

2nd NMMU Construction Management Conference

CORRUPTION, CHANGE & COLONOSCOPES

Presented by

Neil Cloete : CEO Liviero Group

26th November 2012





Building

- Industrial
- Commercial
- Residential
- Development
- Institutional
- Retail
- Leisure

Civil

- Infrastructure
- Concrete
- Stadia
- Water Treatment
- Bridges
- Heavy Civil Structures

Roads and Earthworks

- Bulk earthworks
- Roads
- Road Rehabilitation
- Dams

Mining

- Load and haul
- Open cast mining
- Mining infrastructure
- Mine Rehabilitation

Plant

- Formwork - Scaffolding
- Plant and Equipment
- Workshop
- Concrete supply

Where we are based

LIVIERO



Corruption, Change & Colonoscopies

Project Highlights

LIVIERO

The Fairmont Hotel & Suites



University of South Africa



Soccercity 2010 Worldcup Upgrade



Vanggatfontein Colliery – Keaton Energy



Corruption, Change & Colonoscopies

- 30 years in South Africa
- Largest diversified private construction company in South Africa
- Annual turnover of R29 million in 2000. R2 Billion turnover in 2013
- Modern plant and equipment valued in excess of R380 million
- CIDB rated 9GB & 9CE
- BBBEE accredited Level 2 (Liviero Building and Liviero Civils)
- Order book of R6.9 billion.



Early colonoscopy

- Colon cancer is the third most commonly diagnosed cancer and the second leading cause of cancer death in men and women combined in the United States
- On average, the lifetime risk of developing colon cancer is about one in 20 (5.1%)
- Risk increases over 50

American Cancer Society's 2012 Cancer Facts & Figures

- The five-year survival rate for colon cancer found at the local stage is 90%.
- The five-year survival rate for colon cancer found at the regional stage is 70%.
- The five-year survival rate for colon cancer found at the distant stage is 12%.

Early detection is crucial !!

American Cancer Society's 2012 Cancer Facts & Figures

Good for you!

This certifies that

NEIL CLOETE

was a Grownup
and got a Colonoscopy and
determined his head was
not up his arse !

SPECIALIST

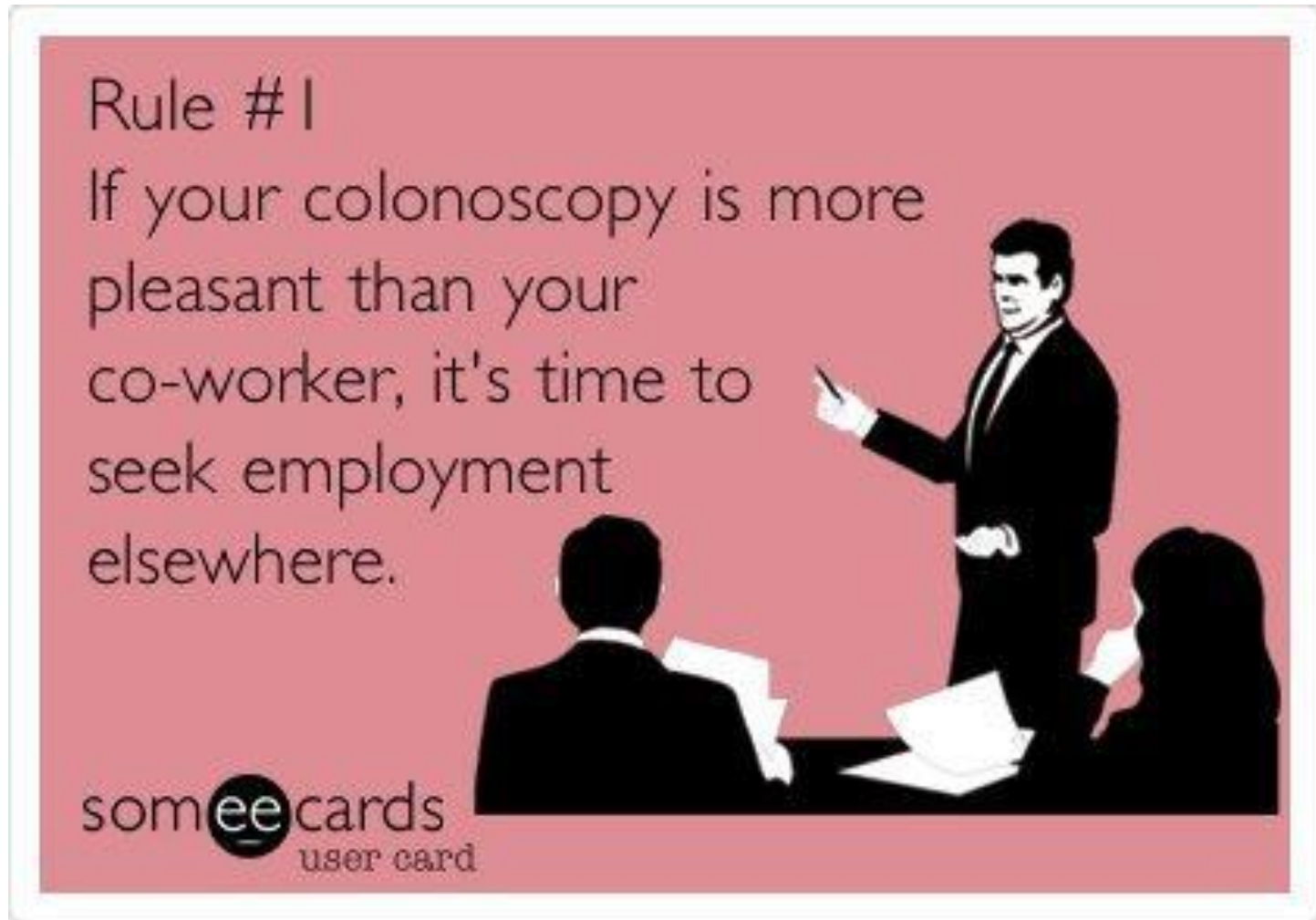


Say no more !

LIVIERO



Corruption, Change & Colonoscopies



Construction groups face R29bn bid-rigging probe

Competition body offers reduced penalties to firms that come clean

THABANG MOKOPANELE
Property Editor

THE Competition Commission yesterday offered construction companies reduced penalties if they come clean about their involvement in bid-rigging in projects worth R29bn.

The commission has been investigating anticompetitive conduct in 70 public and private sector projects, including Soccer

MURRAY & ROBERTS HOLDINGS

Share price, daily close (cents)



GROUP FIVE

Share price, daily close (cents)



CONSTRUCTION AND MATERIALS INDEX

Daily close



proactive in the sector," the company said yesterday.

Group Five said it was negotiating various leniency applications for its "potential contraventions" of competition legislation.

"We believe that our proactive and co-operative approach in taking advantage of the commission's leniency programme has played an important role in mitigating the risk of penalties and/or fines."

Attempts to get comment from

Public sector staff earn more
Page 3

Business Day, 2 February 2011



COMMISSION'S INVESTIGATION INTO BID RIGGING OF CONSTRUCTION TENDERS

Construction Fast-Track Settlement Process

Presentation to Stakeholders

February 2011

TOWARDS A FAIR AND EFFICIENT ECONOMY FOR ALL

Presentation to Stakeholders – February 2011

Corruption, Change & Colonoscopies



- The Commission's investigations in the construction sector include:
 - ✓ Tenders for the construction of 2010 FIFA World Cup stadia initiated on 10 February 2009 (covers all new & refurbished)
 - ✓ Tender for all construction projects initiated on 01 September 2009 (covers all big & small projects)
- The Commission received massive evidence of collusive practices in the industry through CLP in the course of its investigations:
 - ✓ Received 65 CLP applications implicating several firms in over 70 projects
 - ✓ About 6 CLP of these applications are at the referral stage covering several firms

TOWARDS A FAIR AND EFFICIENT ECONOMY FOR ALL

Presentation to Stakeholders – February 2011



- The Commission is investigating collusive tendering/bid rigging conduct in the construction sector
- Bid rigging occurs when two or more firms coordinate their bids:
 - ✓ By agreeing who should win which tender
 - ✓ By agreeing not to tender competitively
 - ✓ By agreeing to insert similar qualification in their bids
- Collusive tendering/bid rigging can take either of the following forms:
 - ✓ Bid rotation
 - ✓ Cover price / cover bid
 - ✓ Compensation payment -for submitting cover bid, or for not bidding

TOWARDS A FAIR AND EFFICIENT ECONOMY FOR ALL

Presentation to Stakeholders – February 2011

What kind of environment was created that allowed alleged anti-competitive behaviour to foster in the 1st place?

If we don't understand it and investigate the root causes, the chances are that it will re-create itself in some other form.

1. Lack of training in anti-competitive practises.
2. Unethical practises by consultants in the Built Environment.
 - a. Price Shopping
 - b. Unilateral changing of Conditions of Contract
 - c. Price Checking – Submissions but no Awards
 - d. Disregard for Contractors submission costs
 - e. Penalties included in budget
 - f. Blame the Builder mentality
 - g. Retribution
3. Associations

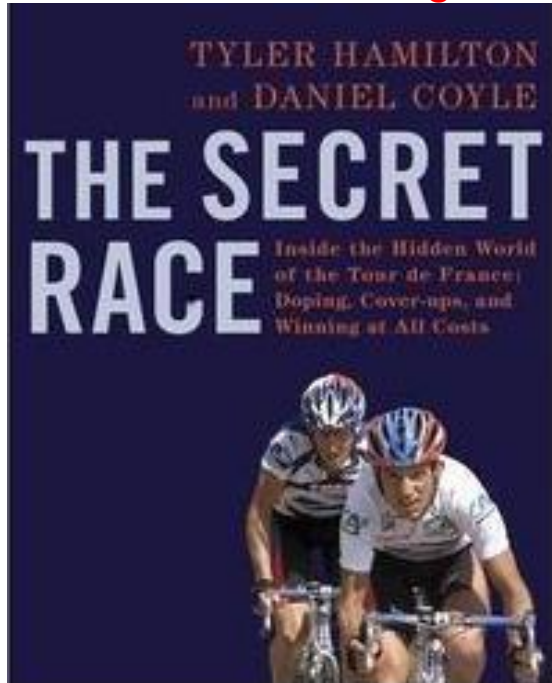
Email from Johannesburg based Consultant

“It has taken you 2 weeks to decide that you are not able to execute and cost this works.

What a poor show !!!

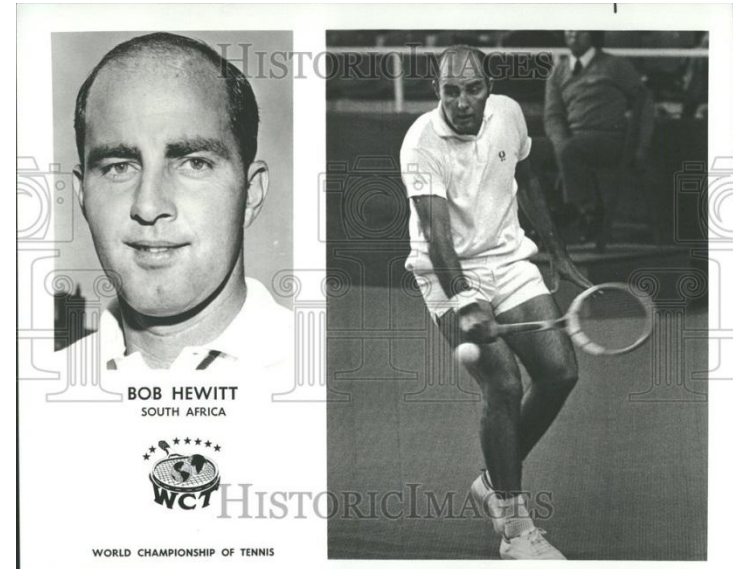
Please do not ask to be considered for any future work from ourselves.”

Lance Armstrong



- Armstrong had won the Tour de France a record seven consecutive times between 1999 and 2005
- Founded the Lance Armstrong Foundation for cancer
- Stripped of all titles in 2012

Bob Hewitt



- Hewitt had seven titles in singles and 65 in doubles
- He reached a career-high singles ranking of World No 6
- In 1992 he was inducted into the International Tennis Hall of Fame
- Hall of Fame suspension in 2012
- Hewitt's legacy ceases to exist
- Multiple allegations of child abuse during coaching career between 70's and 90's



Great Recession Leaves Its Mark

The New Normal

Four out of ten Americans say they're facing significant struggles economically.



Baseline



Citadel – 24 October 2012 (George Herman)

“The root cause of corruption is lack of accountability that happens because you and I have not taken ownership of the problem.”

“South Africa needed to graduate from liberation politics which were defined by the principle of if you are not with us, you are against us”.

Dr Ramphela Mamphela

Buckle up &
enjoy the ride !

We live in the most
beautiful country
with warm & vibrant
people

We have been
through and
survived much
worse

Paul Harris : Get off you butt and build SA

"There are more"
people here with
smiles than in any
other country

South Africans
do amazing
things

We have
passionate
debates about SA
helped by red
wine

Don't worry
and put in a
good word

Young people
are returning
in droves

SA has biggest
ratio of report
visitors

What me worry ?

LIVIERO

ARMS DEAL

SECRECY BILL

SLIDE TO FAILED
STATE (25%)

THOU SHALL NOT
INSULT PRESIDENT

NEPOTISM

SABC
SHAMBLES

VIOLENCE AGAINST
WOMEN

LIMPOPO
TEXT BOOKS

BLUE LIGHT
BRIGADES

SAA BAILOUT

VIOLENT STRIKES

FALLING GDP

VOTE OF NO
CONFIDENCE

SCHABIR SHAIK

MATHS & SCIENCE
ILLITERACY

VIOLENT
STRIKES

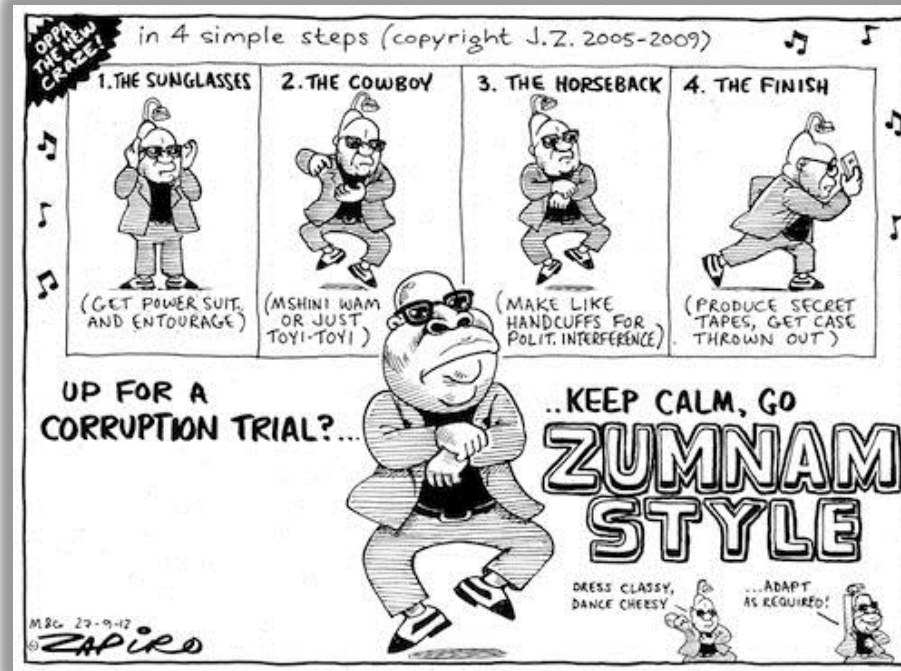
ANCYL MILITANCY

TENDERPRENEURS

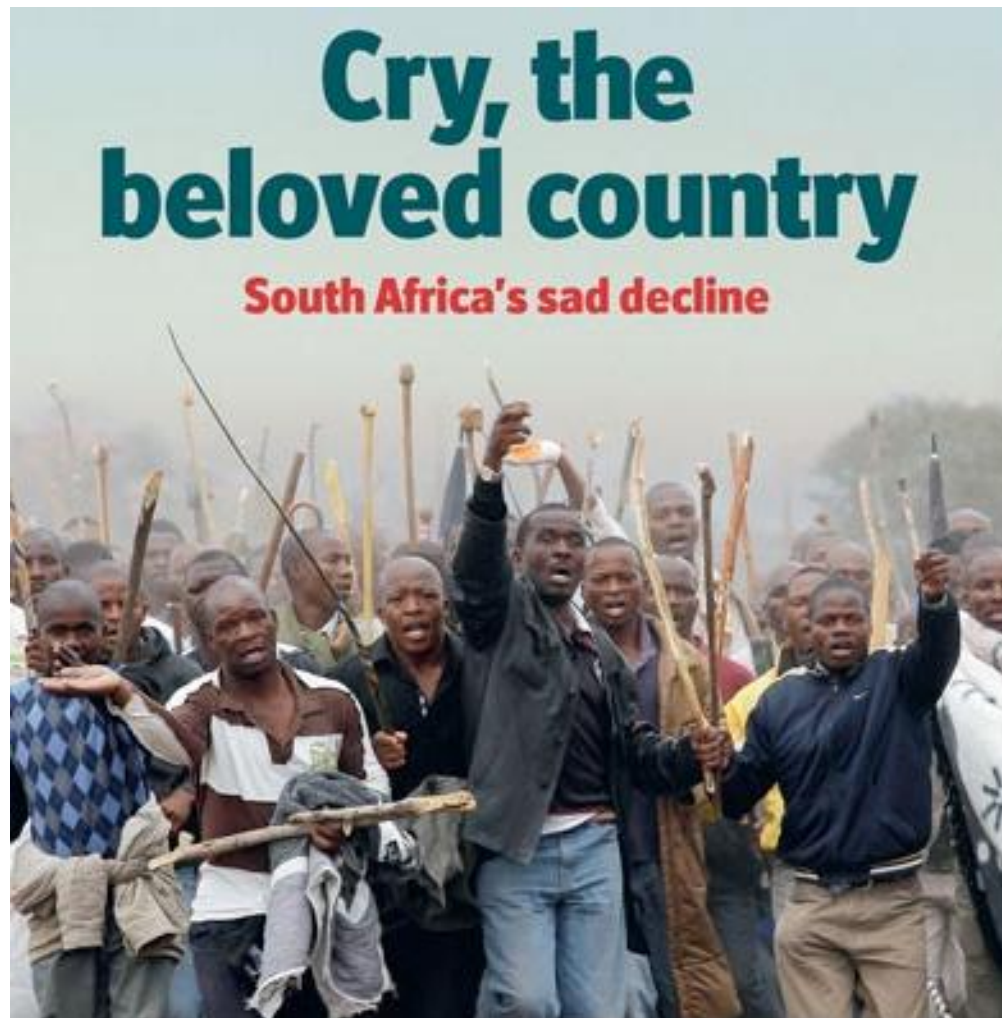
LACK OF SERVICE
DELIVERY

MARIKANA

NKANDLAGATE



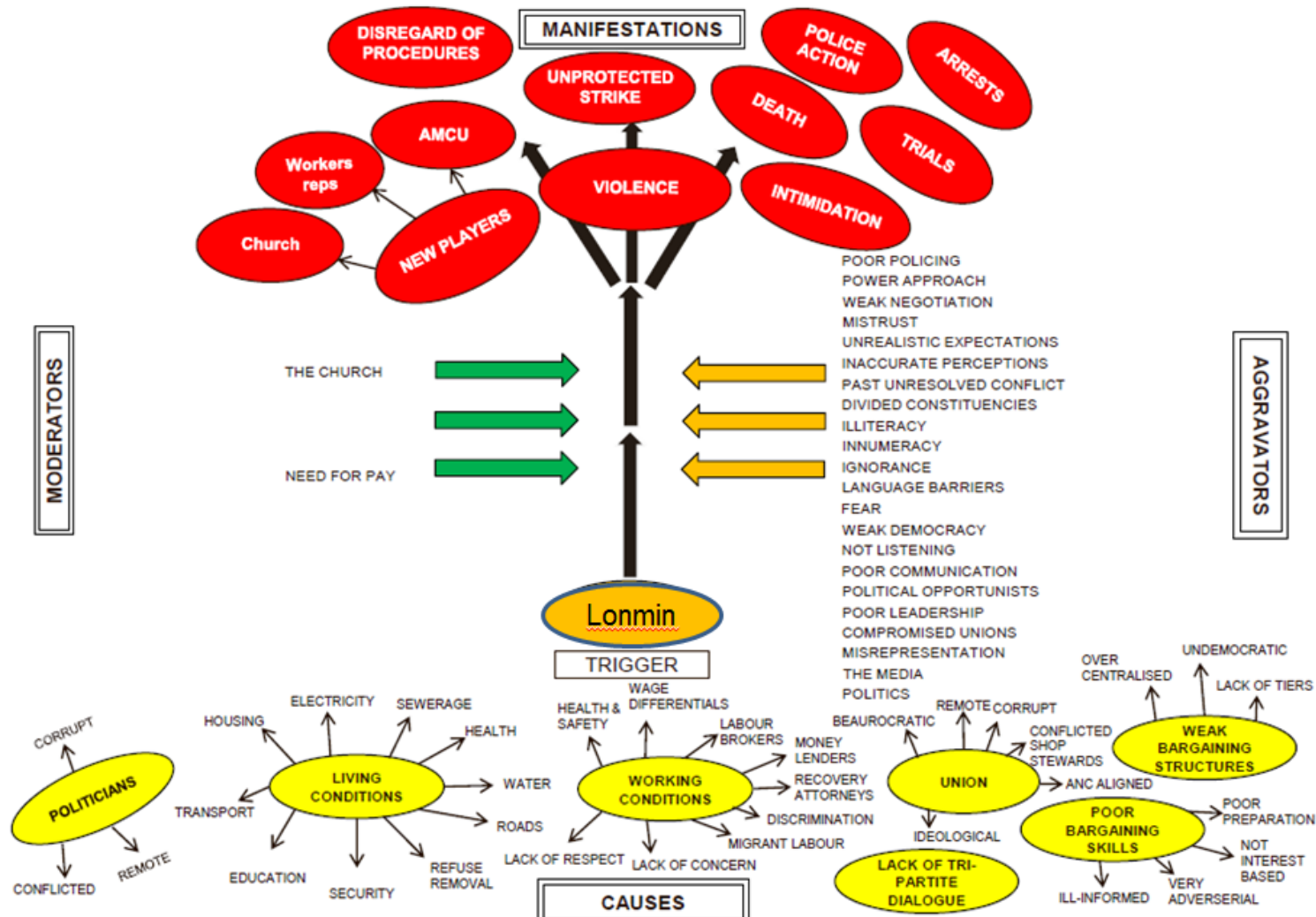
Corruption, Change & Colonoscopies



The Economist – October 20th - 26th 2012

Corruption, Change & Colonoscopies

THE MARIKANA CONFLICT DYNAMIC



Citadel – 24 October 2012 (George Herman)



The Economist – October 1st – 7th 2011



Econometrix



EcoBulletin

A Decision Support Service from **Econometrix** (Pty) Ltd © 2012

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S&P RATINGS DOWNGRADE AN INDICTMENT OF LACK OF LEADERSHIP AND UNCERTAINTY IN ECONOMIC POLICY



Bottomline

- The decision by Standard and Poor's credit rating agency to downgrade the rating on South African government bonds was surprising more in terms of its early timing than the fact that it occurred. Nonetheless, disturbingly, the negative outlook on the credit rating is retained, implying the probability of further downgrades next year.
- The most disturbing feature of the downgrade is the insinuation that in the absence of appropriate leadership, economic policy uncertainty is likely to be sustained well beyond the Mangaung ANC National Conference in December, through to the next general election in 2014. Linked to allied concerns of significant further downside risks to economic growth, is heightened concern regarding the ability of government to stick to its budget deficit reduction programme over the next three years in the face of populist pressures for increased expenditure.

Citadel – 24 October 2012 (George Herman)

Corruption, Change & Colonoscopies

- 1. Failure to inspire**
- 2. Acceptance of mediocrity**
- 3. A lack of clear vision and direction**
- 4. An inability to collaborate & be a team player**
- 5. Failure to walk the talk**
- 6. Failure to improve and learn from mistakes**
- 7. An ability to lead change**
- 8. Failure to develop other**
- 9. Inept interpersonal skills**
- 10. Displays of bad judgment that lead to poor decisions**

HBR Jack Zenger & Joseph Folkman - August 2012

“All that is required for evil
to prevail is for good men
to do nothing”

Edmund Burke

THANK YOU