

BRINGING MEMBERS UP TO DATE ON TRANSFORMATION ISSUES

At the well-attended Members' Forum, following the SARF Western Cape Regional AGM on 2 November 2017, the audience was brought up to date on the implications of the new *SANRAL Horizon 2030* and the 2017 regulations in terms of the *Preferential Procurement Policy Framework Act (PPPFA)*, from a contractor and consulting engineer perspective. Speaking on these topics were CESA President Lynne Pretorius and SAFCEC Western Cape Regional Manager Rudolf.



Rudolf Murray summed up the general mood amongst SAFCEC members as being 'uncertain' which is not good news for any business as it impacts negatively on the ability to plan and to make informed decisions.

Looking at the sources of this uncertainty he singled out the economy, the political situation, transformation and the government procurement policies.

Economy

Of concern, is the fact that, while the Minister of Finance has acknowledged that the Economy is in "dire straits" he gave no indication of how to deal with it. "This will have to wait for until February's Budget Speech, which obviously feeds into the uncertainty. The spectre of possible tax increases is adding gloom to the picture", he said.

Political situation

Internal discord within the ruling party, playing itself out daily, is inhibiting clear pronouncements by government on policy and direction. The state of disorder is illustrated by "... the Finance Minister ruling out nuclear energy due to a lack of funds, and the Energy Minister stating on the very next day, that nuclear procurement is going ahead."

Transformation

According to Murray, "SAFCEC have embraced transformation as a strategic imperative" and within this context have played a major role in setting up the Voluntary Rebuild Program (VRP), between Government and 7 listed Construction Companies. The VRP is set to irrevocably convert the Industry."

The pace and effectiveness of transformation needs to be measured and SAFCEC believe that the measurement tool should be the *Revised Construction Scorecard*, which has been comprehensively debated and negotiated by all the parties at the Construction Sector Charter Council. "Regrettably, the Revised Scorecard has not yet been implemented, despite repeated assurances that it was going to happen soon", Murray said.

This has led to yet more uncertainty, with many companies currently unable to tender for government projects, as they score poorly on the *Generic Scorecard*. SAFCEC has been appealing the matter at the highest levels of Government regarding this and hope for a speedy outcome.

Procurement

Civil engineering contractors perform work mostly for organs of state and accordingly must comply with Treasury policies and procedures. While mentioning a number of clauses of legislation notably the PPPFA Regulations, he considers the “elephant in the room being SANRAL’s *Horizon 2030* and proposed *Transformation Policy*” – both draft documents being introduced for public opinion to which SAFCEC will certainly respond. One aspect of concern is the intention of SANRAL only to do business with Contractors who are 51 % or more black owned. Whether or not such a requirement is legitimate “remains to be seen, if one considers Section 9 (3) of the Constitution”.

In concluding, Murray was nevertheless upbeat, saying that “... contractors are (of necessity) resilient. As a cohesive industry, we can meet and beat the challenges that await us. South Africa has a skilled engineering base, capable of managing complex Projects.”

CESA perspective

Giving a perspective of the consulting engineering profession, Lynne Pretorius CESA views transformation as being good for business, provided that an ethical approach is adopted and that it is part of a sustainable business growth strategy, i.e. growing the next generation of engineering professionals.



She indicated that CESA’s plan of action with regard to statutory requirements for transformation was to:

- Maintain regular liaison with SANRAL;
- Monitor procurement processes to ensure that prescripts of The Constitution not compromised, namely fair equitable transparent competitive & cost effective;
- Monitoring performance and compliance of the public sector;
- Monitor delivery so that transformation does not get the blame; and
- Continue to be the voice of the consulting engineering Industry when there is real evidence of things going wrong.

Delivery

Lynn was concerned about the low rate of projects initiated compared to those planned. She noted that “19 tenders worth R615m or about 26% of a proposed 72 engineering tenders will be issued in financial 2017. This means that 53 tenders worth about R1.2bn remain unissued”. Clearly this slow down would have a severe effect on the sustainability of companies.

As regards the capacity within SMME's there is the danger that qualifying thresholds may be reached before business maturity is attained.

As an industry sector, CESA acknowledges that not enough has been done to transform the business landscape in South Africa. However, SANRAL are mindful of the need to produce results as well as quality and not entertain fruitless and wasteful expenditure such that transformation can be blamed for a lack of performance.

"CESA will consider where we want to be as a country 23 years from now" she said. "Do we really want to have our grandchildren wonder why we did nothing and find they face worse challenges 20 years from now?" For reasons such as these SANRAL's procurement policy are perhaps worthy of support.