



SMME DEVELOPMENT AND ENHANCED UTILISATION METHODOLOGY

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Introduction to SANRAL

- South African National Roads Agency SOC Limited.
- Established in April 1998 by an Act of Parliament.
- 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.

R61/8

Special Road Safety Intervention

- 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 undersirable accesses.
 - ▣ Upgrading of existing, and construction of new, safe accesses to the R61/8.

R61 / 8

Special Road Safety Intervention

- 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.

R61/8

Special Road Safety Intervention

- 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 Formulating Community Development Projects

- SO6: Ensure and support transformation.
- SO8: Pursue research, innovation and best practice.
- SANRAL used this opportunity to:
 - ▣ further develop and formulate 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)

Enterprise Size or Class	Total Full-time Equivalent of Paid Employees (Less than)	Total Annual Turnover (Less than)	Total Gross Asset Value (Fixed Property Excluded) (Less than)
Medium	200	R 26 000 000	R 5 000 000
Small	50	R 6 000 000	R 1 000 000
Very Small	20	R 3 000 000	R 500 000
Micro	5	R 200 000	R 100 000

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

Designation	Description
CE	Civil Engineering Works
EE	Electrical Engineering Works
GB	General Building Works
ME	Mechanical Engineering Works
S	Specialist Works
E.g., SA	Alarms, security and access control
E.g., SB	Asphalt works (supply and lay)

Categories of Construction

Designation	Best Annual Turnover		Largest Contract		Available Capital	
1	R	0	R	0	R	0
2	R	0	R	130 000	R	0
3	R	1 000 000	R	450 000	R	100 000
4	R	2 000 000	R	900 000	R	200 000
5	R	3 250 000	R	1 500 000	R	650 000
6	R	6 500 000	R	3 000 000	R	1 300 000
7	R	20 000 000	R	9 000 000	R	4 000 000
8	R	65 000 000	R	30 000 000	R	13 000 000
9	R	200 000 000	R	90 000 000	R	40 000 000

SMME Categories vs. CIDB Designations

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

Enterprise Size or Class (Small Business Act)	Designation (CIDB Act)
Micro	1, 2
Micro/Very Small	3, 4
Very Small/Small	5
Medium	6, 7

Unlocking Opportunities for SMME's

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□ SANRAL's Methods to Unlock Opportunities

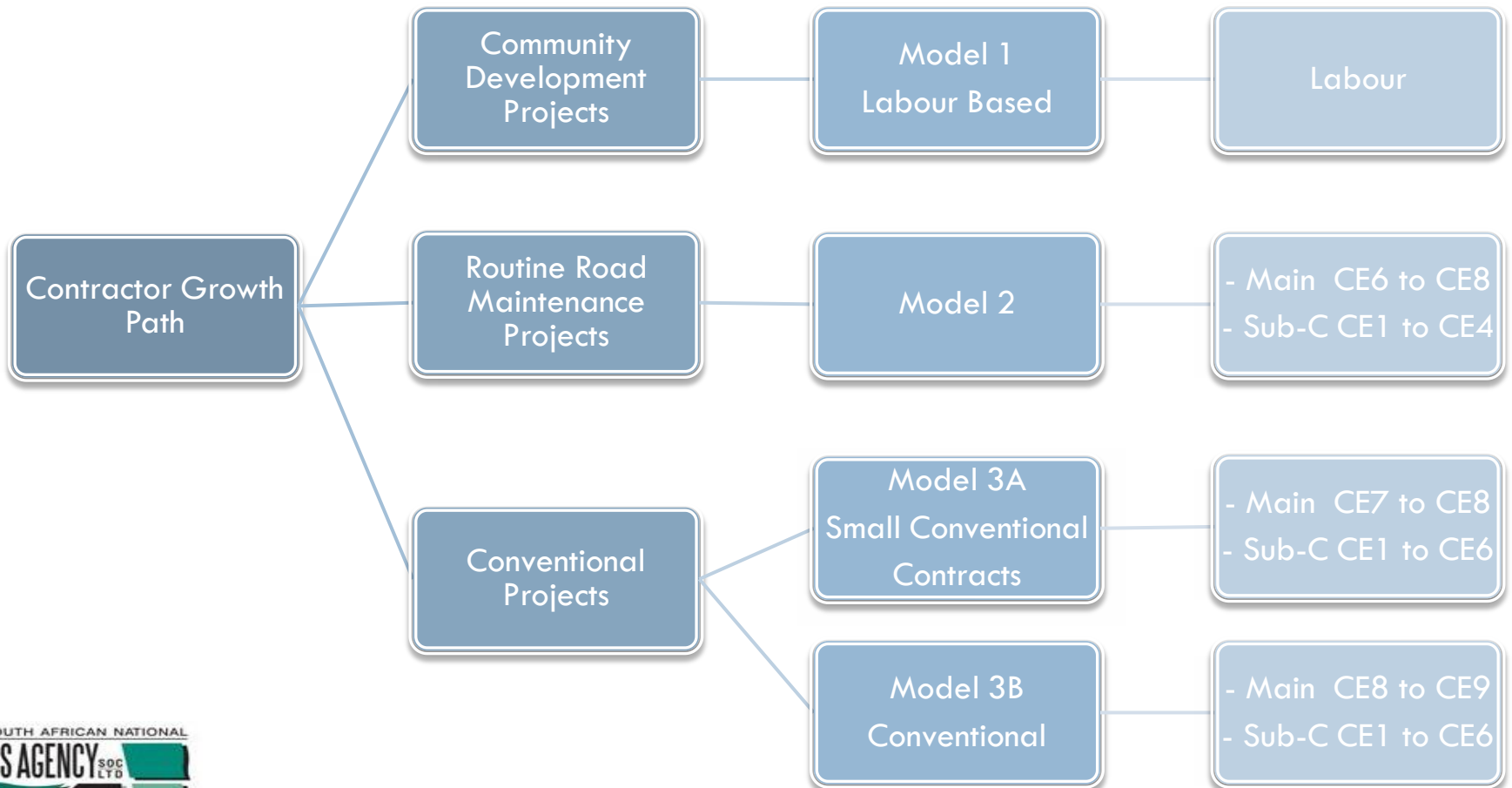


Development and training



Inclusion mechanisms

Development and Training Model



Inclusion Mechanisms Conventional Projects

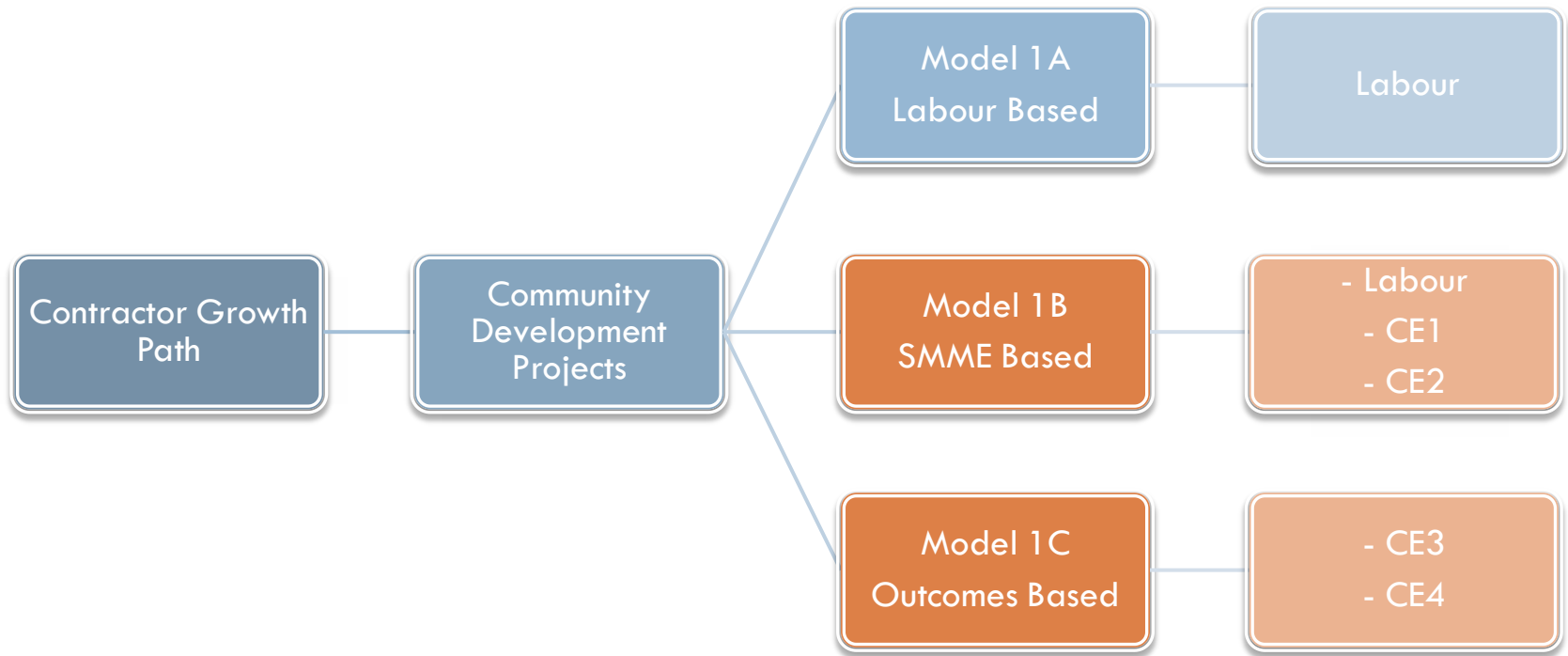
- Contract Participation Goals:
 - Prescribed targets.
 - Labour Maximisation: 4% - 6% of tender sum.
 - SMME/BE Utilisation: 8% - 12% of tender sum.
 - 90% of 8% – 12% must be black owned.
 - 40% of 8% – 12% must be woman owned.

Inclusion Mechanisms

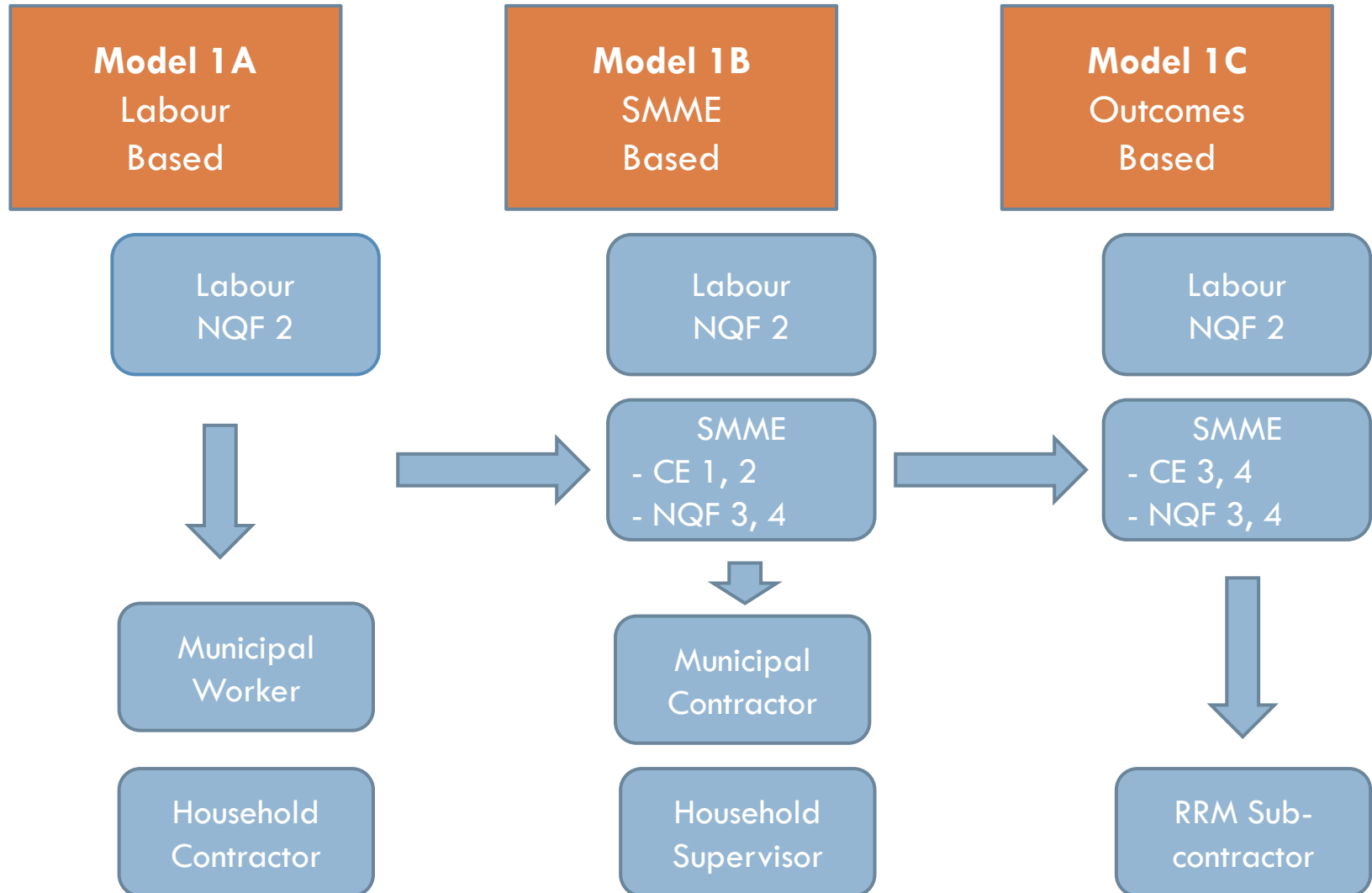
Routine Road Maintenance Projects

- 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



Community Development Projects



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 Piloted

- 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	<u>198</u>

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