

Acknowledgements: The support of Industry Insight in providing details of contracts awarded is gratefully acknowledged.



CIDB QUARTERLY MONITOR ; JANUARY 2010

1. Introduction

The cidb Quarterly Monitor provides an overview of the state of contractor development in South Africa as input to developing targeted development intervention strategies in support of the National Contractor Development Programme (NCDP). This Quarterly Monitor covers the 1st quarter of 2009 to 4th quarter of 2009, focuses on public sector supply and demand at a provincial level, and deals only with the General Building (GB) and Civil Engineering (CE) cidb Class of Works.

The cidb Quarterly Monitor also includes an overview of contracts awarded on maintenance, refurbishment, renovations, etc., which provides an indication of public spending in line with the National Infrastructure Maintenance Strategy (NIMS) and the cidb Quarterly Monitor has included the cidb BER SME Business Confidence Survey for Grade 3 to Grade 8 General Building and Civil Engineering contractors for all the provinces includes perceptions of the confidence in business conditions and insufficient demand for work obtained from the recently introduced cidb BER SME Survey.

The cidb Quarterly Monitor must only be seen as a guide to assist in developing targeted intervention strategies. Specifically, the cidb Quarterly Monitor should be seen as a tool for interrogating existing intervention strategies.

2. Background and Assumptions

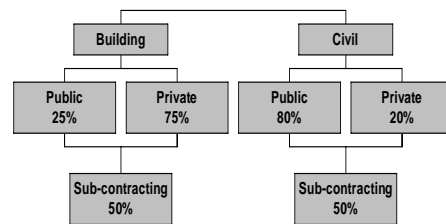
The background and assumptions used in developing and in interpreting the **cidb** Quarterly Monitor are highlighted below:

i) **Contracts Awarded:** Details of contracts awarded is obtained from the **cidb iTender Register** of Projects supported by the *Industry Insight* Project Database. The *Industry Insight* Project Database is considered to be about 60% or more accurate (and is constantly being improved). (The support of *Industry Insight* in providing this information is gratefully acknowledged.)

ii) **Public vs. Private Sector Demand:** The **cidb** Quarterly Monitor only presents information on public sector contracts for General Building (GB) and Civil Engineering (CE) **cidb** Class of Works. Most contractors would however target both public and private sector opportunities. Currently, public sector spend accounts for about 25% of total General Building activity and about 80% of Civil Engineering 80 activity, although lower grade contractors, and in particular emerging contractors, would be more dependent of public sector contracts.

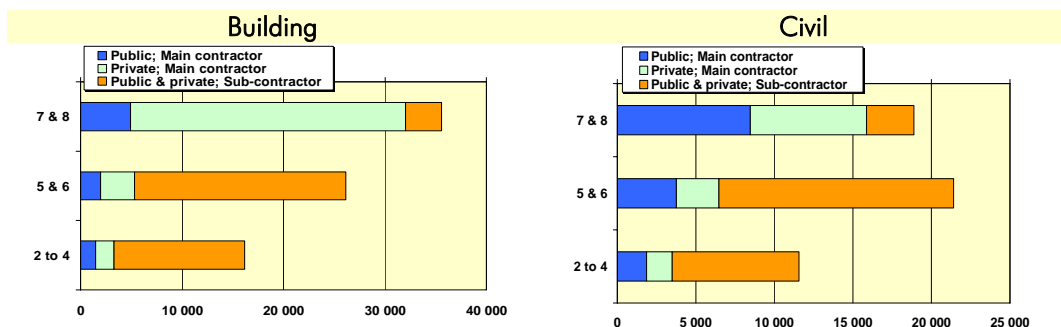
Class of Works	% Public Sector Spend
General Building (GB)	25%
Civil Engineering (CE)	80%

iii) **Sub-contracting:** Much of the work of contractors in Grades 2 to 6 is obtained through sub-contracting to higher level contractors, and not as main contractors. Typically, around 50% of work is sub-contracted to lower Grade or to speciality contractors.



The impact of sub-contracting is illustrated in the adjacent table and following figures, using an assumed distribution of work between the grades. Typically, direct public sector contracts to contractors in Grades 2 to 6 accounts for about 10% of total turnover in General Building and about 20% in Civil Engineering.

Class of Works	Public Sector Main Contracts as % of Total
General Building (GB)	10%
Civil Engineering (CE)	20%



iv) **Supply:** Contractor information is obtained from the cidb Register of Contractors, and considers only:

- contractors registered in Grades 2 to 8; and
- General Building (GB) and Civil Engineering (CE) Class of Works.

The data is then aggregated into the following categories:

- Grades 2 to 4; typically established and developing contractors that operate at a local level;
 - Grades 5 and 6; typically contractors in transition from operating at a local to a regional / provincial level; and
 - Grades 7 and 8; typically contractors that operate a regional / provincial level.
- | Grade | Characteristics |
|--------|-----------------------|
| 7 & 8 | provincial / regional |
| 5 & 6 | local / regional |
| 2 to 4 | local |

Grade 9 contractors are excluded from the analysis as these typically operate at a national / international level.

v) **Business Conditions:** The cidb Quarterly Monitor includes perceptions of the confidence in business conditions and insufficient demand for work obtained from the recently introduced cidb SME Survey. The cidb SME Survey is undertaken by the Bureau for Economic Research (BER) for the cidb, and measures business conditions at a provincial level and in various contractor grades. The full results of the survey are available on the cidb web.

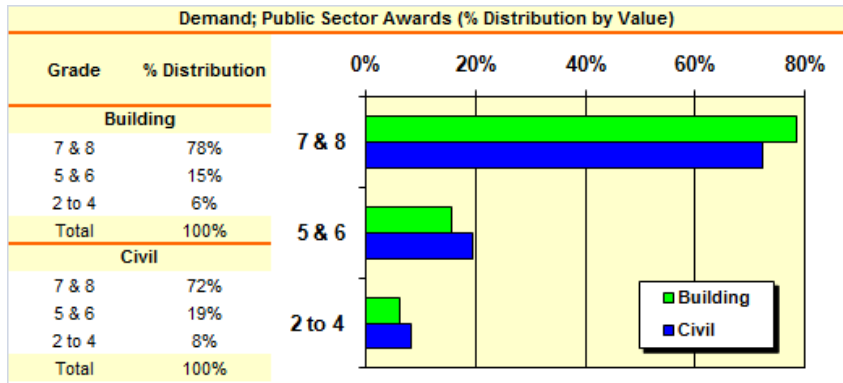
The Confidence Index represents the percentage of respondents rating the business conditions as satisfactory, while the index for demand for work is obtained by formula $(0,67 * seriously + 0,33 * slightly)$ scaled up to 100 to give a % index.

vi) **Contractor Development:** This cidb Quarterly Monitor includes information on new upgrades per contractor grade and new registrations during the preceding 12 months. The present method of evaluating upgrades excludes non-compliant applications, but includes new entrants.

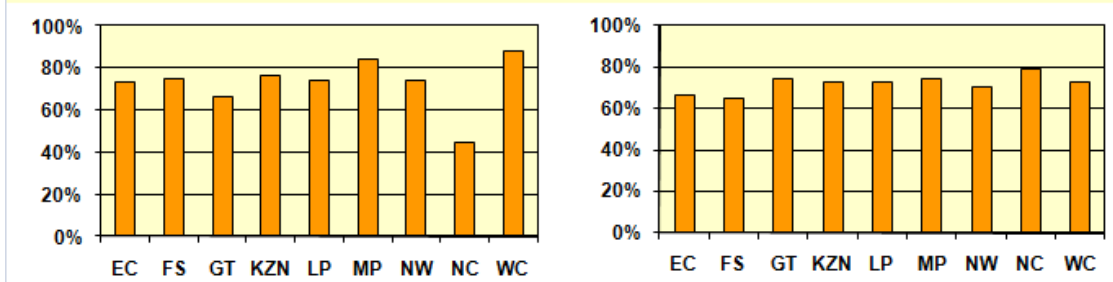
3. South Africa

Demand: The value and distribution of public sector contracts awarded in South Africa in Grades 2 to 8 is shown in the adjacent figure. The distribution in the public sector contracts awarded between the grades clearly reflects the infrastructure requirements of South Africa. It is seen that:

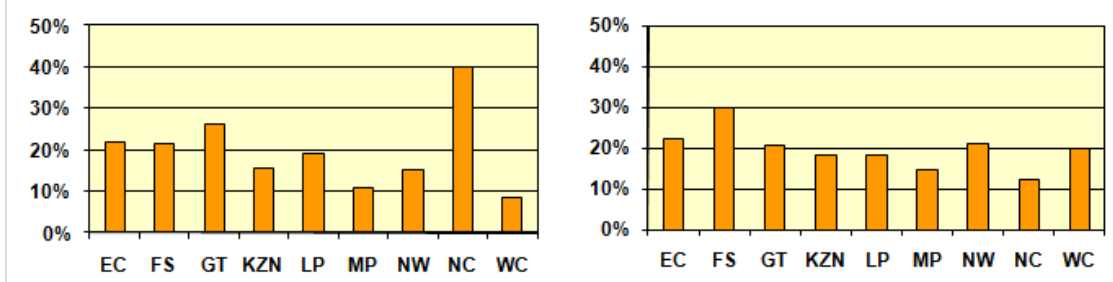
- Grade 7 and 8 contracts account for around 70% to 80% of the total value of contracts awarded in Grades 2 to 8 in General Building and in Civil Engineering, and is reasonably consistent across all provinces;
- Grade 5 and 6 contracts account for around 20% of the total value of contracts awarded in Grades 2 to 8 in General Building and in Civil Engineering.



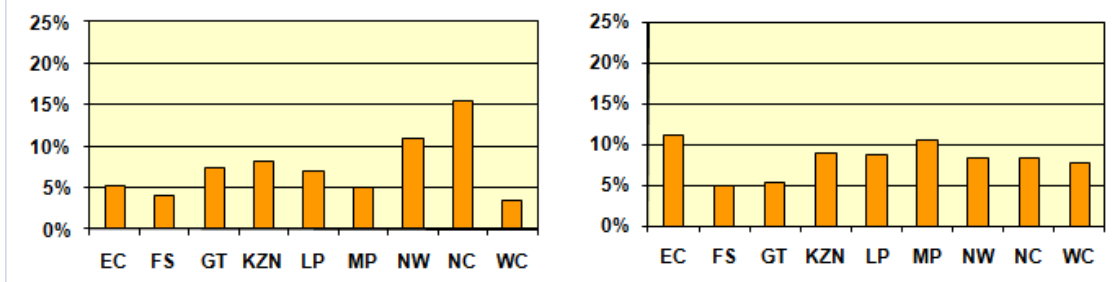
Grades 7 & 8



Grades 5 & 6

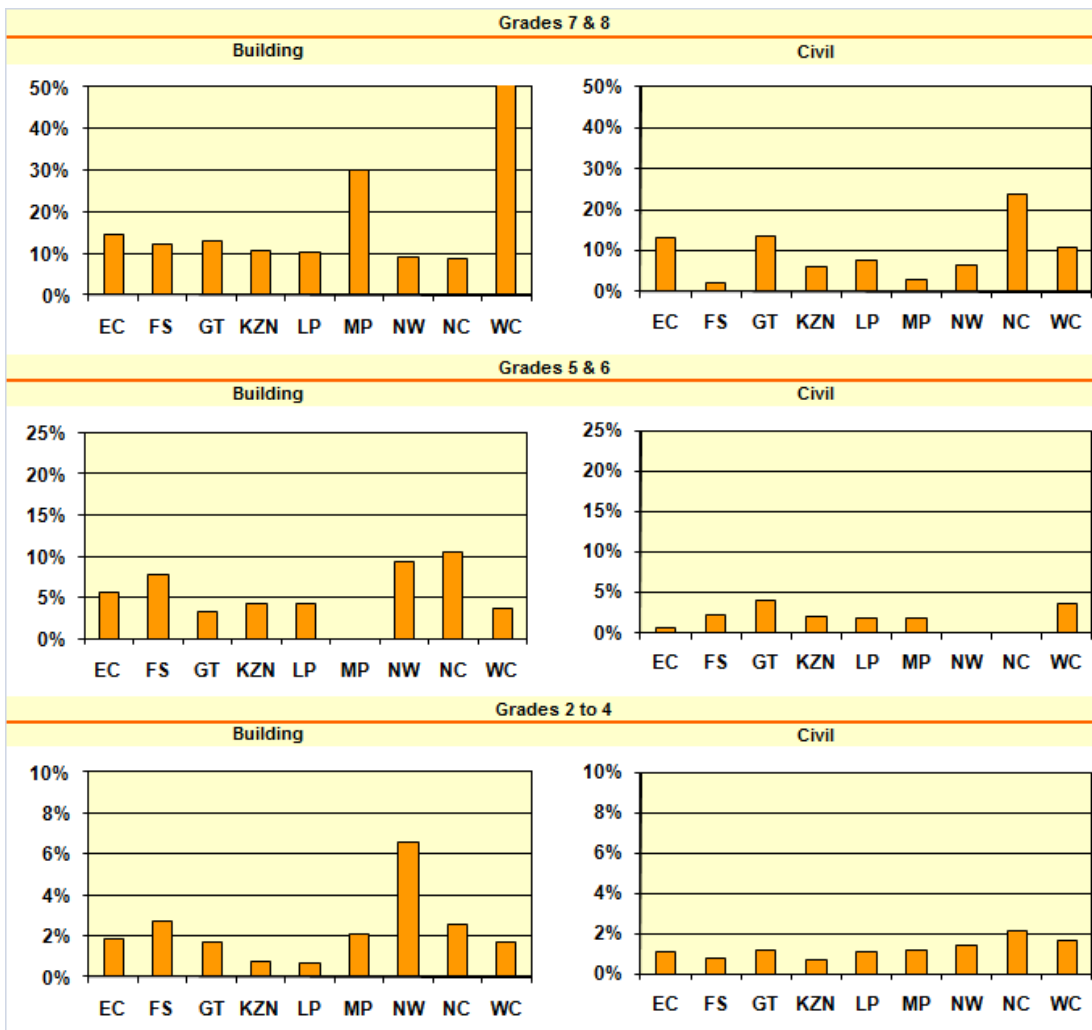
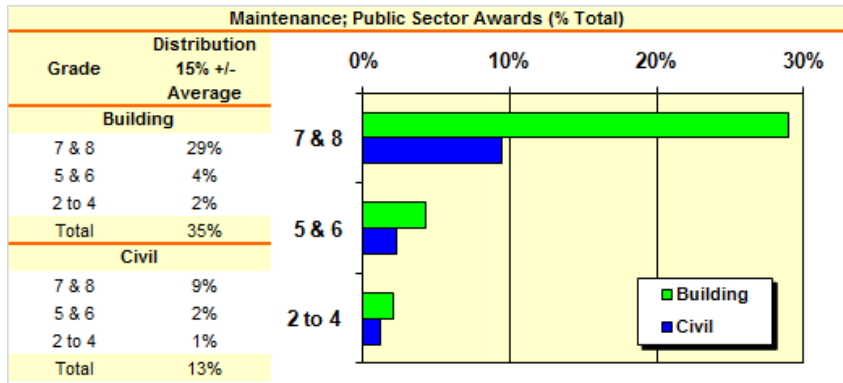


Grades 2 to 4



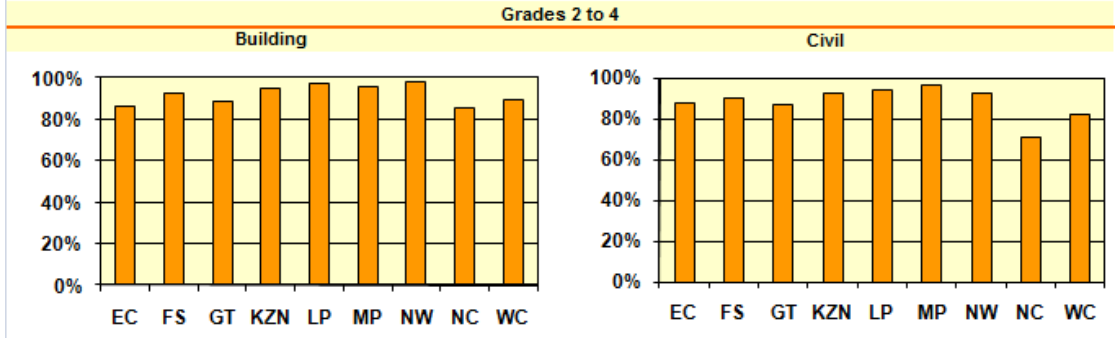
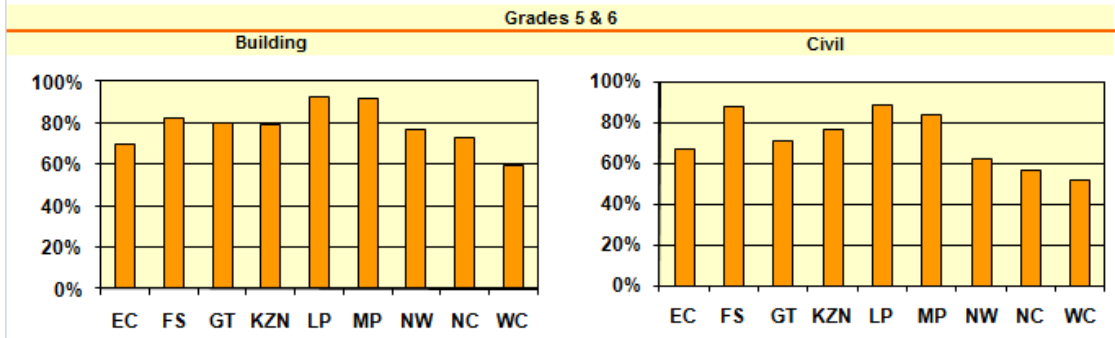
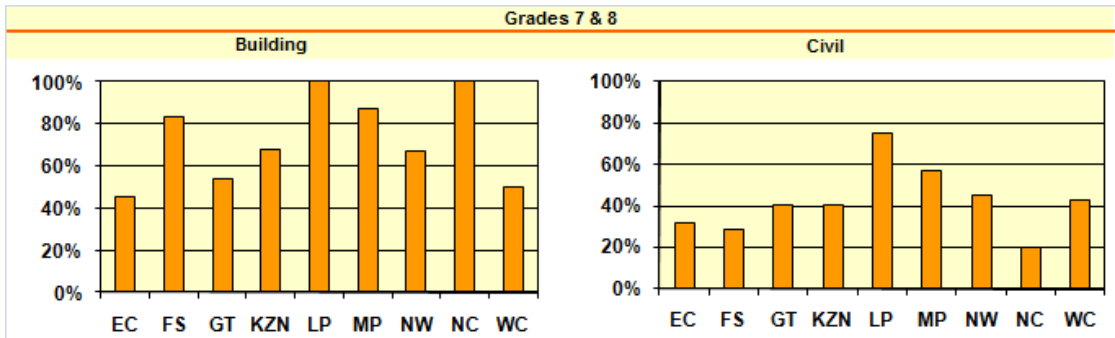
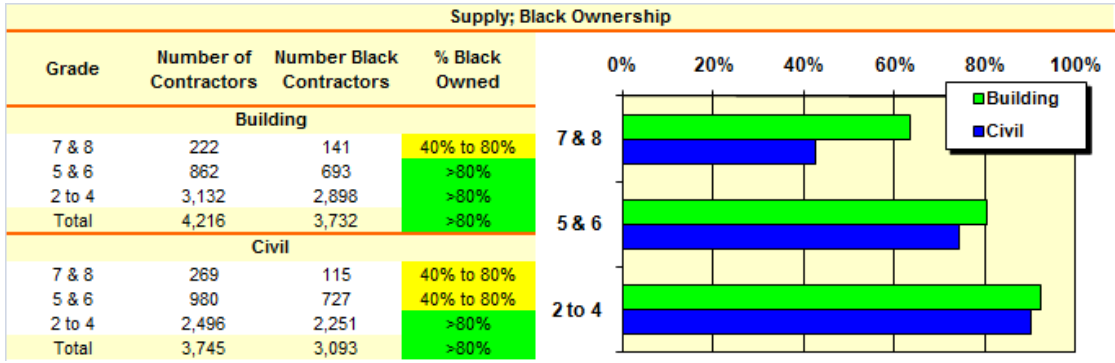
Maintenance: The value and distribution of public sector maintenance contracts (including refurbishment, renovations, etc.) awarded in South Africa in Grades 2 to 8 is shown in the table.

Compared to previous quarters, there has been a noticeable jump in contracts awarded in the 4th quarter of 2009 in which Grade 7 and 8 maintenance contracts in the building sector accounts for around 29% of the total contracts awarded in Grades 2 to 8. This is however attributable to substantial maintenance contracts awarded in the Western Cape in, predominantly, the Education Sector.



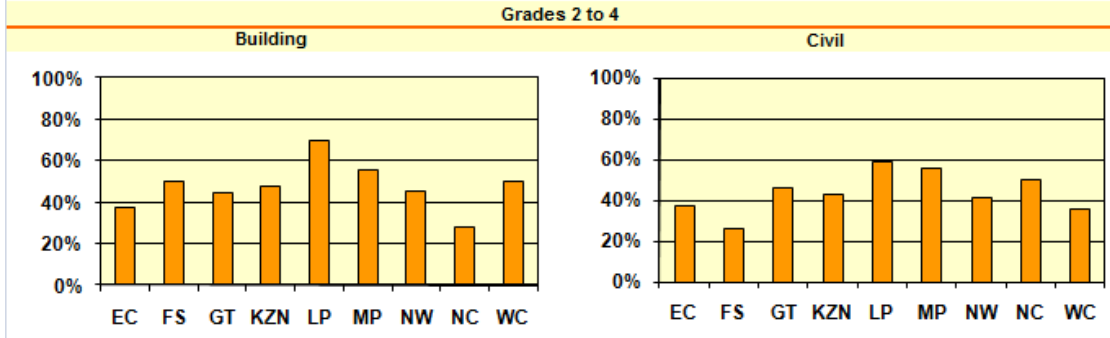
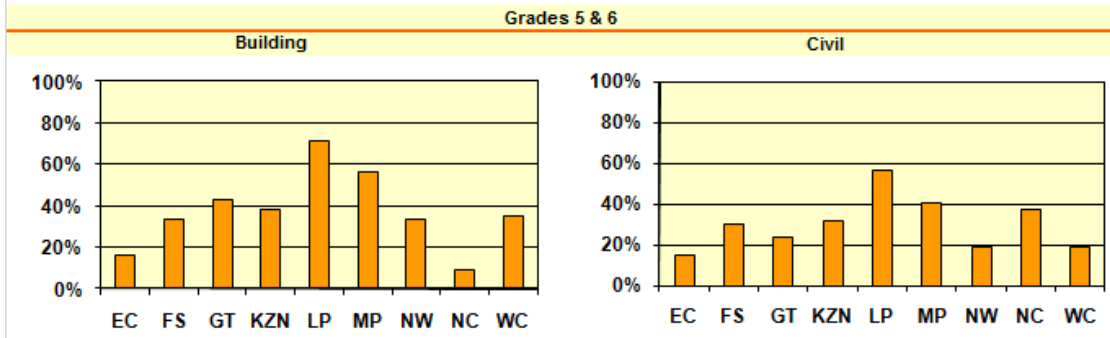
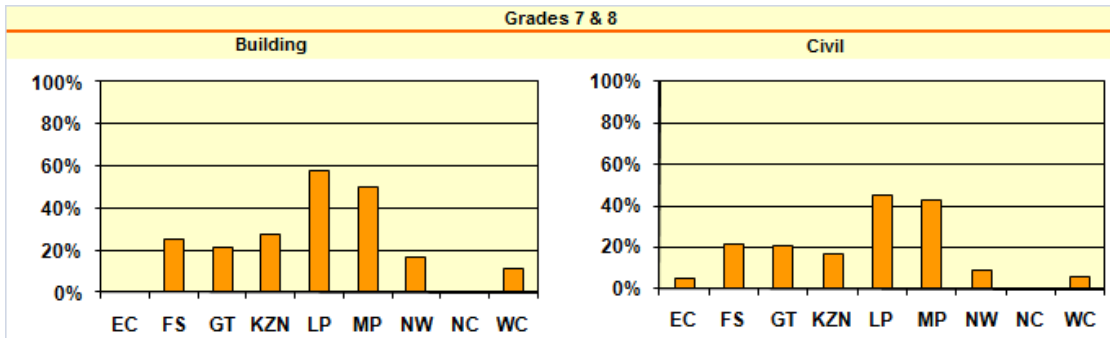
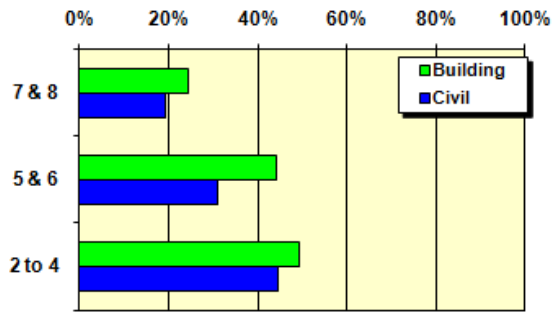
Supply; Black Ownership: Around 90% of cidb registered Grade 2 to 4 Building and Civil Engineering contractors are black owned (defined as more than 50% ownership control).

Furthermore, around 70% to 80% of all Grade 5 and 6 General Building and Civil Engineering contractors are black owned, while around 60% of all Grade 7 and 8 General Building contractors are black owned. Black ownership of Civil Engineering contractors in Grades 7 and 8 is however much lower – around 40% on average.



Supply; Women Ownership: On average, around 40% of all Grade 2 to 4 contractors are women owned – with the highest ownership in Limpopo (which probably reflects tender preferencing in this province), followed by Mpumalanga. However, women ownership varies significantly from province to province, and across the Grades. From Grades 5 and 6 and above, women ownership is typically less than 30% in Civil Engineering, when in General Building it is around 30 to 40%. Women ownership in Grades 2 to 4 and in Grades 5 and 6 has remained largely unaltered over the past four quarters.

Supply; Women Ownership			
Grade	Number of Contractors	Number of Women Contractors	% Women Owned
Building			
7 & 8	222	54	<30%
5 & 6	862	381	30% to 50%
2 to 4	3,132	1,547	30% to 50%
Total	4,216	1,982	30% to 50%
Civil			
7 & 8	269	52	<30%
5 & 6	980	303	30% to 50%
2 to 4	2,496	1,110	30% to 50%
Total	3,745	1,465	30% to 50%



Business Conditions: The cidb/BER SME Business Confidence Index and the Index of Insufficient Demand for Work is given in the adjacent figures. The Business Confidence Index represents the percentage of respondents rating the business conditions as satisfactory, while the index for demand for work is obtained by formula $(0,67 * \text{seriously} + 0,33 * \text{slightly})$ scaled up to 100 to give a % index.

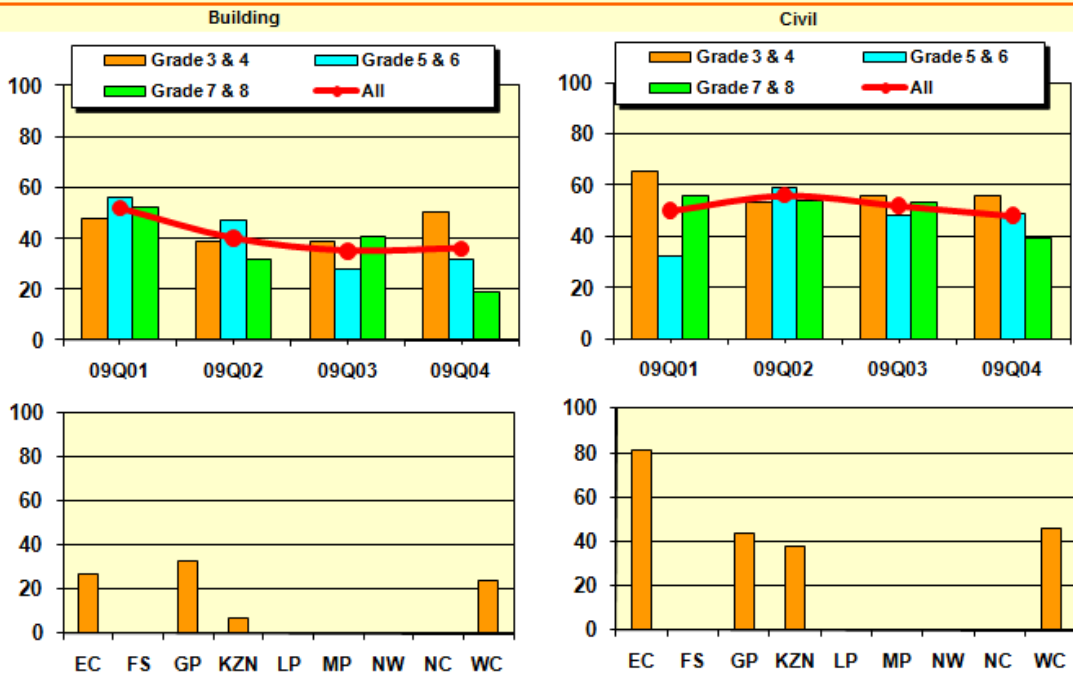
Overall, business confidence in the General Building sector has remained somewhat constant over the last quarter – but at low confidence values. Business confidence in the Civil Engineering sector has dropped slightly in the 4th quarter.

Insufficient demand for work has increased in the General Building sector, but has recovered slightly in the Civil Engineering sector.

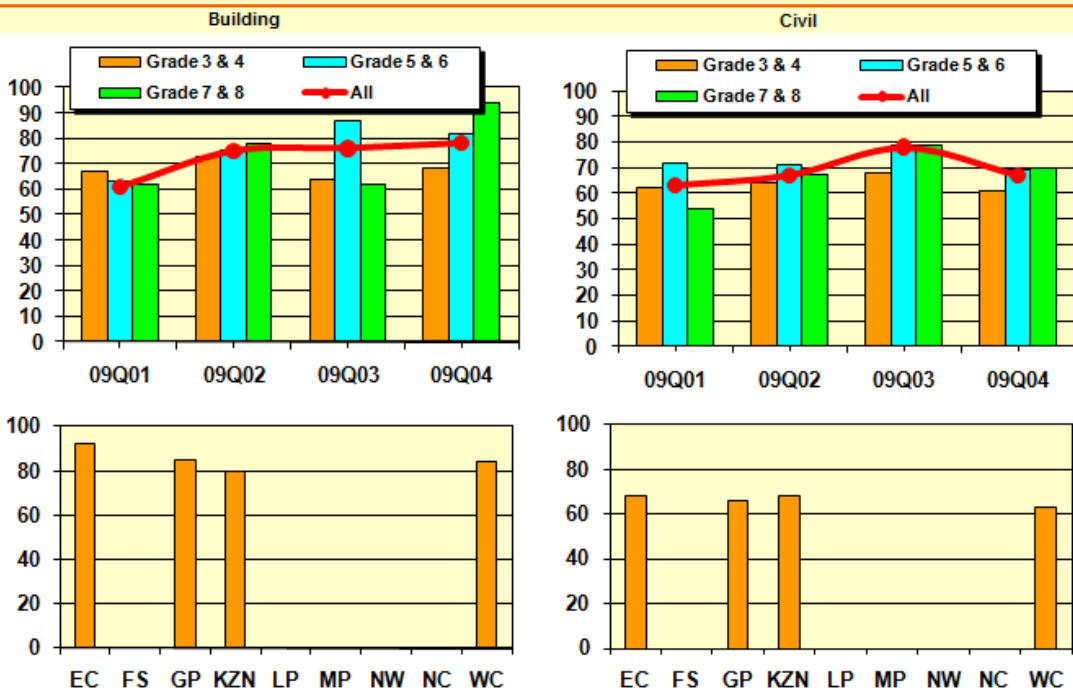
At a provincial level:

- *Eastern Cape* has shown an increase in business confidence for both General Building and Civil Engineering classes of works.
- *Gauteng* shows a decrease in business confidence for both General Building and Civil Engineering classes of works.
- *KwaZulu-Natal* has shown a large decrease in Business Confidence for General Building and Civil Engineering classes of works.
- *Western Cape* has shown a slight increase in business confidence in the General Building sector for the last quarter of 2009, but insufficient demand for work remains high on this sector. Business confidence in the Civil Engineering sector has decreased.

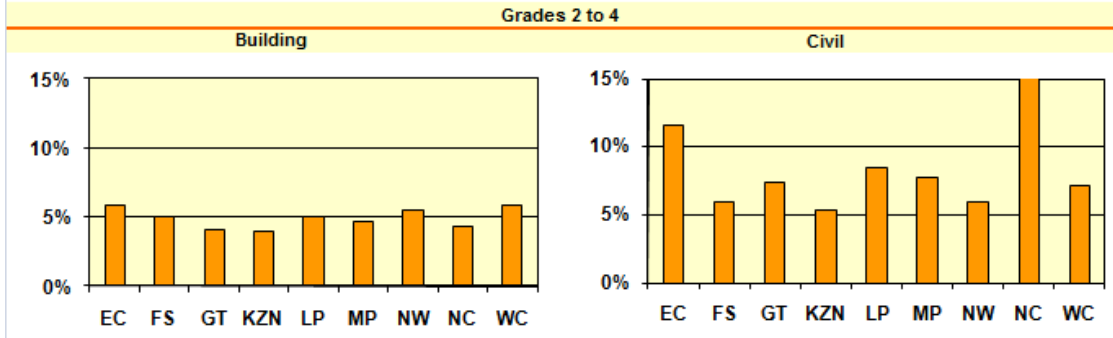
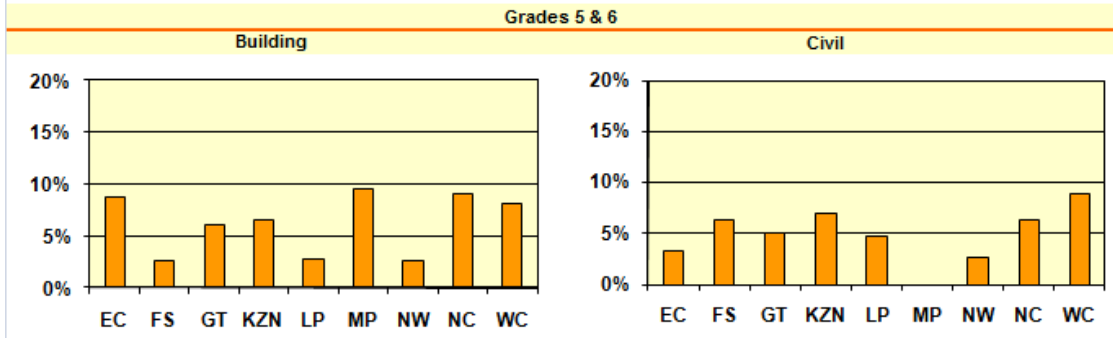
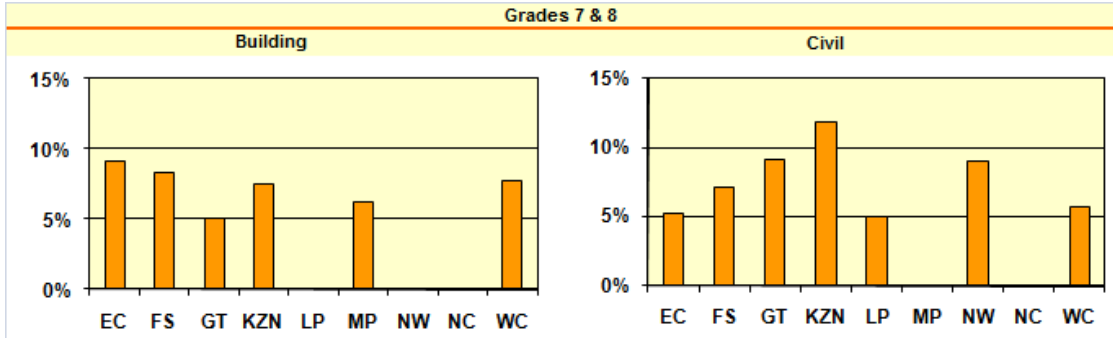
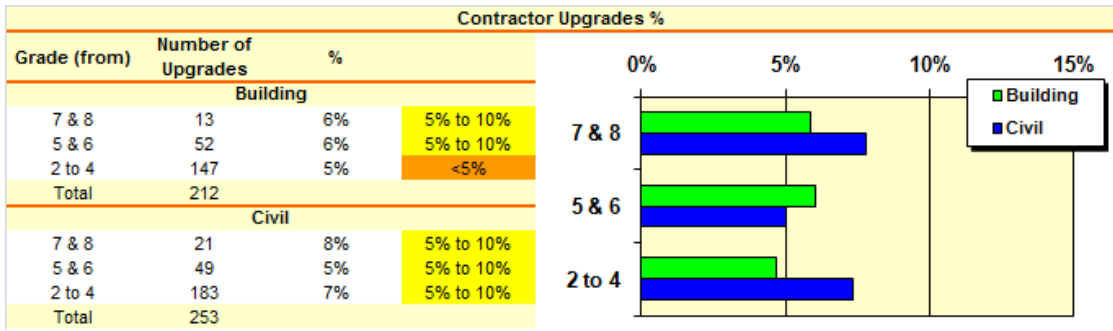
Business Confidence



Insufficient Demand for Work



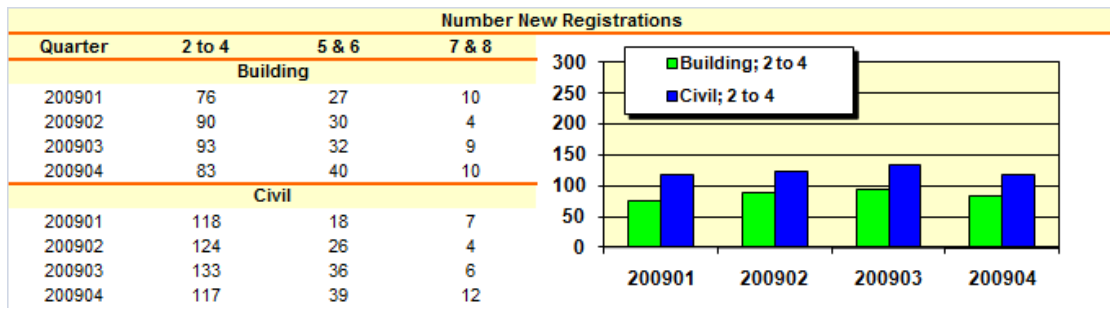
Contractor Development: Details of the upgrading of contractors in General Building and in Civil Engineering within the past four quarters is shown in the table. The average rate of contractor upgrades remains to be around 5% - typically across all grades.



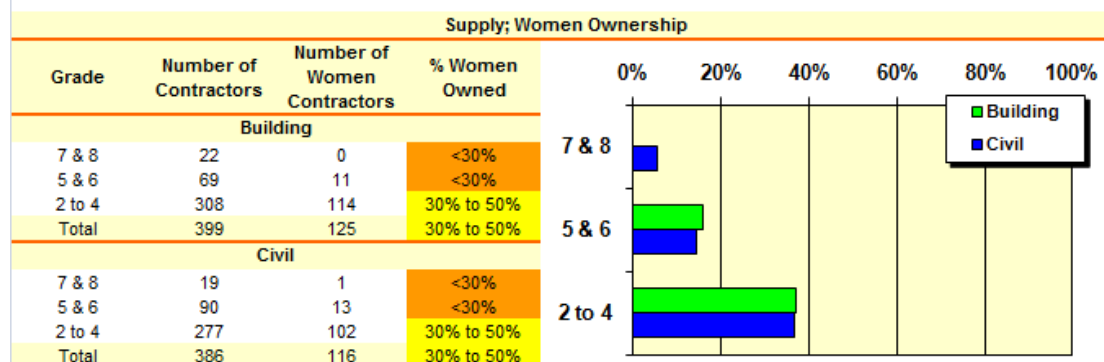
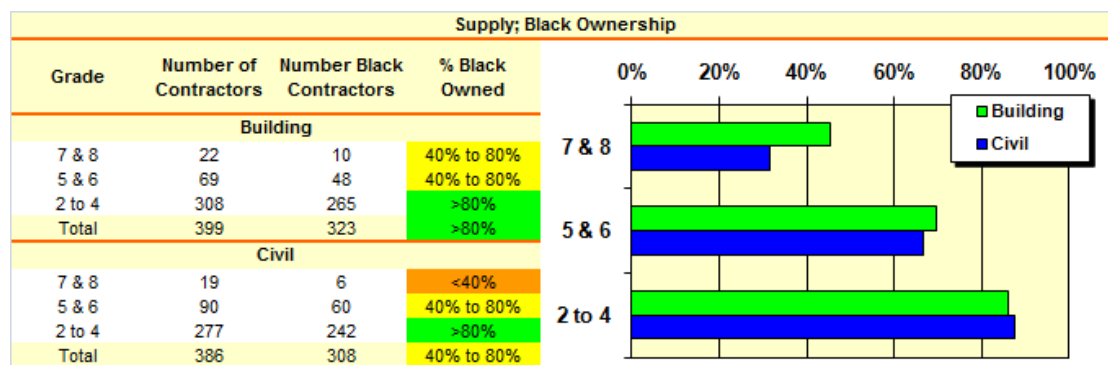
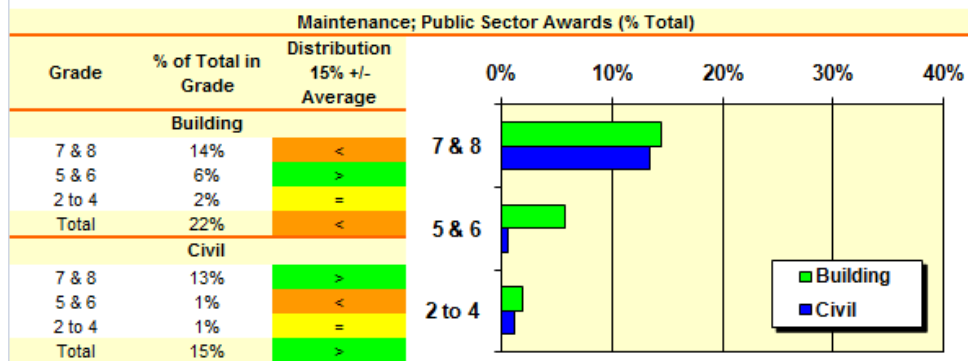
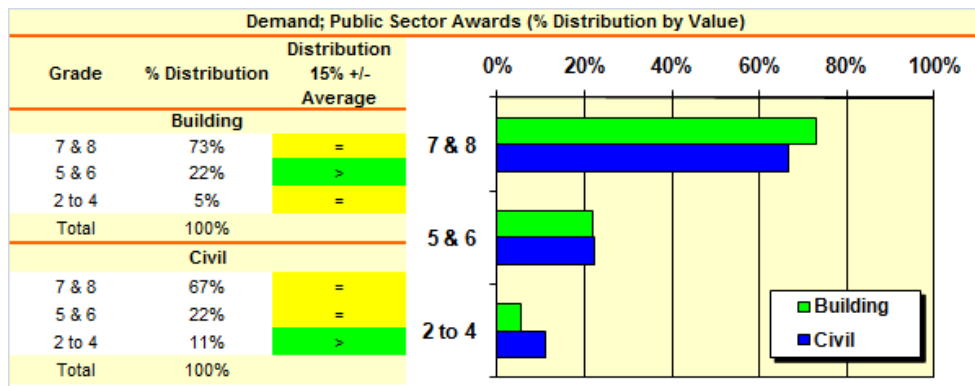
Contractor Development (continued): A comparison between the number of upgrades and the number of new registrations over the past four quarters is given in the table. Of interest is that the number of new entrants within Grades 2 to 4 continues to significantly exceed the number of upgrades.

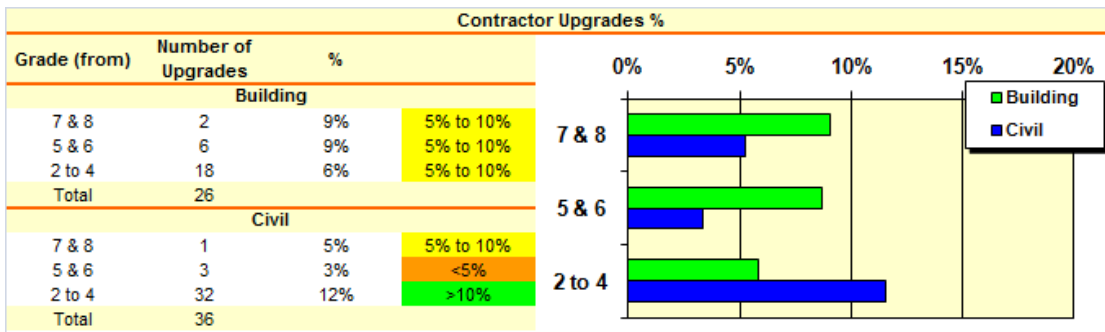
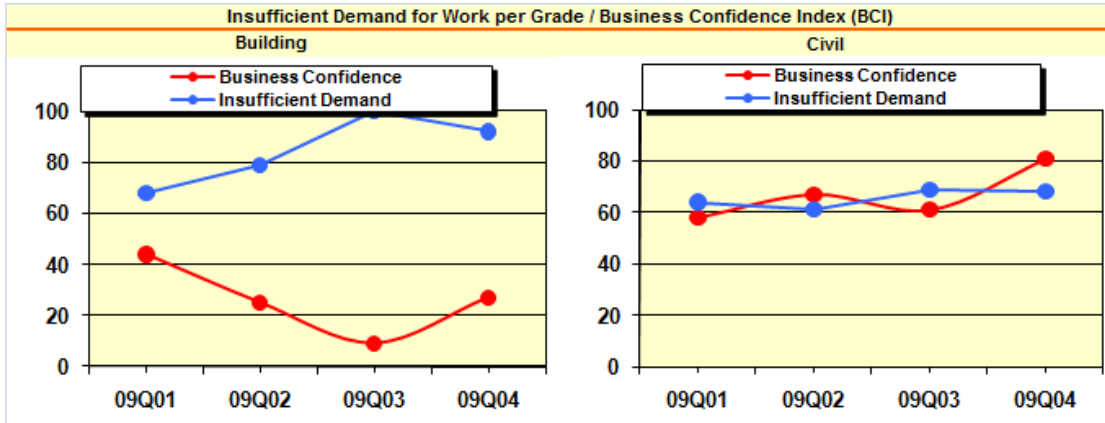
Contractor Upgrades				
From/To	2 to 4	5 & 6	7 & 8	9
Building				
7 & 8			8	5
5 & 6		20	30	2
2 to 4	73	70	4	0
Civil				
7 & 8			17	4
5 & 6		21	28	0
2 to 4	97	83	3	0

Upgrades & New Registrations			
	2 to 4	5 & 6	7 & 8
Building			
Upgrades (to)	73	90	42
New Reg.	342	129	33
Civil			
Upgrades (to)	97	104	48
New Reg.	492	119	29



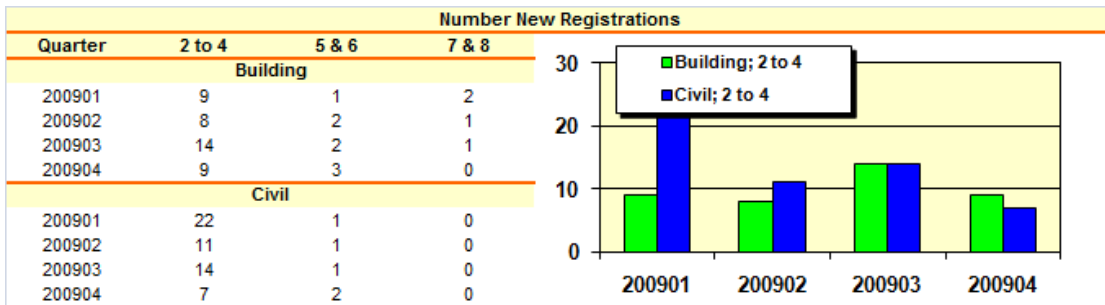
4. Eastern Cape



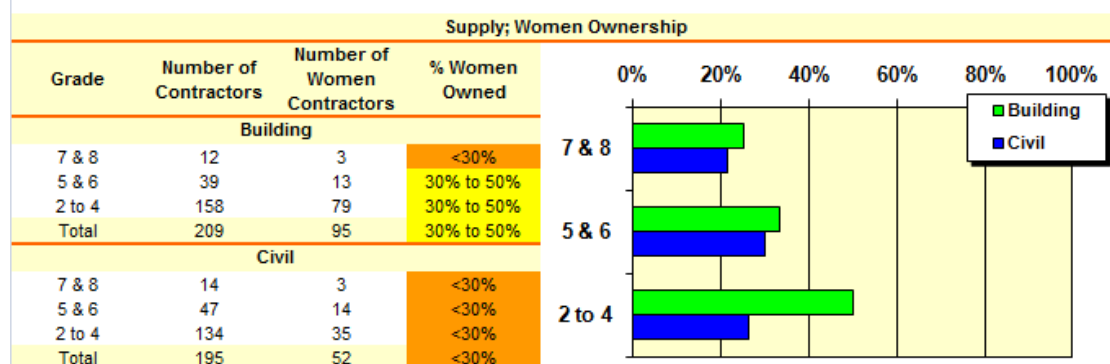
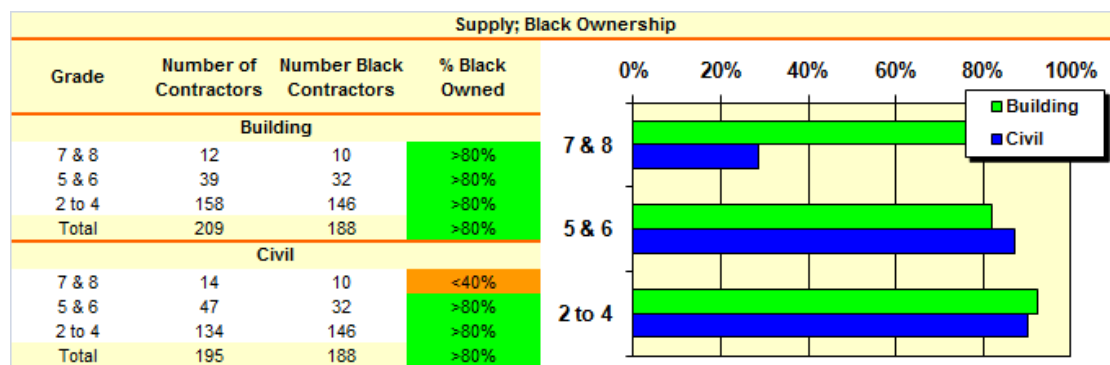
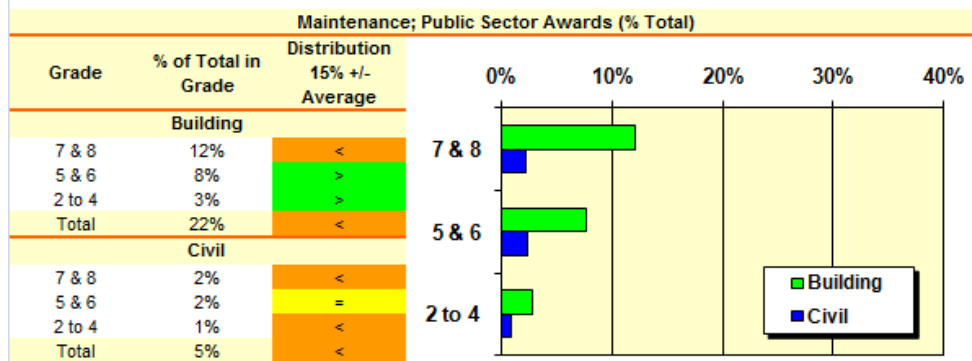
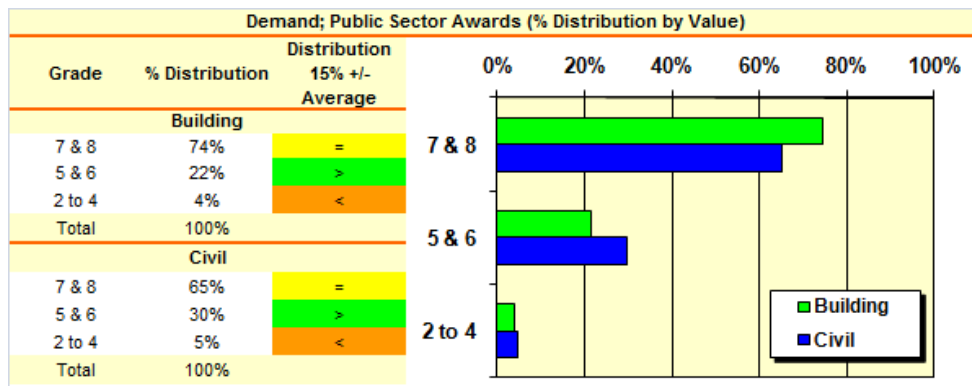


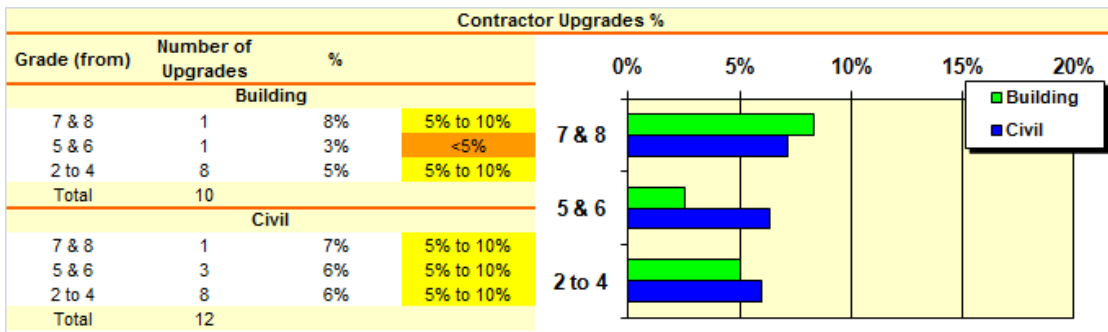
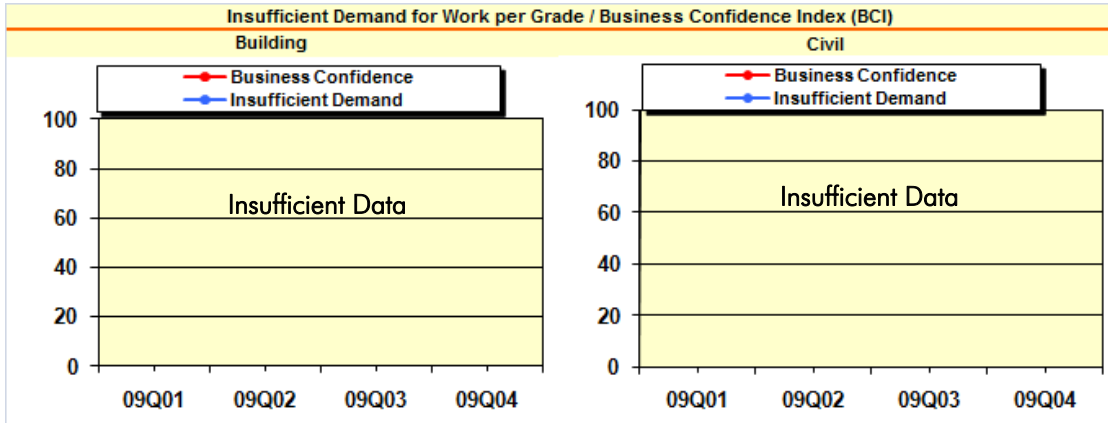
Contractor Upgrades				
From/To	2 to 4	5 & 6	7 & 8	9
Building				
7 & 8			2	0
5 & 6		2	4	0
2 to 4	7	11	0	0
Civil				
7 & 8			1	0
5 & 6		2	1	0
2 to 4	20	12	0	0

Upgrades & New Registrations			
	2 to 4	5 & 6	7 & 8
Building			
Upgrades (to)	7	13	6
New Reg.	40	8	4
Civil			
Upgrades (to)	20	14	2
New Reg.	54	5	0



5. Free State



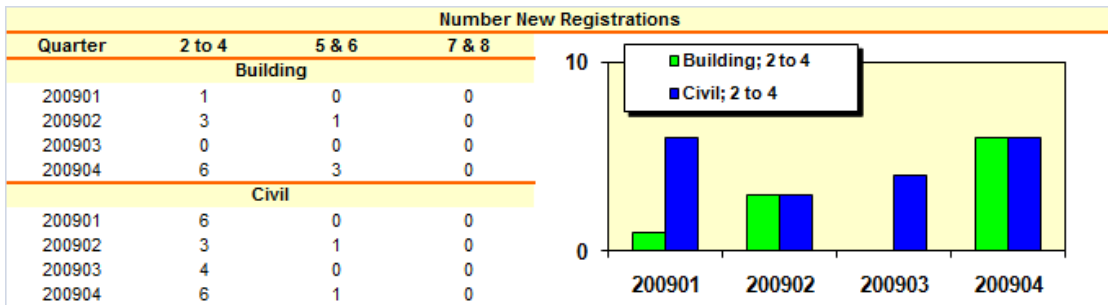


Contractor Upgrades

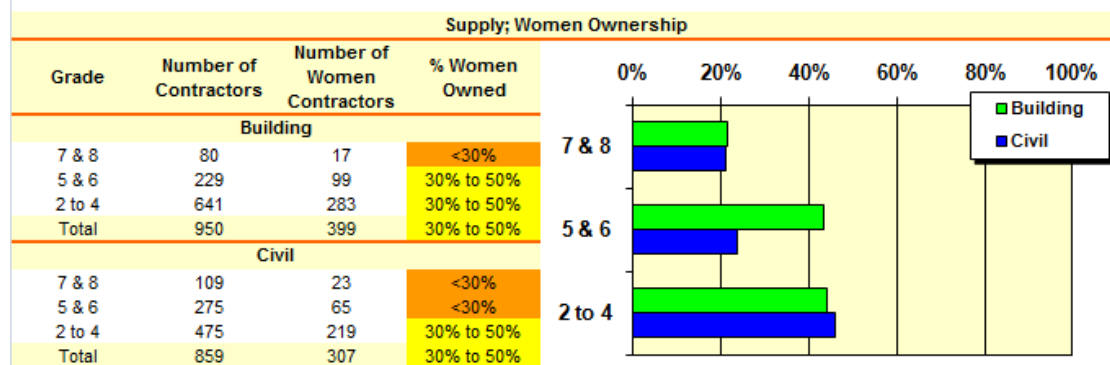
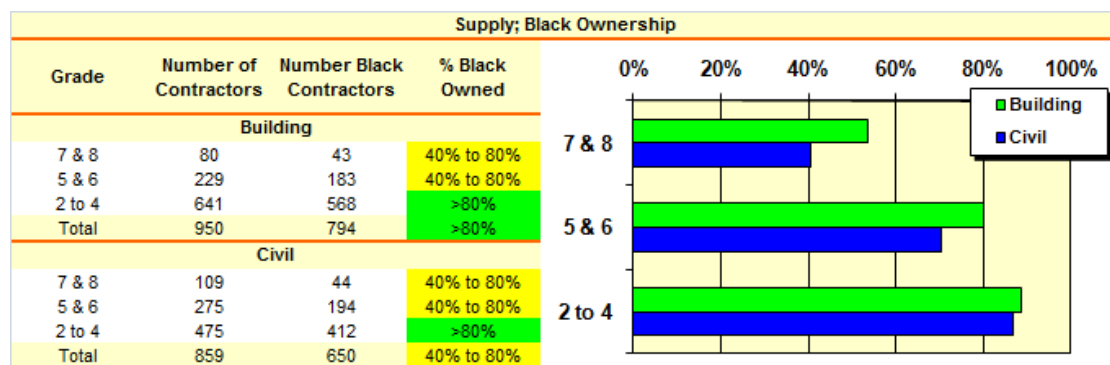
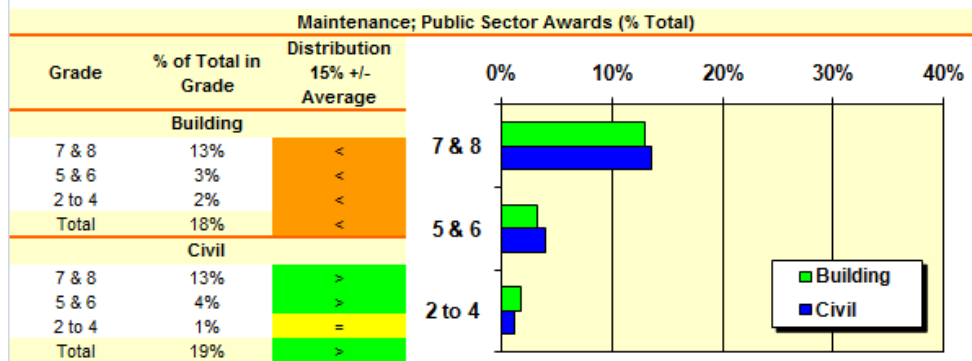
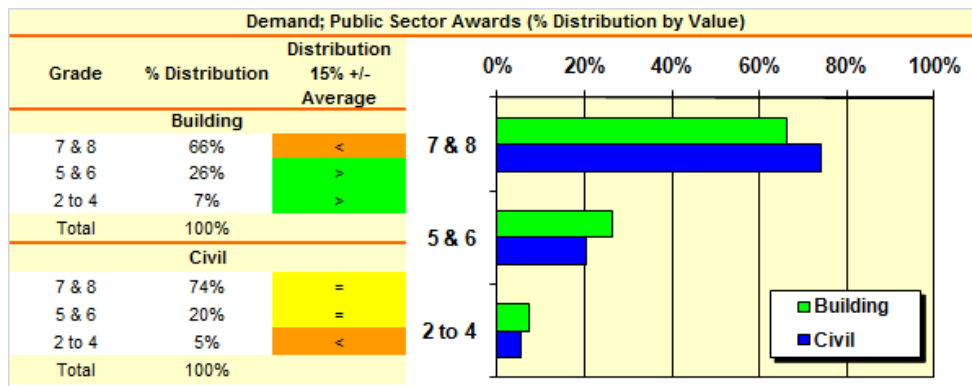
From/To	2 to 4	5 & 6	7 & 8	9
Building				
7 & 8			2	2
5 & 6		3	10	1
2 to 4	14	12	0	0
Civil				
7 & 8			7	3
5 & 6		4	10	0
2 to 4	14	20	1	0

Upgrades & New Registrations

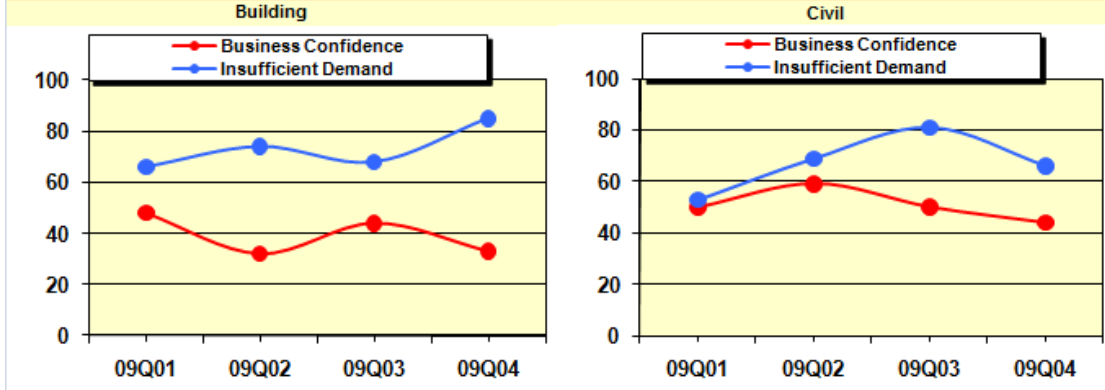
	2 to 4	5 & 6	7 & 8
Building			
Upgrades (to)	14	15	12
New Reg.	10	4	0
Civil			
Upgrades (to)	14	24	18
New Reg.	19	2	0



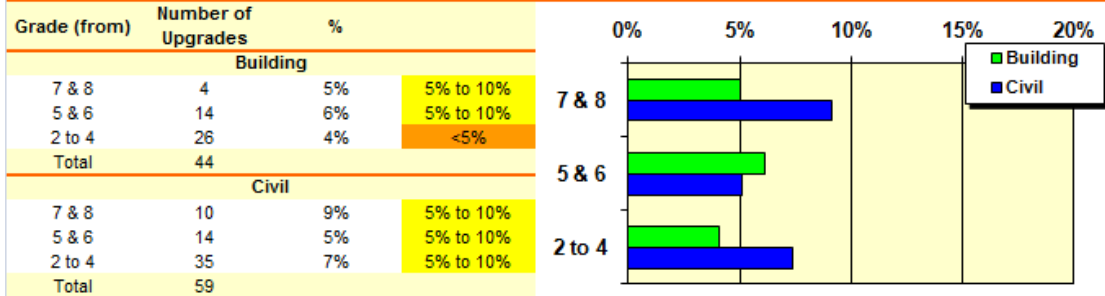
6. Gauteng



Insufficient Demand for Work per Grade / Business Confidence Index (BCI)

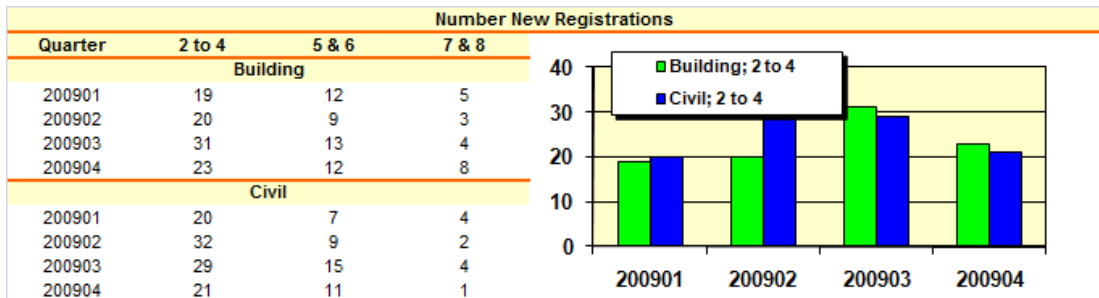


Contractor Upgrades %

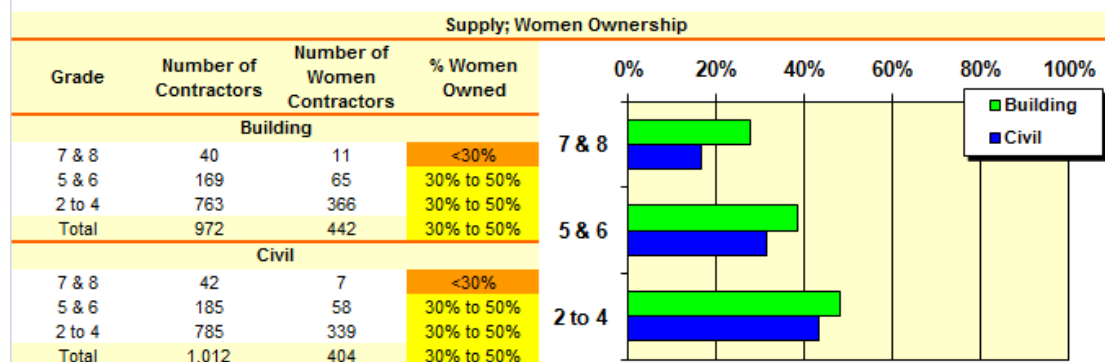
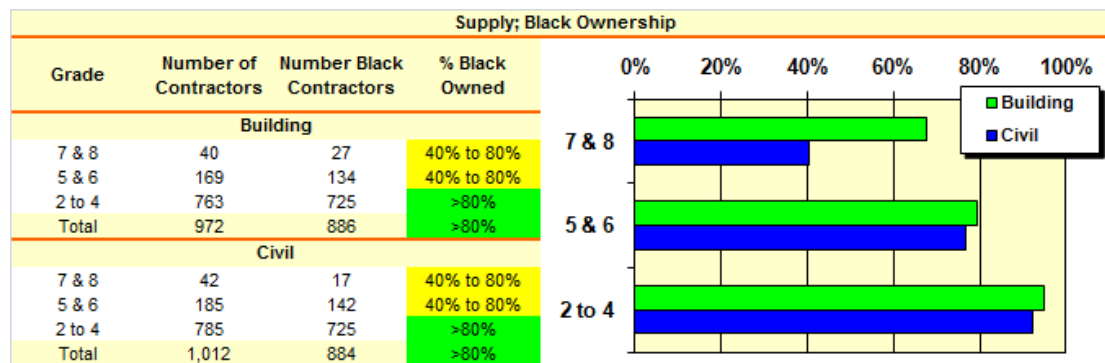
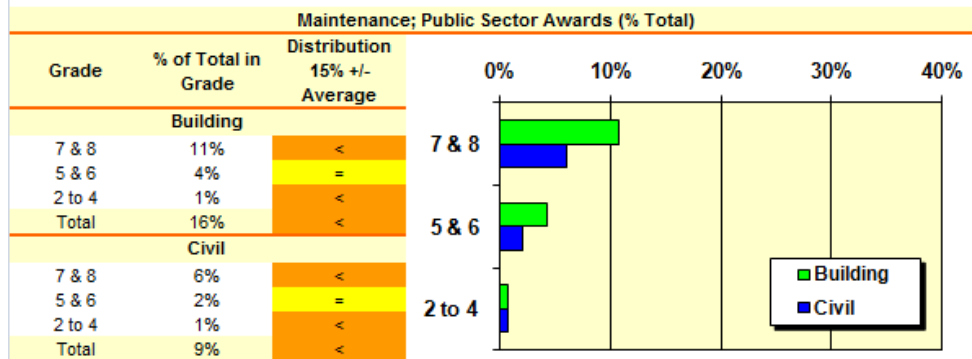
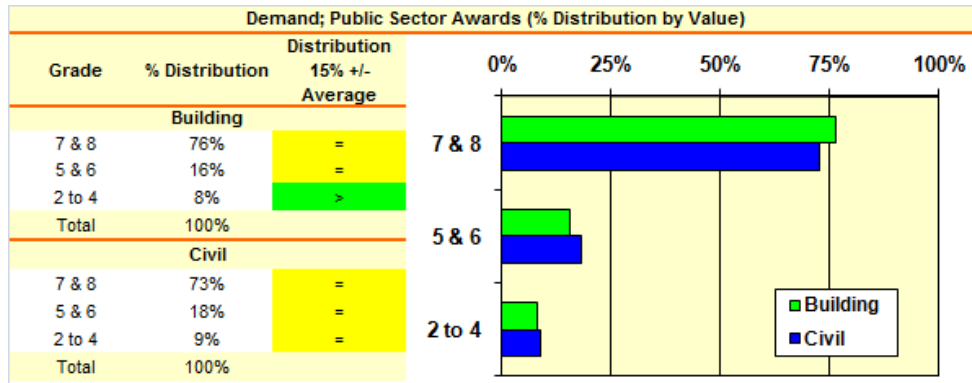


Contractor Upgrades				
From/To	2 to 4	5 & 6	7 & 8	9
Building				
7 & 8			2	2
5 & 6		3	10	1
2 to 4	14	12	0	0
Civil				
7 & 8			7	3
5 & 6		4	10	0
2 to 4	14	20	1	0

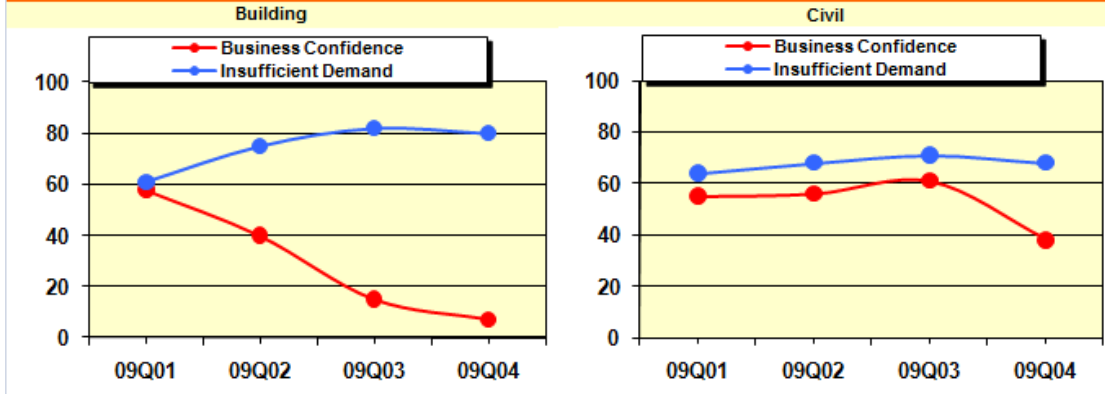
Upgrades & New Registrations			
	2 to 4	5 & 6	7 & 8
Building			
Upgrades (to)	14	15	12
New Reg.	93	46	20
Civil			
Upgrades (to)	14	24	18
New Reg.	102	42	11



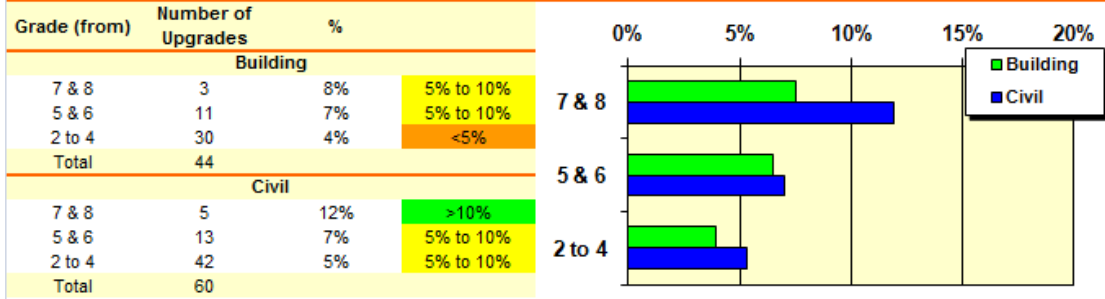
7. KwaZulu Natal



Insufficient Demand for Work per Grade / Business Confidence Index (BCI)



Contractor Upgrades %



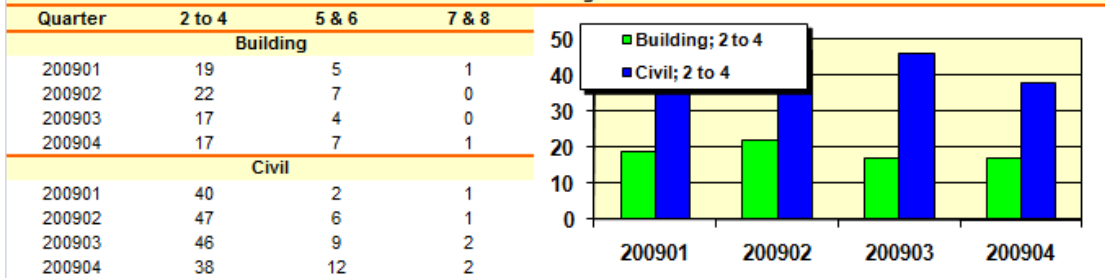
Contractor Upgrades

From/To	2 to 4	5 & 6	7 & 8	9
Building				
7 & 8			2	1
5 & 6		2	8	1
2 to 4	14	15	1	0
Civil				
7 & 8			4	1
5 & 6		5	8	0
2 to 4	28	14	0	0

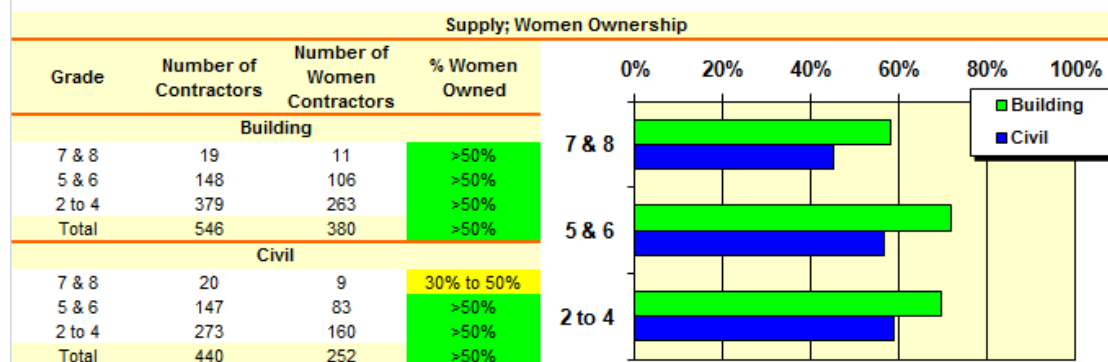
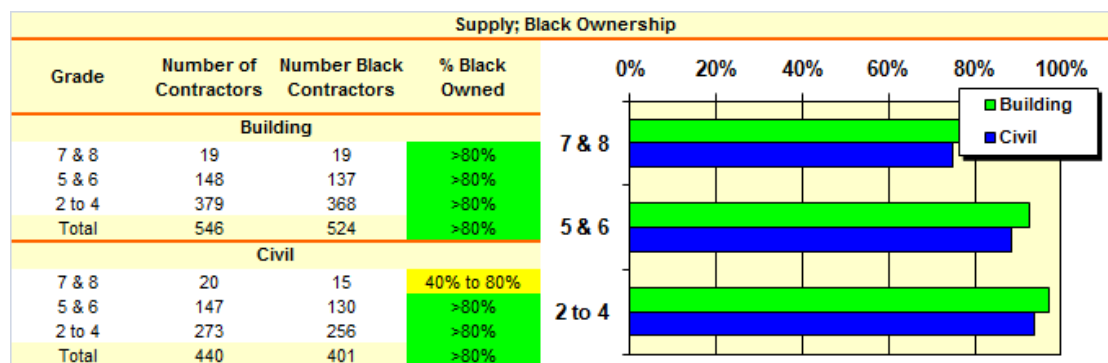
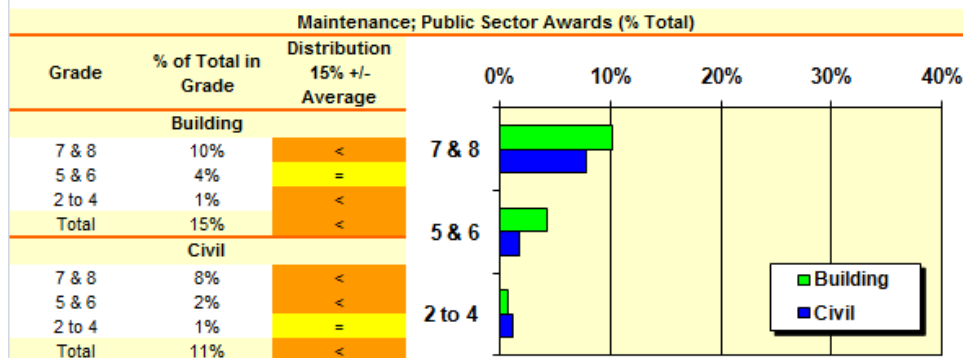
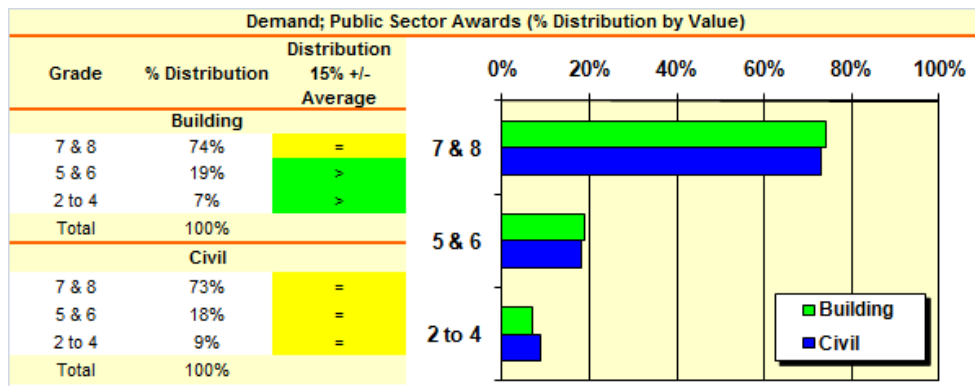
Upgrades & New Registrations

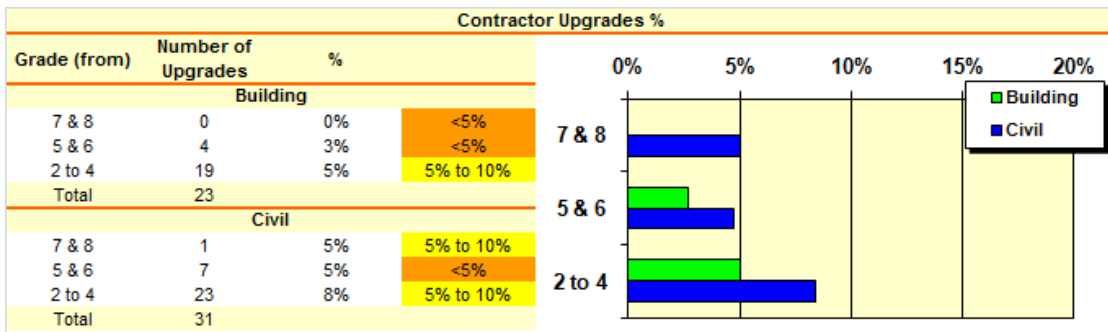
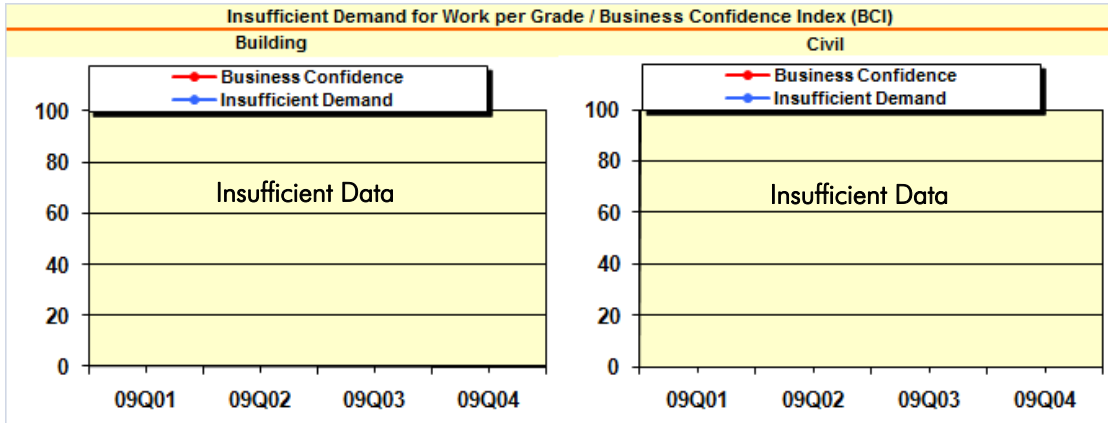
	2 to 4	5 & 6	7 & 8
Building			
Upgrades (to)	14	17	11
New Reg.	75	23	2
Civil			
Upgrades (to)	28	19	12
New Reg.	171	29	6

Number New Registrations



8. Limpopo



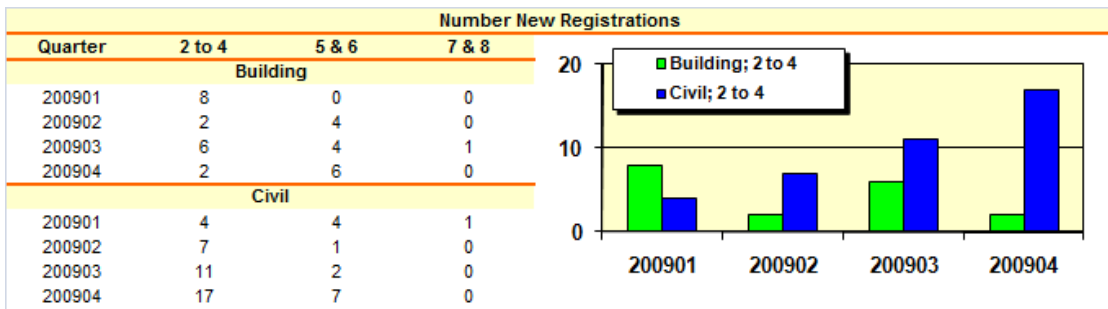


Contractor Upgrades

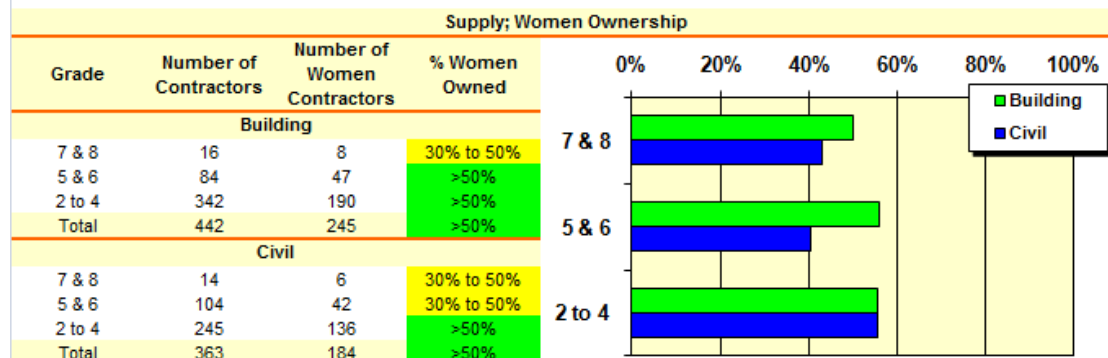
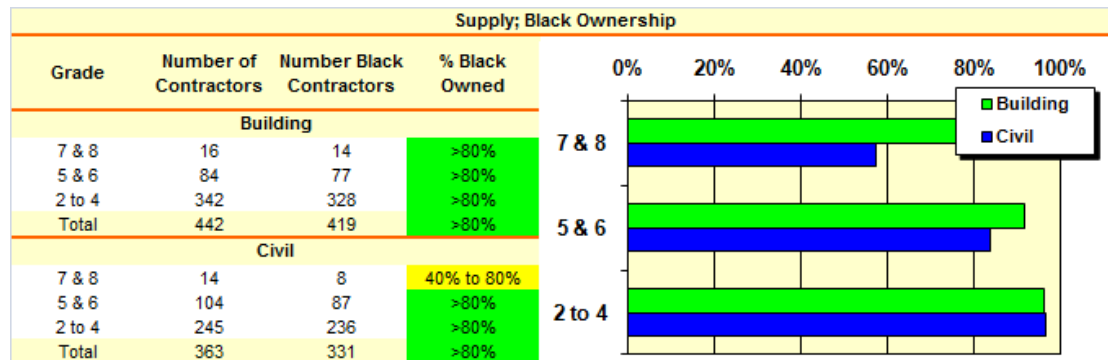
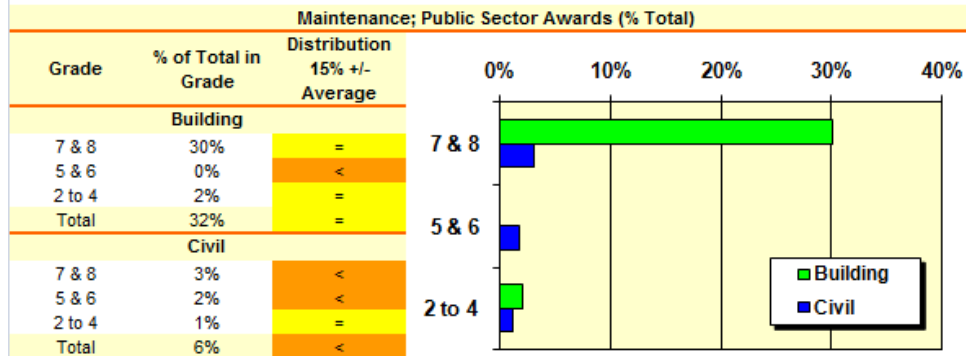
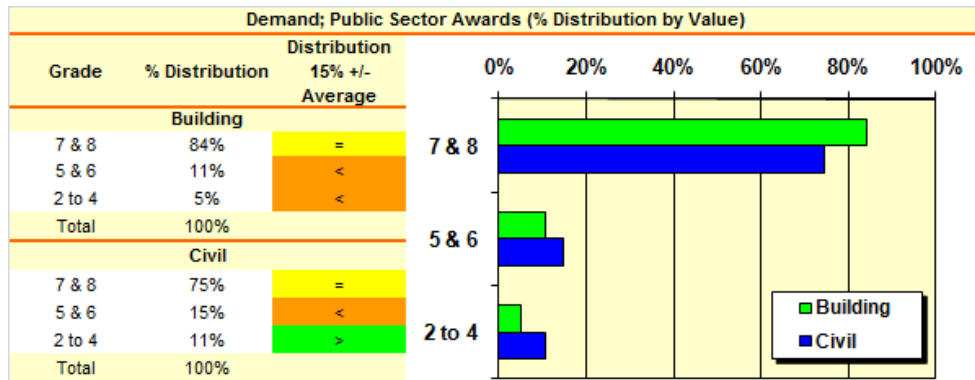
From/To	2 to 4	5 & 6	7 & 8	9
Building				
7 & 8			0	0
5 & 6		3	1	0
2 to 4	11	6	2	0
Civil				
7 & 8			1	0
5 & 6		5	2	0
2 to 4	10	12	1	0

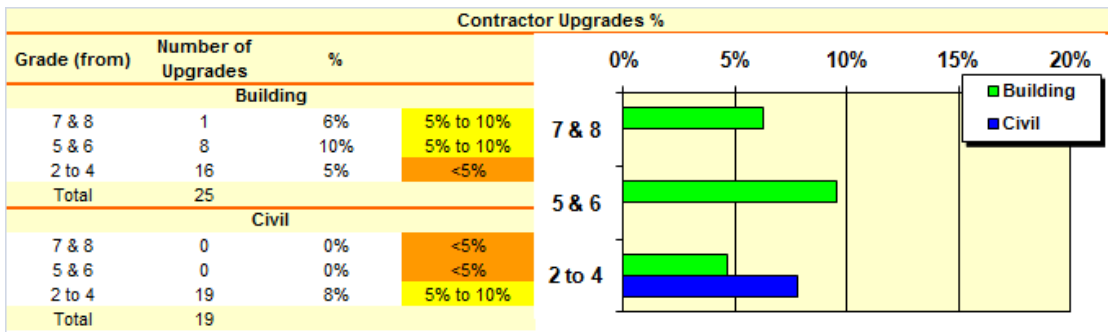
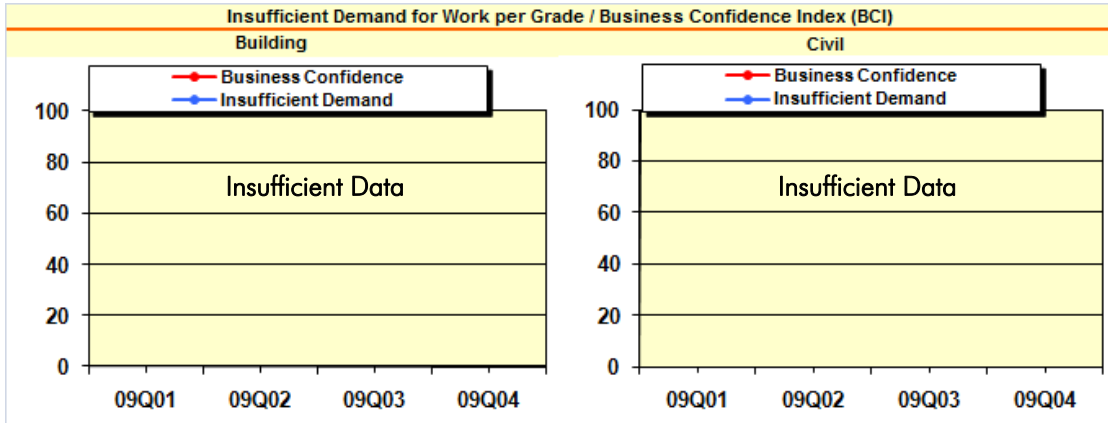
Upgrades & New Registrations

	2 to 4	5 & 6	7 & 8
Building			
Upgrades (to)	11	9	3
New Reg.	18	14	1
Civil			
Upgrades (to)	10	17	4
New Reg.	39	14	1



9. Mpumalanga



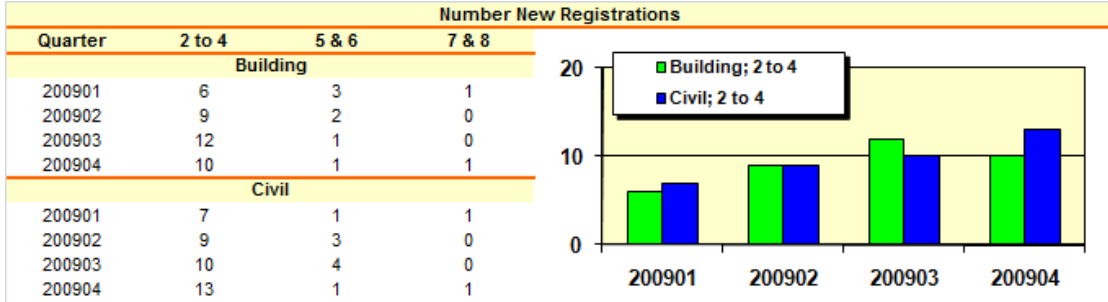


Contractor Upgrades

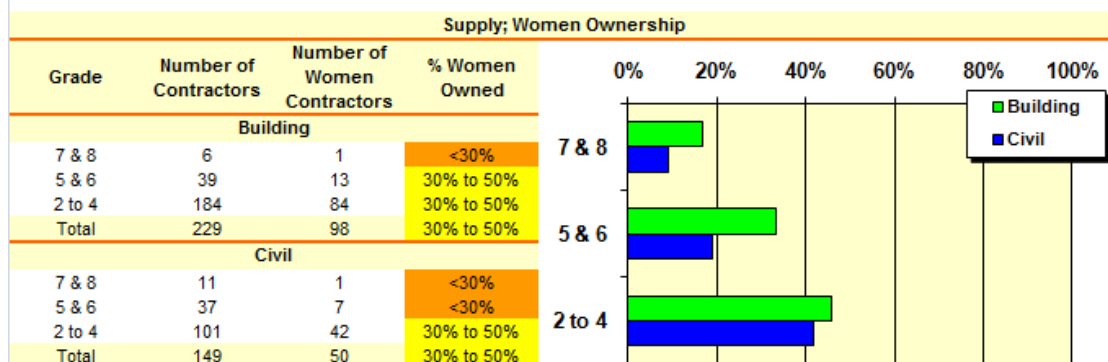
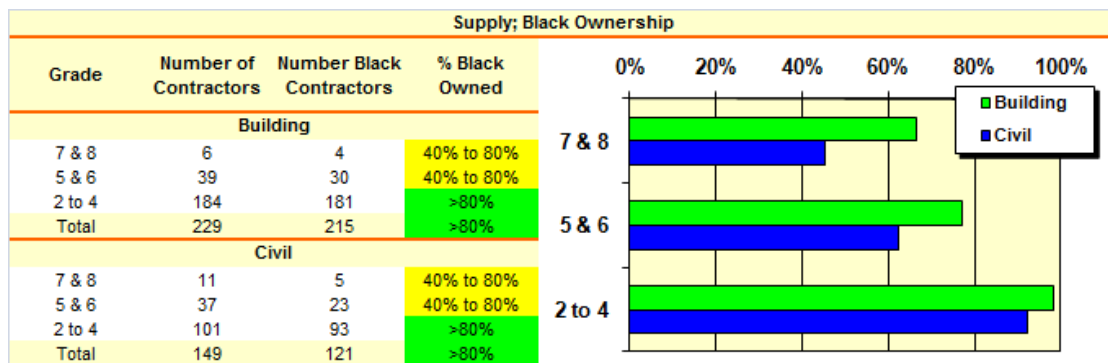
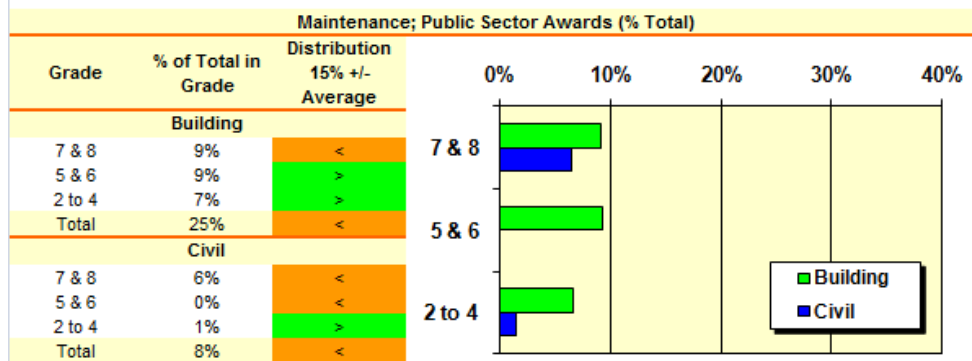
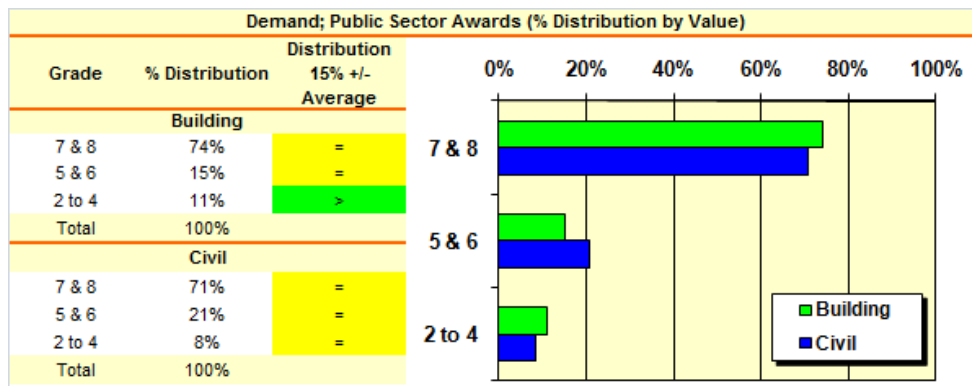
From/To	2 to 4	5 & 6	7 & 8	9
Building				
7 & 8			0	1
5 & 6		5	3	0
2 to 4	7	9	0	0
Civil				
7 & 8			0	0
5 & 6		0	0	0
2 to 4	7	12	0	0

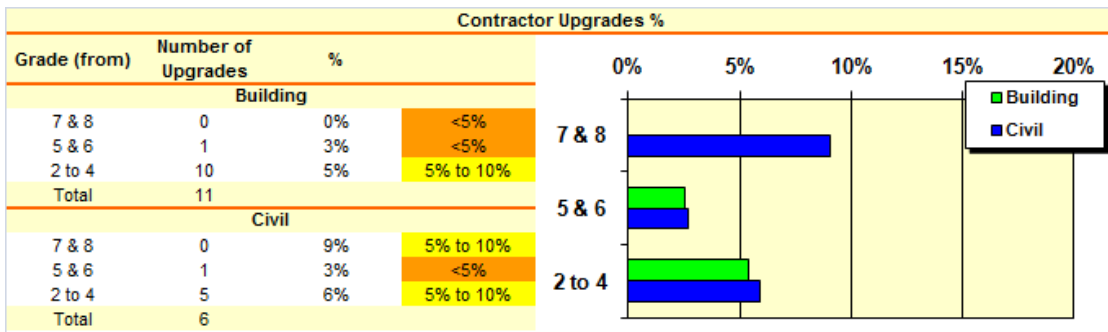
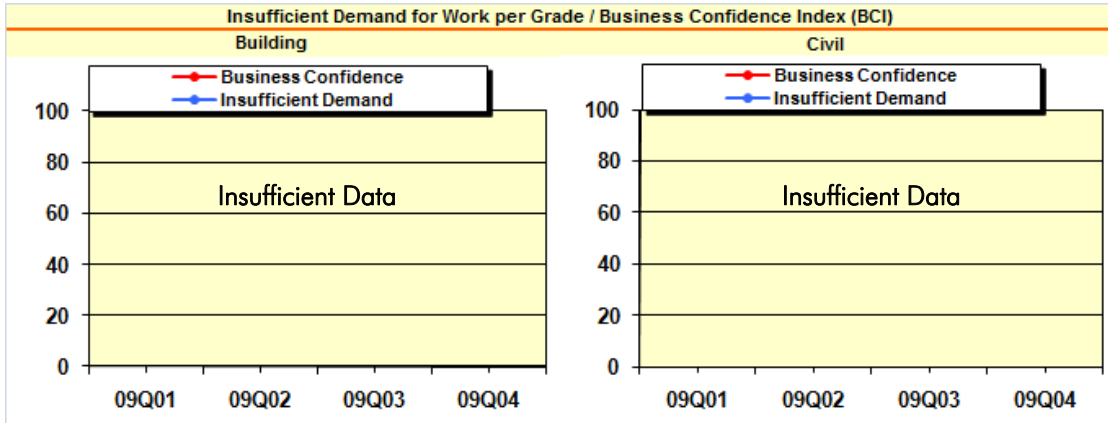
Upgrades & New Registrations

	2 to 4	5 & 6	7 & 8
Building			
Upgrades (to)	7	14	3
New Reg.	37	7	2
Civil			
Upgrades (to)	7	12	0
New Reg.	39	9	2



10. North West



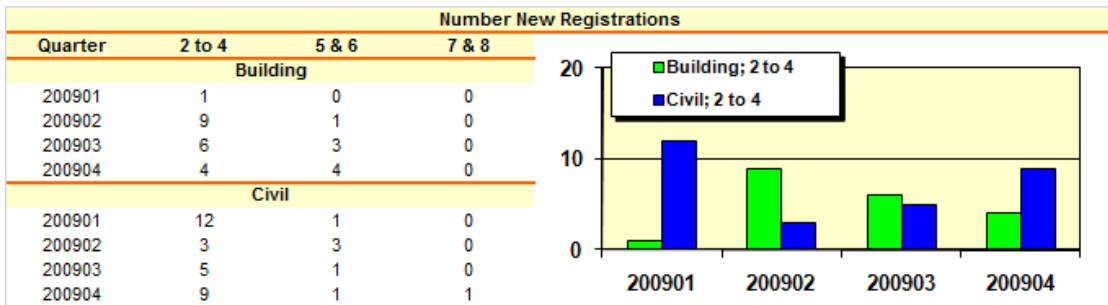


Contractor Upgrades

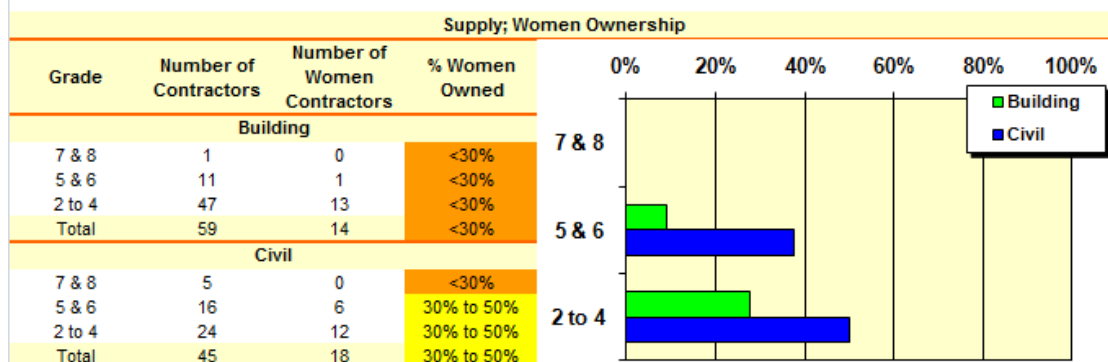
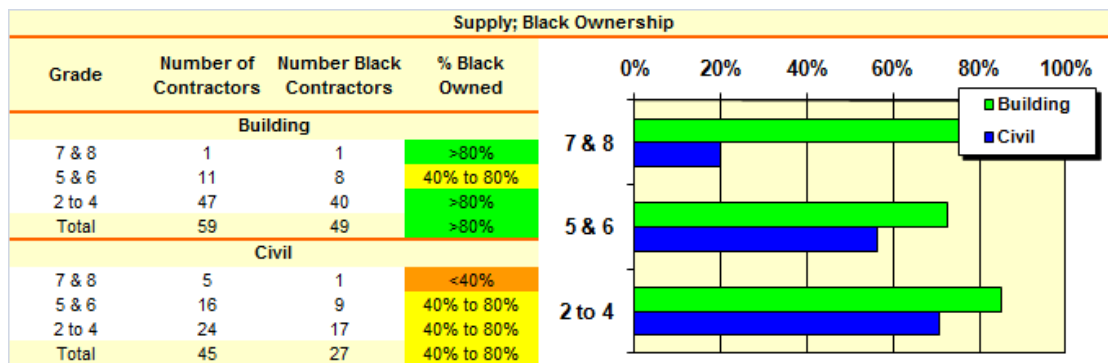
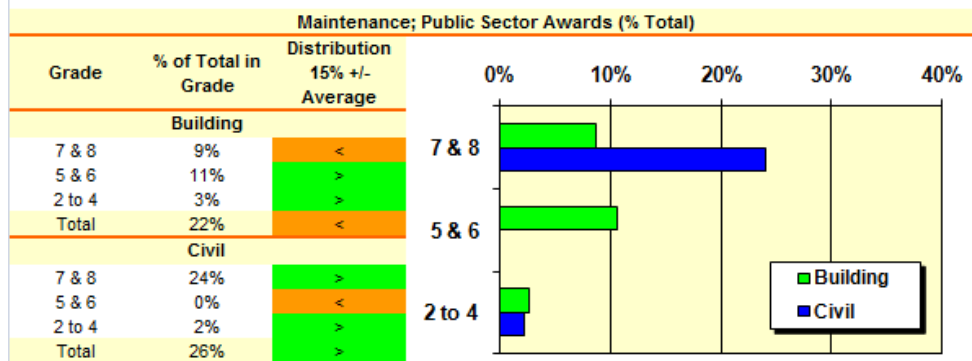
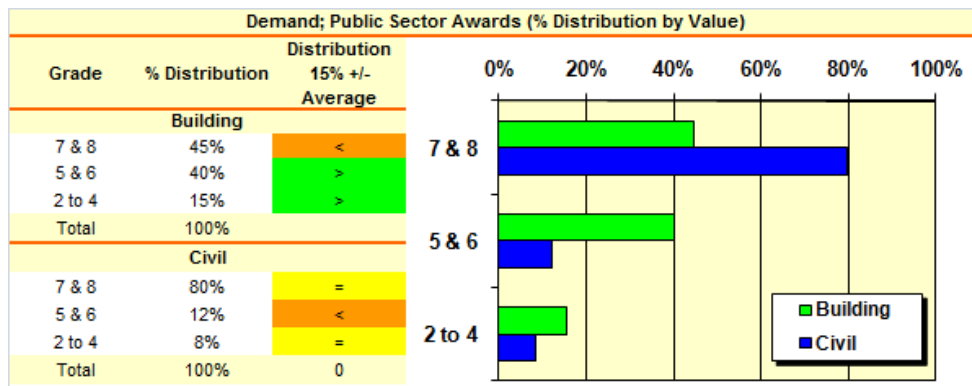
From/To	2 to 4	5 & 6	7 & 8	9
Building				
7 & 8			0	0
5 & 6		1	0	0
2 to 4	5	5	0	0
Civil				
7 & 8			0	0
5 & 6		0	1	0
2 to 4	0	5	0	0

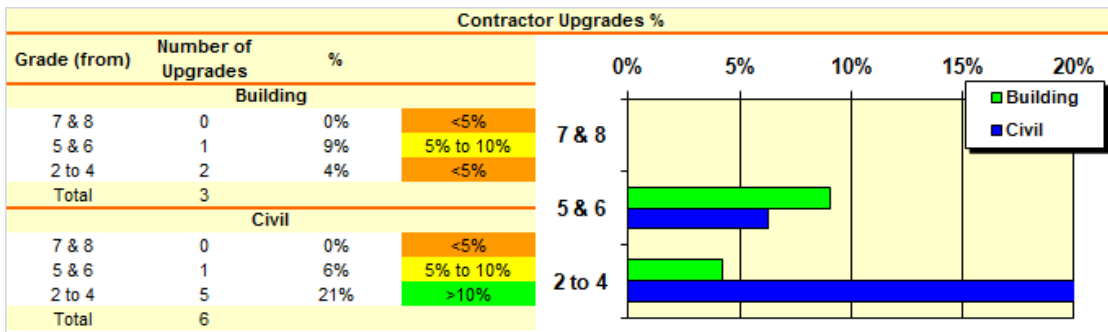
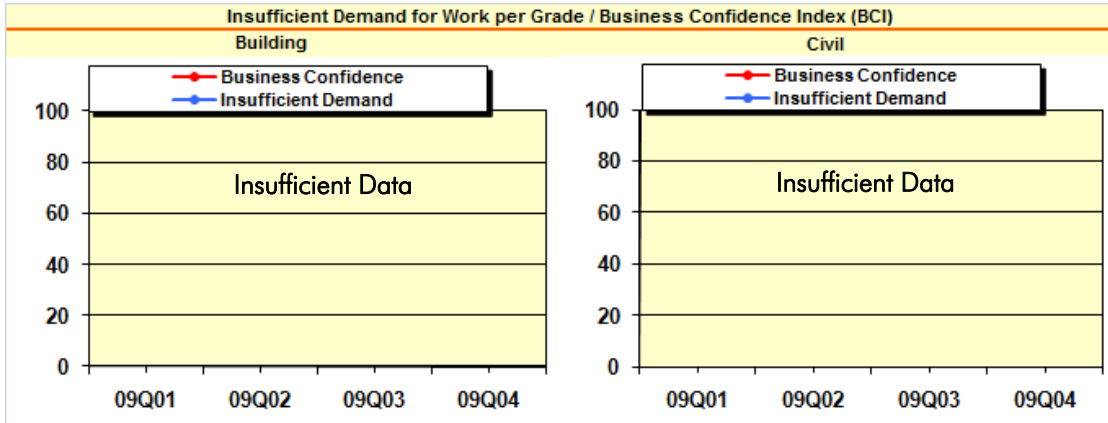
Upgrades & New Registrations

	2 to 4	5 & 6	7 & 8
Building			
Upgrades (to)	5	6	0
New Reg.	20	8	0
Civil			
Upgrades (to)	0	5	1
New Reg.	29	6	1



10. Northern Cape



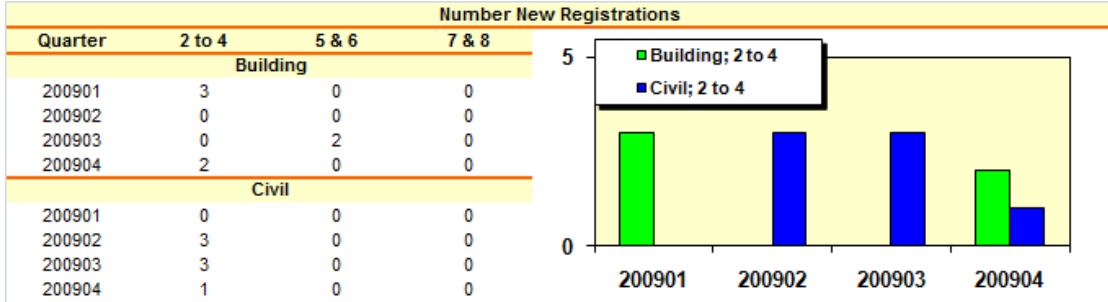


Contractor Upgrades

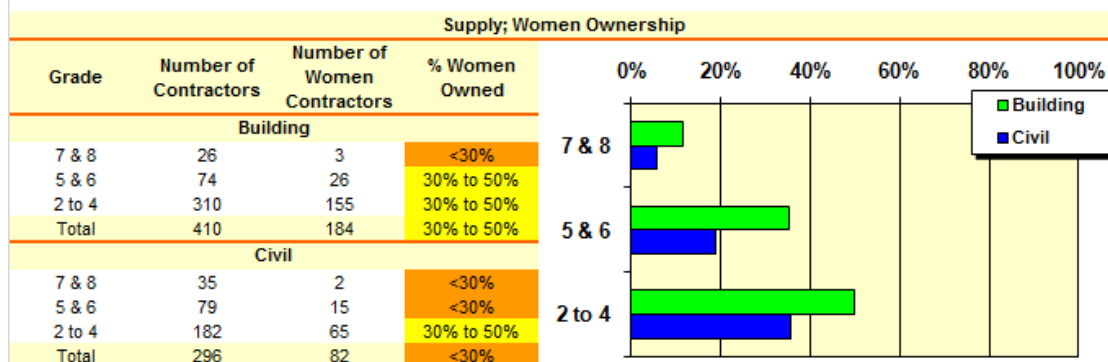
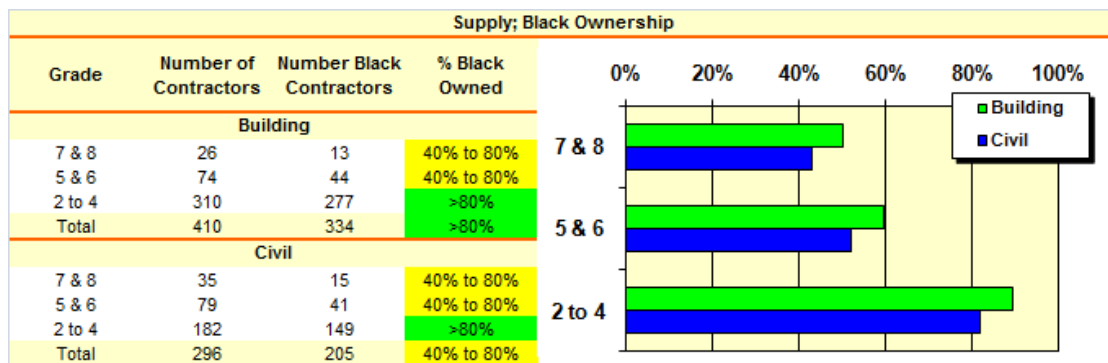
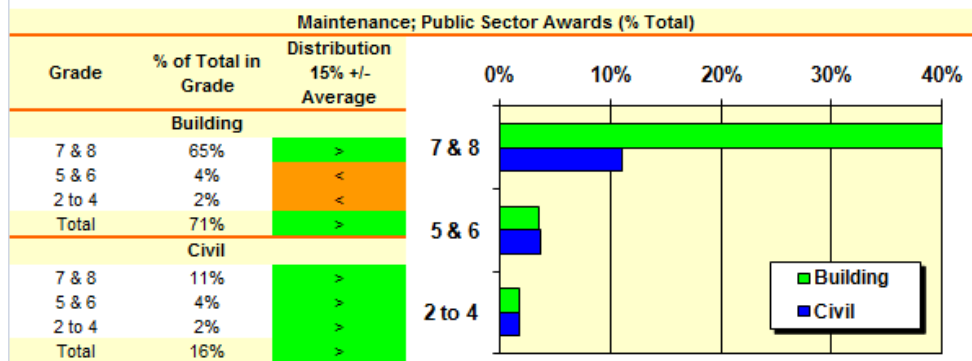
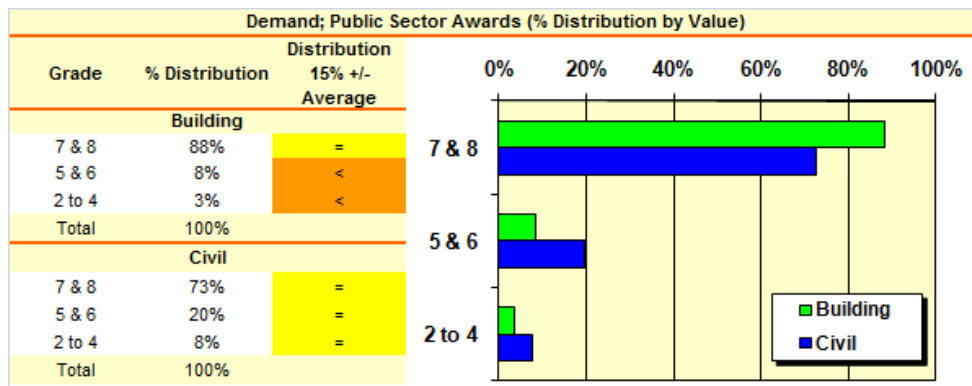
From/To	2 to 4	5 & 6	7 & 8	9
Building				
7 & 8			0	0
5 & 6		1	0	0
2 to 4	1	1	0	0
Civil				
7 & 8			0	0
5 & 6		0	1	0
2 to 4	0	5	0	0

Upgrades & New Registrations

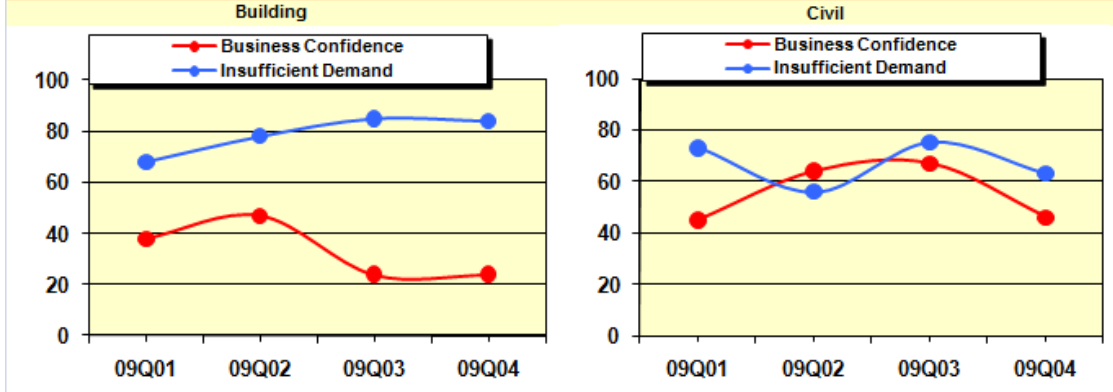
	2 to 4	5 & 6	7 & 8
Building			
Upgrades (to)	1	2	0
New Reg.	5	2	0
Civil			
Upgrades (to)	0	5	1
New Reg.	7	0	0



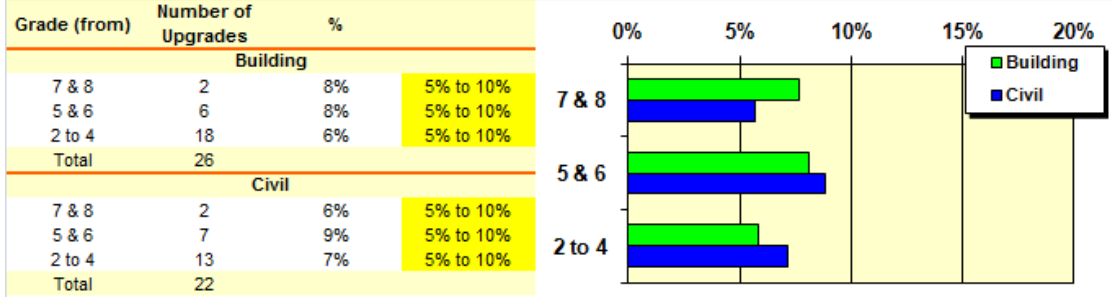
11. Western Cape



Insufficient Demand for Work per Grade / Business Confidence Index (BCI)

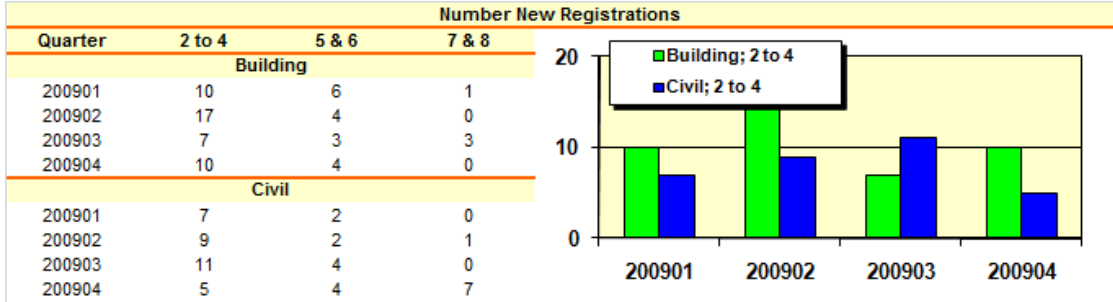


Contractor Upgrades %



Contractor Upgrades				
From/To	2 to 4	5 & 6	7 & 8	9
Building				
7 & 8			2	0
5 & 6		2	4	0
2 to 4	9	9	0	0
Civil				
7 & 8			2	0
5 & 6		3	4	0
2 to 4	8	4	1	0

Upgrades & New Registrations			
	2 to 4	5 & 6	7 & 8
Building			
Upgrades (to)	9	11	6
New Reg.	44	17	4
Civil			
Upgrades (to)	8	7	7
New Reg.	32	12	8



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