

**MINISTRY**

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**REPUBLIC OF SOUTH AFRICA**

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**NATIONAL ASSEMBLY**

**WRITTEN REPLY**

**QUESTION NUMBER: 2048[NW2610E]**

**INTERNAL QUESTION PAPER NO.: 34**

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**DATE OF REPLY: 30 OCTOBER 2020**

**2048. Ms S J Graham (DA) asked the Minister of Public Works and Infrastructure:**

(1) In light of the fact that small, medium and micro enterprises (SMMEs) demand between 10% and 15% Preliminary and General (P&Gs) over and above the 30% to which they are entitled on some projects, what (a) steps is her department taking, especially through the Construction Industry Development Board, to educate and upskill SMMEs on (i) financial matters, (ii) contractual matters and (iii) any other related matters, (b) recourse do the contractors have where SMMEs threaten to close sites unless their demands are met in terms of the P&G and (c) intervention will her department offer in such a case;

(2) whether her department will blacklist and/or penalise an SMME for closing down a site on a spurious issue such as P&G to which they are not entitled but demand anyway; if not, why not; if so,

(3) whether her department is acknowledging the existence of the so-called Construction Mafia; if not, why not; if so, what steps is she taking to address the matter?

**NW2610E**

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**REPLY**

**The Minister of Public Works and Infrastructure:**

1. I was informed by the Department of Public Works and Infrastructure (DPWI) that the preliminary and General costs (P&Gs) are factored in and priced by the main contractor in the Bill of Quantities. As such, if 30 percent sub-contracting was imposed by the client when going out on tender, in terms the Preferential Procurement Regulations of 2017, the sub-contracting agreement must be 30 percent of the value of the entire contract amount awarded to the main contractor. This therefore means that the P&Gs would be factored in the contract amount due to the sub-contractor. In terms of this the subcontractor would then balance their rates from what was originally priced by the main contractor.

NB: the rates submitted, priced and contracted by the main contractor cannot be increased after the awarding of the contract, as this would mean the change of the original contract terms. Therefore sub-contractors cannot claim any amounts over above what is in the original contract.

(a) (i), (ii) and (iii) The CIDB has programmes to capacitate stakeholders, including SMME’s, and has produced emerging contractor tools and guidelines such as, the Contractor Management Guidelines (CMG 101), as well the basic guide on the 3Rs (Rights, Responsibilities and Risks).

(b) Threats by SMME’s to close off the sites or any interruptions to complete a project are a reportable violation of the CIDB code of conduct. The conduct as such is punishable in terms of Regulation 27A of the CIDB regulations. For any dispute that may push SMMEs to close off sites dispute resolution mechanisms are spelt out in the contract.

(c) The CIDB can only intervene upon such matters being reported in terms of Regulations 28 and as per the provisions of the contract between the conflicting parties.

(2) As stated above in (1) (b) threats to close off the sites or any interruptions to complete a project are a reportable violation of the CIDB code of conduct, and shall be dealt with according to the stipulations of the code.

(3) Yes, this is alleged criminal activities and is dealt with by the Security Cluster.