

**Remarks by MEC for Works Mrs. Lydia Johnson during the Breakfast Briefing for the Contractors and Consultants held in Durban**

**30 March 2007**

Programme Director

Ethekewini Municipality Speaker: Cllr James Nxumalo

Members of the Portfolio Committee

Members of Parliament present

Councilors present

Head of Department: Dr FB Madlopha

Members of the Business Community

Contractors and Consultants present

Members of the Media

Ladies and Gentlemen

This meeting is taking place after I had a series of meetings with the emerging contractors in all the Departmental four regions of this Province. Many challenges and possible solutions were raised.

The government remains an important role player in the development of our economy. As early as 1994, major policy developments, and other strategic interventions were initiated by the Department of Public Works to drive the process of economic development and transformation forward, thereby making a significant contribution to improve the lives of all South Africans. To achieve this end, we needed to continuously engage ourselves, with all relevant stakeholders in discussions that will drive such process forward.

I am pleased therefore that you, as critical stakeholders have responded to our call to gather here today. The motive behind this breakfast meeting is:

- to engage you in discussions that aim at strengthening the emerging enterprises, without weakening the established enterprises in the construction industry.
- To develop and strengthen relationship and partnership between our valued service providers, particularly, contractors and Consultants, so that the objectives, and the achievements of our department are felt by each one of you.
- To start a dialogue that encourages transfer of skills, and sharing of best practices amongst ourselves.
- This meeting will also enable the department to gain insight into what you consider as both the challenges, and opportunities for all involved in the sector, so that indeed we as government are able to create a conducive environment for all.
- I must also state that the development of the industry must reflect the development of our society, including full participation of women, youth, people with disabilities etc.

The entire industry remains fragmented. There exists the malpractice of fronting. There are still a number of potential and emerging contractors who are unable to access business opportunities due to lack of appropriate skills in the industry, Contractors who have not yet developed to their full potential to be able to “stand on their own”. Some face difficulties to access credit, generally, there is still an identifiable gap between the big contractors and the emerging contractors. After 12 years of democracy, almost 80% of emerging businesses are still in level 1 (tenders up to R200.000) unable to access business opportunities. Although various pieces of legislations have

been introduced, these and many other challenges continue to undermine our efforts to improve the economy for the benefit of all.

As the Provincial Department we do however, acknowledge the contribution that the big business has made to assist this government meet the developmental challenges set out in the Millennium Development Goal as they were adopted by the Member States of the United Nations in September 2000 such as:

- Eradicate extreme poverty and hunger
- Promote gender equality and women empowerment
- Ensure environmental sustainability.

In his State of the Province address on 14 February 2007 this year, KwaZulu Natal Premier Sibusiso Ndebele issued us with clear mandates and responsibilities which will now serve as our guiding light for year 2007/8. Our provincial theme this year is “Building the Economy Through Partnerships”.

We need to respond by coming out with plans of action. It is inherent in the above provincial theme that while we seek economic growth, we acknowledge that it will not be possible without the active participation of all our partners, including yourselves. We cannot realize this without **your contribution** in conjunction with established business, communities, Government and all other key role players. You are a key variable in the sustained growth of our country and province.

Another government effort that is aimed at ensuring that as many people as possible do become economically active in spite of the problem of unemployment, is the Expanded Public Works Programme which many of us have heard about already.

What I want you to bear in mind is that this programme is making its mark, as a result the Minister of Finance Mr. TA Mamuel, in his Budget Speech on the 21<sup>st</sup> February 2007, indicated that a further R125 million would be allocated to the Department of Public Works to improve coordination and oversight of this programme.

Now, the question you may be asking yourselves is what sort of contribution is expected from you. During the series of meetings through roadshows I had with the emerging contractors I pointed out to them that as government of the day **we have a duty to assist them towards becoming established contractors in their own right. The Department has developed a programme to empower the Emerging Contractor.**

Some objectives of the programme included are as follows:

- To create a conducive environment in which emerging contractors can thrive, by facilitating access to:
  - Markets, being Department of Works KZN contracts and other markets;
  - Financial support, being alternative contract financing options and security requirements;
  - Training and Mentoring, in areas of business management, construction management and financial management;
  - Skills transfer through the promotion of joint venture.

We have placed Skills Development and capacity building high on the agenda. Some of the programmes that we will be pursuing include, the Exit Strategy of the Construction Learners. This will enable learners to put programmes that will ensure that what they have learnt in a classroom setting can be sustained and turned into job creation, for example learners forming cooperatives.

The Department is committed to comply with Broad Based Black Economic Empowerment Act (BBBEE Act). To this end the department of Works, through its policies will leverage its spending on infrastructure and capital projects to create a structural procurement practice that prioritizes ECDP contractors.

As we grow the economy, we must also make sure that a greater number of our people are absorbed as workers. This will happen if every project follows the Extended Public Works Programme (EPWP) for the Implementation of Labour Intensive Methods of Construction.

In his state of the Province Address, the Premier stated that at a macro-economic level it is pleasing that we are doing better today than we did yesterday. “The economic environment holds much promise and we need to rise up now to take advantage of this opportunity to better the lives of our people:

- The Gross Domestic Product-R (GDP per region) of the province is now the second largest in the country after Gauteng, and the GDP – R growth rate rose over fivefold from 1.0% in 1999 to 5.3% in 2005.

- This trend suggests that the provincial economy has the potential to reach a 10% growth rate by the year 2014, which is far above the Accelerated and Shared Growth Initiative of South Africa's (ASGISA's) target of 6.0%;
- Our provincial government has managed to reduce the unemployment rate from 36.3 % in 2003 to 29.9% in 2006;
- According to Global Insight, the percentage of people in poverty in this province (poverty rate) decreased from 54.0 % in 2004 to 51.9% in 2005; and
- The literacy rate in the province has increased to 88.6%.”

The contribution of the construction industry to Gross Domestic Product is set to grow to 10% leading up to 2010. According to the Construction Industry Development Board (CIDB) Affirmative Procurement has opened up substantial opportunity to historically disadvantaged enterprises, but all stakeholders acknowledge that this opportunity is not adequately translating into sustainable capability and empowerment.

The Construction Industry Development Board (CIDB) also acknowledges that South Africa's targeted economic growth rate necessitates a higher growth rate for construction output. This will require the industry to more than double its output and capability over a 10 year period. This potential represents a window of opportunity for sustainable empowerment, enterprise development, sustainable employment and skills formation.

This meeting represents the commitment from my department to involve you as the critical stakeholder in addressing your own needs, and the needs of the

emerging contractors, thereby ensuring a long term productive capacity in the construction industry.

This consultation is in line with the Premier's state of the province titled, "Building the Economy through Partnerships". Indeed, it is through partnership that we will be able to bring all racial groups equally on board so that the programmes of government and available opportunities benefit all irrespective of race, colour, gender, and background.

I urge all contractors and consultants here today and those who are registered in our data base and the Construction Industry Development Board (CIDB) to empower emerging contractors in my department. Transfer your skills, share your experience and make positive contribution in the economy by uplifting emerging contractors and enable them to move up to higher grades.

In particular I am aware that skills shortage in the construction sector is threatening to hold us back from attaining our full potential. When you look at the average age of an artisan today you will be surprised to note that he is typically white, typically male and is approaching the upper 50s. This is the average profile of a skill that has become so necessary ahead of 2010 Soccer World Cup and beyond.

Ladies and Gentlemen, I request that each and everyone of you here today, work together and build up a very strong working relationship so that the gap that seem to exist between contractors and the consultants be closed.

We do not have any other time. The right time for such response is now.

I would like to make a humble appeal to you to avail yourselves to assist us in training and mentoring of the emerging contractors not only in the area of construction management but also in business and financial management as well as skills transfer through the promotion of joint ventures.

Remember that government and the support institutions that we have created can only do so much, but it is the collective responsibility that will help us achieve our vision for a globally competitive construction industry, that will see us through.

In closing, I would like to express my sincere appreciation for your response. I hope this is not our first and last meeting, to me it is a new beginning and a lasting relationship.

Together we have a responsibility to ensure that a better life for all is realized.

MASISUKUME SAKHE.

I thank you.