



## NSBE (SA)

### NATIONAL SOCIETY OF BLACK ENGINEERS OF SOUTH AFRICA "BRIDGING THE ENGINEERING SKILLS GAP"

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## Radical Economic transformation from NSBE perspective

### Introduction

The NSBE sole mandate is to grow the number of black engineers, technicians, technologists and artisans in the Country, from school to tertiary institutions, to work environments. As well as ensuring that they stay in the profession throughout their productive career life. Through our various engagements with society at school, university and working environment levels the organization has a plethora of initiatives we drive to promote engineering amongst black people.

The number of black engineers, technicians and technologists has grown marginally over the past 20 years and equally so we seem to notice the growth of unemployed black engineers, technicians and technologists. This is according to the research work NSBE conducted in 2010. NSBE attributes the unemployment of such rare and highly desired skill to the economy, to private sector that still values white skills more than they value black skills.

The NSBE is deeply concerned with the marginalization of black engineering firms that manifest itself in a continuous awarding of major infrastructural projects to previously advantaged engineering firms or foreign owned engineering firms. This condemns black engineering firms to peripheral roles of being BEE partners than leading partners of the big infrastructural projects the government has embarked on. This is of grave concern to NSBE.

### Background

The structure of South African economy is characterized by inadequate foreign investments on fixed capital formation, the short term capital inflows that are attracted by commodity booms, equity shares and the bond market have often not resulted in the long desired lasting effect of transforming the economy nor deal with the triple challenges of Unemployment, Poverty, and Inequality. As accurately identified in the government IPAP policy the Monopolistic pricing of critical intermediate manufacturing sector raw materials that is in private hands serve as the biggest decelerator to the desired industrialization growth rate in the economy. The import parity pricing that is used to sustain this monopolistic pricing need to be relooked, it only serves to enrich the few at a huge expense of growing our diversified manufacturing sector. We as NSBE

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want the government to acquire back the significant control of this production driven sectors of the economy, in particular the Steel, Petrochemical and Mining industry. The growth over the past 20 years in these industries have to a large extent retained the economic complexion of apartheid days and have unfortunately and mysteriously produced less technical skills (artisan, technician/ technologist and engineer) when in apartheid days these sectors produced the technical skills in tens of thousands.

### **The Radical transformation initiatives as NSBE views them.**

1. The government needs to own 60% of the Steel producing and Petro Chemical industries at the primary level. In our view this will reverse the harm caused by enthusiastic privatization of Iscor and Sasol. Which led price increase of steel and plastic intermediate products as referred to in the IPAP document. It will also ensure that the import parity pricing is not applied on these intermediate products, consequently lowering the input costs of the manufacturing sector whilst expanding industrialization. The current engagement with private sector to lower both Steel and Petrochemical product prices is likely to be long and would end up arbitrated in courts for the longest time to come. We do not have the luxury of time.

**For a start the government should start converting its current 70% ownership of Scaw Metals (Pty) Ltd to 100% government ownership immediately. And convert Scaw Metals into fully fledged Steel mill that will supply State Owned Enterprises e.g. Transnet and Eskom with their entire Steel requirements. This will result in reduced Steel input costs to the imminent manufacturing sectors.**

2. Efficiency and effectiveness of State Owned Companies (SOCs) solely relies on skilled and qualified personnel running these companies. We are greatly concerned that some of the jobs that require technically qualified (technologists and engineers) personnel in some of the state owned companies have been given to personnel without technical qualifications. The disregard of engineering qualifications stands out amongst other professions. What could easily be executed in house is often outsourced to overseas or previously advantaged consultants. What was once the duty of City Engineer has since been sub delegated to an administrator, who lacks command of complex technical know-how, who then outsources to costly consultants. We have seen this practice dominating the Municipalities and are gradually migrating to some State Owned Companies. If not ceased, it will erode the technical skills development platform that the State Owned Companies are meant to create.

The China model will serve as a good benchmark against which South Africa needs to compare. In illustration of the point above, all successful law firms are run and managed by a lawyer with a legal qualification, successful auditing firms are run and managed by a qualified chartered accountants in the main, so are successful hospitals and medical organizations are often run by qualified doctors, but there seems to be less understanding and oversimplification of rightful leadership in engineering prone environments, particularly in State Owned Companies. This deeply concerns us because we see more and more disregard and trivialization of this critical skill which leads to over



reliance on previously advantaged or overseas engineering expertise through consultancy.

3. The design and construction of big infrastructure projects have to be led by black engineering firms (similar to the very good trend developing in the auditing industry where the big four auditing firms are starting to be replaced by black owned firms as is the case at Transnet).

The big infrastructural projects are often led by previously advantaged engineering firms or foreign owned engineering firms. We have noticed with the recent infrastructural projects executed in the Country that black engineering firm's participation is peripheral. The skills transfer sloganeering is often chanted before the bid award, and once the award occurs no one bothers to audit whether the proper skills transfer has occurred or not. For example the Gautrain project did not produce a single black owned engineering firm that is now capable of designing and constructing equivalent or similar scale of projects in the future, it is highly likely that the planned extension of Gautrain will be sourced from the same foreign led engineering firm or previously advantaged engineering firm. We have a problem with that as locally qualified black engineers and technicians; if this practice is not changed we will always be on the periphery.

The procurement from 51% and above of black ownership needs to weigh more in calculation of BBBEE scoring. The continuation of ownership element on BBBEE scorecard being at 15%/20% has often led to the frustration of transformation; the syndrome called "keep quiet, get the cheque and run black man". This is prevalent in most BBBEE deals signed in the last 20 years.

The National Treasury prescription of 90% price weighting on evaluation of bids negates the purpose of economic transformation; it needs to be stopped with immediate effect. This has led to a lot of untransformed businesses getting most big contracts owing to the fact that they pull the price lever and score the most without even moving a finger on transformation.

## **Conclusion**

Some of our ideas are already contained in the IPAP and to a degree the revised BBBEE codes, the discussions are in the public space and seem to have gone for an extensive time without action and tends to be perceived as "over-intellectualisation" of what requires immediate implementation. The government needs to quickly move towards decreeing IPAP and new BBBEE codes, if we are to radically impact the economy. Enough talking lets act, China is doing it!!

Best regards,

Caesar Mtetwa  
President of National Society of Black Engineers (NSBE).



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