

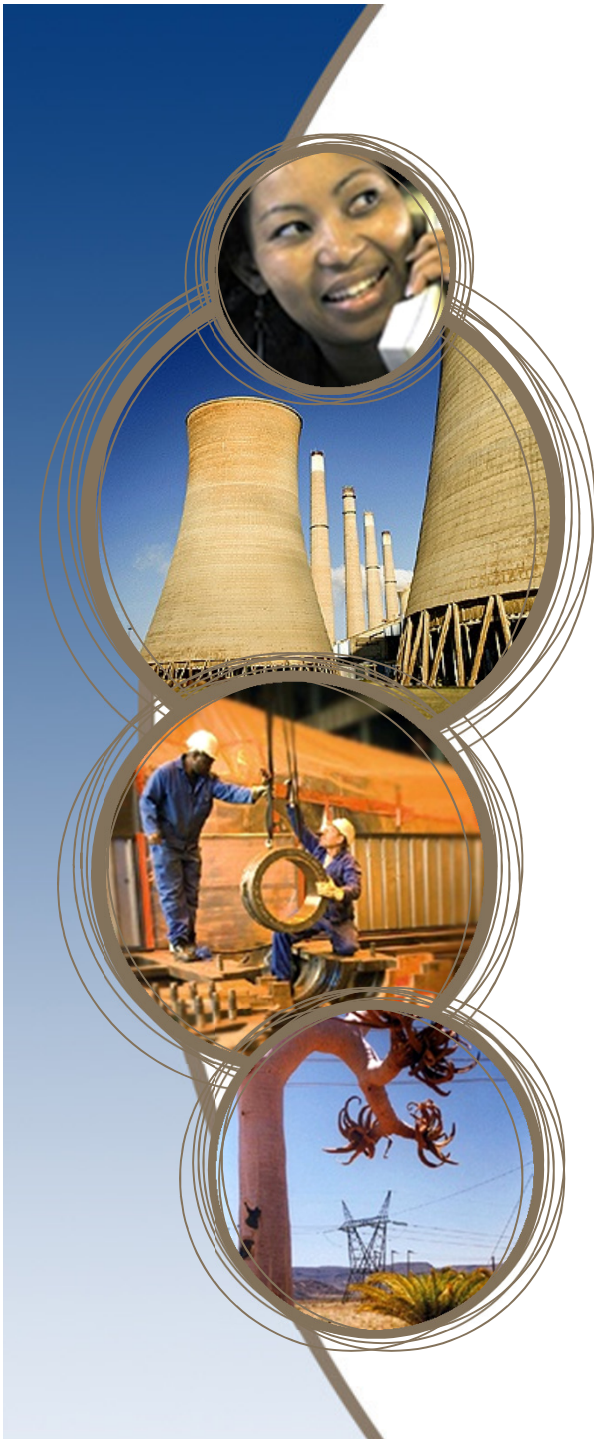


POLASA INDUSTRY WORKSHOP

Projects Stability

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The Organisation for Economic Co-operation and Development
EXECUTIVE SUMMARY INDICATES the FOLLOWING:

- **Macroeconomic policies**
 - There is scope to increase the effectiveness and mix of government spending.
 - Also, improvements in the governance of state-owned enterprises are needed.
 - Skills shortages and mismatches are key bottlenecks to growth and inclusiveness.
 - Access to higher education has improved but remains limited.

- **Low growth and high unemployment are weighing on social progress and cohesion**
 - Growth has trended down markedly since 2011 due to constraints on the supply side, in particular electricity and falling commodity prices, and policy uncertainty.
 - Unemployment rose from 25% to 27%. Since 2011. The youth are particularly hard hit by the economic slowdown, with an unemployment rate of 53% in 2016.

Top 3 Risks

Capital execution and asset creation

(1)Project Stability, (2)Productivity and (3)Contractor Financial non-viability

RSA still plagued by rising unemployment, poverty and inequality giving credence to calls for radical economic transformation

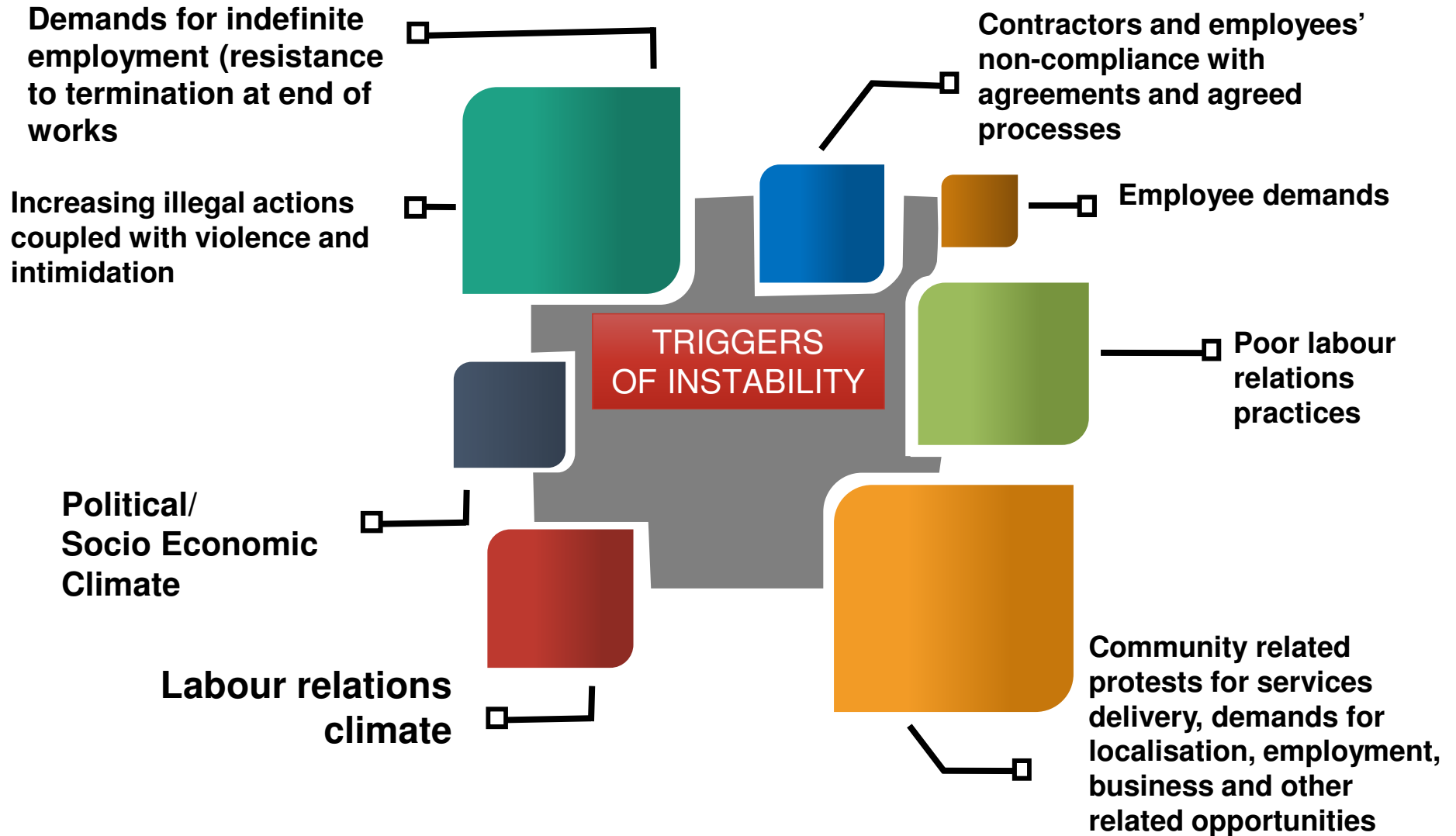
What Does the above mean for Eskom Power Deliver Projects



- The economic slowdown has pushed up the unemployment rate and has increased the demand that Eskom projects must employ more
- Slowing growth has compounded an already difficult environment for new and small businesses.
- The lack of work experience contribute to gaps in entrepreneurial skills required for PDP.
- However, a lack of co-ordination and evaluation hampers effective collaboration and project completion.
- Eskom realises that in order to achieve the mandate, there is a need for a strong partnership that will encourage collaboration aimed at accelerating electricity delivery by the delivery of projects within predicted timelines

RISK MANAGEMENT

- Instability continues to be the number one risk for Eskom operations
- Increasing requirement for stability solutions



Case in point of one PDP area: Areas Impacted & Periods



Work-stoppage Areas

Work-stoppage Period

Thornville (ward 4)

3 weeks (July 2017)

Inadi Village (ward 4 & 5)

14 months

KwaHasa (ward 9)

9 months

Mpophomeni (ward 10)

7 weeks (May & July 2017)

Lions River (ward 4)

2 weeks (Aug 2017)

Mooi River (ward 1)

2 months

Escourt: Intunda Village (ward 23)

5 months

Escourt: Nhlalakahle (ward 18)

2 weeks (June 2018)

Project execution Challenges & Work-stoppages

Contractor Generated issues

Employment , job grades,
Demobilization as projects approaching completion

Pay issues ,local employees dictating to the projects
on benefits ; working time,

Skills development

Contractor financial non viability,
contractor non-compliance

External Stakeholder issues

Demands for Local employment beyond what the
project can accommodate
unreasonable SMME opportunities demands

Increasing CSI requests
Delays in the implementation of CSI projects

Increasing Pressure groups
Splinter groups each with the same demands
Fulfilling the expectations of various Business
Forums in the province

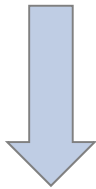
Community unrest and violence

**Impact of work stoppages: Lost time, reputational damage to investors,
standing time costs, risk to security of supply**

Game Changer

Contractors can and should play a pivotal role in stabilising the project operations as an employer and a company doing business with Eskom in a particular locality.

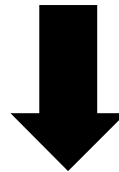
Collaborative efforts in creating a conducive & enabling environment for timeous project execution



Project Stability



Increased Productivity



Contractor Financial viability

Achievement of Project Objective

PROJECT PRIMARY GOAL

Minimizing and/or preventing acts of instability to empower Eskom to complete projects on time, within cost and quality



Minimise risk

- 80% of interventions are proactively designed and implemented
- Continuity of operations (reduction of social disturbances which impact operations)

Safeguard (ROI)

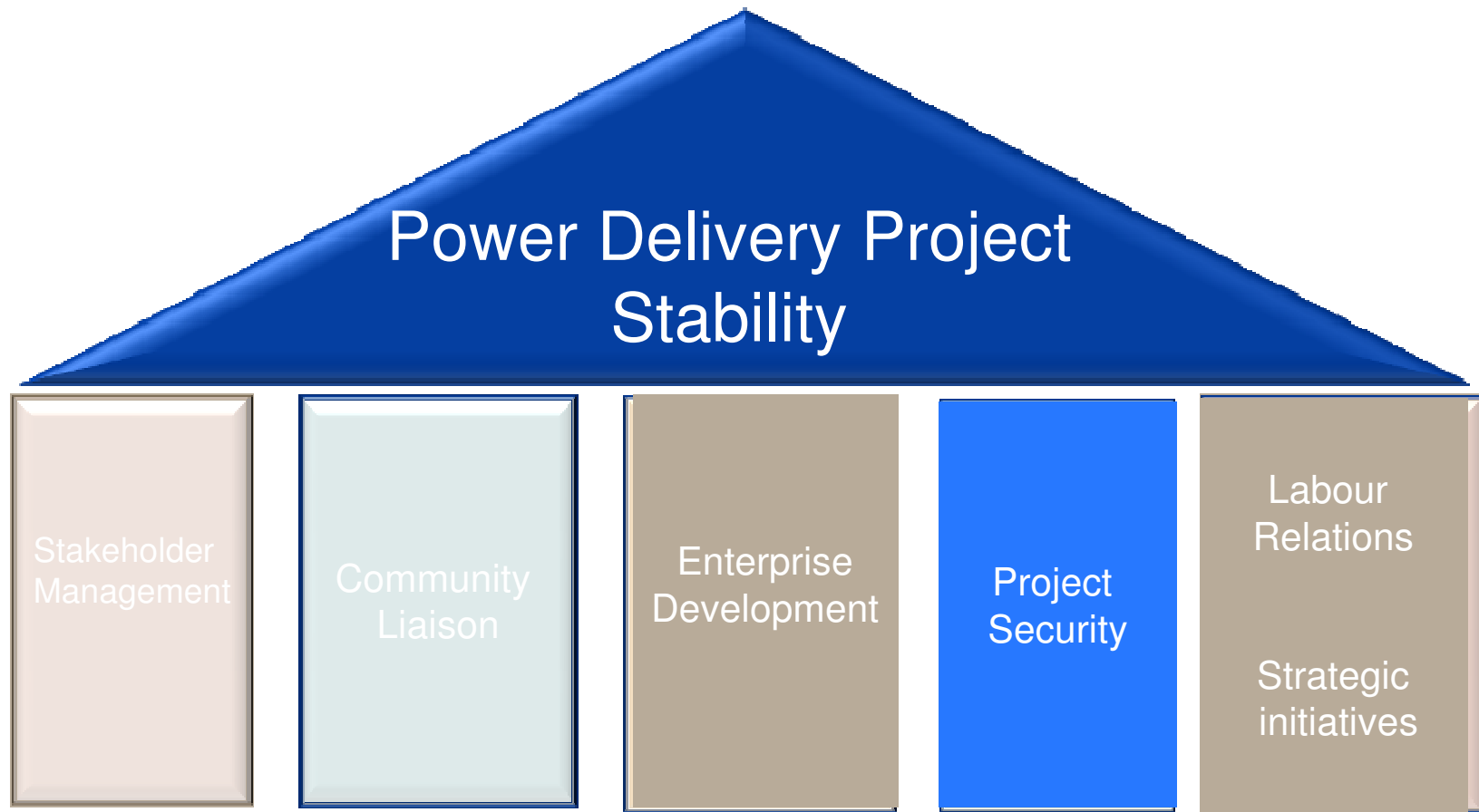
- Reduction in production loss

Efficient and proficient services (To deliver seamless service and value add)

- Time to stabilize
- Time to resolve

Right people, in the right place at the right time, delivering outputs

- PDP projects have experienced inordinate number of work stoppages impacting on project schedule, cost and organisational reputation. Many of these workstoppages can and should be prevented.
- As a SoC Eskom has a **developmental mandate** which finds expression through the **SED Policy**, Shareholder compact, divisional mandates etc.
- In executing the projects, stability objective is to **strive for “Win-Win”** [Eskom, Contractor, Workers, Community, Business Forum, Lenders]. We know that its possible, when we all focus on it.
- Because the above elements, it is evident that a concerted effort must be done to strategise on how projects should be executed within the changing social landscape.
- Understanding of the community profile the contractor is to execute on, is essential before the project is to be executed
- Acknowledgement that Internal instability impact negatively on external instability and often vice versa is true.
- The importance of participation in the project participative structures to seek strategic council that provides insight into the project intricacies



- Ability to absorb and resistant to disruptions without hindrances to project outcomes.
- Result to project resistance and balance.

PRIMARY OBJECTIVES



Stable operational environment by proactively managing:

01

▶ the balance between delivering project/operations needs against the community hopes . (Navigating those needs while making sure we can deliver the project (in time on budget at right quality)).

02

▶ the balance between delivering project/operations needs against the contractor employment practices (Navigating those needs while making sure we can deliver the project (in time on budget at right quality))

03

Aligning the parties within Eskom around the deliverables

The roll-out of SED Plans in the Group Capital environments has proven to be a success towards stability of mega projects and contributed towards saving costs normally incurred during work-stoppages (claims).

It is crucial for PDP to implement a structured SED programme as part of ensuring stability of projects. The following minimum subcontracting opportunities must be ring-fenced for local entrepreneurs:

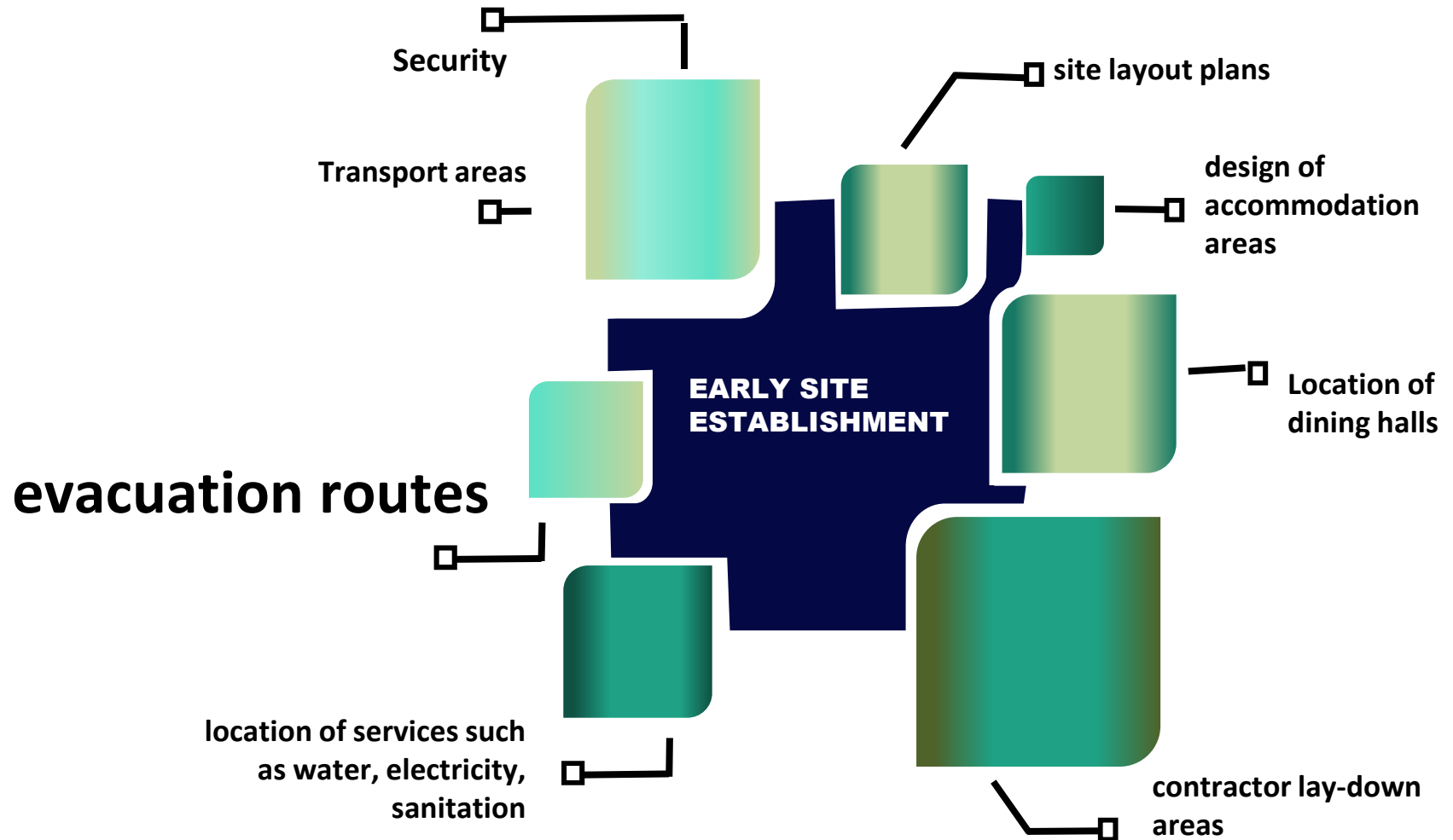
- Hiring of mobile toilets (ablution facilities),
- Hiring of park homes,
- Transportation of workers (*e.g local taxi associations*)
- Packing of insulators and hardware,
- Packing of dismantled tower steel,
- Installation of servitude gates,
- Bush clearing,
- Supply of PPE

Other elements of the SED include:

- Local employment
 - CSI
 - Skills
- Development and
 - Incubation for industrialization

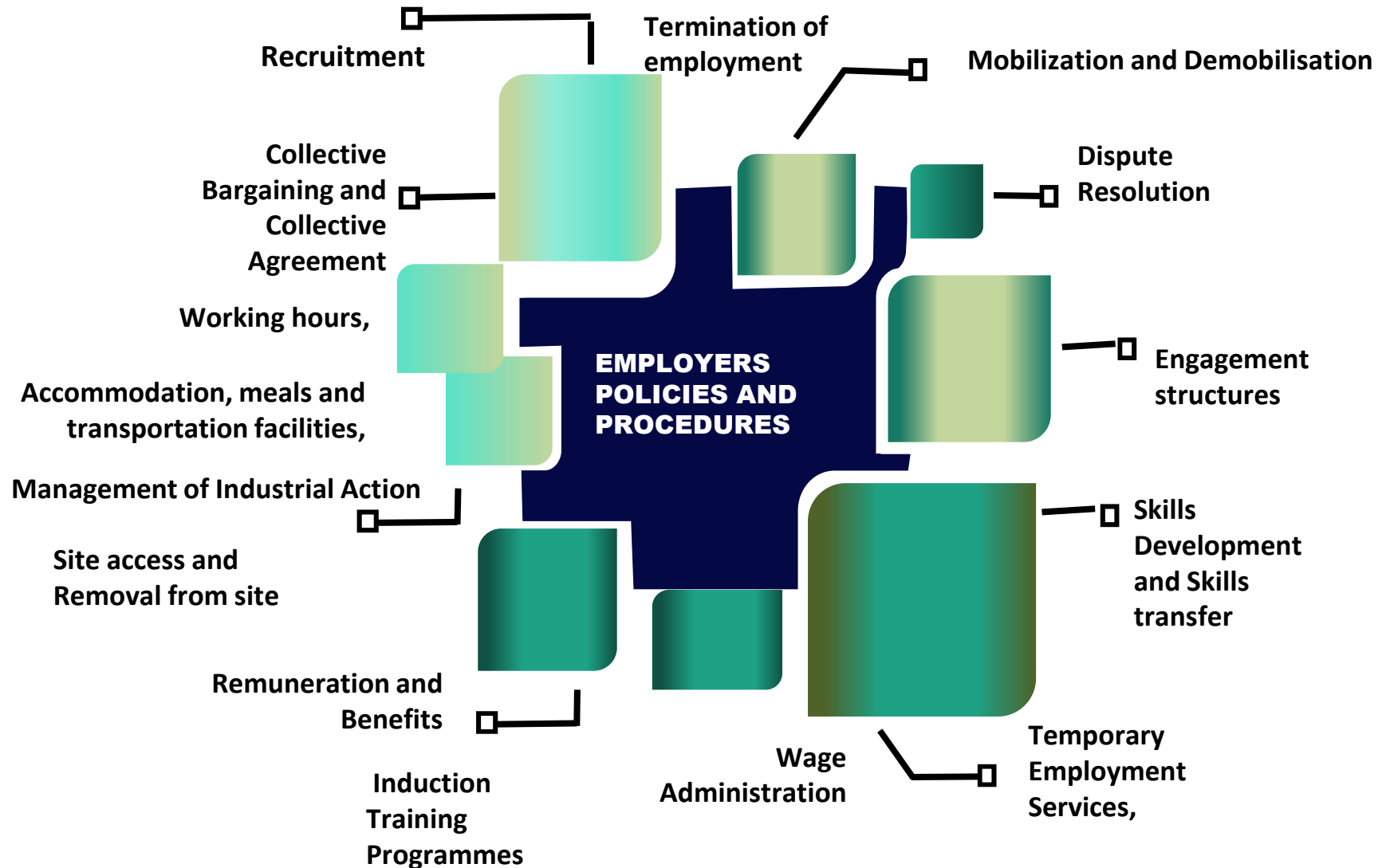
FRONT END PLANNING

Front end Planning includes influence into the Request for Proposal (RFP) process, ensuring that all internal and external stability related aspects are included into the Works Information, influence and input into early site establishment and the development of all documentation, processes and systems that need to be in place to ensure a stable work environment.



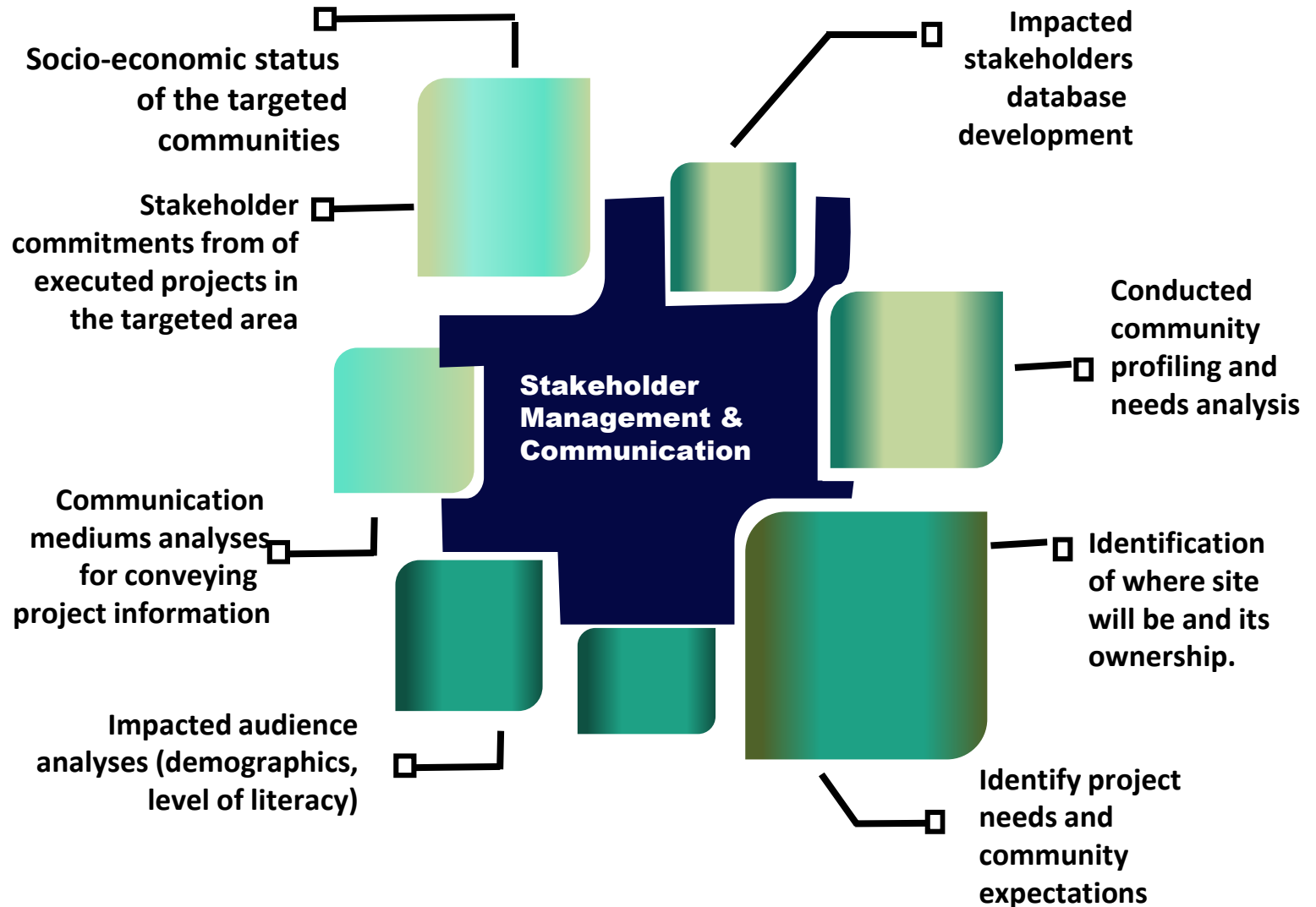
FRONT END PLANNING

Employer Policies and Procedures: Forms part of the Works Information that stipulates how Contractors should manage their labour related issues and what processes, systems and agreements need to be in place to enable them to do so. This also enables them to cost and price their tender bid accordingly thereby minimizing the variation of the Contract and in the scope of Works.



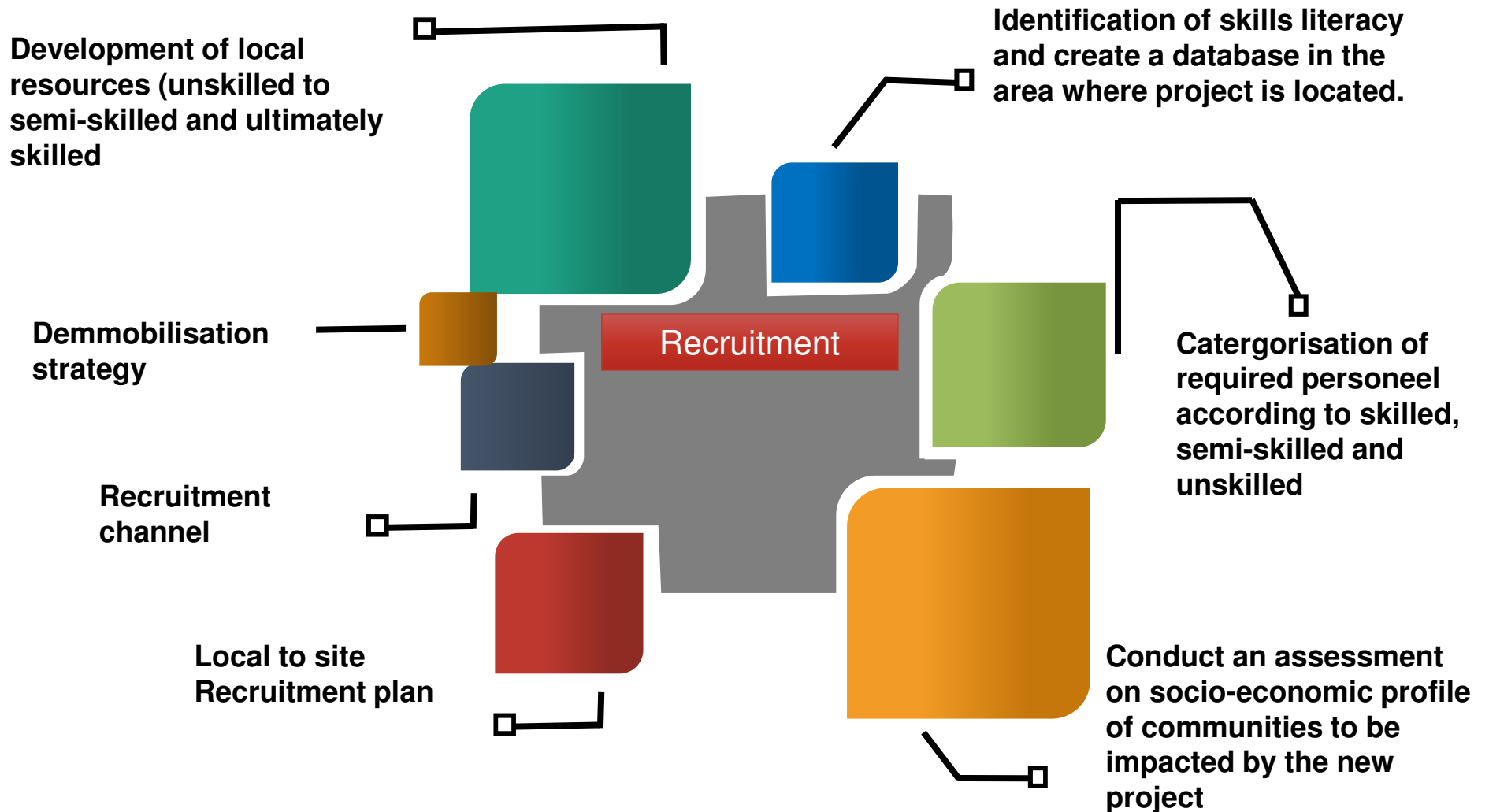
Stakeholder Management & Communication

Before any project can be released for approval, it is important to conduct a Stakeholder Management situational analyses of the intended project jurisdiction to provide insight that will elevate project risk to be planned for.



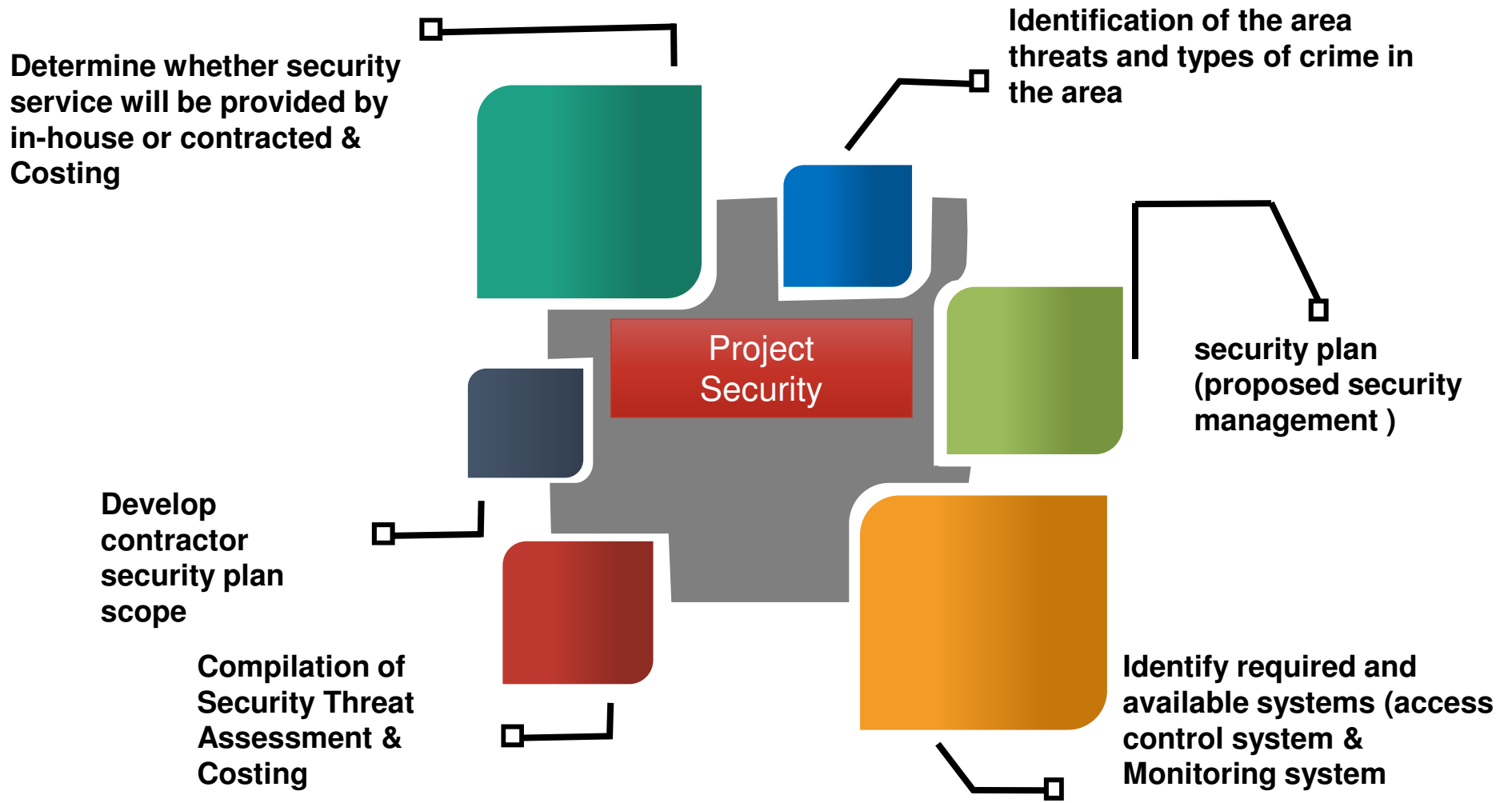
Recruitment

The high rate of unemployment and the growing poverty rate, forces communities within which projects are implemented on, to have expectation that any project will create jobs that will alleviate the prevailing poverty experienced , putting economic pressure to the projects. There is a perception that all jobs created will be recruited locally



Project Security

With the increased application of expertise, technology and brutal force within criminal ranks, it has become essential to implement a fully integrated security plan for Power Delivery Projects (PDP) that is proactive and capable of preventing crime through bolstered and cost effective security operations, innovation, technology, efficient use of resources and effective business processes.



Contractor Resource Plan



Strategy Matter	Options
What	<ol style="list-style-type: none">1. Type of skills and associated job categories during each project stage;2. Job categories aligned with DOL and Eskom classification (unskilled, semi skilled, skilled, supervisory)3. No. employees per job category4. No. locals versus core / non locals5. Stage of the project when the No. will be reduced and the job category involved
When must Contractor issue resource plan	<ol style="list-style-type: none">1. Initially at Tendering Stage;2. Final before recruitment & mobilising3. May amend depend on circumstances but amendments must be approved
Consultation	<ol style="list-style-type: none">1. During kick-off, contractor must consult Project Steering Committee / Stakeholder Forum

Bargaining Council with Jurisdiction



Strategy Matter	Options
Who	<ol style="list-style-type: none">1. Civil works – Bargaining Council for Civil Engineering Industry2. Electrical works – National Bargaining Council for Electrical Industry (NBCEI)
None Parties / Non Regulated Aspects	<ol style="list-style-type: none">1. Non parties must adhere to NBCEI2. All aspects not governed by BCCEI, Contractor must implement NBCEI provisions i.e.:<ul style="list-style-type: none">• Transport allowance• Accommodation• Allowances• FTC• Labour Brokers (TES)

IR Resources Contractor Resources



Strategy Matter	Options
Contractor Resources	<ol style="list-style-type: none"><li data-bbox="674 483 1713 586">1. All contractors regardless of size must have a dedicated competent IR Person<li data-bbox="674 597 1650 699">2. Eskom may require the contractor to prove competency of IR Functionary<li data-bbox="674 711 1793 867">3. Eskom may at any stage require the contractor to consult with it prior to implementing any IR or HR related decision.
Anti-poaching Undertaking	<ol style="list-style-type: none"><li data-bbox="674 902 1787 1349">1. Contractors should not recruit or attempt to recruit staff or labour from among the personnel of another contractor by means of financial inducements (better remuneration), or other incentives, or by any other means during the period of the project, except where, another contractor has demobilised a person or made the person redundant;

- One of the significant findings through informal interviews of Eskom employees with the project execution environment is how much there limited emergency preparedness protocols to be implemented within the projects.
- Most of the time the site supervisors are given instruction to deal with any emergency without any guidance of how to handle the emergency.
- The emergency response referred to in this case is a man-made disaster like an unplanned or planned march to an Eskom project, whereby there are steps contractors and employees can take to make sure they are safe before, during and after an emergency.
- Emergency Response Plan for all projects has to be developed, workshopped to all impacted and simulated on certain interval to avoid complacency.
- This plan will indicate actions to be taken in the initial minutes of an emergency. A prompt warning to employees to evacuate, shelter or lockdown can save lives.
- All project sites as part of their emergency response plan should clearly indicate mitigation, preparedness, response, and recovery.
- At the very least, every facility should develop and implement an emergency plan for protecting employees, visitors, contractors and anyone else in the facility.
- An identification, appointment and training of mitigating team should be done urgently. Their names, portfolios, contact details should be placed in an accessible space. They should be sensitised of the role and types of emergencies they may be exposed to.
- Emergency protocols should be understood by all role players including an escalation process.

Discussion

