cidb

Construction Industry Development Board

DEVELOPMENT THROUGH PARTNERSHIP

The cidb Construction Industry Indicators: Summary Results

2015

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The cidb Construction Industry Indicators (CIIs) are measures of the performance of the industry, focusing on clients, the client's agent / consultant and contractors. The CIIs have been captured annually since 2003, and are currently being captured by the cidb in partnership with the Department of Quantity Surveying and Construction Management of the University of the Free State.

The summary results presented in this publication reflect selected indicators measured for projects completed in the 2014 calendar year. The survey results were obtained from clients for 519 construction projects, and for contractors and sub-contractors on 1 331 projects across all nine provinces. The indicators presented here cover:

- client satisfaction;
- contractor satisfaction;
- profitability and payment delays;
- procurement indicators; and
- health and safety.

Key Focus areas – the "*bottom 30%*":
As in previous years, while the overall performance results for the industry are encouraging, and in many cases show an improvement over previous years, the challenge is to raise the performance of the industry as a whole, and in particular the performance of "*the bottom 30%*":

- Clients were neutral or dissatisfied with the performance of contractors on 18% of the projects surveyed in 2015 – which reflects a noticeable increase in dissatisfaction over the period 2013 to 2015.
- Around 13% 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% of the projects surveyed.
- Contractors were neutral or dissatisfied with the quality of tender documents and specifications obtained from clients on around 17% of the projects surveyed.
- Contractors were neutral or dissatisfied with the management of variation orders on 24% of the projects surveyed.
- 60% of payments to contractors were delayed for longer than 30 days after invoicing. This 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% of tenders evaluated.
- The recommendations of the tender committee were overruled in the award of around 9% of public sector projects – with overruling of tender recommendations highest in the North West and the Eastern Cape.
- Profitability of contractors on projects has increased over the period 2013 to 2015, with profit margins of greater than 10% being achieved on 43% of the projects survey in 2015.
- Safety on building and construction sites as well as transportation to the sites remains a concern.

The full report is available on the cidb's website http://www.cidb.org.za.

Quo Vadis CIIs

This is the last year the CIIs will be captured in their current form, and in 2016 the cidb will pilot a system whereby surveys of projects will be initiated as practical completion is recorded by clients on the cidb Register of Projects. This system will be implemented fully in 2017, and the survey will cover the indicators as presented in this report.

Performance Improvement; Why is it Important?

What is client satisfaction?
The level of satisfaction of a client with a contractor's performance on a project is an important indicator (or measure) of the contractor's ability to execute and complete a project within the required expectations of the client. "*Feedback is the food of champions*", and it is important for contractors to get feedback from clients on their projects so that they can improve their performance on future projects. These CIIs represent an aggregated industry view of the satisfaction of clients, contractors and the client's agent.

Why is it important to improve?
The contractor's survival depends on repeat work from clients, which is linked to the contractor's performance on past projects. Contractors need to provide value for money to the client, as many clients are no longer awarding contracts on the lowest tender price, but also include the performance of the contractor on past contracts.

Contractors who improve their performance and, typically, who are above the industry norm will have a competitive advantage over their competitors. Contractors will also be able to complete the projects in less time, at less cost and higher quality and adding value for money to the client and higher profit margins for contractors.

> *"Clients in construction want their projects delivered on time, on budget, free from defects, efficiently, right the first time, safely and by profitable companies. Regular clients expect continuous improvement from their construction team to achieve year on year reductions in project cost and reductions in project time."*
> *Movement for Innovation (M4I), UK*

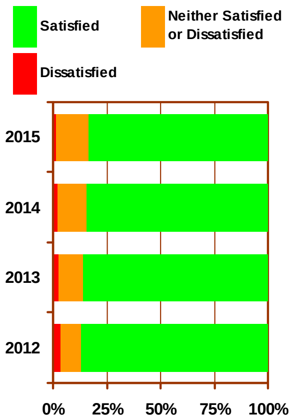
These are but a few benefits that are possible through improved practice.

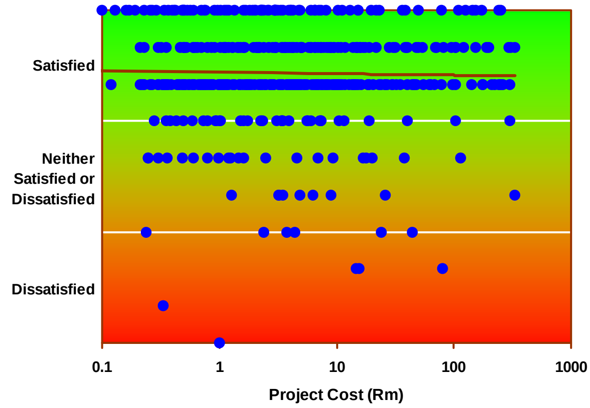
By capturing and publishing these CIIs, the cidb's aim is to encourage the construction industry and its supply chain to strive to improve their performance.

Client Satisfaction

Performance of the agent / consultants' team: Clients were satisfied with the overall performance of the agent employed on 83% of the projects surveyed in 2015. On the other hand, clients were neutral (i.e. neither satisfied nor dissatisfied) or dissatisfied on 17% of the projects. Client satisfaction shows a noticeable decrease over the surveys from 2012 to 2015, namely from 87% in 2012 to 83% in 2015.

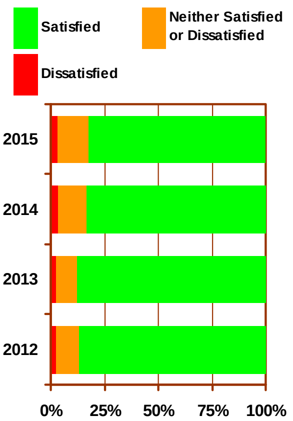
A slight decrease in client satisfaction with the client's agent was recorded with increasing project size.

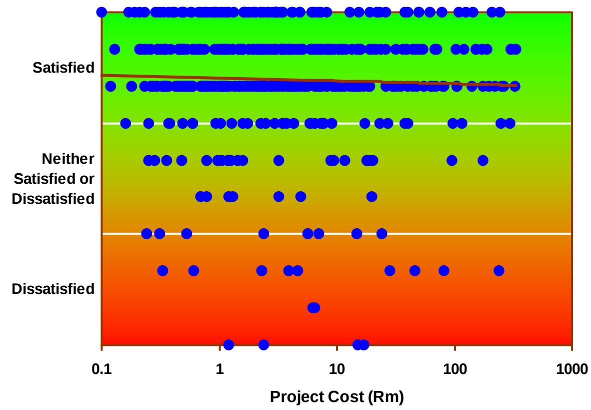




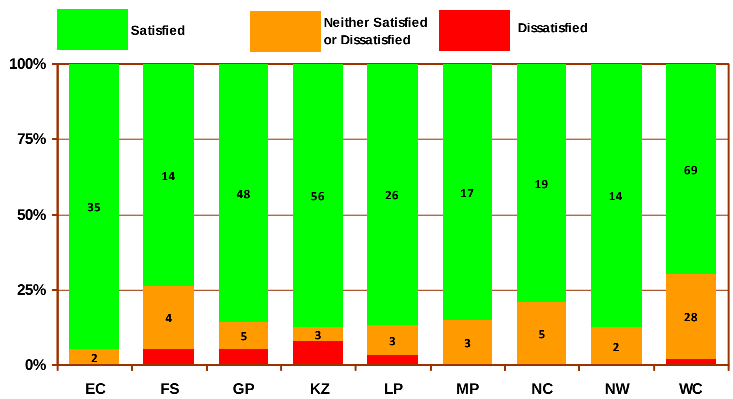
Performance of the contractor: Clients were satisfied with the overall performance of the contractor employed on 82% of the projects surveyed in 2015. On the other hand, clients were neutral or dissatisfied on 18% of the projects. The client satisfaction results observed in the 2015 shown a noticeable decrease over the surveys from 2013 to 2015, namely from 88% in 2013 to 82% in 2015.

Client satisfaction with the overall performance of the contractor decreased noticeably with increasing project size, although the variation in client satisfaction was smaller on larger projects (i.e. the performance is more consistence on large projects). The decreasing client satisfaction with increasing project size may reflect the complexity of larger contracts and/or may be attributable to the fact that clients may be more discerning on larger projects. Client dissatisfaction was observed on projects of a value of between R1 million to R100 million.

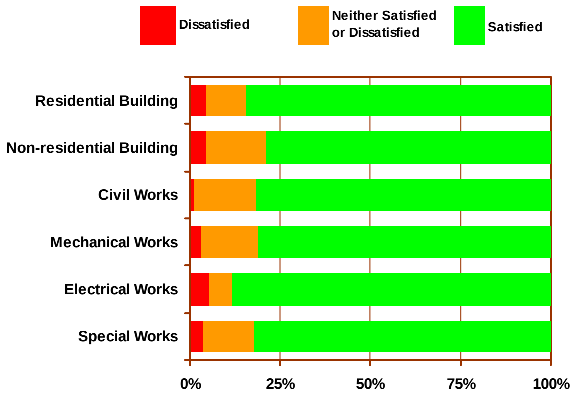




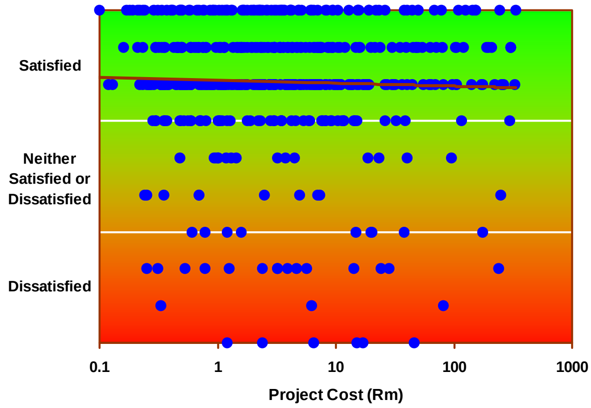
The 2015 survey reflects that the level of client satisfaction with the overall performance of the contractor is higher in the public sector than in the private sector. A breakdown of public sector client satisfaction with the overall performance of the contractor employed shows that client satisfaction was lowest in the Western Cape, Free State, and Northern Cape.



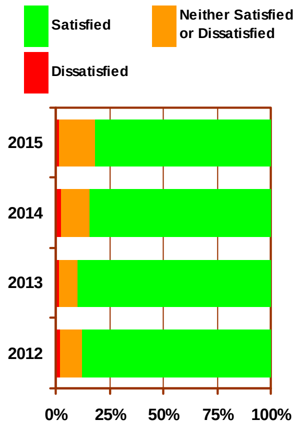
The 2015 survey reflects that the level of client satisfaction with the overall performance of the contractor is highest for electrical works (88% satisfaction levels) and lowest in non-residential building (79% satisfaction level) followed by civil works (82%), special works (82%) and mechanical works (81%). The relative higher satisfaction with residential works (84%) should be treated with some caution as the sample size was relatively low compared to non-residential building and civil works.

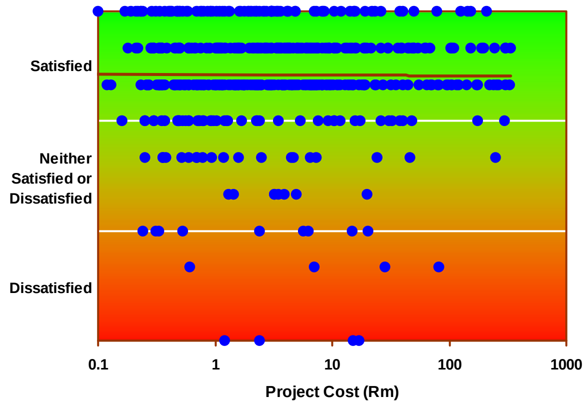


Construction schedule: Clients were satisfied that contractors completed the project within the tendered construction schedule (excluding the impact of variation orders) on 74% of the projects surveyed in 2015, and were neutral or dissatisfied with the construction schedule on 26% of the projects. This represents a significant decrease in client satisfaction compared to 2012.



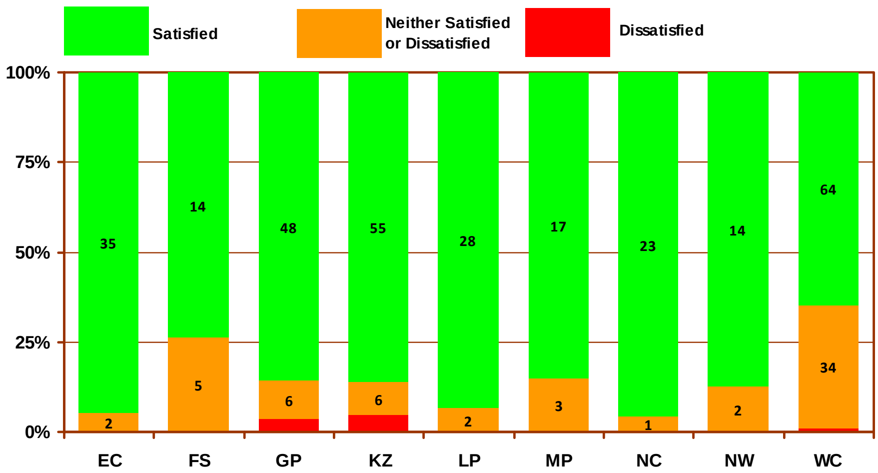
Quality of work delivered: Overall, clients were satisfied with the quality of the completed work at handover on 82% of the projects, and were neutral or dissatisfied on 18% of the projects surveyed in 2015. This represents a significant decrease in client satisfaction compared to the 2013 survey results, for which clients were satisfied with the quality of the completed work was at 90%.





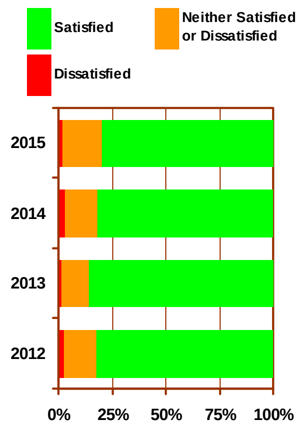
A breakdown of client satisfaction in the public sector with the overall quality of the completed work at handover shows that client satisfaction was lowest in the Western Cape and Free State.

However, it should be noted that the differences in client satisfaction between the provinces reflects both differences in the overall quality of the completed work at handover and differences in client expectations of quality.

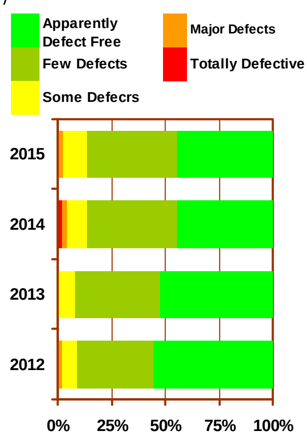


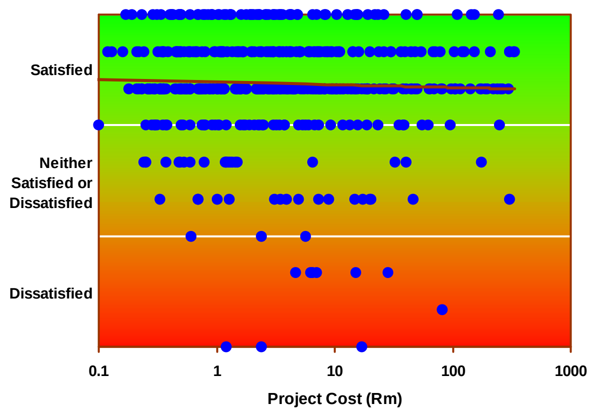
Resolution of defects: Clients were satisfied with the resolution of defective work during the construction period on 80% of the projects surveyed in 2015, and were neutral or dissatisfied on 20% of the projects surveyed. This represents a significant decrease in client satisfaction compared to client satisfaction of 86% in the 2013 survey.

As with most aspects of client satisfaction with the performance of contractors, client satisfaction with the resolution of defects also tended to decrease with increasing project size.



Level of defects: Around 87% of projects surveyed in 2015 were "apparently defect free" or had "few defects" at practical completion / handover and 13% of facilities had “some defects" or “major defects”. The survey results show a noticeable increase in the level of defects (apparently defect free" or had "few defects") from the 2012 to 2015 surveys.



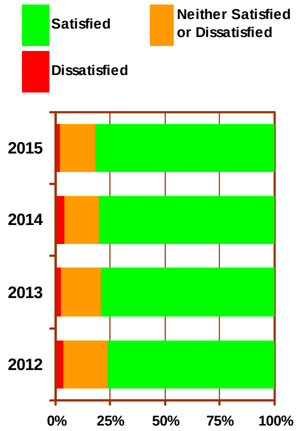


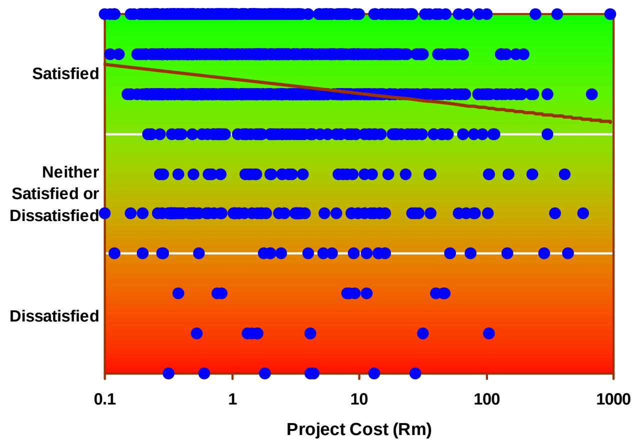
Client satisfaction is a key factor in determining client loyalty and repeat business in the private sector. Quality is also increasingly being taken into account in the tender adjudication process in the public sector – and the cidb continues to advocate for the use of quality to be taken into account in the tender adjudication process.

While the overall results for 2015 client satisfaction are encouraging, clients remain neutral or dissatisfied with the performance of the client’s agents and contractors on around 18% of projects surveyed. Significantly, client dissatisfaction with the performance of contractors reflects a noticeable increase over the period 2013 to 2015.

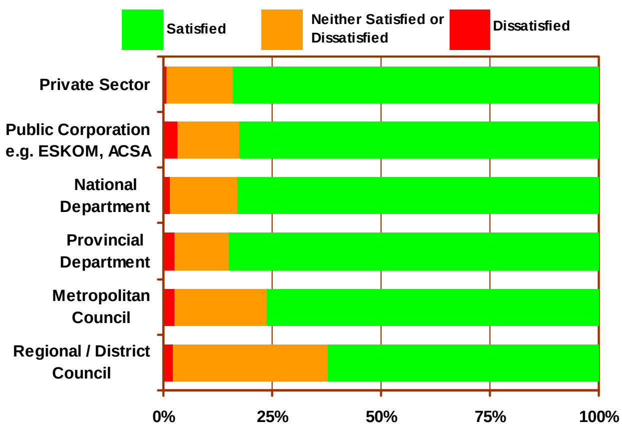
Contractor Satisfaction

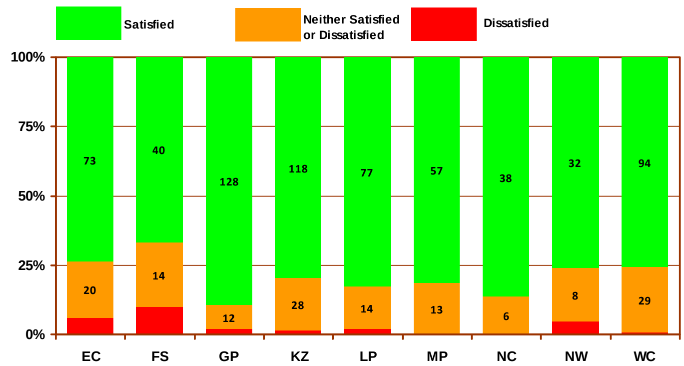
Performance of the client: Contractors rated the performance of clients as satisfactory on 82% of the projects surveyed in 2015, and were neutral or dissatisfied with the performance of the client on 18% of the projects surveyed. Contractor satisfaction with the performance of the client has increased by 2% compared to the 2014 survey results. Of significance is that contractors' satisfaction with the performance of the client decreased significantly with increasing contract size, and that the variation in contractor satisfaction remained high with increasing contract size.





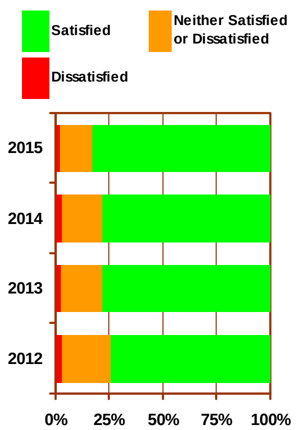
Contractor satisfaction with the performance of the client was highest with public corporation clients and provincial departments, and contractors were least satisfied with national departments. Furthermore, contractor satisfaction with the performance of public sector clients was highest in Gauteng followed by Limpopo and Northern Cape. Compared to the 2014 survey, contractor satisfaction with the performance of the client deteriorated noticeably in the Western Cape.

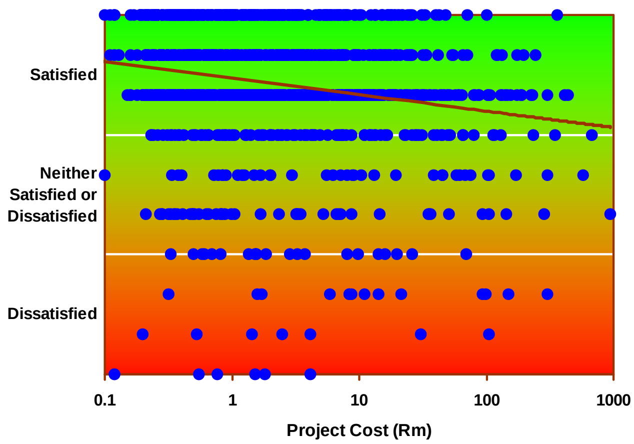




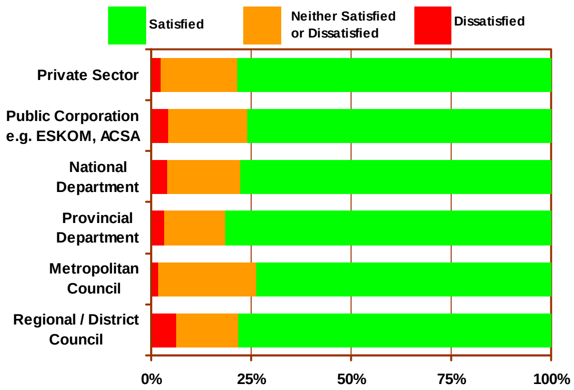
However, it is again important to stress that the differences in contractor satisfaction between provinces is context specific, and conclusions should not necessarily be drawn such as the performance of clients in on province is necessarily higher that the performance of a client in another province. However, it is important to understand the underlying reasons for such perceptions of contractor performance of clients – many of which are highlighted in the following sections.

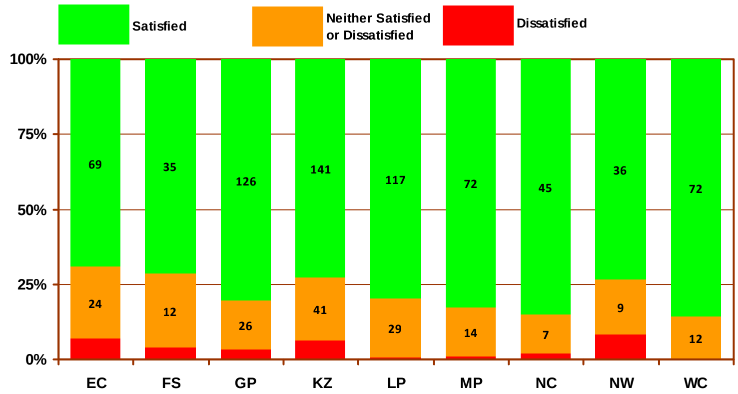
Quality of tender documents and specifications: Contractors rated the quality of tender documents and specifications of clients as satisfactory on 83% of the projects surveyed in 2015, and were neutral or dissatisfied on 17% of the projects.



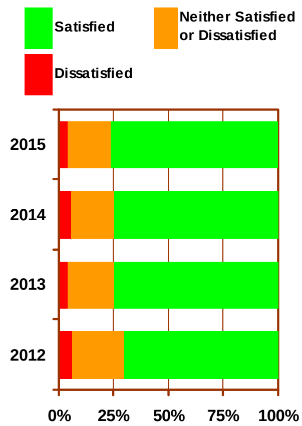


Contractor satisfaction with the quality of tender documents and specifications was highest for provincial departments and regional and district councils – although this trend has shown quite significant changes from survey year to survey year. Furthermore, contractor satisfaction with the quality of documentation on public sector projects was highest in the Western Cape and Northern Cape.



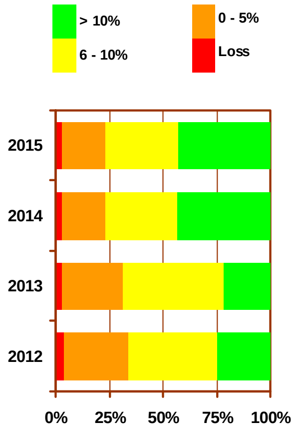


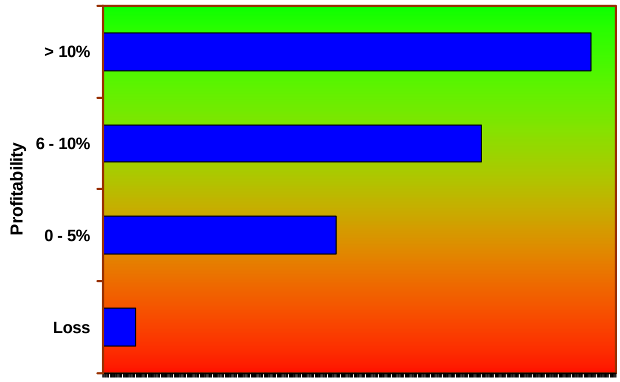
Management of variation orders: Contractors were satisfied with the management of variation orders on 76% of the projects surveyed in 2015, but were neutral or dissatisfied on 24% of the projects. Contractor satisfaction with the management of variation orders has improved steadily between the 2012 and 2015 surveys.



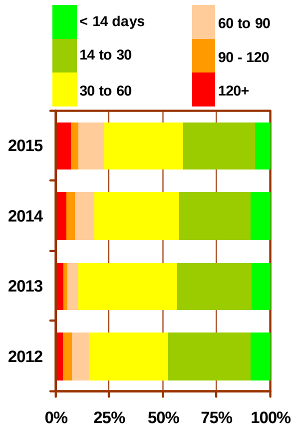
Contractors were neutral or dissatisfied with the performance of the client on 18% of the projects surveyed. This dissatisfaction of contractors with the performance of the client is reflected in dissatisfaction with the quality of documentation and the management of variation orders.

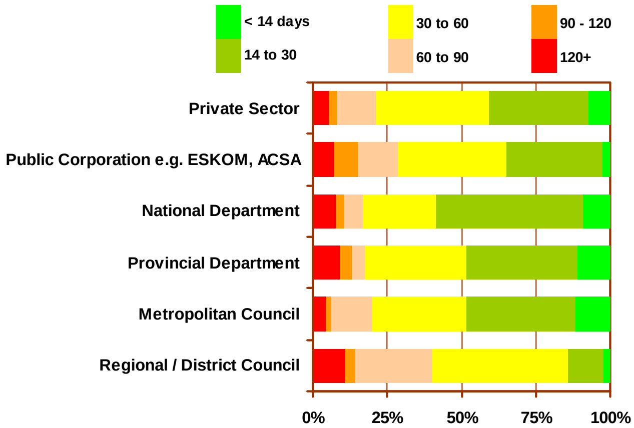
Profitability: Contractors achieved profit margins of greater than 10% on 43% of the projects survey in 2015, while 33% of projects surveyed were undertaken at profit margins of around 5% to 10%. Of the projects surveyed in 2015 only 3% made a loss.



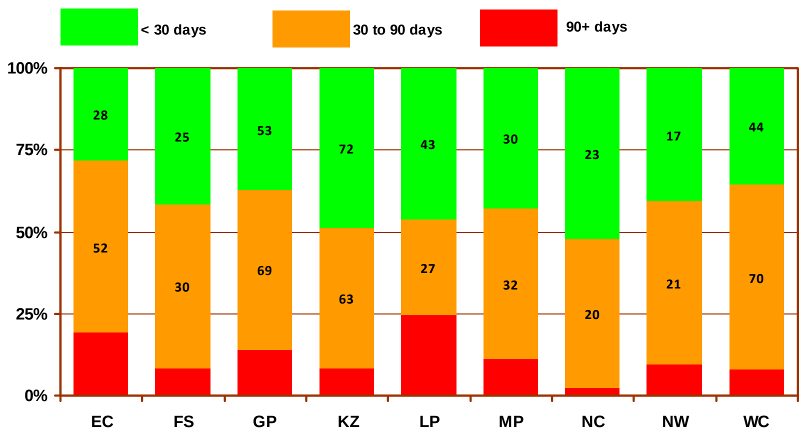


Payment of Contractors: In the 2015 survey, 40% of payments to contractors were made within 30 days of invoicing, 49% between 30 to 90 days, and 11% over 90 days. This reflects a noticeable deterioration in prompt payment practices over the period 2012 to 2015. Within the public sector, national, provincial departments and metropolitan councils regional/district councils had the highest payment rates within 30 days or less.

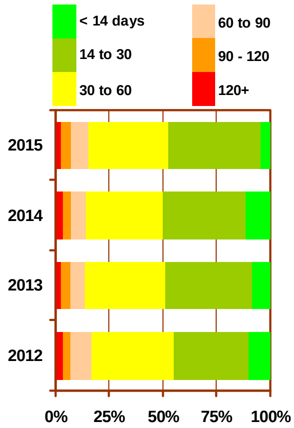


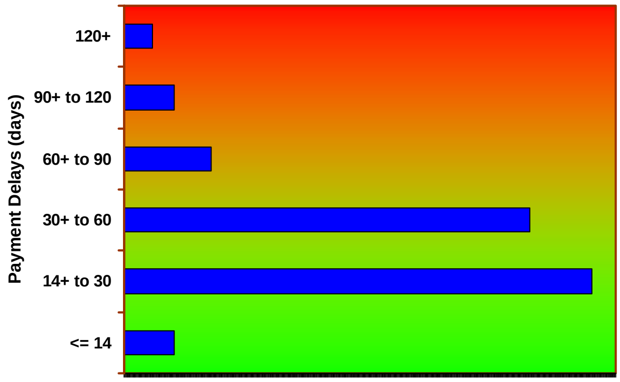


Within the public sector, the highest levels of prompt payments occurred in the Northern Cape and KwaZulu-Natal, while the highest payment delays occurring in the Eastern Cape followed by the Western Cape and Gauteng.



Payment of Client's Agent: In the 2015 survey, 48% of payments were made to the client's agent within 30 days of invoicing, 45% between 30 to 90 days, and 8% over 90 days.

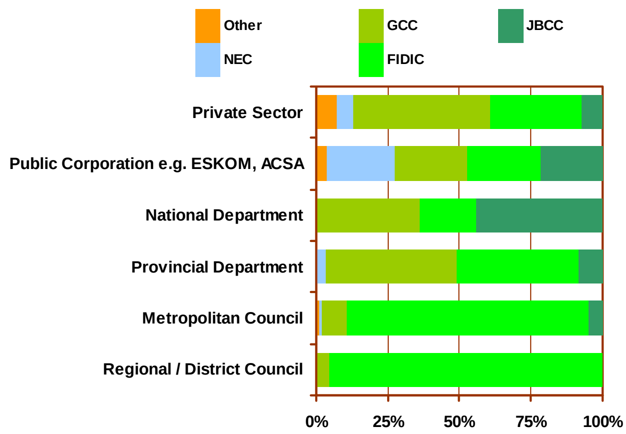




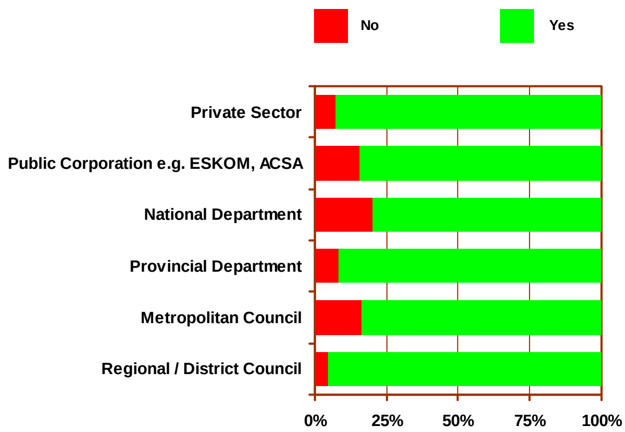
60% of payments to contractors were delayed for longer than 30 days after invoicing, which reflects a noticeable deterioration in prompt payment practices over the period 2012 to 2015. 52% of payments to the client's agent were delayed for longer than 30 days after invoicing.

Profitability of contractors on projects has increased over the period 2013 to 2015, with profit margins of greater than 10% being achieved on 43% of the projects survey in 2015.

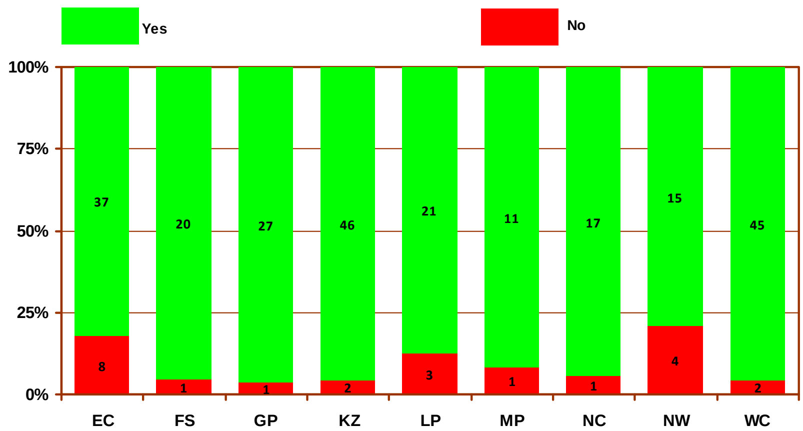
General Conditions of Contract: The results of the 2015 survey show that, overall, the majority of projects were undertaken with contract documents that are in accordance with the cidb's Standard for Uniformity. There has been an improvement on the compliance with the cidb requirements for contract documents.



Adjudication of tenders: The results of the 2015 survey show that quality (or functionality) was not taken into account in the adjudication of tenders on 12% of projects. The lowest use of quality (functionality) in the adjudication of tenders was highest amongst metropolitan councils.



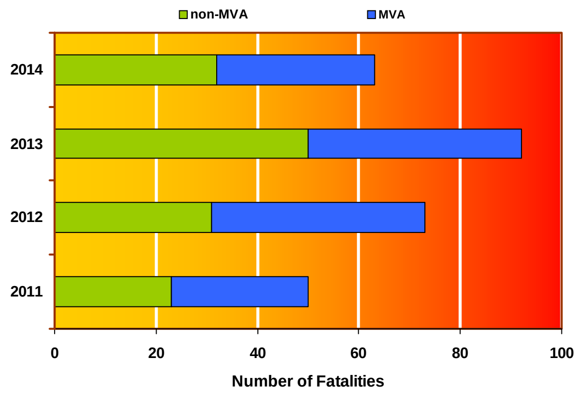
A further assessment of tender adjudication on public sector projects is the award of tenders in accordance with the tender committee's recommendations. The results of the 2015 survey suggest that overruling the recommendations of the tender committee occurred on around 9% of projects. Overruling of the recommendations of the tender committee appears to be most prevalent in the North West and the Eastern Cape.



Quality (or functionality) was not taken into account in the adjudication of tenders on around 12% of projects, and the recommendations of the tender committee were overruled in the award of around an average of 9% of public sector projects.

Health & Safety Indicators

Health & Safety: Construction related injuries and fatalities remains unacceptably high. Records of Health and Safety claims by the Federated Employers' Mutual Assurance Company Limited (FEMA) for 2011 to 2014 (corresponding to the 2012 to 2015 surveys) show an increase in the number of fatalities due to both MVAs (Motor Vehicle Accidents) and Non-MVA fatalities.



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