

Construction firms agree to a transformation fund

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Six of SA's largest construction and engineering groups said on Tuesday they would collectively pay R1.25bn to accelerate transformation in the country's construction sector in settlement of collusion claims in the industry.

Payments in tranches to a trust in the next 12 years will be spent on socioeconomic development. They will also tackle exposure of companies to possible damages claims from projects arising from the fast-track settlement process launched by competition authorities in 2011. These include infrastructure built for the 2010 Soccer World Cup.

JSE-listed Group Five said on Tuesday that "for the avoidance of doubt, this voluntary contribution" was in addition to a R1.46bn penalty imposed by competition authorities on firms in 2013.

Wilson Bayly Holmes-Ovcon, Aveng, Stefanutti Stocks, Raubex

and Basil Read had also concluded agreements with the South African government.

"As companies in an industry that [has] been under a cloud of controversy, we are pleased that an agreement could be reached to move forward in a unified and constructive way," said Group Five CEO Eric Verner.

He said this would create a more sustainable and competitive industry, and provide clarity. But Group Five also said the agreement did "not address or eliminate any outstanding claims, by the Competition Commission ... with regards to administrative penalties which have been or are to be levied on any of the construction companies".

Two of the group's cases were still before the Competition Commission. These were a tender for rehabilitation of a section of national road and a World Cup stadium, previously reported.

"Following an extensive period of negotiation, the gov-

ernment and the construction companies have concluded the settlement agreement, which comprises a financial contribution by the ... companies into a jointly administered trust fund, as well as certain transformation commitments over and above the current broad-based black economic empowerment sector requirements," Group Five said.

It would promote opportunities for black people and create employment and entrepreneurial opportunities, especially for young South Africans.

Wilson Bayly Holmes-Ovcon said that other than the civil claim received from the City of Cape Town, any claims or potential claims relating to projects primarily arising from the fast-track settlement process, would be settled. This included claims by the South African National Roads Agency.

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→ **R1.25bn**
The total settlement amount to be paid by the top six engineering groups

→ **R1.46bn**
The penalty imposed by competition authorities on construction firms in 2013