SMME DEVELOPMENT AND ENHANCED UTILISATION METHODOLOGY

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Introduction to SANRAL

- Governed by the SANRAL and National Roads Act.
- Operates as an independent statutory company registered in terms of the Companies Act.
- Minister of Transport is the sole shareholder.
SANRAL’s Mandate

**Mandate**
- Plan, design, construct, operate, rehabilitate and maintain SA’s National Roads to support socio-economic development.

**Current Road Network**
- 21 201 km

**Non-toll component**
- 18 081 km (85%)

**Toll component**
- 3 120 km (15%)

**Replacement value**
- +/- R 240 billion
SANRAL’s Strategic Objectives

- SANRAL’s performance is measured annually against 9 strategic objectives.
- The strategic objectives, which are relevant to this presentation, are the following:
  - SO2: Provide safe roads.
  - SO3: Carry out Government’s targeted programmes.
  - SO6: Ensure and support transformation.
  - SO8: Pursue research, innovation and best practice.
SANRAL’s Road Safety Management Plan

- SO2: Provide safe roads.
- SANRAL’s Road Safety Management Plan provides for both proactive and reactive approaches:
  - Safer roads
  - Safer road users
  - Post-crash response
  - Road safety education
  - Incident management system
R61/8
Special Road Safety Intervention

- SO2: Provide safe roads.
- SO3: Carry out Governments targeted programmes.
- The R61/8 required interventions in addition to standard road safety practices due to:
  - Topography
  - Rural setting
  - Impoverishment
- SANRAL embarked on developing design guidelines for pedestrian facilities in higher order rural roads.
The road safety interventions to be implemented comprised of:

- Pedestrian facilities (walkways and bridges).
- Transport modal interchanges and taxi bays.
- Livestock and local traffic over and under passes.
- Surfacing or construction of local service roads.
- Closure of undesirable accesses.
- Upgrading of existing, and construction of new, safe accesses to the R61/8.
The road safety interventions also required that work be done on the national road, which included:

- Dualling of the road at certain sections.
- Widening of the road at certain sections.
- Construction of intersections and interchanges.
- Construction of several new bridges and structures.
- Other associated works.
The works, which stretches over approximately 90 km was divided into 11 construction packages, i.e.

- 6 conventional projects, and
- 5 community development projects.

Total value of approximately R 1.2 billion.

To be implemented over 5 to 6 years.
Developing and Formulising Community Development Projects

- SO6: Ensure and support transformation.
- SO8: Pursue research, innovation and best practice.

SANRAL used this opportunity to:
- Further develop and formulise its Community Development type of projects; and
- Enhance the utilisation of SMME’s and Labour by implementing a Contractor Development Programme.
Define Small, Medium and Micro Enterprises (SMME’s)

### National Small Business Amendment Act (Act No. 29 of 2004)

<table>
<thead>
<tr>
<th>Enterprise Size or Class</th>
<th>Total Full-time Equivalent of Paid Employees (Less than)</th>
<th>Total Annual Turnover (Less than)</th>
<th>Total Gross Asset Value (Fixed Property Excluded) (Less than)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium</td>
<td>200</td>
<td>R 26 000 000</td>
<td>R 5 000 000</td>
</tr>
<tr>
<td>Small</td>
<td>50</td>
<td>R 6 000 000</td>
<td>R 1 000 000</td>
</tr>
<tr>
<td>Very Small</td>
<td>20</td>
<td>R 3 000 000</td>
<td>R 500 000</td>
</tr>
<tr>
<td>Micro</td>
<td>5</td>
<td>R 200 000</td>
<td>R 100 000</td>
</tr>
</tbody>
</table>
Introduction to the (CIDB)

- The Construction Industry Development Board (CIDB) was established by an Act of Parliament (Act 38 of 2000).
- The Act promotes a regulatory and developmental framework for the South African Construction Industry.
# Classes of Construction Works

<table>
<thead>
<tr>
<th>Designation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CE</td>
<td>Civil Engineering Works</td>
</tr>
<tr>
<td>EE</td>
<td>Electrical Engineering Works</td>
</tr>
<tr>
<td>GB</td>
<td>General Building Works</td>
</tr>
<tr>
<td>ME</td>
<td>Mechanical Engineering Works</td>
</tr>
<tr>
<td>S</td>
<td>Specialist Works</td>
</tr>
<tr>
<td>E.g., SA</td>
<td>Alarms, security and access control</td>
</tr>
<tr>
<td>E.g., SB</td>
<td>Asphalt works (supply and lay)</td>
</tr>
</tbody>
</table>
## Categories of Construction

<table>
<thead>
<tr>
<th>Designation</th>
<th>Best Annual Turnover</th>
<th>Largest Contract</th>
<th>Available Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>R 0</td>
<td>R 0</td>
<td>R 0</td>
</tr>
<tr>
<td>2</td>
<td>R 0</td>
<td>R 130 000</td>
<td>R 0</td>
</tr>
<tr>
<td>3</td>
<td>R 1 000 000</td>
<td>R 450 000</td>
<td>R 100 000</td>
</tr>
<tr>
<td>4</td>
<td>R 2 000 000</td>
<td>R 900 000</td>
<td>R 200 000</td>
</tr>
<tr>
<td>5</td>
<td>R 3 250 000</td>
<td>R 1 500 000</td>
<td>R 650 000</td>
</tr>
<tr>
<td>6</td>
<td>R 6 500 000</td>
<td>R 3 000 000</td>
<td>R 1 300 000</td>
</tr>
<tr>
<td>7</td>
<td>R 20 000 000</td>
<td>R 9 000 000</td>
<td>R 4 000 000</td>
</tr>
<tr>
<td>8</td>
<td>R 65 000 000</td>
<td>R 30 000 000</td>
<td>R 13 000 000</td>
</tr>
<tr>
<td>9</td>
<td>R 200 000 000</td>
<td>R 90 000 000</td>
<td>R 40 000 000</td>
</tr>
</tbody>
</table>
## SMME Categories vs. CIDB Designations

- **Total Annual Turnover versus Best Annual Turnover**
- **Total Gross Asset Value versus Available Capital**

<table>
<thead>
<tr>
<th>Enterprise Size or Class (Small Business Act)</th>
<th>Designation (CIDB Act)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>1, 2</td>
</tr>
<tr>
<td>Micro/Very Small</td>
<td>3, 4</td>
</tr>
<tr>
<td>Very Small/Small</td>
<td>5</td>
</tr>
<tr>
<td>Medium</td>
<td>6, 7</td>
</tr>
</tbody>
</table>
Unlocking Opportunities for SMME’s

- SANRAL’s Methods to Unlock Opportunities
  - Development and training
  - Inclusion mechanisms
Development and Training Model

Contractor Growth Path
- Community Development Projects
- Routine Road Maintenance Projects
- Conventional Projects

Model 1
- Labour Based
- Main CE6 to CE8
- Sub-C CE1 to CE4

Model 2
- Main CE7 to CE8
- Sub-C CE1 to CE6

Model 3A
- Small Conventional Contracts

Model 3B
- Conventional
- Main CE8 to CE9
- Sub-C CE1 to CE6
Inclusion Mechanisms
Conventional Projects

- **Contract Participation Goals:**
  - Prescribed targets.
  - Labour Maximisation: 4% - 6% of tender sum.
  - SMME/BE Utilisation: 8% - 12% of tender sum.
  - 90% of 8% – 12% must be black owned.
  - 40% of 8% – 12% must be woman owned.
Enhanced Sub-contractor Methodology

- Main contractor typically CIDB grade 6 and upwards.
- Main contractor executes 30% to 40% of the work.
- Sub-contractors typically CIDB grade 1 to 4.
- Sub-contractors executes 60% to 70% of the work.
- 90% of SMME’s black owned.
- 40% of SMME’s woman owned.
Enhance Development and Training Model for Community Development Projects

Contractor Growth Path

Community Development Projects

Model 1A
Labour Based

Model 1B
SMME Based
- Labour
- CE1
- CE2

Model 1C
Outcomes Based
- CE3
- CE4

Labour

- CE1
CE2

Community Development Projects

Model 1A
Labour Based
- Labour NQF 2
  - Municipal Worker
  - Household Contractor

Model 1B
SMME Based
- SMME - CE 1, 2 - NQF 3, 4
  - Municipal Contractor
  - Household Supervisor

Model 1C
Outcomes Based
- SMME - CE 3, 4 - NQF 3, 4
  - RRM Sub-contractor
Community Development Contracts

- Labour and SMME Based Contracts
  - SANRAL contracts with Construction Manager (CM).
  - CM tenders for design, training, mentoring, management.
  - CM does not tender for construction of the works.
  - SMME’s construct 90% of the work, 10% large plant.
  - 90% of SMME’s must be black owned.
  - 40% of SMME’s must be woman owned.
  - 40% of SMME’s must be youth owned.
  - All SMME’s /labour recruited from the local community.
Different Implementation Methods

- SMME owner and supervisor selected as a team.
- SMME owner and supervisor paired later.
- Theoretical training first.
- Practical training first.
- One site camp for all SMME’s.
- Each SMME to have their own site camp.
- Various methods of construction.
Outcomes: Employment and Training

- Avg. no of SMME’s per project: 11 (NQF 3 & 4)
- Avg. no of supervisors per project: 22 (NQF 3 & 4)
- Avg. no of labour per project: 165 (NQF 2)
- Total learners: 198
Outcomes: Project Expenditure

- Average Total Project Cost: R 41 mill
- Training as a % of cost: 6% (>1%)
- Construction Manager as % of cost: 14% (20%)
- Construction of Works as % of cost: 80%
Outcomes: Infrastructure per Project

- Avg. km of walkways: 15 km
- Avg. km of access roads: 22 km
- Avg. no. of undesirable access closures: 21
- Avg. no. of safe access formalised: 10

Works also included:
- Two modal interchanges (taxi ranks)
- Relocation of services
- Concrete culverts and head walls
- Erosion repairs and gabions
- Road signs, fencing, and landscaping