

A banner for the Infrastructure Indaba 2022 event. The left side features a yellow circle with a blue arrow pointing right, containing the text 'INFRASTRUCTURE Indaba 2022'. The right side is dark blue with white text: 'ENGINEERING THE FUTURE NOW!', '18 - 19 AUGUST 2022', and 'INDABA HOTEL, FOURWAYS'. A circular logo with the number '70' and 'YEARS OF CONSTRUCTION' is also present.

IMPLEMENTING AN INTEGRATED STRATEGY FOR THE RECONSTRUCTION, GROWTH AND DEVELOPMENT OF THE CONSTRUCTION INDUSTRY

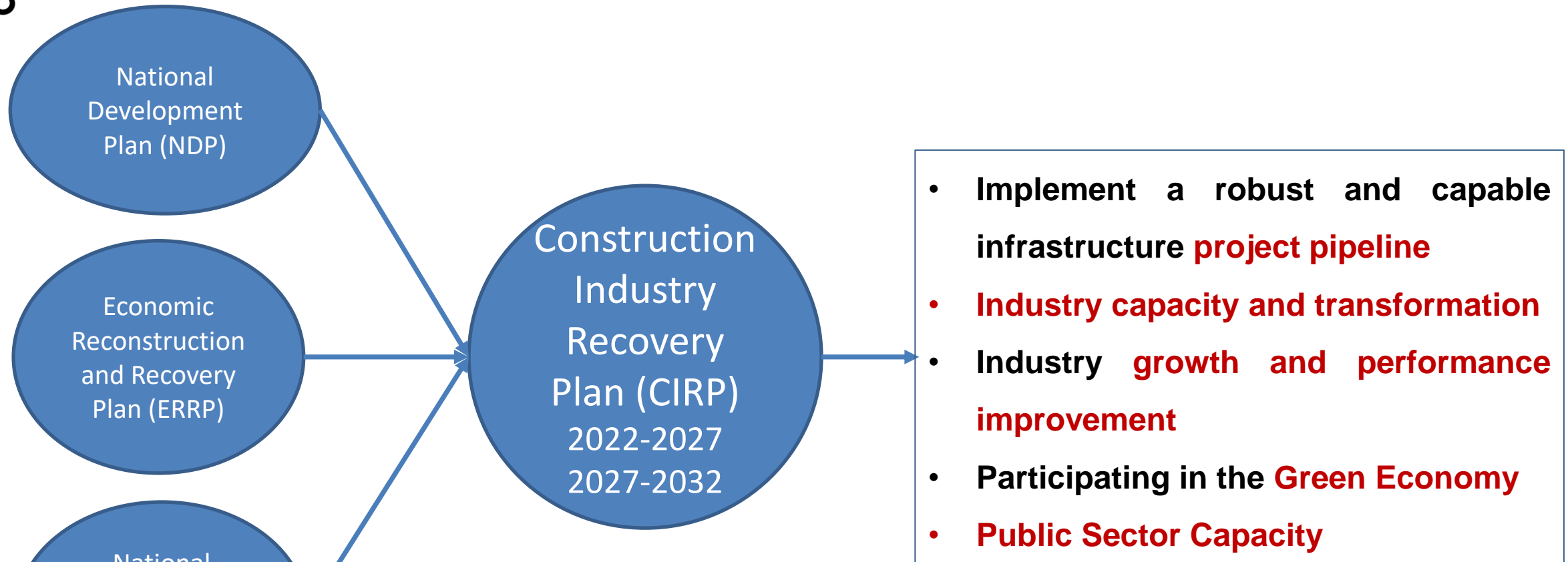
18-19 Aug 2022



PRESENTATION STRUCTURE

- **Context for a Construction Industry Recovery Plan (CIRP)**
- **Status of the Construction Industry**
- **Interventions for the Recovery of the Construction Industry**

Context for the Construction Industry Recovery Plan (CIRP)

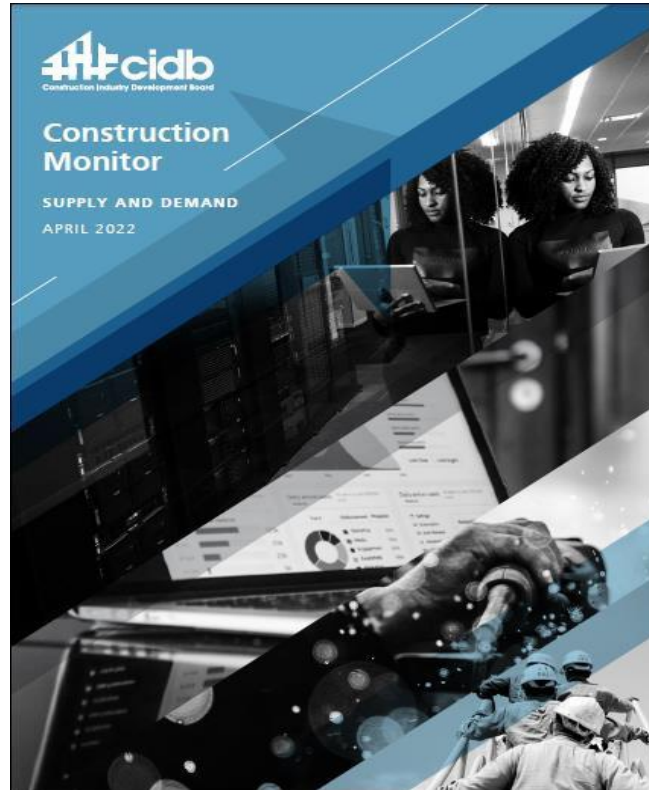


Supply and Demand - Infrastructure

Spending: Public Sector

- State-Owned Companies and Public Entities collectively account for 44% of the total public infrastructure budget. Municipalities and Provincial Departments also account for a significant portion of the public sector infrastructure budget, 24% respectively. The remaining entities; National Departments and Public-Private Partnerships account for around 8% of the public sector infrastructure budget.
- During the 2018/19 to 2020/21 financial years, there has been massive underspending by State-Owned Companies. Over the 2018/19 to 2020/21 financial years, State-Owned Companies spend less than 70% of their budget and Municipalities spent less than 90% of their budget. The underspending by State-Owned Companies has been increasing, at the end of the 2020/21 financial year, they spent only 48% of their budget and 65% of their adjusted budget. The deterioration in the spending on public sector infrastructure is largely due to a decline in spending by State-Owned Companies.

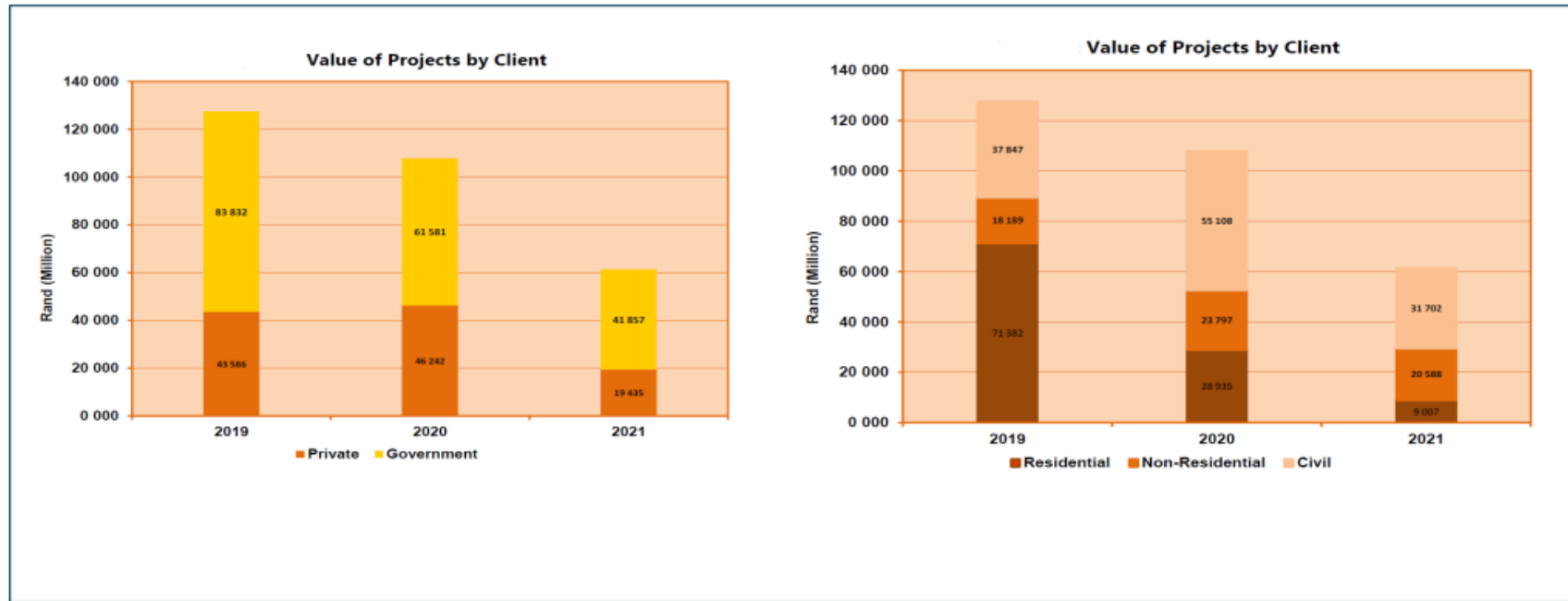
Construction Monitor: Supply and Demand



The cidb Construction Monitor; Supply and Demand, April 2022 provides an overview of the structure of the construction industry, public sector infrastructure spending and business conditions in South Africa and covers Quarter 2 of 2021 to Quarter 1 of 2022.

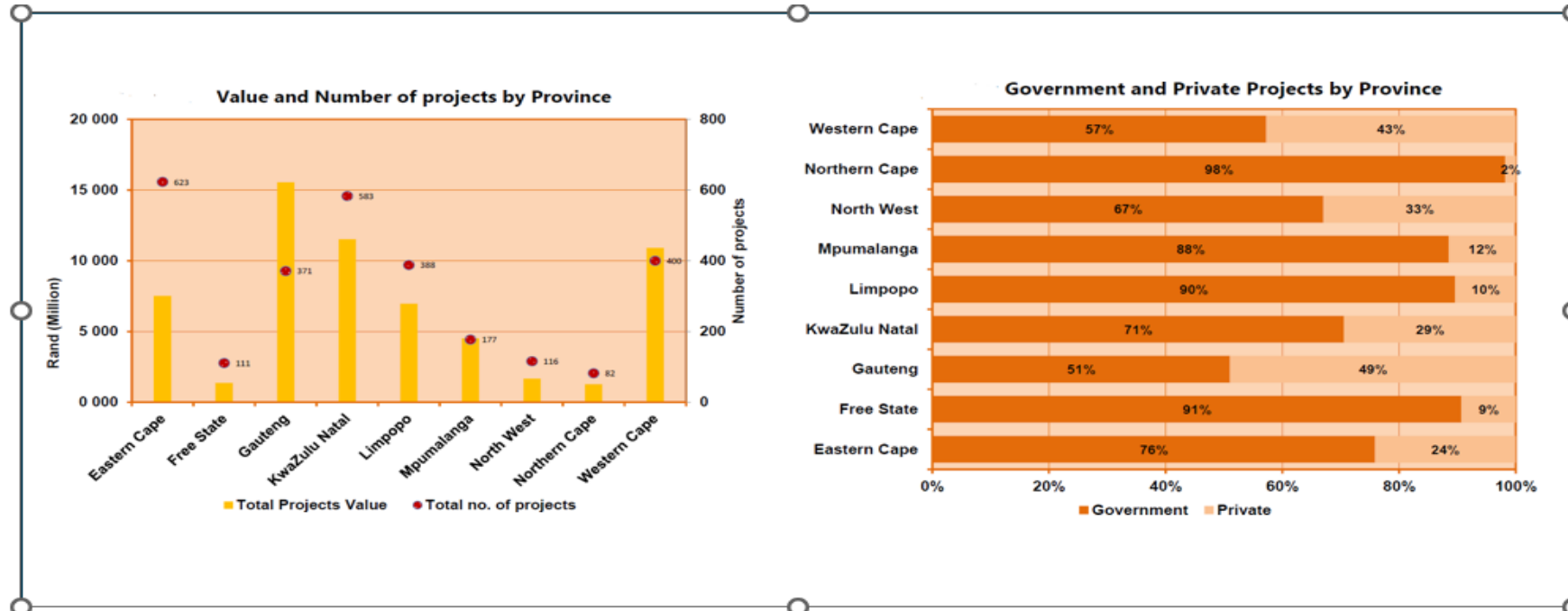
The Construction Monitor focuses on public sector supply and demand at national and provincial levels and deals primarily with the General Building (GB) and Civil Engineering (CE) cidb Classes of Works.

cidb Construction Monitor: Supply and Demand, April 2022



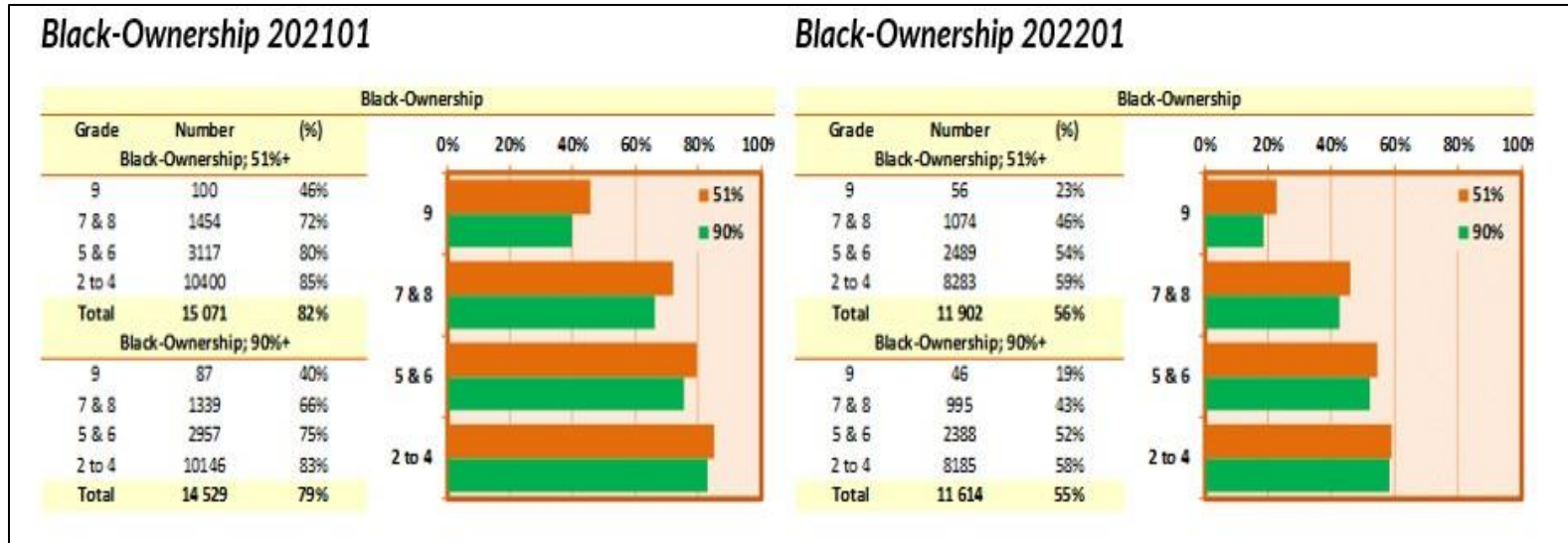
- At the end of 2021, the value of construction projects awarded declined by 43% to R61 billion. The number of awards also declined by 15% to 2851 (2020: 3370). Construction projects were concentrated in the following provinces: Gauteng (25%), KwaZulu Natal (19%), Western Cape (18%) and Eastern Cape (12%).
- Proportion of projects between public sector and private sector stands at 68% and 32% in 2021. Both the public and private sectors recorded a decline in the value of projects awarded. Private sector project awards contracted by 58% while public sector projects contracted by 32%. In value terms, private sector projects were around R19,4 billion in 2021, in comparison to 2020, the value of the projects declined by around R27 billion. Public sector projects were around R42 billion in 2021, in comparison to 2020, the value of the project declined by around R20 billion.

cidb Construction Monitor: Supply and Demand, April 2022



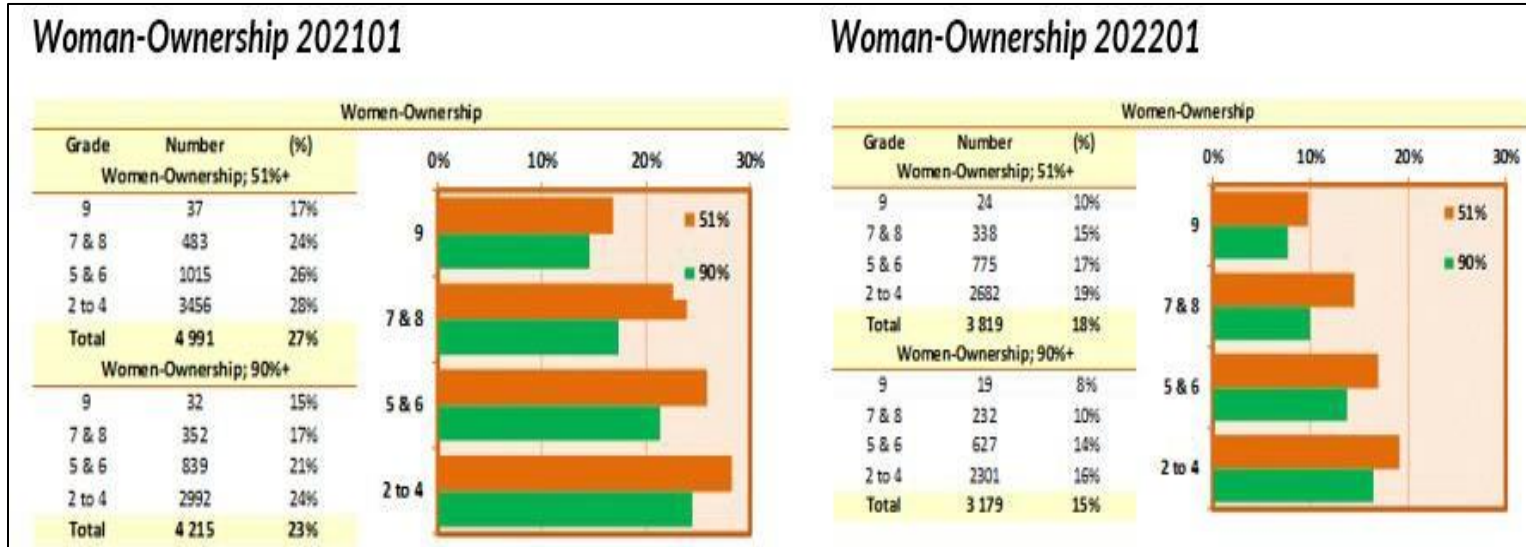
- In 2021, the public sector dominated the projects awarded in all 9 provinces, it accounted for more than 70% of projects awarded in 6 provinces. In value terms, the highest amount of projects awarded by the public sector was in KwaZulu Natal (R8 billion) and Gauteng (R7,9 billion). The private sector had the largest proportion of projects awarded in only two provinces, Gauteng (49%) and Western Cape (43%). In value terms, the amount of projects awarded in Gauteng and Western Cape was around R7,6 billion and R4,6 billion.

Transformation – Black-Owned Contractor Enterprises in Grades 7 to 9, (51%+)



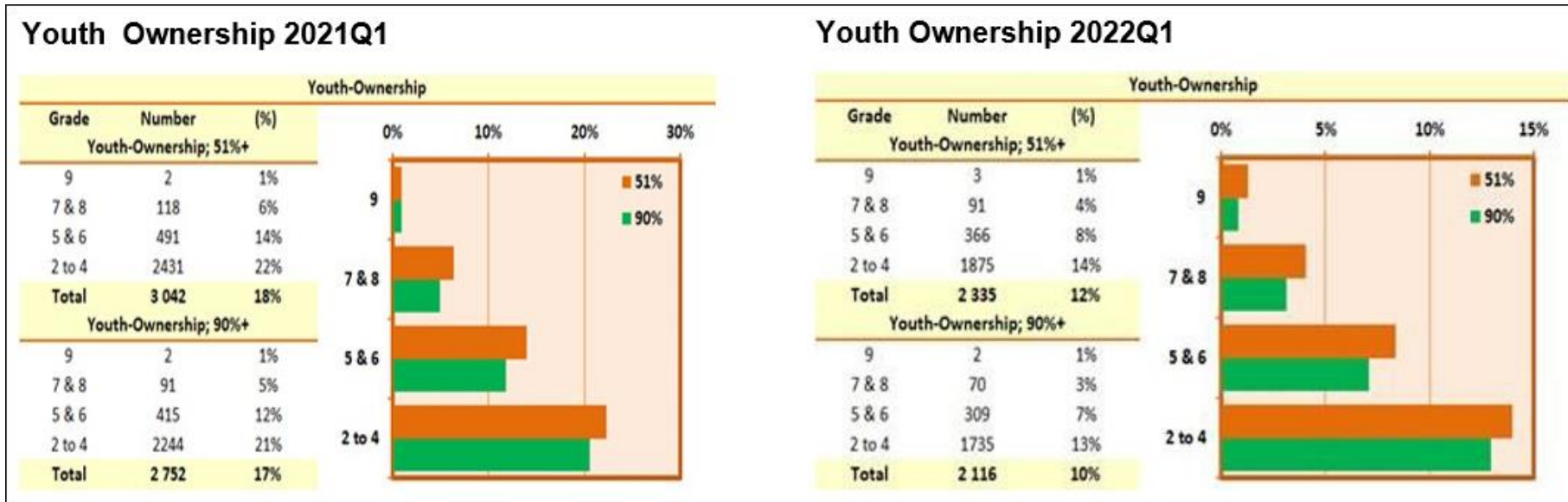
- The construction industry - including professional service providers, contractors and materials suppliers remains largely under-transformed. This lack of transformation in contractor ownership and access to work opportunities is particularly pronounced in grades 7 to 9.
- The assessment above shows that there has been a significant decrease in Black ownership across Grades 7 to 9 when comparing the period 202101 and 202201. Transformation decreases with increasing cidb grade (size of the company). Specifically, for black ownership of 51+% and 90+% above.

Transformation – Women-Owned Contractor Enterprises in Grades 2 to 9; (51%+)



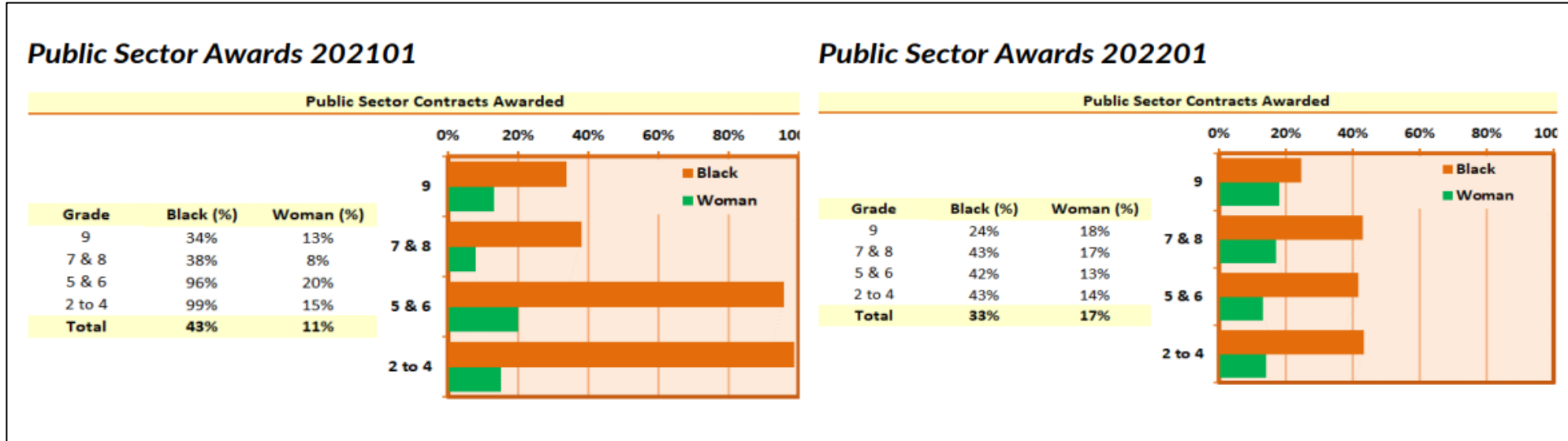
- For women ownership of 51% and above, it amounts to around 27% in the second quarter of 202101 of all contracting enterprises, showing a significant decrease to 18% in the first quarter of 2022. While a significant decrease was seen for women-ownership above 90%, amounting to a total of 15% in 2022Q1. The overall performance indicates that the women ownership has increased.

Transformation – Youth-Owned Contractor Enterprises Ownership across all Grades; (51%+)



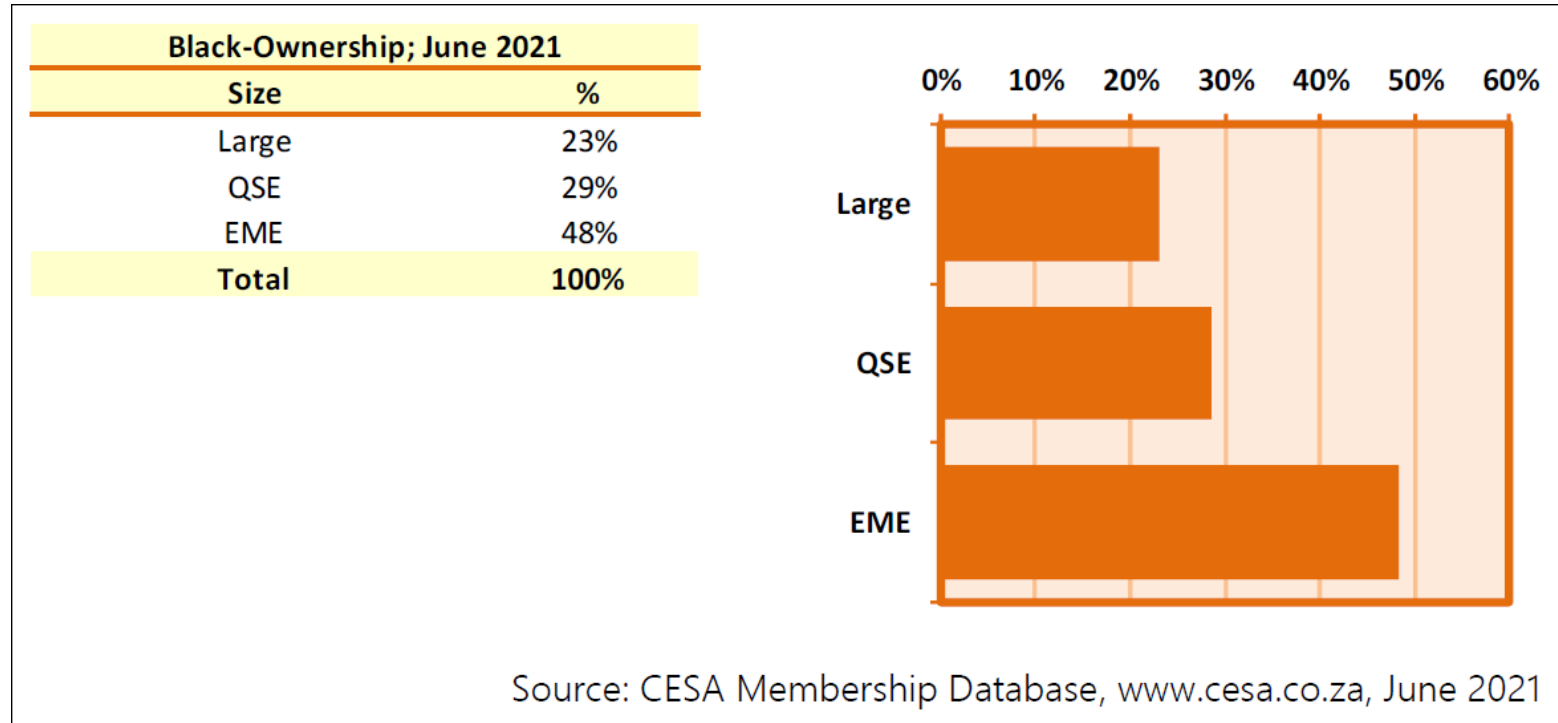
Youth ownership of 51% and above, youth-ownership amounts to around 18% in 2021Q1. For 2022Q1 the 90% youth owned entities have dropped to around 10% of the active cidb registered entities.

Transformation – Participation



Overall, it is seen that black-owned contractors (51% and more), which makes up 56% of registered contractors, are accessing in total around 33% of public sector awards for the 2022Q1 period, which is a significant decrease from 43% in the 2021Q1 period. Of concern is that the percentages of work accessed in Grade 2 to 4 have decreased from 99% to 43% in relation to 2021Q1. Similar conclusions can be drawn for women-owned contractors, who accessed around 17% of total public contract awards in the 2022Q1 period, which is up from 11% in 2021Q1.

Transformation – Built Environment Professions Sector



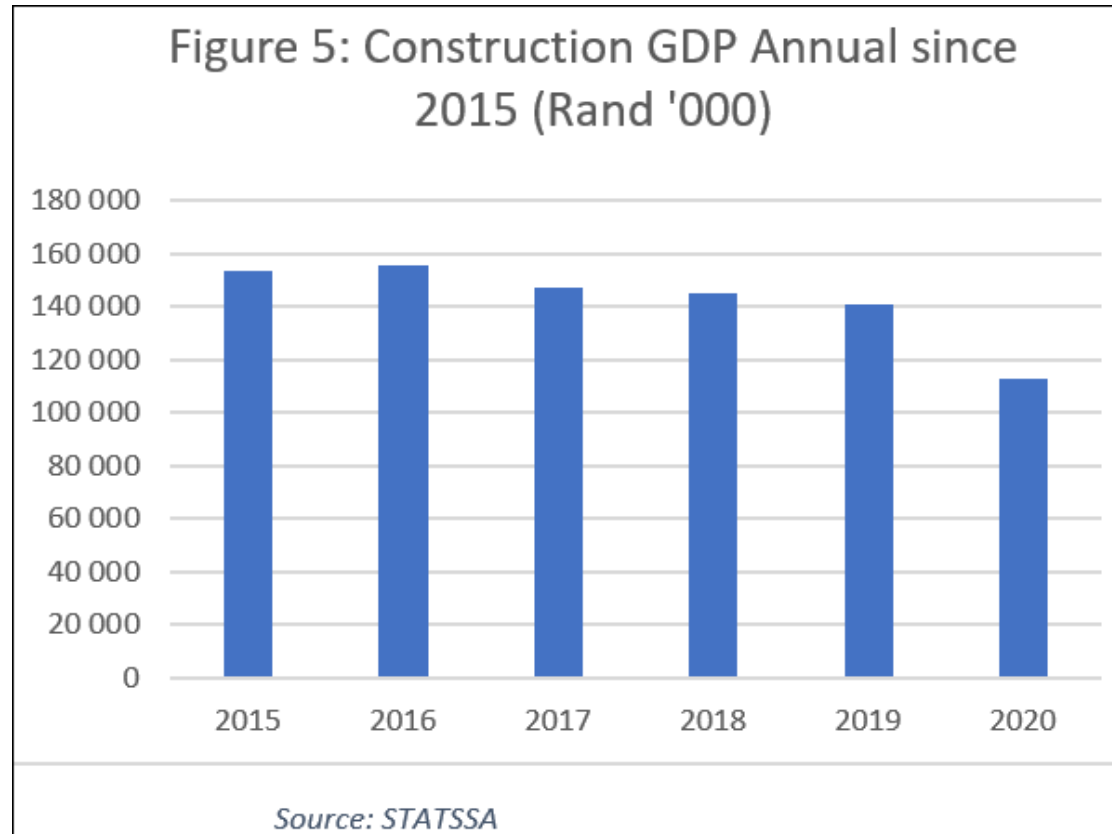
In comparison with the January 2021, Exempted Micro Enterprises (EMEs) has decreased slightly from 50% to 48%, Qualifying Small Enterprises (QSEs) has also decreased from around 36% to 29% The percentage of black-owned Large enterprises has increased from 13% to 23%.

CIDB Study: Contractor Deregistration; Tender Cancellations

1. Transformation: Reasons for deregistration of CIDB contractors in Grade 7 and 9.	2. Tender Cancellations: Nature, causes, and impacts on the South African Construction Industry
<ul style="list-style-type: none"> Client department's failure to roll-out large scale infrastructure has contributed to a dire construction industry with a negative impact to CIDB registered companies 	<ul style="list-style-type: none"> No responsive tenders No acceptable tenders received Tender validity expired Non-compliant with SCM regulations Ambiguities in tender specifications Material irregularities in tender process Changes in circumstances Insufficient budget to cover scope of work
<ul style="list-style-type: none"> Deteriorating economy that has led to liquidation in some cases 	
<ul style="list-style-type: none"> Legislation not providing enough help in transforming the construction industry 	
<ul style="list-style-type: none"> Client departments does not pay on time and this have dire consequences to already struggling companies 	

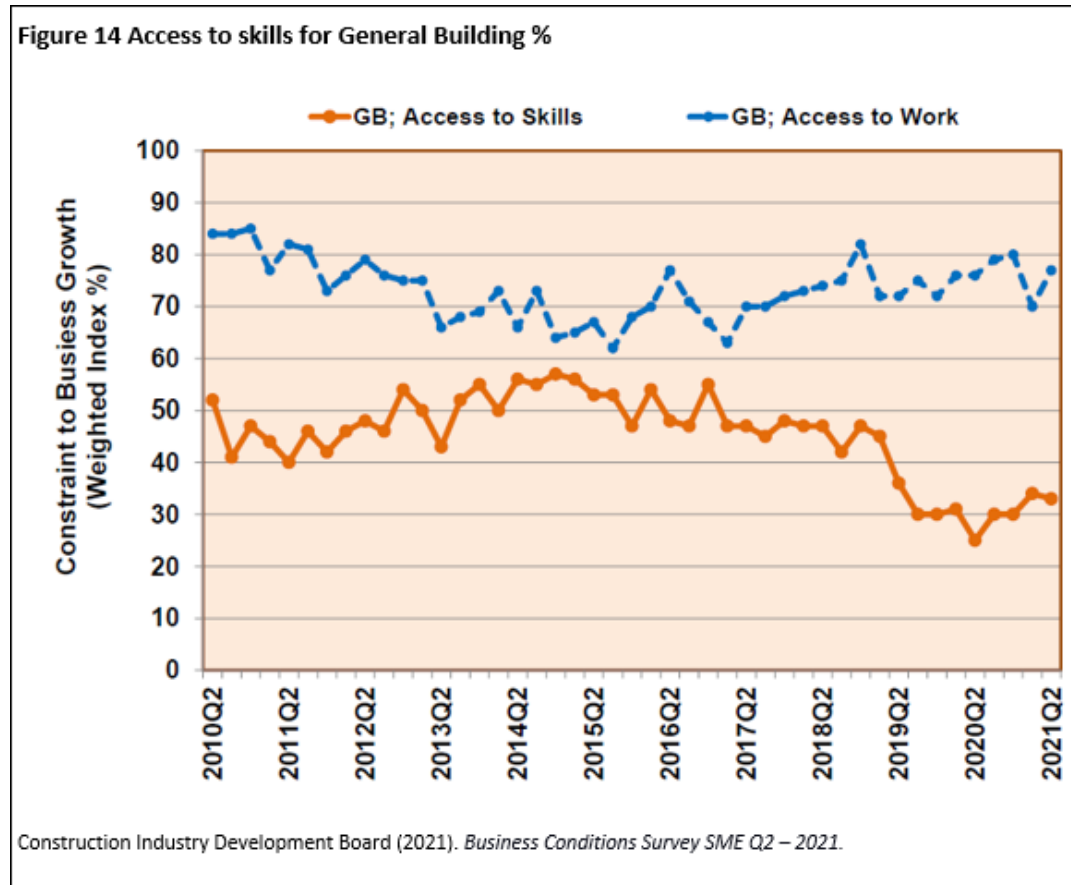


Construction Gross Domestic Product



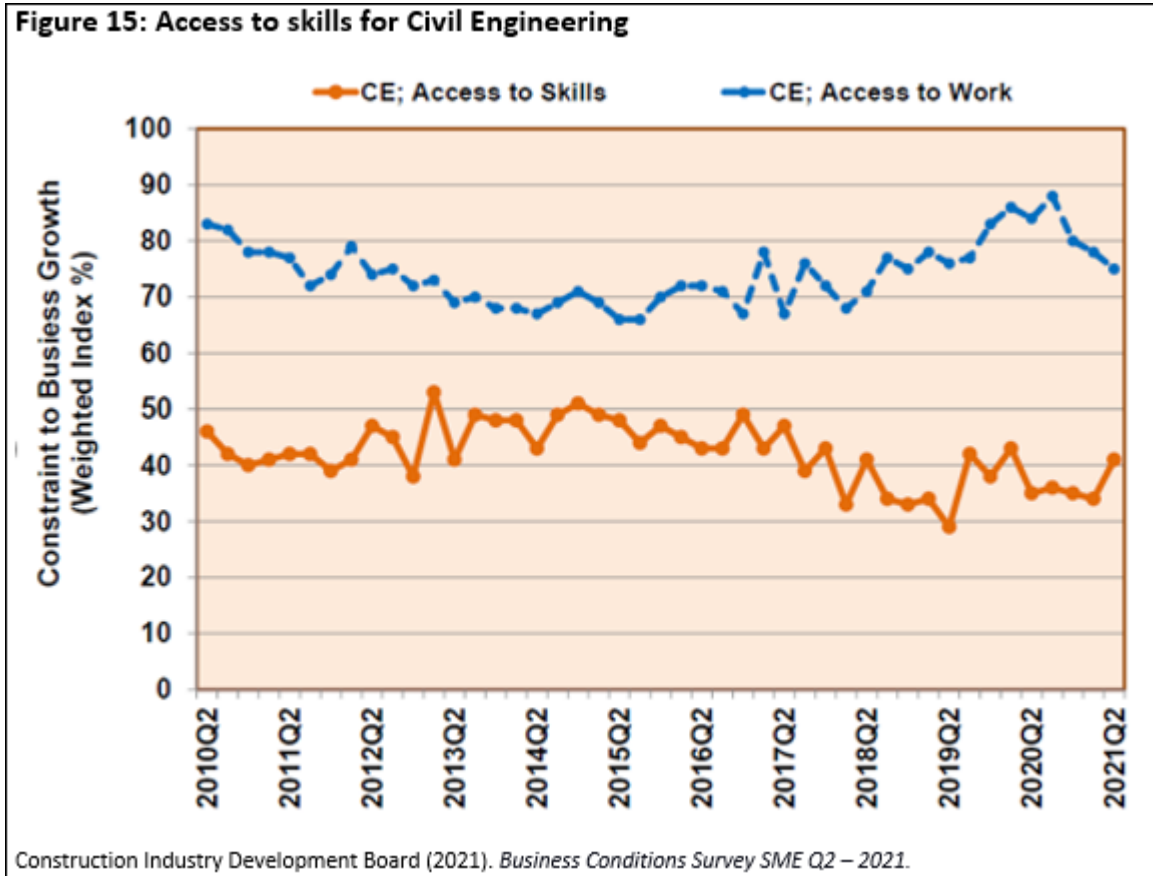
The construction industry experienced steady growth since early 2010 and has peaked in 2016, after which it declined over the past five years.

Access to Skills – General Building



Access to skills is illustrated in the graphs above, where the constraints of access to work and access to skills are compared (weighted index) for General Building (GB) and Civil Engineering (CE) classes of work.

Access to Skills – Civil Engineering



A shortage of skills drives up the cost of labour, resulting in decreased profit margins. Small and medium-sized emerging contractors are likely affected most by a skills shortage as they cannot attract and retain some essential skills.

Construction Products Price Increases

Table 5: Construction Products that has shown an extraordinarily high increase (Source STATSSA)

Product	% Change from Dec 2020 to Dec2021
Tubes, pipes, tube-fittings, and pipefittings	27.8
Welded angles, shapes, and sections for use in manufactured structures	28.1
Bars and rods of iron or steel	33.1
Angles, shapes, sections and similar products of iron or steel	37,2
Construction plastic pipes, tubes, and fittings	23.9
Bituminous mixtures	44,5
Pre-mix asphalt	26,7

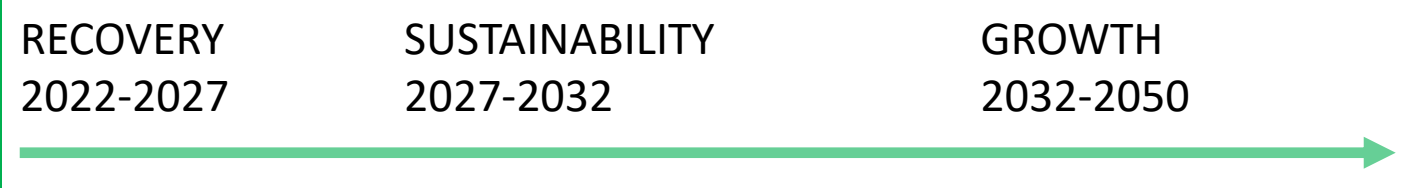
Stats SA (2021). Statistical Release P0151.1 - Construction Materials Price Indices.

The first four products have steel as the input material, which is indicative of the steel shortage that is experienced across the country. The demand thus outstrips the supply, and the prices have increased. Investigations are required in the shortage of steel as South Africa is a large iron ore producer. After selling SA's largest steel production plants to ArcelorMittal SA and as the only company operating blast furnaces in South Africa, it is responsible for most iron production and supplying 80% of local flat steel requirements and 52% of the iron production the local long steel products.

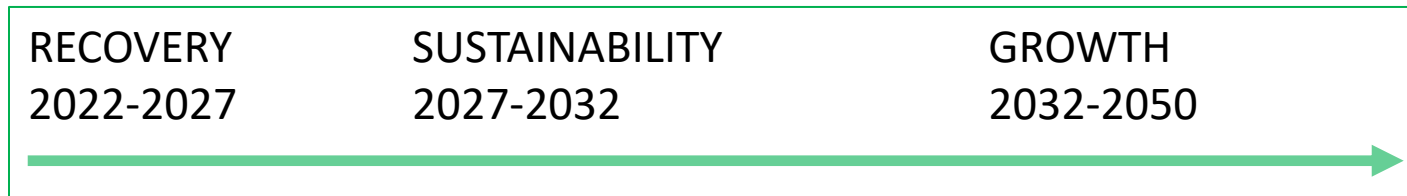
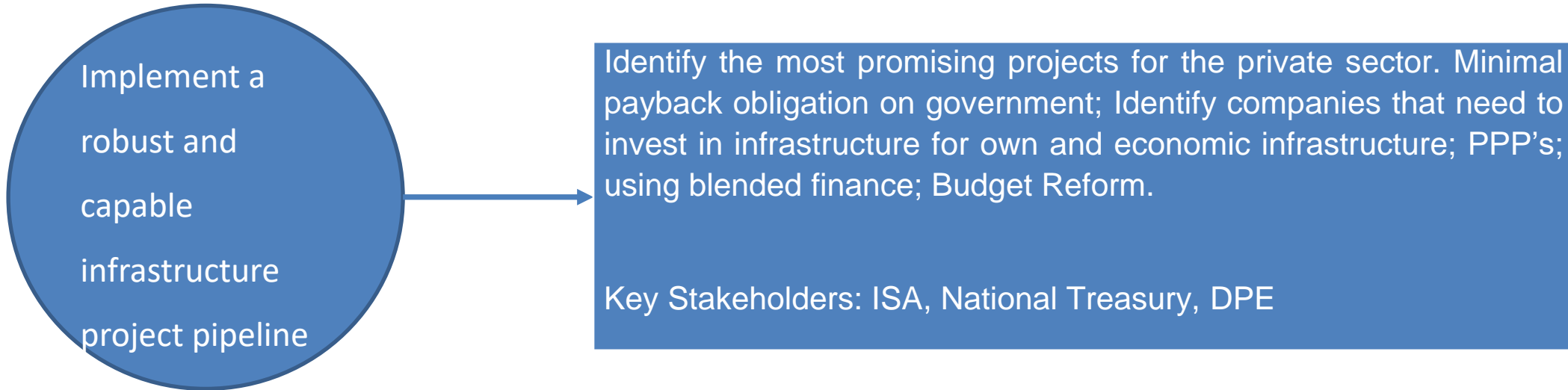
Intervention Categories



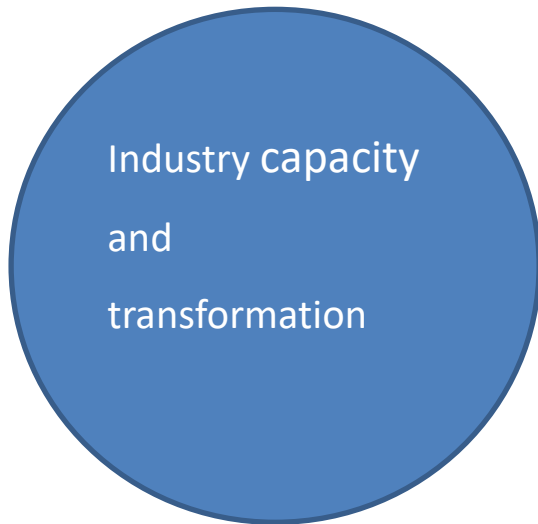
- Implement a robust and capable infrastructure **project pipeline**
- **Industry capacity and transformation**
- **Industry growth and performance improvement**
- **Participating in the Green Economy**
- **Public Sector Capacity**



Robust and Capable Infrastructure Project Pipeline

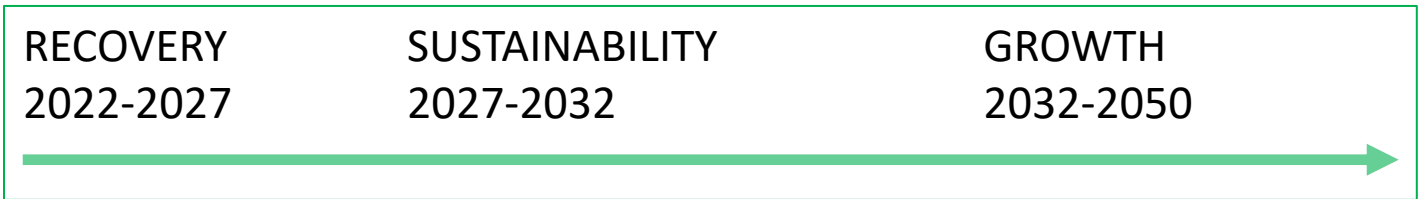


Industry Capacity and Transformation



Job Creation and Mainstreaming Gender Equality; Transformation; Promote Centres of Excellence for construction skills (artisan development); Clients (public and private) implementing the Best B.U.I.L.D programme); localisation of the supply sector; Intensifying contractor development programmes; improving procurement risk management; minimise risk or over-competition in the professional services sector; youth employment

Key Stakeholders: DPWI; NT; ISA, CBE, CIDB; DTIC, Infrastructure clients;

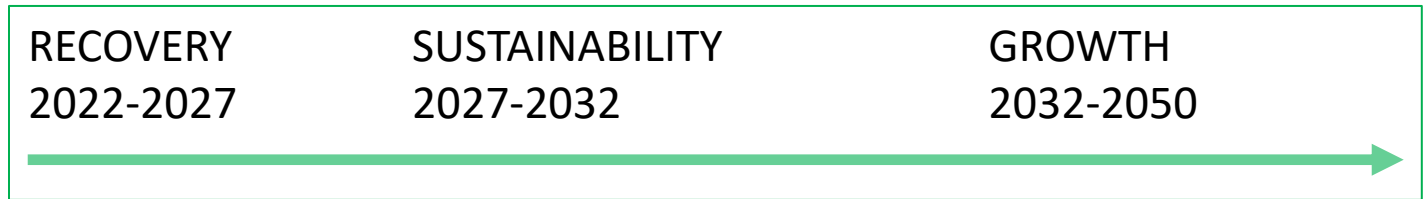


Industry Growth and Performance Improvement



Enhanced collaboration to accept information technology tools that can assist the value chain from inception to maintenance and decommissioning; Built Environment Professional Firms Export Council; Contractor Exports; Improved construction management; CIDB B.U.I.L.D Programme.

Key Stakeholders: Industry; cidb, CBE, DTIC



Green Economy



Establishing minimum energy performance standards (MEPS); Mobilising financing for clean systems; Government buildings invest in low emissions and efficient systems; Expanding energy generation infrastructure; recapitalisation of manufacturing plants to deliver products with lower energy requirements; Expanding energy generation infrastructure; Support the development of material recycling processes.

Key Stakeholders: DTIC, SANS;CIDB; Agrément; Infrastructure clients; Private sector; DMRE; SANS

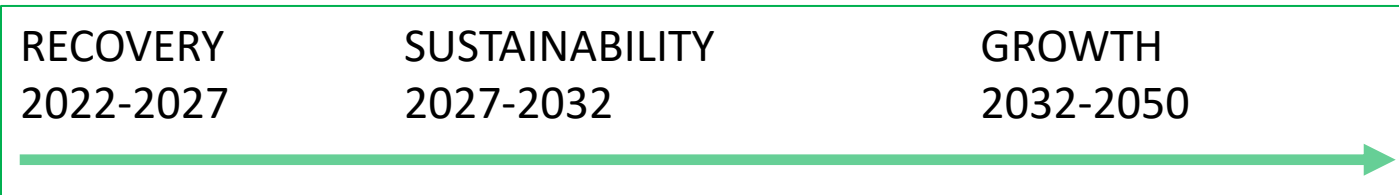
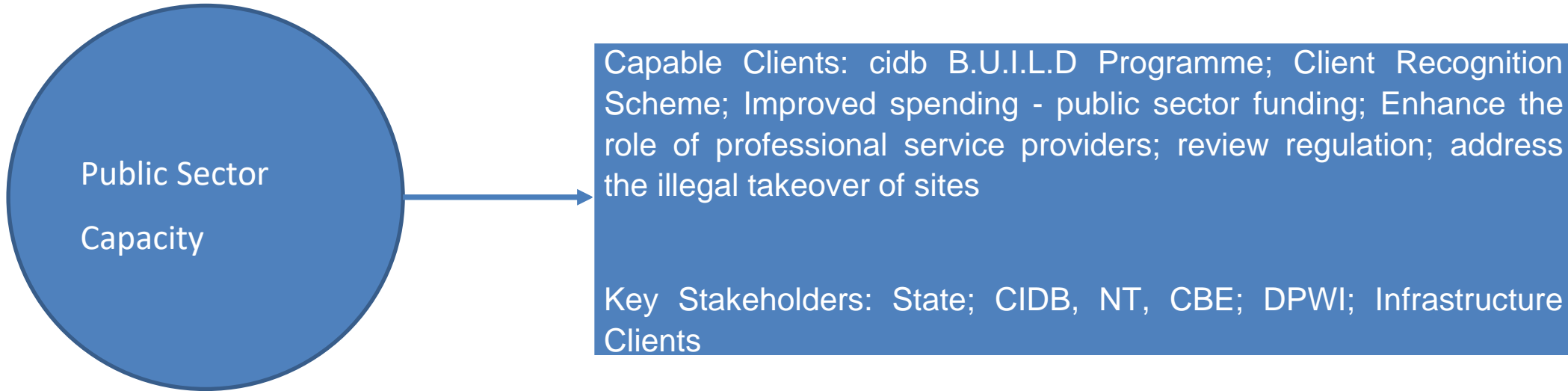
RECOVERY
2022-2027

SUSTAINABILITY
2027-2032

GROWTH
2032-2050



Public Sector Capacity





THANK YOU

18-19 Aug 2022