



KEYNOTE ADDRESS BY KWAZULU-NATAL MEC FOR TRANSPORT, COMMUNITY SAFETY & LIAISON, MR. B.H. CELE AT THE VUKUZAKHE INDABA HELD AT ETHEKWINI (DURBAN) ON FRIDAY, 30TH SEPTEMBER 2005.

All Protocol Observed.

- It is my pleasure to welcome you to our Vukuzakhe Indaba.
- At the outset, I would like to express my sincere gratitude to the various stakeholders in the construction sector who are with us today.
- The National Minister of Public Works, Ms. Stella Sigcau, has set the construction industry the challenge that by 2008 more than 30% of the industry should be black owned.
- Our challenge is to ensure that as much as possible of that 30% stake is owned by ordinary contractors. And, if these contractors are from KwaZulu-Natal, so much the better.
- Here I would like to use this opportunity to remind you that it will be natural for the leadership of the construction sector to look for black partners who are already well established in business circles and are thus known to them.

- Only recently a wide range of new equity deals were announced by several of our largest construction companies such as Group 5, Aveng and Murray & Roberts.
- Minister Sigcau has set the construction industry a target of 30%. We are moving towards that target, but emerging black contractors are yet to meaningfully participate in such equity deals.
- Despite the fact that our Vukuzakhe programme has performed well over the past several years, we need to review our Vukuzakhe programme to ensure that emerging contractors benefit from the current boom in the construction sector, and from the new policy environment that government has developed in support of broad based black economic empowerment.
- Our departmental review of Vukuzakhe has taken the following concerns into consideration:
 - When the Vukuzakhe programme first started contractors were restricted to the construction and maintenance of our gravel road network. Today, largely through the African Renaissance Roads Upgrading Programme (ARRUP), contractors are gaining experience through constructing highly sophisticated blacktop roads, bridges and drainage systems.

Contractors are only too well aware of the fact that a movement from gravel road to blacktop road contracts entails a shift from more labour intensive methodologies to capital intensive methodologies.

I am told by our engineers that the plant requirements for constructing blacktop roads are of a much higher order in terms of value and sophistication than those required for gravel roads. So much so that they calculate that for an emerging contractor to compete effectively for contracts to construct blacktop roads, he/she must have accumulated plant to the value of some R4,6 million. If R4, 6 million worth of plant were financed through bank loans it would require a monthly instalment / repayment of R141 000.

- Our Vukuzakhe programme was initiated when the construction industry in South Africa was still in serious recession.
- During the recession many of the very large companies either:
 - scaled down their operations;
 - formed larger consortiums; or
 - closed down.

- Today the construction sector in South Africa is booming. So much so that the Johannesburg Stock Exchange Construction and Building Materials Index has gained more than 63% over the past year. For the past several years our construction sector has grown at a much faster rate than that of the South African economy.

- None of us need reminding that we are only beginning to prepare for the 2010 Soccer World Cup and that South Africa is bidding against Japan and New Zealand to host the 2011 Rugby World Cup.

- In KwaZulu-Natal an already booming construction industry will be further boosted by projects such as the Dube Trade Port, the construction of the King Shaka airport and the John Ross Highway.

- In less than ten years therefore the construction sector in South Africa has moved from doom to boom. We must obviously now plan for the future of our emerging contractors within an industry that is attracting more and more influential role players.

- In the first years of Vukuzakhe the Department provided contracts within a closed database system. This limited the number of contractors on the database and ensured that each company was well known to the Department and that there was no fronting.

- The re-opening of the Vukuzakhe database increased our register to almost 25 000 contractors. In recent years we have become aware of some instances of fronting within Vukuzakhe. Indeed, at our 2005 Summit held at Ulundi earlier this year, this was raised

as an issue that must be addressed urgently. I can assure you that my department will not tolerate fronting on any of our programmes. We will root it out and deal harshly with the guilty parties.

- On the question of allegations of corruption generally, I am investigating ways of separating corrupt activities from legally accepted practices. For example, the department will be re-looking at the policy regarding the trading of public servants. I will ensure that our monitoring systems improve qualitatively rather than quantitatively in order to ensure that the targeted audiences do benefit from these programmes.
- You can be rest assured that there will be 100% compliance in respect of all our programmes and anyone, be it a public servant, consultant or Vukuzakhe stakeholder, found guilty of any form of corruption will face the full might of the law.
- These then are some of the more compelling reasons that challenge us to review our Vukuzakhe programme. In charting the way forward we need to acknowledge that we are building on very solid foundations. There are not many broad based black economic empowerment programmes in South Africa that can boast the same record as Vukuzakhe.
- I would like to use this opportunity to cite some of the following achievements of our Vukuzakhe programme since 1998.
 - The Department has invested R2.14 billion in the Vukuzakhe programme.
 - Vukuzakhe contractors have created 155,371 jobs, mostly in rural areas where unemployment is highest.
 - In total:
 - 864 contractors have progressed from Stage 1a to Stage 1b;

- 319 contractors have progressed from Stage 1b to Stage 2;
 - 113 contractors have progressed from Stage 2 to Stage 3; and
 - 35 contractors have progressed from Stage 3 to Stage 4.
- 88 students who have been granted CETA learnerships are expected to graduate within NQF level 2 national certificates by the end of 2005. I am happy to announce that most of these learners who have used these government opportunities aimed at re-skilling the nation are present with us today. May you please stand up so that everyone can see you?
 - Today, 22 contractors own plant. Some of them hire out this equipment to other contractors, thereby earning additional income.
 - I am aware that many contractors encounter a range of obstacles when trying to hire good quality plant. The Department is currently conducting a feasibility study with regards to a public-private partnership aimed at availing suitable plant for both DOT in-house teams as well as Vukuzakhe contractors. I want to assure you that we will do our best to find a solution to this challenge.
 - Some of our Stage 4 contractors now get contracts from other departments, often for considerable sums of money. For example, Mr Zondi, of Zondi's Construction, started as a Stage 2 contractor in 1999 doing road patching. Today, he has a contract to build a bridge for the Ingwe local municipality worth R1, 8 million. His dependence on the KwaZulu-Natal Department of Transport is thus decreasing as we speak.
 - Two of our most successful contractors are women, namely Mrs T.P. Zondi of Thatheni Construction and Mrs Irene Gangerdine of Salli's Construction. Indeed Mrs Gangerdine was one of our first women contractors in the Vukuzakhe programme. In 1999, she started as a Stage 2 contractor with a job worth R257 682. This year, she is a Stage 4 contractor who has just completed an earthworks contract worth R3, 2 million. Between 1999 and 2005 she successfully completed

10 contracts worth R9, 08 million. Despite her undoubtedly successful career as one of our leading emerging contractors, Mrs Gangerdine is not yet a millionaire.

- Our Vukuzakhe record is a proud one. Indeed, it would be remiss of me not to ask you to join me in a round of applause for all those that have made the Vukuzakhe programme the success story that it is.
- We have come a long way together over the past decade. Especially if we recall how the pioneers of the Vukuzakhe Programme had to endure accusations of being racist and unconstitutional because Vukuzakhe was an unashamedly BEE initiative. Some even threatened us with court action unless we open the Vukuzakhe Programme to all race groups. Today that is all history. Our political leaders have now created a much more enabling and progressive legal environment to pursue the objectives of social and economic justice.
- However, we cannot rest on our laurels. We have a challenging journey in our next decade. We know that together we can make this a journey of hope and prosperity. Together we can create new foundations for broad based black economic empowerment in the construction industry. Together we can rise to the challenge that our President, His Excellency Mr. Thabo Mbeki has set for us. We have proved that we have the leadership in the Department, the leadership in the community at large and the leadership among the contractors themselves, to rise to the challenge that we have set ourselves in our Vukuzakhe Indaba.
- With these few words, I will now hand you over to my Departmental officials, and the panel of stakeholders that they have assembled, to guide us on the way forward.

THANK YOU.