

# Collusion implicated construction companies making amends

The construction companies implicated in collusion have paid their first sum of R117m in terms of the settlement agreement they entered into with the National Revenue Fund, following the findings of investigations by competition authorities.



© Ivan-Kruk – [za.fotolia.com](https://za.fotolia.com)

In terms of the agreement, the seven construction companies were to make financial contributions of R1.5bn for developmental projects, in addition to the R1.4bn in competition penalties previously imposed by the Competition Tribunal.

On Monday, 13 February, Minister of Economic Development Ebrahim Patel held a media briefing in Pretoria in conjunction with the construction companies, Rural Development and Land Reform Minister Gugile Nkwinti, Public Works Minister Thulas Nxesi and Transport Minister Dipuo Peters to brief media on the settlement agreement that was signed in 2016.

The settlement agreement, also known as the Voluntary Rebuilding Programme (VRP), is meant to give effect to transformation. It is also to promote black South African ownership in the construction sector through either equity transactions or by partnering with and developing smaller, black-owned construction companies that will result in black-owned companies with a market value of roughly R5bn in 2024.

Patel said the monies that have been paid will be appropriated each year to a trust, to be called Tirisano Fund, to support a number of initiatives including:

- Bursaries for black students studying engineering, quantity surveying and building science.
- Bursaries for the development of black artisans, including through mentorships and employment placements.
- Maths and Science education in public schools.
- Special social development projects such as rural bridges, student accommodation, clinics, schools and sports fields.
- Building capacity in the State on engineering, project management and other infrastructure services in the design, construction, operation and maintenance of public infrastructure.
- Enterprise development programmes for small, black-owned construction firms, including through the provision of working capital at concessional rates and support on performance bonds.

## Transformation

Murray & Roberts and Aveng have opted to sell equity to black South Africans.

“Murray & Roberts, a major construction and infrastructure company, sold 100% of its construction and civil engineering business to a black-owned consortium led by the Southern Palace Group.

“Murray & Roberts will remain in other infrastructure sectors such as oil and gas, metals and minerals and the power and water sectors,” Minister Patel said.

Aveng is selling 51% of their equity (and 45% of economic interest) in Aveng Grinaker-LTA to black investors and black-owned construction companies.

The company has already concluded an agreement with a black women-owned entity, Kutana Construction.

WBHO has identified three partner companies, who will be supported to collectively reach 25% of the WBHO construction and civil engineering turnover.

Patel said three emerging partner contractors will in turn also support a further 10 emerging companies.

“Stefnutti Stocks has identified two emerging companies, namely TN Molefe Construction and Axsys Projects, as their preferred partners to be supported to reach 25% of Stefanutti Stocks turnover.

“Raubex is currently engaged with emerging construction companies and will make an announcement on conclusion of their discussions,” he said.

Minister Patel said Group 5 and Basil Read are evaluating the appropriate measures to take, consistent with the agreement and will advise government within the next month of their plans.

“Should all targets be reached in the settlement agreement within the seven-year period, it would result in a very significant presence of black South Africans in construction.

“More than 40 black-owned companies or investment vehicles will directly benefit from the transformation commitments,” he said.

Based on the turnover and profit levels in the sector, it is projected that by the end of seven years, black firms and black equity owners participating in the settlement agreement will have a combined turnover of between R21bn and R27bn annually. Over the seven years as a whole, through the phased-in arrangements, they will have a cumulative turnover estimated to range between R104bn to R123bn.

Projections to generate profits are between R600m and R770m annually. Cumulatively over seven years, profits will total between R3bn and R3.3bn. This is projected to create company value estimated between R4.3bn and R5.4bn.

“We look forward to a partnership that will provide radical economic transformation in the sector. This is the first sector to undertake an ambitious change in equity and management and more should be done in other sectors.

“This can be a boost for growth and the expansion of companies into the rest of the continent,” Patel said.

CEO of the South African Federation of Civil Engineering Contractors, Webster Mfebe, said he believes that the commencement of the implementation of this agreement marks a momentous milestone and heralds a solid partnership between government and the construction companies.

He said the agreement will ensure meaningful participation and accelerated growth of black industrialists in the construction economy.

For more, visit: <https://www.bizcommunity.com>