

## Media Release;

### **cidb renews call for clients to use functionality in construction procurement**

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**Pretoria, 27 January, 2016:** Declining levels of performance in the construction industry are behind the cidb's renewed call for increased use of functionality when evaluating construction tenders in the public sector.

Announcing its latest annual instalment of the Construction Industry Indicator's (CIIs) Report the cidb said it had observed a steady growth in the level of client dissatisfaction with the performance of contractors on construction projects over the past three year period. The Board said 18 per cent of the work carried out by contractors in 2014 was considered by clients to be unsatisfactory, with the levels of unacceptable defects recorded in 13 per cent of these projects.

This marks a steady increase in the level of client dissatisfaction from 13 per cent in 2012, 16 per cent in 2013 and 18 per cent in 2014.

Although no single observable factor has been attributed to the declining levels of contractor performance, the cidb has pointed to a mismatch of projects with contractors as a significant contributing factor. Too often contractors are appointed that are not suited for a particular construction contract.

In this regard, the cidb continues to advocate strongly for contractors to be appointed based on functionality taking into account a risk assessment conducted by clients when procuring services for construction of projects. Functionality empowers the client to weigh carefully, the capabilities and track record of the contractor during the tender evaluation process, enabling the client to manage risks early on in the appointment of a contractor.

## **Improving performance of clients:**

While the CII's Report has identified increasing dissatisfaction by clients with contractors over the past few years, in contrast contractors are reflecting increasing satisfaction with clients. Notably, contractor satisfaction with the overall performance of clients has increased over the period 2012 to 2015. Contractors rated the quality of tender documents and specifications of clients as satisfactory on 83 per cent of the projects surveyed in 2015, which is a notable improvement over the satisfaction on only 75 per cent of the projects surveyed in 2012.

Of concern however is that contractors were paid within the contractual 30 days after invoicing in only 40% of the projects. This marks deterioration in prompt payment practices over the survey period 2012 to 2015. Delayed payments are one of the biggest challenges facing the contracting sector, and in particular the small and mediums sized contractors – which often results in the bankruptcy of a contractor.

## **Key Highlights of 2015 CII's:**

- Clients were neutral or dissatisfied with the performance of contractors on 18 per cent of the projects surveyed in 2015 – which reflects a noticeable increase in dissatisfaction over the period 2013 to 2015.
- Around 13 per cent of the projects surveyed had levels of defects which are regarded as inappropriate – which reflect a noticeable increase in levels of defects over the period 2012 to 2015.
- Contractors were neutral or dissatisfied with the performance of clients on 18 per cent of the projects surveyed.
- Contractors were neutral or dissatisfied with the quality of tender documents and specifications obtained from clients on around 17 per cent of the projects surveyed.
- Contractors were neutral or dissatisfied with the management of variation orders on 24 per cent of the projects surveyed.
- 60 per cent of payments to contractors were delayed for longer than 30 days after invoicing – which reflects a noticeable deterioration in prompt payment practices over the period 2012 to 2015.
- Quality (or functionality) was not taken into account in the adjudication on around 12 per cent of tenders evaluated.

- The recommendations of the tender committee were overruled in the award of around 9 per cent of public sector projects – with overruling of tender recommendations highest in the North West and the Eastern Cape.
- Safety on building and construction sites as well as transportation to the sites remains a concern.

**Other cidb reports:**

- The cidb Construction Monitor which provides an overview of Supply and Demand, Contractor Development, Employment and Transformation in the construction industry
- The cidb Compliance Monitor which provides indicators of the level of compliance and non-compliance by client bodies
- The cidb SME Business Conditions Survey measuring perceptions of business conditions amongst cidb registered contractors in Grades 3 to 9

The cidb reports are available on [www.cidb.org.za](http://www.cidb.org.za)

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