

Construction Industry Development Board

Mpumalanga Public-Private Infrastructure Forum

18 October 2012



Presentation Structure

- **Overview** of the Construction Registers Service
- Registration **Statistics**
- **Regulation Amendments**
- **Focus on iTender-Register of Projects**

Overview of the Construction Registers Service (CRS)

Mandate – Registers of Contractors

- Support **risk management** in the tendering process
- Reduce the **administrative burden**
- To facilitate sustainable **growth and transformation** of contractors, enable effective access by the **emerging sector**
- Promote minimum standards and contractor **best practice**
- Enable access by the **private sector**
- Provide **information** on the size, distribution, nature and development of contractors

Overview of the CRS – Register of Contractors

- **Applicable to all contractors undertaking work for the public sector**
- **Exemptions**
 - **Home builder only contractors (NHBRC)**
 - Registration with the CIDB required for public sector work other than home building
 - **Private sector only contractors**
 - **Labour only contractors**
 - Contractor undertakes construction works contract substantially consisting of the provision of labour
 - **Joint Ventures**
 - Joint Venture partners to be registered separately
 - **Substantially ‘supply only’ projects**

- **Current**
 - **Contractor Grading Designation**
 - **Status of Contractor – Potentially Emerging Enterprise**
 - **Access projects at one level higher; client support within framework of targeted development programme**
 - **B-BBEE Charter Rating (Optional at this stage)**
- **Future**
 - **Best Practice Contractor Recognition Scheme**

Overview of the CRS – Tender Value Ranges

Tender Value Range	Less than or equal to
1	R 200,000
2	R 650,000
3	R 2,000,000
4	R 4,000,000
5	R 6,500,000
6	R 13,000,000
7	R 40,000,000
8	R 130,000,000
9	> R 130,000,000

- General building
- Civil engineering
- Electrical engineering
 - Building Installation
 - Infrastructure
- Mechanical engineering
- Specialist

- Clients advertising tenders on **cidb** website
 - Contractors notified via **SMS, eMail, cidb web site**
- Projects registered on-line
- On-line reporting on the **award of contracts**
- On-line reporting on the **cancellation of contracts**

- **i-Tender** provides a direct benefit to contractors and clients
 - Access to tendering opportunities for contractors
 - Allows a clients to attract contractors capable of performing the required work. Provides an easy mechanism to register projects
- **Register of Projects**
 - Provides information on the nature, value and distribution of projects
 - Automatically updates a contractors track record

Who Does It Apply To?

➤ **Public sector**

- **All projects above R 200 000**
- **On-line advertising of tenders**
- **Report on award of contract**
- **Report on cancellation**

➤ **Private sector and large public entities e.g. Eskom, Transnet**

- **All projects above R 10 million**
- **Report on award of contract**
- **Report on cancellation**

Statistics - Register of Contractors

16 October 2012

Class of Works Per Province - Grade 1

Region	Class of works						
	GB	CE	ME	EP	EB	SW	TOTAL
Eastern Cape	8181	2790	174	107	205	1313	12771
Free State	2909	1042	173	55	84	451	4715
Gauteng	13525	4222	761	312	851	3876	23548
KwaZulu-Natal	14890	6967	651	258	328	3081	26175
Limpopo	5254	2538	290	106	395	877	9460
Mpumalanga	4842	1813	359	81	312	573	7980
North West	3343	920	150	36	141	562	5152
Northern Cape	701	186	54	27	35	107	1110
Western Cape	3647	911	164	122	139	1124	6107
Total	57292	21389	2776	1104	2490	11964	97018

GB: General Building CE: Civil Engineering ME: Mechanical Engineering

EP: Electrical Engineering (Infrastructure) EB: Electrical Engineering (Building) SW: Specialist Works

Actual number of companies registered = 69,873

Consolidated Ownership Profile (%) Grade 1

Region	Black Owned	Youth Owned	Women Owned
Eastern Cape	97	46	30
Free State	95	43	29
Gauteng	95	44	27
KwaZulu-Natal	98	49	34
Limpopo	98	53	39
Mpumalanga	98	55	36
North West	97	43	27
Northern Cape	89	33	25
Western Cape	90	43	20

Class of Works - Grade 2 to 9

Designation	CE	EB	EP	GB	ME	SW	Total
1	23268	1313	4051	50998	4227	15389	99246
2	1499	113	119	2032	217	497	4477
3	639	82	86	597	92	135	1631
4	788	132	201	811	151	154	2237
5	681	133	265	636	212	255	2182
6	738	41	79	614	85	73	1630
7	234	29	47	223	44	36	613
8	86	7	15	86	18	14	226
9	47	2	21	31	21	19	141
Total	27980	1852	4884	56028	5067	16572	112383

Actual no.of companies registered - Grade 2 to 9

Grade	Total
2	3246
3	1046
4	1736
5	1346
6	1067
7	435
8	156
9	79
Total	9111

Black Owned - Grade 2 to 9

Grade	Total	Black Owned	% of the Total
2	4292	3951	92
3	1370	1187	87
4	2111	1641	78
5	1834	1287	70
6	1394	956	69
7	554	284	51
8	190	62	33
9	126	10	8
Total	11871	9378	79

6709

5071

76%

Medium sized contractors (Grades 3 to 6) of which 76 % are black owned

Women Owned - Grade 2 to 9

Women Owned by grading			
Grade	Total	Women Owned	% of the Total
2	4292	2111	49
3	1370	661	48
4	2111	921	44
5	1834	624	34
6	1394	453	32
7	554	139	25
8	190	25	13
9	126	1	1
Total	11871	4935	42

Class of Works – Mpumalanga - Grade 2 to 9

Designation	CE	EB	EP	GB	ME	SW	Total
1	0	0	0	0	0	0	0
2	171	10	16	160	37	33	427
3	72	7	9	61	9	6	164
4	70	7	30	67	16	6	196
5	85	6	27	68	21	15	222
6	77	4	9	78	7	13	188
7	12	0	1	10	2	1	26
8	2	0	0	5	1	0	8
9	0	0	0	1	0	0	1
Total	489	34	92	450	93	74	1232

CE - Civil Engineering

EE - Electrical Engineering

GB - General Building

ME - Mechanical Engineering

SW - Special Works



Designation by Class Of Work - Filter Criteria

Please select a report:

Gradings Registered By Class Of Works

View Report

Please select a region:

All Regions

Ownership

Only Black Owned

Please select a grade:

Grade 2-9

Gender

All

Select a report date:

27/02/2011

Youth

All

Show Filter Criteria

Hide Filter Criteria

1 of 1

100%

Find | Next

Select a format

Exp



Gradings Registered By Class Of Work

As at Sunday, February 27, 2011

All Regions

Grade	CE	EB	EP	GB	ME	SW	Total Grades
2	1,476	132	100	1,947	179	470	4,304
3	523	87	53	564	83	101	1,411
4	768	158	154	832	123	135	2,170
5	609	145	182	560	189	209	1,894
6	638	37	66	552	80	58	1,431
7	218	23	34	212	36	29	552

Regulation Amendments in support of development

Construction Registers Service

Regulations Amendments

Oct-Nov 2012

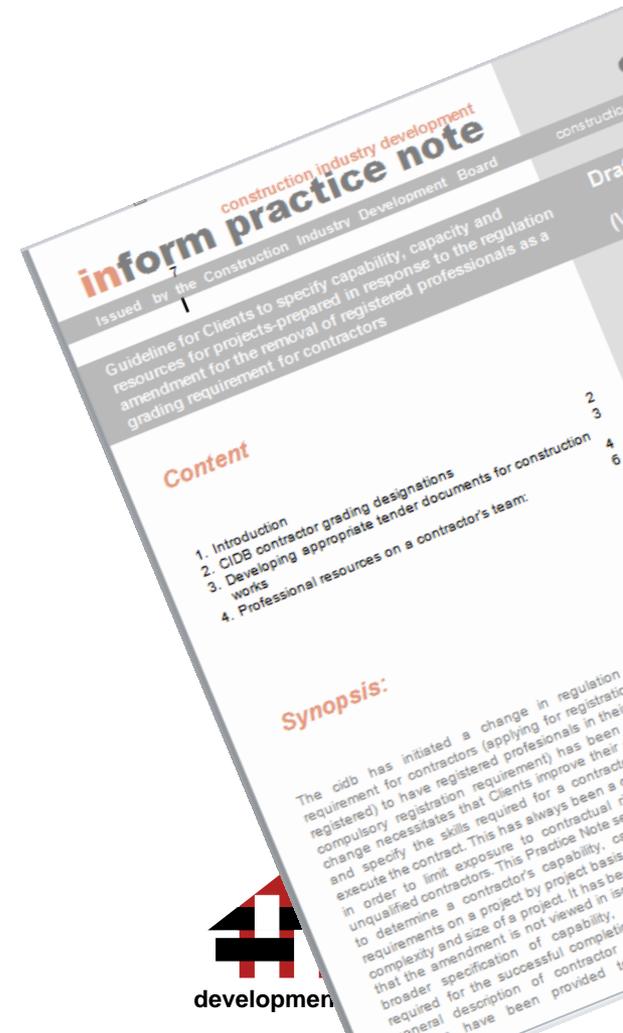


Regulation Amendments

- Remove the requirement for contractors to have registered professionals in their employ at cidb registration stage.
- Clients are required to determine the resource requirements on a 'project by project' basis based on the scope of work, the complexity and the size of the project.
- cidb will issue a practice note to clients to coincide with the implementation of this amendment.



NELCITY :
CIDB PROVINCIAL OFFICE



Reduction in Turnover values

Grade	Upper limit of tender value range	(Current Values) Best Annual Turnover	(Reduced Values) Best Annual Turnover (50% of Upper Limit of tender value range)
2	650,000	-	-
3	2,000,000	R 1 000 000	1,000,000
4	4,000,000	R 2 000 000	2,000,000
5	6,500,000	R 3 250 000	3,250,000
6	13,000,000	R 7 800 000	6,500,000
7	40,000,000	R 24 000 000	20,000,000
8	130,000,000	R 90 000 000	65,000,000
9	No Limit	R 270 000 000	200,000,000

Reduction in Track Record values

Grade	Upper limit of tender value range	(Current Values) Largest Contract (25 % of Upper Limit of tender value range)	(Reduced Values) Largest Contract (22.5% of Upper Limit of tender value range. 20 % for Grade 2)
2	650,000	R 150 000	R 130,000
3	2,000,000	R 500 000	R 450,000
4	4,000,000	R 1 000 000	R 900,000
5	6,500,000	R 1 600 000	R 1,500,000
6	13,000,000	R 3 250 000	R 3,000,000
7	40,000,000	R 10 000 000	R 9,000,000
8	130,000,000	R 32 500 000	R 30,000,000
9	400,000,000	R 100 000 000	R 90,000,000

Tender Value Limit Adjustments

Tender Value Range	Less than or equal to
1	R 200,000
2	R 650,000
3	R 2,000,000
4	R 4,000,000
5	R 6,500,000
6	R 13,000,000
7	R 40,000,000
8	R 130,000,000
9	> R 130,000,000

- The draft regulations make provision for the Minister, in consultation with the CIDB, to publish **tender value limit adjustments** (at least once in three years but may publish annually) with proportional registration criteria adjustments. This is to be done on a set date and based on the principles of ‘inflation and market conditions’.

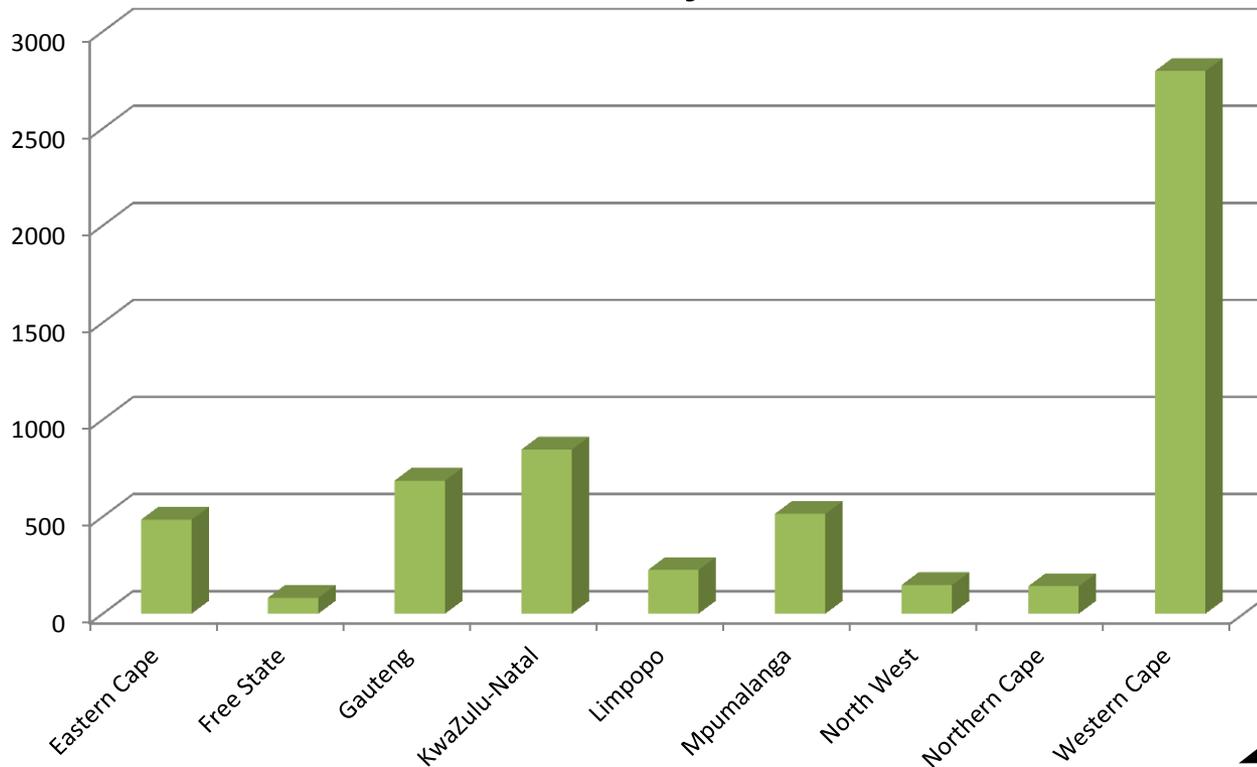
Regulation Amendments

- The **Method B** registration option essentially provides a mechanism for enterprises with large financial capacity to obtain high grades without having any track record
- Contractors are winning tenders but do not have any experience in the Class of Works under consideration
- **The Method B registration option to be removed**
- Regulations to extend the current provisions for the transfer of track record to cater for legitimate cases where companies need to get registered but cannot meet the required criteria in the name of the enterprise
- The grading calculation for **Joint Ventures** improved
 - The lead partner required to be registered in not more than one grade below the advertised grade

- **iTender -
Register of
Projects**

iTender-Register of Projects

- Cidb to focus on **driving compliance** with the iTender-RoP. Cidb resources increased.
- Forms the basis for the implementation of Best Practice Project Assessment Scheme
- Compliance audit reports to be distributed to stakeholders periodically



What does CIDB do in support of Contractor Development?



What does CIDB do in support of Contractor Development?

- The CIDB offers support and guidance to align CDPs with the National Contractor Development Programme (ncdp):
 - Regulates the industry (registrations and procurement)
 - Facilitates partnerships
 - Creates an enabling environment
 - Provides Client Departments with support

What does CIDB do in support of Contractor Development? Cont.

FACILITATING IMPLEMENTATION....



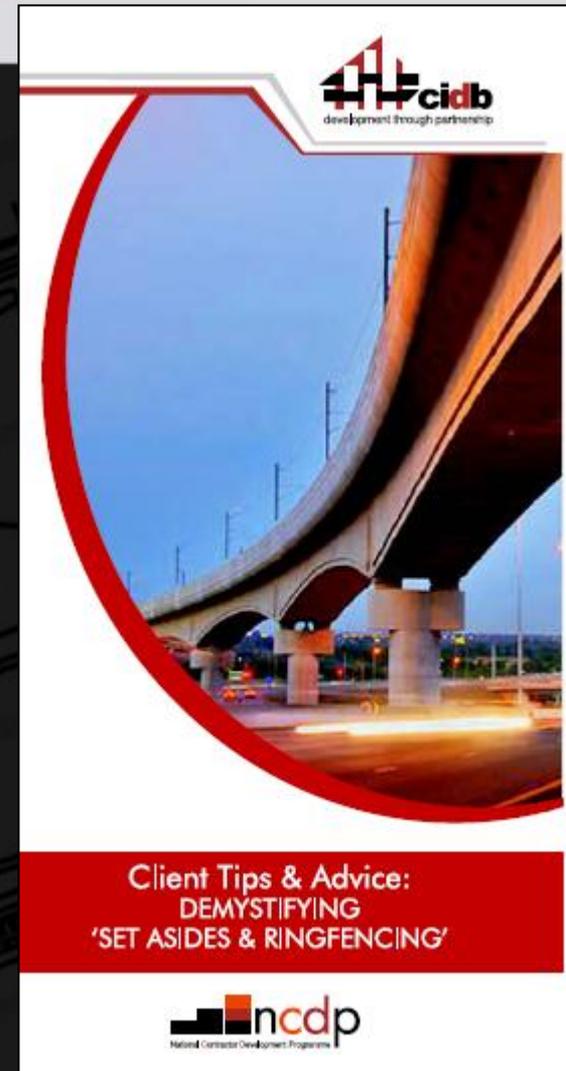
CURRENTLY FINALISING



Practice Notes ... #29:

ROLE OF CIDB/ PDM IN ENFORCING/ APPLYING?

Tips: Clarity on set-asides



Industry transformation... studies/ stats

- The Construction industry as a Vehicle for Contractor Development and Transformation
- Contractor Tips: Sustained growth of contractors



Contractor tips & advice:
SUSTAINED GROWTH OF CONTRACTORS



Good Supplier Relationships

The companies also acknowledged the importance of paying suppliers on time, even when their own clients had not paid them for services rendered. A five per cent discount offered by suppliers was found to significantly improve company profits and cash flows.

Increasing Market Share

Each company said that geographic spread contributed to an increase in market share, with almost all companies having a presence in at least two different locations. Several had expanded into specialist divisions, the most common being civil engineering, general building, and property and housing development.

As these companies developed, employee numbers grew and the nature of the managerial responsibilities of the founder/owners changed. Many operated on two managerial layers, while a significant number worked with three. In almost all cases, the founder/owners were managing the managers and had a clear idea of what had to be done, when and by whom. The organisational structure of these companies also evolved as they grew, and most were structured into at least three main sections or departments. These were typically:

- Project and contract management
- Finance and procurement
- Human resources and administration
- Commerce and marketing.

Contact Details
web: www.cidb.org.za
Tel: 0860 103 353 | fraud line 0800 112432

In Summary

Some of the key lessons from the cidb survey can be summarised as follows:

- Construction companies require time to grow – successful enterprises only achieve sustained growth at an average rate of three grades every three years.
- Although government policies play a crucial role in promoting the growth of contractors, they do not guarantee success. Enterprises have to use their organisational strengths to be effective and efficient.
- Successful companies have tended to be formed by leaders who have acquired good individual and collective experience in the construction industry. Strong teams have the requisite experience and education to develop faster.
- Successful companies focus on developing a strong financial base, delivering quality, building a strong track record and investing in fixed assets.
- They focus on developing and maintaining a strong workforce and work closely with their supply chain.
- Geographic spread and product diversification are necessary growth spurs.
- Delegation is important so that senior management can focus on strong strategic focus. They must manage the managers and have a clear idea of what has to be done, when and by whom.

Conclusion

Construction companies (including small and mid-sized entities) can adopt strategies which will place them firmly on the path to Grade 9 status. Success does not come overnight, but can be fairly rapid, as is demonstrated here. Nevertheless, the age-old recipe of delivering what the client wants at the right price and on time still applies - and always will.

Contractor Tips & Advice:
SUSTAINED GROWTH OF CONTRACTORS



ncdp
National Construction Development Programme

PUBLICATIONS IN SUPPORT OF
CONTRACTOR DEVELOPMENT

growth and explore potential within the new policy regulatory environment to achieve greater targeting of development interventions at

CONTRACTOR TIPS AND



Contractor Tips & Advice: Financial Management



Contractor Tips & Advice: Contract Management



Contractor Tips & Advice: Construction Health



Contractor Tips & Advice: Construction Enterprise



Contractor Tips & Advice: Marketing



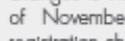
Guidelines for Contractors



Guidelines for Contractors



Guidelines for Contractors



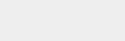
Guidelines for Contractors



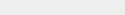
Contractor Tips & Advice: Financial Management



Contractor Tips & Advice: Contract Management



Contractor Tips & Advice: Construction Health



Contractor Tips & Advice: Construction Enterprise

Contractor Tips & Advice; Financial Management
February 2011

Analysis of trends in the Register of Contractors indicates the need to assist and support business management. This will further enhance technical capability for them to realise their potential. A significant percentage of contractors are expected to grow from their current grades.

Contractor Tips & Advice; Contract Management
October 2010

Contractor Tips & Advice; Construction Health
October 2010

Contractor Tips & Advice; Construction Enterprise
October 2010

Contractor Tips & Advice; Marketing
October 2010

Guidelines for Contractors
April 2011

Guidelines for Contractors
April 2011

Contractor Tips & Advice; Financial Management
February 2011

Contractor Tips & Advice; Contract Management
October 2010

Contractor Tips & Advice; Construction Health
October 2010

Contractor Tips & Advice; Construction Enterprise
October 2010

Contractor Tips & Advice; Marketing
October 2010

Contractor Tips & Advice; Financial Management
February 2011

Contractor Tips & Advice; Contract Management
October 2010

Contractor Tips & Advice; Construction Health
October 2010



Tips and Advice:
Publications in Support of Contractor Development

What does CIDB do in support of Contractor Development? Cont.

The CIDB:

- Manages partnered provincial offices
Construction Contact Centres
- Conducts statistics and industry analysis
- Develops policy, guidelines, best practices and tips
- Packages information from the Registers
- Provides guidelines for targeting strategies
- Promotes procurement driven developmental outcomes
- Promotes skills development
- Promotes enterprise development
- Supports client capacity building



What does CIDB do in support of Contractor Development? Cont.

Partnered CIDB Provincial offices



Anti-competitive behavior, Fraud & Corruption



Construction Industry Development Board



Anticompetitive behaviour, fraud and corruption in the construction industry.

Fraud and Corruption in the Construction Industry

The cidb is a schedule 3A public entity established by an Act of Parliament, Act 38 of 2000. It has a specific mandate of providing an enabling environment to, and regulating, the construction industry.

The cidb has adopted a zero tolerance policy on fraud and corruption.

The cidb has established the Standard for Uniformity (SFU) and the Code of Conduct as prescripts which must be complied with. These documents form the basis for instituting disciplinary procedures and actions against clients and contractors found to have transgressed the requirements. The cidb uses these prescripts as a basis for imposing charges for those who are the subject of investigations and disciplinary procedures.

Contractors have been subjected to cidb disciplinary procedures over the last few years. In the last financial year 29 construction industry contractors have been investigated with a 100% conviction rate, and 15 contractors have been fined and or suspensions imposed. The cidb also imposes a combination of misrepresentation, fraudulent use of Tax Clearance Certificate, financial statements, and non-payment to cidb employees, fraudulent use of cidb logo and other contractors that misrepresented themselves to clients and contractors during the tendering stage.

Over the last few years, a number of cidb employees have been subjected to disciplinary procedures and have been dismissed for having transgressed the requirements of the Code of Conduct. Furthermore, the cidb has imposed charges against these employees with the South African Revenue Service (SARS).

It is the cidb's belief that all forms of corruption need to be understood and addressed.

The cidb has recently published a report "Construction Quality in South Africa: A Client Perspective", which has identified fraud and corruption as one of the major barriers to construction quality, and has recommended specific actions to be instituted by the cidb. Furthermore, in an effort to promote the fight against fraud and corruption in the construction industry, the cidb is developing and implementing transparency and integrity management systems in construction procurement and is exploring the opportunity to participate in an international multi-stakeholder initiative, "Construction Sector Transparency Initiative" (CoST), which is designed to promote

transparency and accountability in the construction industry.

Anticompetitive Behaviour and the Competition Commission

Collusion is one of the most sophisticated forms of corruption in the construction industry, and the Competition Commission has been investigating construction companies for anticompetitive behaviour for some time. The Commission has recently released a media statement in which it announced that it had uncovered widespread "anticompetitive conduct through various arrangements". The Commission has also called on companies in the construction industry to come forward and disclose completely and truthfully where they have participated in collusive conduct when tendering for projects in both the public and private sectors.

It needs to be emphasised and understood that investigating anticompetitive behaviour and sanctioning the guilty parties is the mandate of the Competition Commission. Through its mandate, the Commission complements the Commission by considering the broad definition of collusion in the context of the construction industry.

It is important to note that, in line with cidb Code of Conduct for all Parties Engaged in Construction Procurement, the cidb will review the findings of the Competition Commission and take appropriate action.

Since the announcement of the fast track settlement process by the Competition Commission, the cidb has noted the following developments:

- some companies have come forward to disclose what they have done that constitutes anticompetitive behaviour; and
- various organisations have conducted investigations to contextualise the extent of this anticompetitive behaviour

The findings still have to be made public for the cidb and other stakeholders to comment on the depth of this problem, and until information about these collusive activities has been made available, it will be difficult to deal with the elements that lead to these behaviours. The cidb commends those firms that have come forward and disclosed what they have done. All construction companies are encouraged to do the same. It is only through such positive attitude that we can all understand the extent of the problem and devise responsive solutions and also prepare the industry for a future with mitigated exposure to these problems.

The cidb is cooperating with the Commission, and is providing the Commission with access to information that the cidb has on details of

public sector procurement. We will continue to work with the Commission to ensure that the extent of this collusive behaviour is understood and addressed. The collusive conduct of construction companies on projects affects infrastructure delivery in numerous ways. In the case of the public sector, it is noted that the anticompetitive conduct, bid rigging or collusive behaviour undermines the public tendering system, leads to artificially inflated prices and shrinks the total available budget for a number of projects. Such practices further reduce the opportunity to deliver other projects.

Concluding Comments

The cidb is committed to rooting out all forms of fraud and corruption, including anticompetitive behaviour in the construction industry. In this regard the cidb welcomes the steps taken by the Commission in investigating companies alleged to have participated in this corrupt behaviour and calls on all companies involved to come forward to disclose any anticompetitive behaviour.

In line with the cidb's zero tolerance policy on fraud and corruption, the cidb will review the findings of the Competition Commission and consider appropriate actions.

Ronnie Khoza
CEO: cidb
Anonymous Fraud Reporting
Hotline: 0860 11 24 32
www.cidb.org.za

Contact Person:
Kea Modise-Moloto,
cidb Project Manager Communications
012 482 7200/078 459 7840
keam@cidb.org.za



**FRAUD
REPORTING
ANONYMOUS
HOTLINE**

0800 11 (CIDB) 2432



**Business Times & other print media:
Week of 06 March 2011**

CIDB/NCDP does not provide

Work/Contracts :

- However CIDB shapes the procurement environment in support of Contractor Development

Training:

- But CIDB provides catalytic support and facilitates links

Funding/finance:

- But CIDB facilitates access to funding

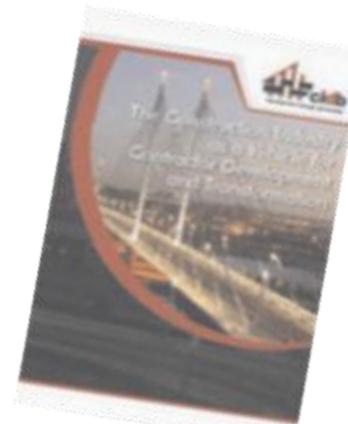
Construction Industry Performance

Monitoring industry performance

- Construction Industry Indicators (**CIIs**) published communicated and applied (*low rate and depth of transformation, economic conditions and slow rate of public sector spend...*)
- Quarterly Monitor published, communicated and applied (*State of industry development*)
- SME survey published communicated and applied
- Quarterly provincial outreach communication sessions held in 4 provinces

Infrastructure skill delivery...

Grade	Enablers: Business, H&S, Quality, Env. etc	Results
9	SANS - ISO - OSHAS Systems	Performance Reports
	cidb Accredited Management Systems	
2	cidb Competence Recognition	



Procurement and Delivery Management

Support on procurement reform

- Public sector clients training sessions conducted in all **provinces**.

Compliance and regulations enforcement

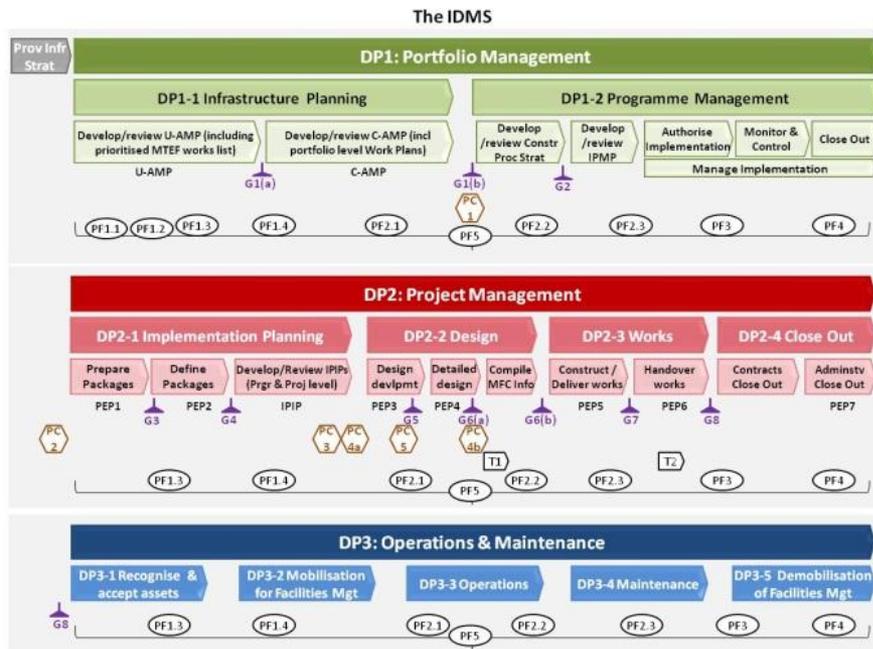
- Case law reports published quarterly.
- Anti-corruption **strategy** developed.
- Hearings on non-compliance conducted (Audit blitz conducted)

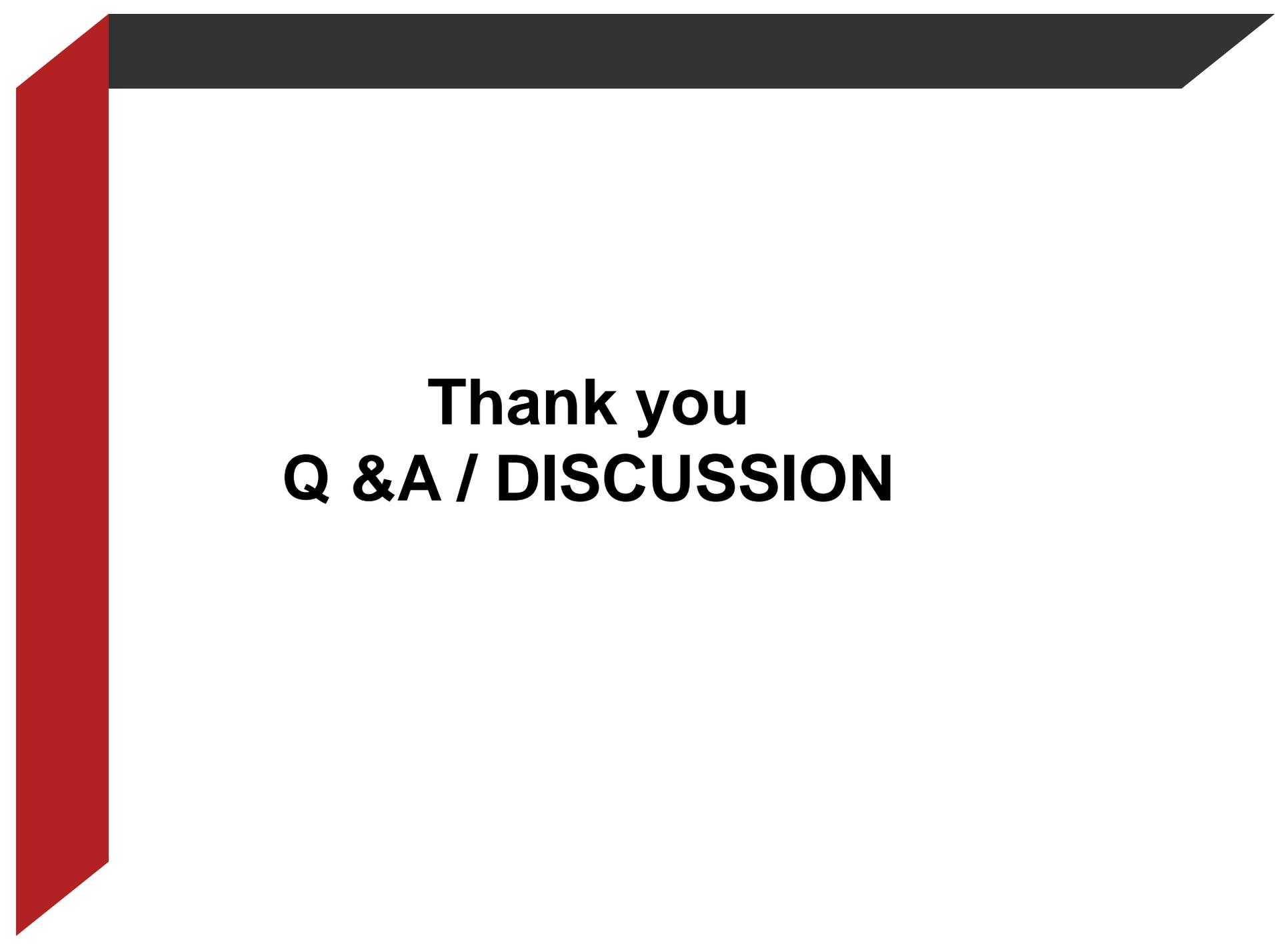


Procurement and Delivery Management

Infrastructure Delivery Improvement

- Evaluation of the impact of the cidb Toolkit achieved.
- IDMT training completed in all provinces.
- Evaluation of the impact of pilot programme on cidb Gateway process completed





Thank you
Q &A / DISCUSSION