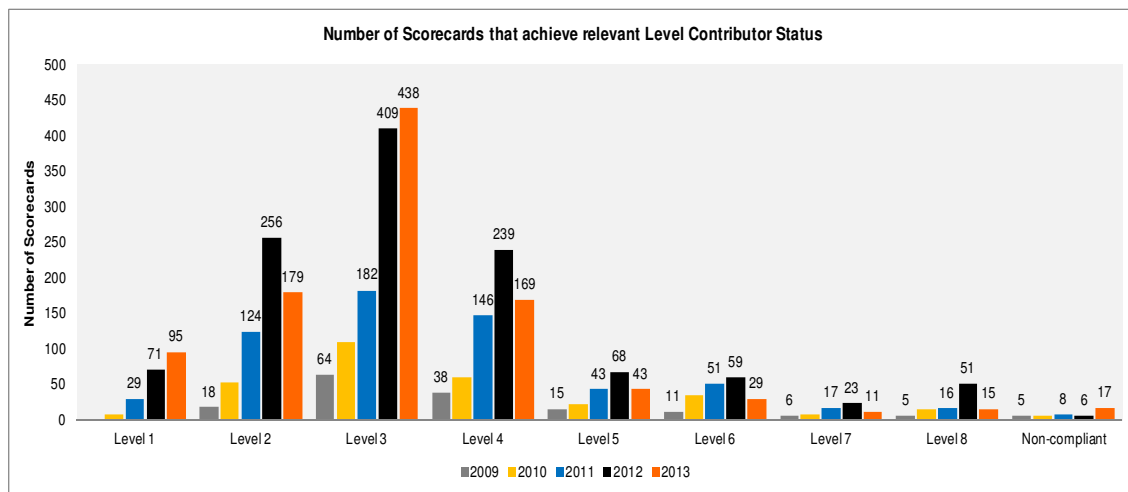
- The average score for all Elements has shown an upward trend over the 5-year measurement period.
- Socio-economic Development and Preferential Procurement show the highest average score in 2013 of 88% and 80% respectively.
- Skills Development shows the lowest average score of 57% in 2013.

This shows a positive trend of transformation in the Construction Industry. EMEs were excluded from this analysis as they do not have to comply with individual elements and therefore we are unable to analyse this data and to provide comparisons.

We note with concern that Skills Development showed the lowest average score of 57% in 2013.

## 5.2. Contributor Level Status - scorecards in total

The graph below depicts the Contributor Level Status of all the scorecards analysed.



Graph 2: Number of scorecards, with relevant Contributor level Status

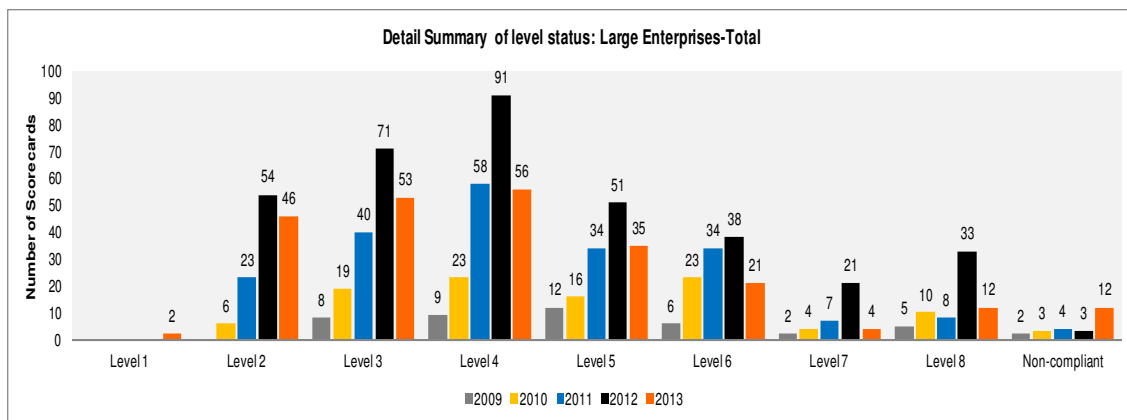
- The overall Contributor Level Status confirms that the Construction Industry has transformed over the measured period mainly due to the additional reporting of

compliant scorecards as well has a general upward trend in compliance from a Level Contributor Status due in large part from the increased number of QSEs and EMEs.

- In 2013, 88% of scorecards (881 out of 996) and 82% of scorecards in 2012 (975 out of 1182) achieved a Contributor Level Status of Levels 1 to 4.
- Of the scorecards analysed in 2013, only 12% of these achieved a Contributor Level Status of Level 5 and below.
- The decrease in the number of scorecards achieving a Contributor Level Status of 2 and 3 in 2013 has decreased from 665 (2012) to 617 (2013) - this is primarily due to a decrease of 17% in the overall number of scorecards received and captured in 2013.

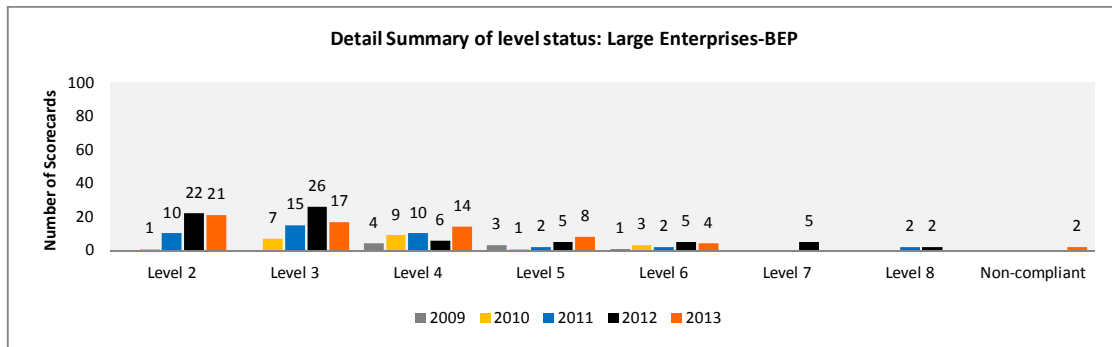
### 5.3. Contributor Level Status - Large Enterprises

The graph below depicts the Contributor Level Status of all the Large Enterprises scorecards analysed.



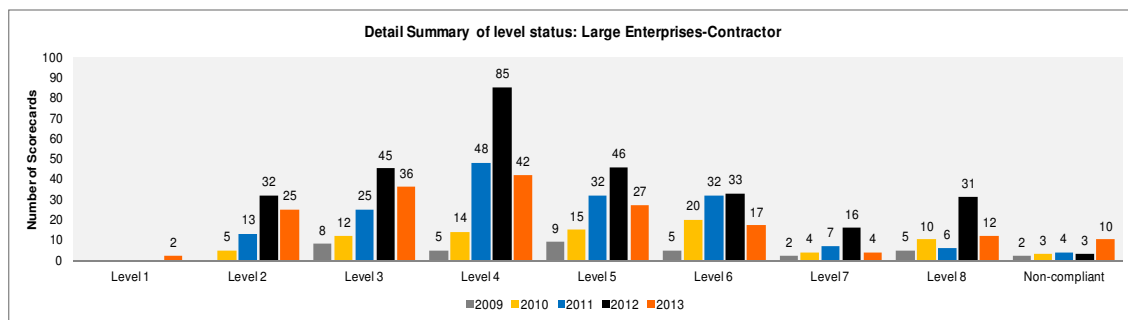
Graph 3: Summary of level status - Large Enterprises in total

- In 2013 65% of scorecards (157 out of 241) and in 2012 60% of scorecards (216 out of 362) achieved a Contributor Level Status of Levels 1 to 4.
- In 2013, 2 Large Enterprises achieved a Contributor Level Status of Level 1.



Graph 4: Summary of level status - Large Enterprises BEPs

- BEPs are better geared towards gathering data, resulting in increased overall performance.
- The large portion of BEPs (79% in 2013 and 76% in 2012) achieved a Contributor Level Status of between Level 2 and Level 4.

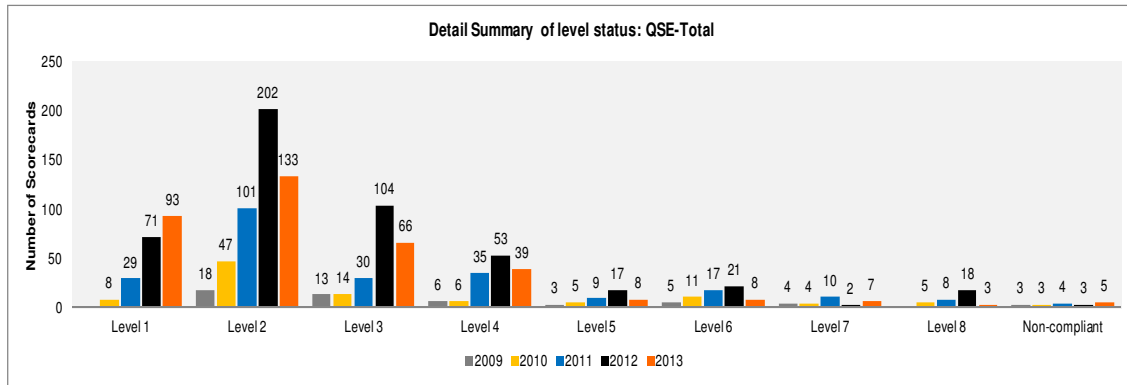


Graph 5: Summary of level status - Large Enterprises Contractors

- The large portion of Large Contractors (60% in 2013 and 56% in 2012) achieved a Contributor Level Status of between Level 1 and Level 4.
- A key concern is that in both 2012 (34 out of 291) and 2013 (22 out of 175), 10% of the entities attained a Contributor Level Status of Level 8 and below.

#### 5.4. Contributor Level Status - QSEs

The graph below depicts the Contributor Level Status of all the QSE scorecards analysed.

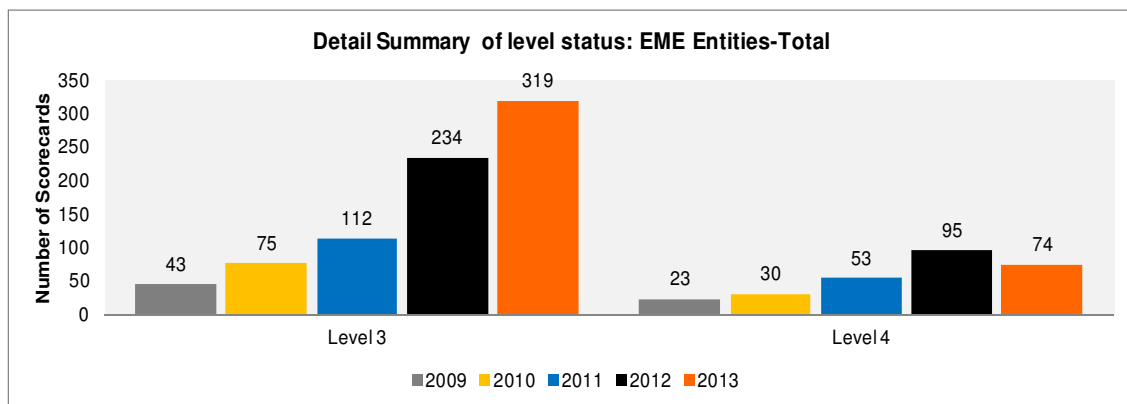


Graph 6: Summary of level status - QSEs in total

- In 2013 91% of scorecards (331 out of 362) and in 2012, 88% of scorecards (430 out of 491) achieved a Contributor Level Status of Levels 1 to 4.
- There was an increase in the number of QSE scorecards achieving a Level 1 status from 71 in 2012 to 93 in 2013. This shows an upward movement in 2013 as both Level 2 and Level 3 decreased on 2013.
- Only 8 out 362 QSE scorecards in 2013 (representing 2%) achieved a Level 8 and below Contributor Level Status.

## 5.5. Contributor Level Status - EMEs

The graph below depicts the Contributor Level Status of all the EME scorecards analysed.

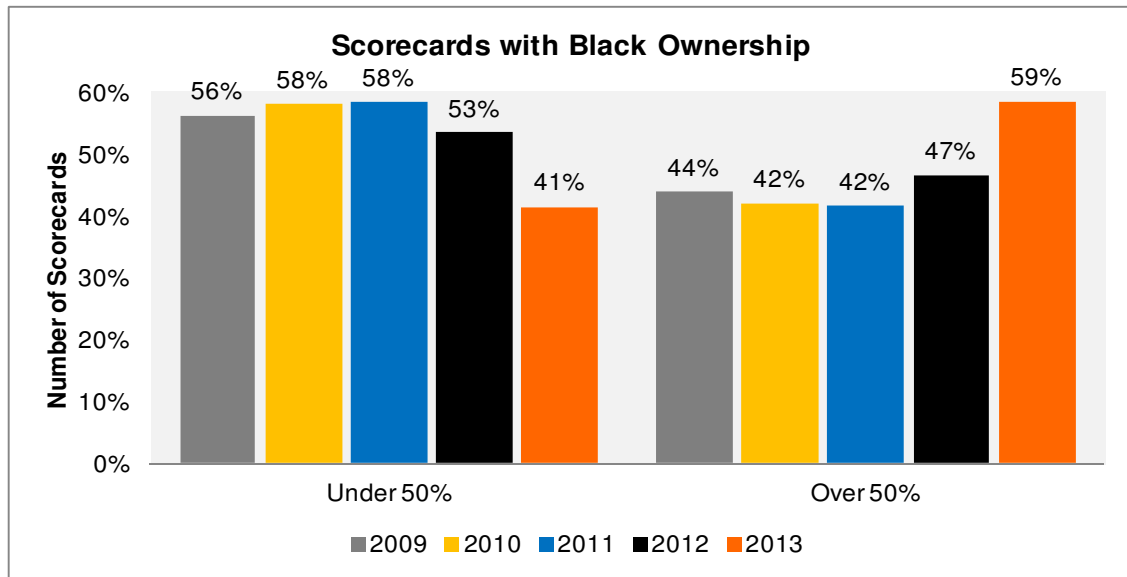


Graph 7: Summary of level status - EMEs in total

- There is an improved level of compliance as an increasing number of scorecards (81% in 2013 compared to 71% in 2012) achieved a Level 3 status ; and
- This confirms that more EMEs are striving to be more than 50,1% black owned.

## 5.6. Black Ownership

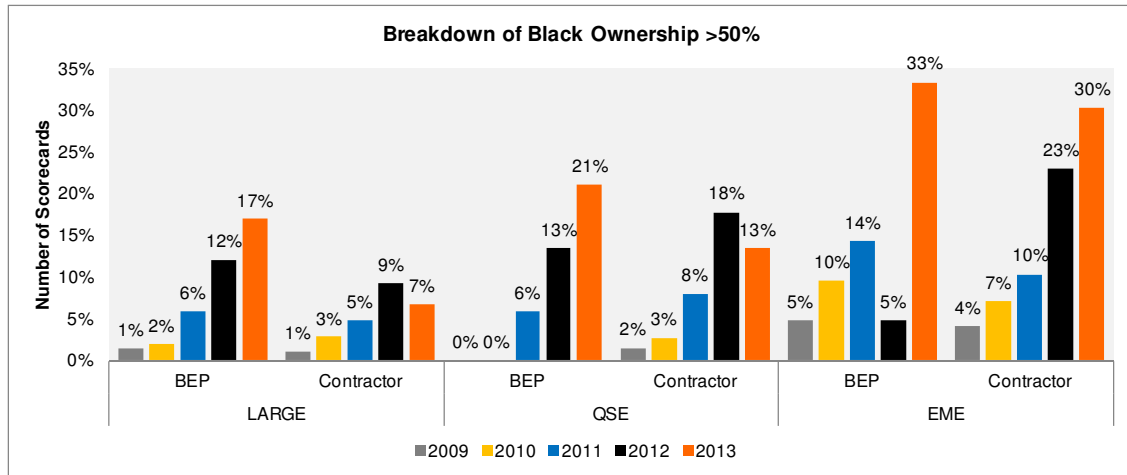
The graph below details the Black Ownership at levels less than and greater than 50%.



Graph 8: Scorecards with Black Ownership

- There is an increase in the number of scorecards attaining Black Ownership exceeding 50%.
- 47% of scorecards in 2012 (550 out of 1 182) and 59% of scorecards in 2013 (583 out of 996) achieved Black Ownership exceeding 50%.

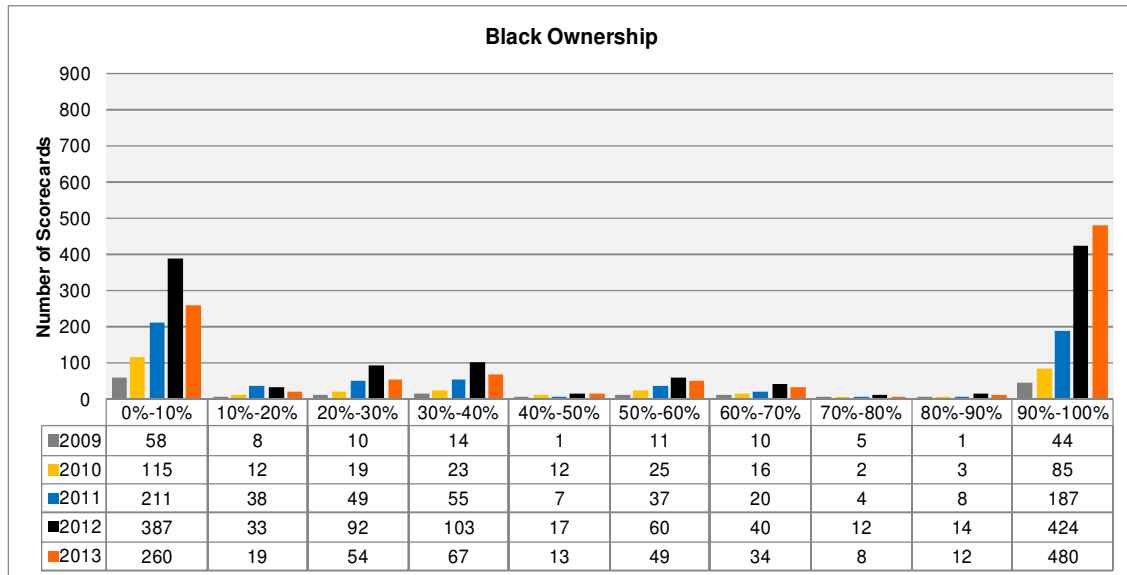
The graph below details the breakdown of Black Ownership over 50% by entity size and entity type.



Graph 9: Black Ownership > 50%

- There is an increase in Black Ownership at a BEP level due to the nature of business.
- The number of EMEs achieving Black Ownership exceeding 50% has increased from 239 in 2012 to 321 in 2013.

The graph below details the percentage of Black Ownership over the measurement period.



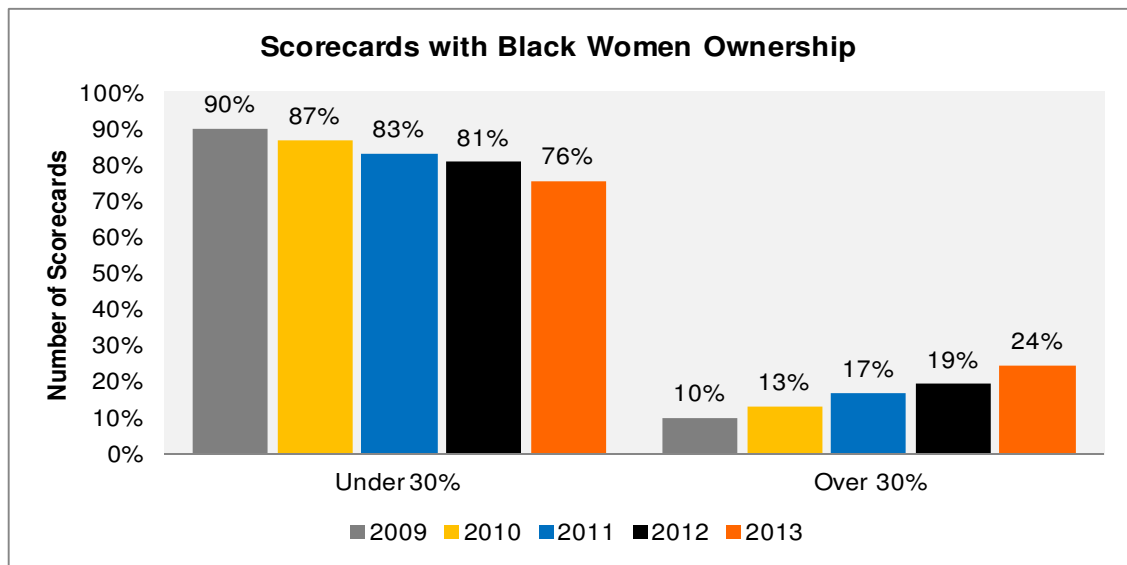
Graph 10: Black Ownership %

- There is a high level of polarisation at the extreme ends of Black Ownership i.e. between 0-10% and 90-100%.

- This appears to be different to most other industries, where the trend shows greater Black Ownership compliance closer to the industry targets (20%-30%).
- In 2013, 48% of scorecards achieved Black Ownership of between 90-100%, whilst 26% of scorecards achieved Black Ownership of between 0-10%.

## 5.7. Black Women Ownership

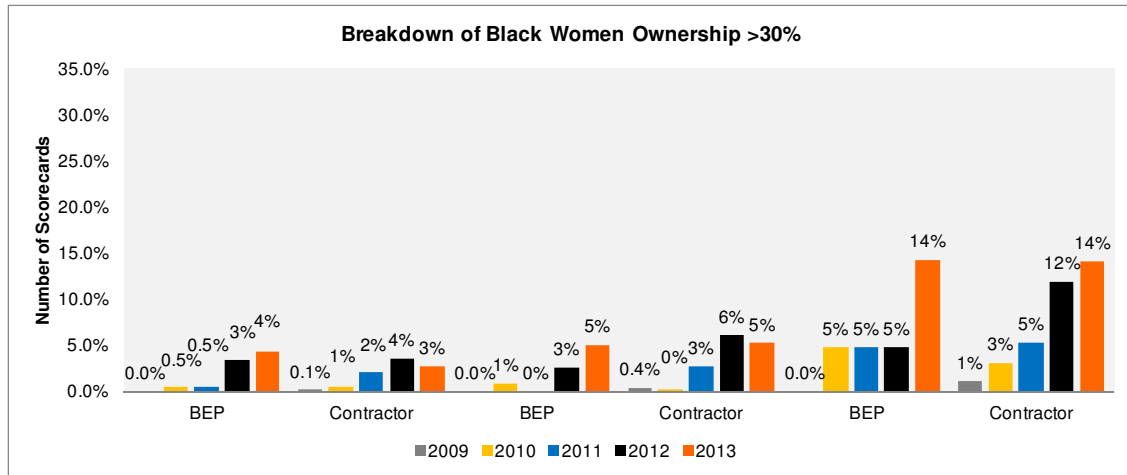
The graph below details the Black Women Ownership at levels less than and greater than 30%.



Graph 11: Scorecards with Black Women Ownership

- There is an increase in the number of scorecards achieving Black Women Ownership exceeding 30%.
- 19% of scorecards in 2012 (229 out of 1 182) and 24% of scorecards in 2013 (243 out of 996) achieved Black Women Ownership exceeding 30%.

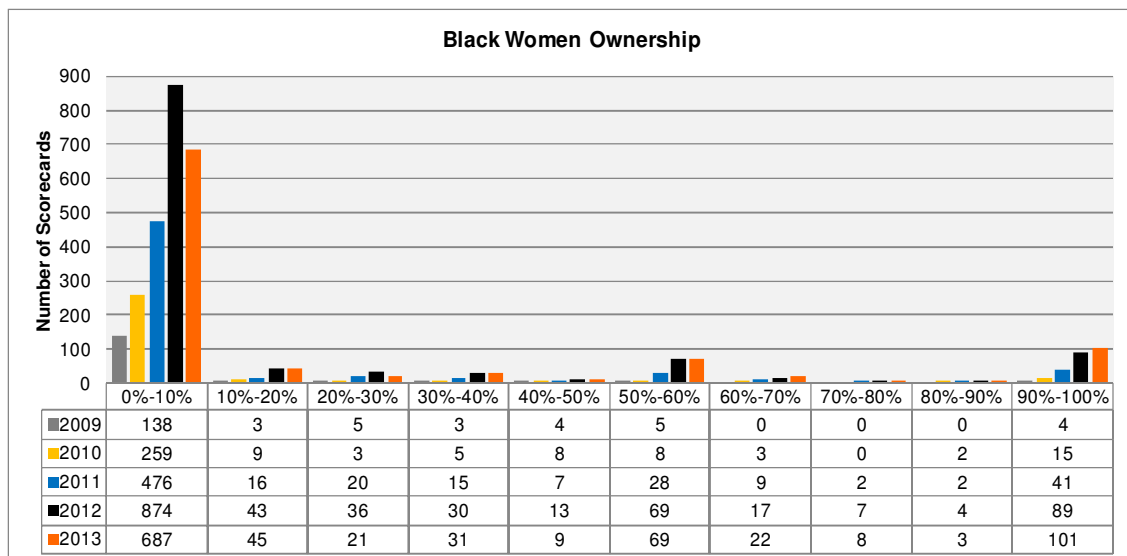
The graph below details the breakdown of Black Women Ownership exceeding 30% by entity size and entity type.



Graph 12: Breakdown of Black Women Ownership exceeding 30%

- There number of EMEs achieving Black Women Ownership exceeding 30% has increased from 124 in 2012 to 149 in 2013.

The graph below details the percentage of Black Women Ownership over the measurement period.



Graph 13: Black Women Ownership %

- There is a high level of polarisation at the extreme ends of Black Women Ownership i.e. between 0-10% and 90-100%.
- This appears to be different to most other industries, where the trend shows greater Black Women Ownership compliance closer to the industry targets (10%).



- In 2013, 10% of scorecards achieved Black Women Ownership of between 90-100%, whilst 69% of scorecards achieved Black Women Ownership of between 0-10%.

## 6. MOVEMENT IN ENTITY SIZE

The analysis in this baseline report extended to a review of the change in entity size over the measurement period. It is noted that there is insufficient consistency in the scorecards received to meaningfully analyse movements in entity size over the measurement period. Any meaningful analysis would require entities to submit a scorecard for each year of the measurement period. For purposes of this baseline report, it is noted that a total of 1 770 scorecard appeared only once over the 5-year measurement period.

The annual movement in entity size is summarised as follows:

- 2009 to 2010:
  - A total of 2 entities moved from an EME to a QSE, and a total of 4 entities moved from a QSE to a Large Enterprise.
- 2010 to 2011:
  - A total of 2 entities moved from an EME to QSE, 1 entity moved from EME to Large Enterprise, and a total of 7 entities moved from a QSE to a Large Enterprise.
  - A total of 2 entities moved from a QSE to an EME, and a total of 2 entities moved from a Large Enterprise to a QSE.
- 2011 to 2012:
  - A total of 6 entities moved from an EME to QSE and a total of 6 entities moved from a QSE to a Large Enterprise.
  - A total of 3 entities moved from a QSE to an EME, 1 entity moved from a Large Enterprise to an EME and a total of 4 entities moved from a Large Enterprise to a QSE.
- 2012 to 2013:
  - A total of 4 entities moved from an EME to QSE, a total of 2 entities moved from EME to Large Enterprise, and a total of 5 entities moved from a QSE to a Large Enterprise.

The above movements are detailed in the tables below.

Number of entities that changed entity size 2009-2010			
Moved	To EME	To QSE	To Large
From EME	8	2 ↑	0
From QSE	0	11	4 ↑
From LARGE	0	0	17

Number of entities that changed entity size 2010-2011			
Moved	To EME	To QSE	To Large
From EME	16	2 ↑	1 ↑
From QSE	2 ↓	32	7 ↑
From LARGE	0	2 ↓	43

Number of entities that changed entity size 2011-2012			
From	To EME	To QSE	To Large
From EME	24	6 ↑	0
From QSE	3 ↓	70	6 ↑
From LARGE	1 ↓	4 ↓	87

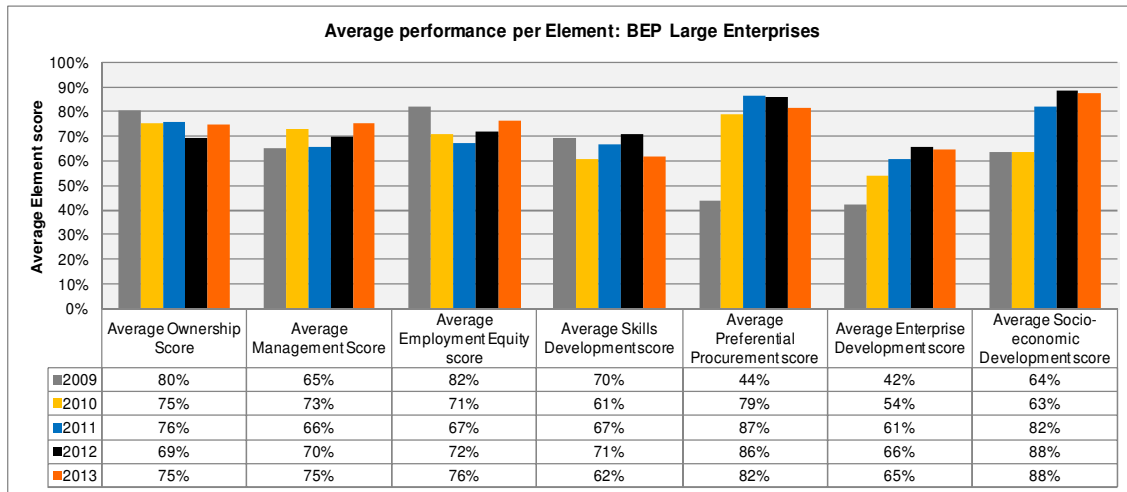
Number of entities that changed entity size 2012-2013			
Moved	To EME	To QSE	To Large
From EME	40	4 ↑	2 ↑
From QSE	0	73	5 ↑
From LARGE	0	0	78

Tables 2-5: Change in entity size annually

## 7. DETAIL SCORECARD ELEMENT ANALYSIS

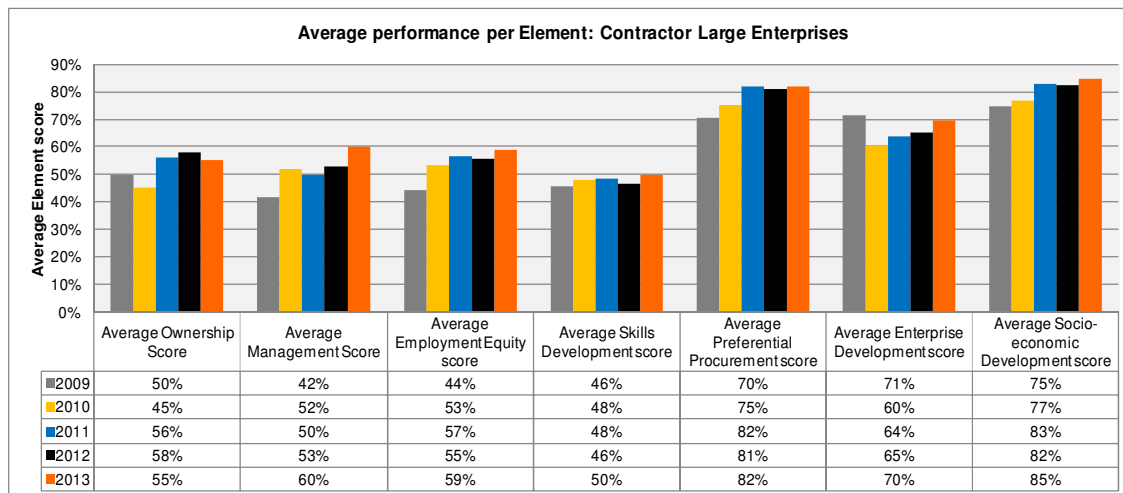
### 7.1. Large Enterprises

The graphs below detail the average score per Element over the measurement period for both Large BEPs and Large Contractors:



Graph 14: Average performance by element - Large BEPs

- The upward trend for Preferential Procurement confirms that Large BEPs are increasingly utilising Black Owned companies for their procurement. The average score for Preferential Procurement has increased from 44% in 2009 to 82% in 2013.
- The average element score in 2013 ranged between 62% (Skills Development) and 88% (Socio-Economic Development).
  - This shows a significant improvement on the average element scores in 2009 between 42% (Enterprise Development) and 82% (Employment Equity).

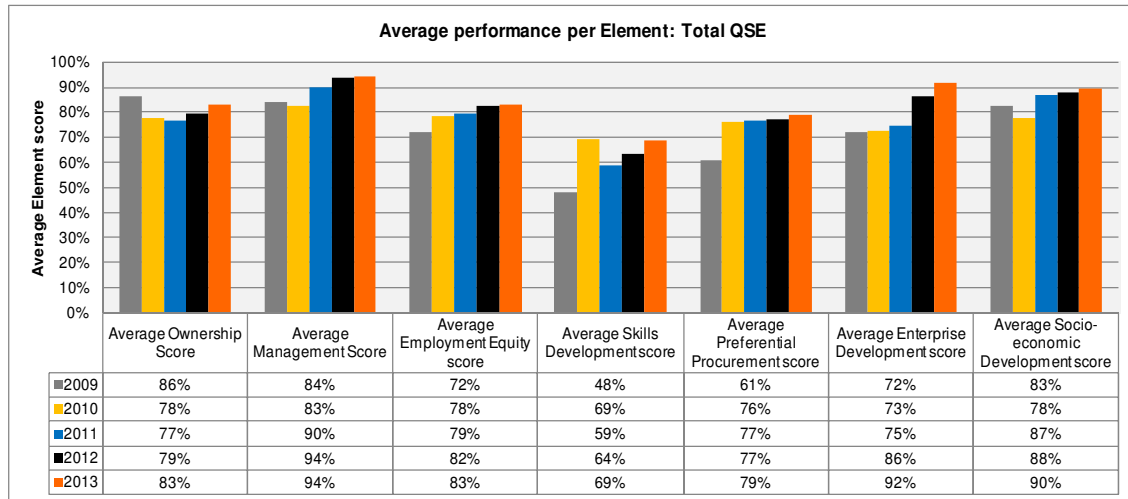


*Graph 15: Average performance by element - Large Contractors*

- The upward trend for Preferential Procurement confirms that Large Contractors are increasingly utilising Black Owned companies for their procurement. The average score for Preferential Procurement has increased from 70% in 2009 to 82% in 2013.
- The average scores for Skills Development averaged between 46% and 50%, and shows little signs of further improvement.
- The average element score in 2013 ranged between 50% (Skills Development) and 85% (Socio-Economic Development).
  - This shows a significant improvement on the average element scores in 2009 between 42% (Management Control) and 75% (Socio Economic Development).

## 7.2. QSEs

The graph and table below indicate the average score achieved by QSEs over the 5-year measurement period, and also details the number of entities that utilised each scorecard element for the respective year under review.



Graph 16: Average performance per element - Total QSEs

	Total Ownership	%	Total MC	%	Total EE	%	Total SD	%	Total PP	%	Total ED	%	Total SED	%	Total Number of entities
2009	27	52%	25	48%	44	85%	20	38%	43	83%	15	29%	34	65%	52
2010	49	48%	47	46%	87	84%	34	33%	82	80%	38	37%	75	73%	103
2011	133	55%	125	51%	213	88%	75	31%	184	76%	93	38%	149	61%	243
2012	274	56%	289	59%	412	84%	158	32%	358	73%	167	34%	306	62%	491
2013	218	60%	223	62%	310	86%	79	22%	254	70%	140	39%	223	62%	362

Table 6: Number of QSE entities per element

- Over the 5-year measurement period, Employment Equity is the most popular element utilised by QSEs in their scorecard verification.
  - 86% of QSEs selected Employment Equity as a scorecard element for 2013.
- Upward trends have been observed for both Ownership and Management Control:
  - In 2013, 60% of scorecards used Ownership, whereas only 52% of scorecards used this element in 2009.
  - In 2013, 62% of scorecards used Management Control, whereas only 48% of scorecards used this element in 2009.
- Downward trends have been observed for both Skills Development and Preferential Procurement:
  - In 2009, 38% of QSEs utilised Skills Development. This has reduced significantly to 22% in 2013.
  - In 2009, 83% of QSEs utilised Preferential Procurement. This has reduced significantly to 70% in 2013.

- The average element score ranged from 69% (Skills Development) to 94% (Management Score) in 2013.
  - This represents an improvement in the average score in 2009, which ranged from 48% (Skills Development) to 86% (Ownership).

## 8. CONCLUSION

The Construction Sector has in the period from 2009 till 2013 shown increased levels of transformation both at a Level Contributor Status as well as an average score per element basis.

There were increased levels of reporting both in terms of the number of Construction Sector Code compliant certificates but also from enhanced reporting in terms of Level Contributor status.

There is an upward bias to the overall Level Contributor Status analysis due to the nature of the industry where 71% of the scorecards analysed were for EMEs and QSEs. Both tend to score higher and this is demonstrated in the analysis done.

Data consistency and accuracy remains a key concern and the CSCC needs to ensure that there is compulsory reporting to enable richer analysis at a sub-element basis. The Verification Industry has a key role to play in this regard as well as companies conducting business in the Sector. In terms of the Amended B-BBEE Act of 2013 which defines fronting and the consequence of fronting, this matter should be addressed.

The number of scorecards analysed appears to be low relative to the number of active companies in the Sector. The CSCC intends to improve communication with members, engagement with the dti and BEE Commissioner (once established) to ensure compulsory reporting to the charter council. This will result in greater consistency and allow industry tracking.

Lastly, having access to the full verification report will result in richer analysis and this will enable the CSCC to address transformation in the industry in a more meaningful manner.

We would like to thank the Chair of the CSCC, CSCC members, the Monitoring and Compliance Sub Committee, CEO, staff and our independent service providers, Black Lite



Consulting, Cuma IT and SP3 for their assistance in producing this our maiden Baseline report on transformation progress in the Construction Industry.