



MEDIA RELEASE

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PROPERTY FORUM CALLS ON PRESIDENT AND BANKS TO REMEMBER CONTRACTORS DURING COVID-19

With National Government currently in discussion regarding stimulus interventions to protect businesses and support the faltering economy, the property and construction industry has called on President Ramaphosa to remember contractors and sub-contractors in these difficult times.

Says chairperson of the Western Cape Property Development Forum (WCPDF), Deon van Zyl: “We call on President Ramaphosa to consider the impact the Covid-19 virus is having on the civil and building construction sectors, particularly when he addresses the Treasury and banking fraternity which provide development funding for public and private sector projects.

“It is critical that that both private and public sector developers are given the financial latitude to be able to support contractors and sub-contractors to survive these difficult times.”

As the property development and construction sector are already under severe strain, a lack of intervention could be the tipping point that sees the sector decimated. Noting that the technical capacity to construct infrastructure and buildings is one of the most important assets that any country globally has, Van Zyl emphasises that construction capacity is synonymous with growth.

“We need the construction sector to survive this crisis and come out intact if we are to see our economy recover. Government also needs to remember that the construction sector is arguably the industry that can get money to the poorest communities in the country in the quickest and most efficient manner.

With an historic principle of “no work, no pay,” Van Zyl notes that the construction sector is an industry that measures its output by delivery and tangible work delivered: “ This ability to deliver is underpinned by the payment of preliminary and general payments – P&Gs as these are known in the industry. The salaries and wages component of P&Gs is the grease that allow contractors to keep construction workers on site and ensure that money flows to staff and labour.”

With most private projects funded via the formal financial industry, P&Gs are generally only payable on active construction sites says Van Zyl: “The closures of these active construction sites will therefore see clients pull back on these payments, purely because the money will not be available from the financial institutions as per their current development finance agreements.

“Construction-related P&G costs are part of project feasibilities which, no doubt, would never have made allowance for an eventuality of the magnitude of Covid-19. We need stimulus packages agreed upon by the financial institutions to also look after the construction sector’s labour force. ”

At the same time, notes Van Zyl: “Contractors need to accept the responsibility of ensuring the through flow of money to sub contractors, artisans and labour to ensure that we still have some semblance of a construction industry once the Covid-19 virus crisis abates. Any abuse of stimulus packages must receive the harshest penalties.”

There is also an opportunity that should not be missed: “Public projects not dependent on private sector funding, but which are severely impacted by cumbersome procurement procedures, should be fast tracked to see the light of day.

“Now is the time to release the hand break on public projects that have been budgeted for but do not seem to be getting through regulatory red tape. This will help the industry to survive and create essential infrastructure capacity for the growth that will be much needed post Covid-19.”

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