

CONSTRUCTION COVID-19 RAPID RESPONSE TASK TEAM

17 April 2020

Minister Tito Titus Mboweni
National Treasury

Per email: mary.marumo@treasury.gov.za / marlon.gesweni@treasury.gov.za

CC: Dr David Masondo

Deputy Minister

Per email: cathy.shilubana@treasury.gov.za

Honourable Minister Mboweni

CONSTRUCTION COVID-19 RAPID RESPONSE TASK TEAM REQUEST FOR ENGAGEMENT

The fast proliferation of the COVID19 pandemic has demanded and also received a decisive response on all fronts from government to combat this deadly disease. The critical decision to impose a lockdown to curb the transmission of the virus has been applauded for placing the health and wellbeing of the citizens of South Africa first. Whilst the implementation of the lockdown has unquestionably been the correct decision, it has resulted in a severe impact on the economy, the effects of which will likely be felt for years to come.

This has placed the country in an extraordinarily difficult position, requiring sacrifice from both the citizenry as well as business. In recognition of the significant and growing challenges facing the Built Environment and construction industries, and in acknowledgement of the role that industry can play to support efforts to combat the pandemic, a *COVID -19 Construction Rapid Response Task Team* has been established.

In this unprecedented time in our nation's history and in this most urgent of hours, we write to you Honourable Minister, safe in the knowledge that you are keenly aware that the construction industry is a powerful ***economic multiplier*** in South Africa.



 covid19taskteam@masterbuilders.co.za

40 Essex Terrace, Westville, 3629  031 266 7070  082 853 9644

In these turbulent times, where leaders in government are faced with making incredibly difficult decisions, the COVID19 Construction Rapid Response Task Team, which by its composition is made up of the decision makers and leaders within the construction industry, recognise the need for the establishment of high powered strategic networks that can advise leadership within the structures of government and at the same time provide a link on the ground that is geared towards delivering immediate support to public officials and organs of state wherever this may be required.

The construction industry was under severe and sustained hardship pre-lockdown and will be in even worse shape coming out of the period of mandatory isolation, at a time that the economy requires drastic and urgent stimulation. We recognise and acknowledge that government has in some instances taken robust action to implement structural economic reforms in order to address the poor economic growth of our country and indeed the entire construction industry.

Furthermore, we are also keenly aware that the definitive actions taken by government will require the full support of all sector stakeholders in order to successfully and proactively address and implement the necessary structural economic reforms that are required to transition an extremely poor economic outlook into one of concrete economic growth.

Construction and construction related activity facilitates trade, improves mobility, generates greater employment opportunities, enhances accessibility and boosts the overall economic productivity of a nation.

It is with this in mind that this construction COVID19 Rapid Response Task Team requests an engagement with the Honourable Minister to discuss the following critical relief measures whilst stimulating the entire economy.

- i. Late payments of contractors and professionals on public sector projects has been an economic frustration of our industry over the past few years. Whilst we also acknowledge that this is a symptom of the larger financial and administrative challenges facing government, we must impress upon the Minister the severe impact that this has on growth, investment and overall sustainability of the construction industry as an economic pillar of our nation. It is imperative that all spheres of government, not just national, address this issue with great urgency. Paying service providers timeously will result in the entire supply chain to benefit and pay their service providers and employees, resulting in a reduction in the reliance on the UIF TERS fund.
- ii. Arranging timeous payments to all professional service providers and contractors during lockdown to facilitate the preservation of the industry and the smaller sub-contractors and suppliers.
- iii. In the event of payment disputes with government the adoption of a fast track dispute resolution process such as adjudication by experts to facilitate an expeditious resolution and the unblocking of disputed or “over budget” projects to ensure payment flows to professionals as well as contractors.

- iv. Facilitating payment to contractors and professionals on private projects through the private sector employers and their funders (invariably the large funding institutions) through the lockdown period and until works resume. This may avoid pressure on other government led funding initiatives.
- v. The Rapid Response team can offer immediate support through the establishment of a panel of experts to assist and advise government on increasing the effectiveness of expenditure on infrastructure projects. We can immediately make available expert senior members from our respective professions who have first-hand experience at a grass-root-level of the problems experienced on government projects.
- vi. These experts can assist in emergency procurement and management of the urgent or critical projects identified. These professionals will also be able to shield government from unreasonable price hiking and inflated costs thus protecting government whilst maintaining the constitutional requirement of cost-effective procurement.
- vii. We anticipate that in the year following Covid-19, tender and competition rules may need to be adjusted and adapted in order to accelerate procurement for the greater good. Although we believe that any emergency procurement undertaken under pressure carries its own unavoidably large risks, we also see how it can offer unique opportunities for innovation in public procurement.
- viii. Our industry leaders are available to assist government in the achievement of a more cost-effective infrastructure procurement program and ensure that the expenditure and investment will be on budget and deliver the desired economic results. Rather than focussing on lowest cost we may need to explore what will sustain the financial recovery of an entire industry in the long run.
- ix. Our experts can advise on the alignment of the holistic developmental framework for the built environment to ensure that both private and public project approvals, procurement and funding may be accelerated as a priority and assist in the financial recovery of the entire sector.
- x. The task team is also able to offer any support and assistance in fast tracking projects that were stopped due to COVID 19 whilst in the adjudication and award stages.

We have communicated with the Minister of Public Works and Infrastructure and have agreed to provide the Honourable Ministers office with a proposal that initially focuses on short term (and thereafter medium and long term proposals) critical interventions and suggestions designed to promote growth and recovery for the construction industry.

We believe that a similar engagement with Treasury to consider and develop the proposed initiatives would be fruitful. This will ensure that collectively and in the spirit of partnership and consultation, we as the established key industry stakeholders will be able to provide

government with all necessary support and assistance in its efforts to sustain a vibrant construction industry during and post the COVID-19 lockdown.

We look forward to hearing from you soon in this regard.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Matthews". The signature is fluid and cursive, with a long, sweeping tail that loops back to the right.

John Matthews
Chairperson