

**MEDIA RELEASE**

**26 March 2019**

**WHAT SHOULD GOVERNMENT DO TO SAVE THE CONSTRUCTION SECTOR?**

**The investment industry bemoans the state of the construction sector while watching more and more contractors fold. Construction representative bodies are calling on government to help save the industry. But what should government be doing, asks the Western Cape Property Development Forum chairperson Deon van Zyl?**

Many commentators have been voicing their concerns about the loss of construction capacity and scarce skills within the industry, and indeed the sector has seen large names fall by the way side, both in terms of building and civil contractors. To a large extent, the availability of viable local construction projects is being blamed, forcing contractors to look at riskier yet more profitable projects outside South African borders. However, when one works in new environments and things go wrong, they go spectacularly wrong.

The state of a construction company reflects both its pipeline of projects and its technical expertise to execute the pipeline – in other words, the health of a construction company is measured by both its projects and its people.

Some construction businesses that are still being able to keep their heads above water are reporting the loss of key personal to international destinations. South African construction expertise has always been known for getting the job done, making competent individuals very attractive to foreign employers. So, not only are we seeing construction companies struggling to establish project pipelines in an already sluggish economy, we are also seeing them struggling to retain scarce skills.

Add to this the recent spate of violent attacks happening on construction sites, and the crisis takes on an entirely new form. The South African Forum of Civil Engineering Contractors (SAFCEC) has sent a desperate SOS plea to national government in which it highlights the violent disruption of various construction sites throughout the country. Billions of Rands worth of construction is being hampered and threatened due to physical attacks on contracting staff and equipment. The most recent incident and the one that appears to have prompted SAFCEC's plea to government, involved an attack by armed gangs on the R2.4 billion German oil storage investment project

being built in Saldanha Bay in the Western Cape, in which the plant was set alight and burnt to the ground, while contractors and their construction worker teams on site had to run for their lives.

So, when the call comes for government to intervene to save the industry, the question is: what should government do?

Government, in its three-tiered form, is the single biggest developer of buildings and infrastructure in the country. The private sector is a relatively small player when compared to the combined building and infrastructure spending power of these three tiers of government.

What we are seeing in the Western Cape, is that capital budgets are not being spent. As an example, the City of Cape Town underspent its own capital budget by 27% in its last financial year; money that should have been spent on housing and infrastructure via the exact same construction industry that is currently bleeding. The excuse given being that even government cannot get through the plethora of red tape and the audit culture of its own procurement processes.

The turnaround time of government procurement processes is just not acceptable, and includes the procuring of services from professional consultants and contractors alike. If government is serious about the construction sector, let alone whether it really intends to deliver infrastructure to its people, then it is government's obligation to spend the capital infrastructure and development budgets that it has allocated.

The private sector can certainly contribute its own support to the construction sector, but only if it can get decisions on land use and building plan applications. The WCPDF believes firmly that not every application deserves approval, but every application deserves a quick and transparent decision from whichever tier of government is dealt with the approval. Currently, applicants can wait for years for due process to be completed. By the time a decision is finally made, the market may well have moved on and the project as tabled is more than likely no longer viable.

So, what can government do to support the construction sector? Remove the red tape and align legislation, policies and procedures so that the private sector can get on and do what it can do; namely, invest in buildings and infrastructure.

Lastly, government should do all it can to enforce law and order and to provide protection to contractors on construction sites, whether in urban or rural areas. Construction companies don't only employ professional teams

with university qualification; they are also providers of work to some of the lowest income groups in society – the ones that really struggle to survive. If we, as a nation, do not look after the physical safety of all those on construction sites, we have no respect for the families that these sites feed.

The Western Cape Property Development Forum feels so strongly about these challenges and the impending collapse of our industry, that it has themed its upcoming conference in May, “The Perfect Storm: Investment and Jobs or Bureaucracy and Stagnation”, in order to build the much-needed platform to enable talks and action between government and the industry.

**THIS RELEASE IS ISSUED BY THE WESTERN CAPE PROPERTY DEVELOPMENT FORUM**

***For more information (including information on the 2019 conference) please visit: [www.wcpdf.co.za](http://www.wcpdf.co.za)***

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***For more information regarding the WCPDF Conference in May, please visit: [www.sbs.co.za/wcpdf2019](http://www.sbs.co.za/wcpdf2019)***