

Conference call transcript

22 October 2015

GRAYSTON BRIDGE SUPPORT STRUCTURE COLLAPSE

Operator

Ladies and gentlemen, good day and welcome to the Grayston bridge support structure collapse conference call hosted by Murray & Roberts. All participants will be in a listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference please signal and operator by pressing star and then zero. Please note that this call is being recorded. At this time I would like to turn the conference over to Murray & Roberts CEO, Henry Laas. Please go ahead.

Henry Laas

Good day and welcome to everyone participating in this market update regarding the regrettable incident of 14th October 2015 when a pedestrian bridge support structure collapsed next to Grayston Drive claiming two lives and injuring several others. My name is Henry Laas. I am the group Chief Executive of Murray & Roberts. I would like to once again reiterate my heartfelt condolences to the bereaved and offer sincere sympathy to those injured.

The purpose of this call is to provide stakeholders with an update and progress to date. We will not be making any material announcements but will rather be leaving the call to engage with the market and answer any key questions you may have as best we can and within the parameters of an investigation that is not yet completed. In anticipation of some of these questions I have asked our directors and executives assisting with our investigation to join me on the call. I have with me Cobus Bester, group Financial Director, Jerome Govender, Infrastructure & Building platform CEO, Ian Henstock, group Commercial Director, Andrew Skudder, group Sustainability Director, Thokozani Mdluli, group HSE Director, and Ed Jardim, group Investor & Media Executive.

I would like to refer you to the press statements released on the morning of 15th October and the Tuesday afternoon, the 20th October. For the benefit of any stakeholders who have not yet had an opportunity to read those announcements please allow me to highlight the most important points. Immediately on becoming aware of the incident at around quarter to four on 14th October we established a crisis management team consisting of a number of directors including the Chairman of the board, group Chief Executive and Financial Director as well as the group Investor & Media Executive. The Chief Executive Officer of our Infrastructure & Building platform, Jerome Govender, as well as our Health, Safety & Environment Director, Thokozani Mdluli, immediately travelled to site.

We mobilised one of our service providers, ICAS, which stands for independent counselling and advisory services, to assist in the provision of behavioural risk management and employee wellbeing and [unclear]. ICAS was tasked with establishing accurate information on the condition and medical treatment all injured were receiving. The crisis management team recognised the need for provision of appropriate medical intervention for the injured and to this end we undertook on a non-liability basis to cover the immediate medical expenses of the injured and contribute towards the funeral expenses of the deceased.

I met with family members of both the deceased to express our condolences. I also visited a number of the injured on the evening of the incident to enquire as to their wellbeing and to express my sympathies. Together with other executives I conducted further hospital visits to the injured on Thursday 15th October and continue to do so on a regular basis, the last being yesterday afternoon.

At this stage of the 19 injured eight people are still hospitalised and we expect some people to be released from hospital sometime today and even tomorrow as well. Approval was received from the Department of Labour at about midnight on Wednesday 14th October for clearing operations to commence and the M1 highway was reopened at approximately 03:00 on Thursday 15th October.

We formalised our internal investigation process HSE Director. The investigation team comprises an external consultant, who an expert in [unclear] investigation, an external forensic engineer, an in-house legal representative, [unclear], the Chief Executive Officer of the Infrastructure & Building business platform as well as the Managing Director of Murray & Roberts Infrastructure.

On Thursday 15th October we had an initial meeting with the insurance broker and underwriter who assured our actions did not compromise the cover in place and that the relevant policies will respond as expected in the circumstances.

On Friday 16th October 2015 the group HSE Director and his team started the formal investigation by taking statements from site management and others. We also commissioned an independent engineering review of the pedestrian bridge construction support structure.

At this stage we do not have any confirmed information on the cause of the incident to report on. We also do not want to speculate on possible causes. The investigation process must run its course to establish what led to this tragic incident. And to achieve this we are working closely with various external investigations.

Murray & Roberts has implemented infrastructure projects throughout southern Africa for more than 110 years and is recognised as a leading international engineering and construction group. Our group is structured into four business platforms, namely Oil & Gas, Underground Mining, Power & Water and Infrastructure & Building. The first two business platforms are predominantly internally focussed while the last two are predominantly Sub-Saharan focussed.

The collapse of the pedestrian bridge construction support structure occurred at a project which was being carried out in the Infrastructure & Building platform. The board recognises and sympathises with the distress of the individuals affected by this regrettable incident. It also notes that this incident has significant reputational consequences for Murray & Roberts.

However, at present our main focus remains to support those most affected and we are working with the investigators to establish the cause of causes of the incident. This will take some time, so we ask for your patience in this. Any further information will be communicated as and when it becomes available. I would now like to refer to the call operator, Ari, to open the line to questions. Thank you, Ari.

Operator

Thank you, Mr Laas. Ladies and gentlemen, at this time if you would like to ask a question please press star then one. To ask a question please press star then one. We will pause for the questions to queue. To ask a question please press star then one. Ladies and gentlemen, if you would like to ask a question please press star followed by one. We are still waiting to see if there any questions, Mr Laas.

Henry Laas

Thank you.

Operator

Thank you. We have a question from Danilo Pagani from Momentum SP Reid Securities. Please go ahead.

Danilo Pagani

Mr Laas, are you able to confirm whether or not the concrete from the Afrisam truck was dumped in the correct area of it was dumped outside of its zone?

Henry Laas

It was discharging concrete where it was intended to discharge concrete. We have no indication that the truck was at the wrong spot at the time of discharge.

Danilo Pagani

Thank you very much.

Operator

Thank you. Ladies and gentlemen, to ask a question please press star then one. We will pause again to see if there are any questions. We do have a question from Terence Creamer from Engineering News. Please go ahead.

Terence Creamer

Thanks very much. I just wanted to get some idea as to the timeframes that you expect will be involved in the various investigations of Department of Labour, yourself and ECSA. And what has happened to the engineers that work on this project?

Henry Laas

It is going to be very difficult to commit at this stage to a timeframe on this investigation. The official investigation is conducted on behalf of government through the Department of Labour. And we received some indication that they would be the end of this week indicate whether this investigation will be conducted as a Section 31 or Section 32 investigation. That has not been published yet. And if it is a Section 32 investigation it will be a public enquiry and that will take a lot of time. So we don't think it is going to be completed in a couple of weeks' time. I think it will be a few months. As far as the ECSA investigation is concerned I think that is primarily focussed at their members and participation by their members in the incident, in other words engineers that are there to support ECSA, to what extent and how did they participate. So a lot of reviews were undertaken on the design of the structure. The engineers which were involved on this project who are employed by us are still employed by us and they will form part of the investigation process.

Terence Creamer

And can you give us any update as to how Form-Scaff is dealing with it?

Henry Laas

I cannot tell what processes Form-Scaff are going through, but we do know that they are busy with their own investigations.

Terence Creamer

And are you pursuing any action against Form-Scaff?

Henry Laas

None at all at this stage. The investigation must run its course, as we will through that process determine what caused this incident and where the liability lies. I think at the end of this process we will be in a position to decide what further course of action needs to be taken and we can't decide on that matter now.

Terence Creamer

Thank you.

Operator

Thank you. Our next question is from Roy Cokayne of Business Report. Please go ahead.

Roy Cokayne

Good afternoon Henry. I would appreciate if you would tell me whether you believe at this stage that it will be necessary or whether Murray & Roberts intends to make any provisions for any costs including damages claims resulting from the accident. And also as a second question I understand that you haven't yet regained access to the site. When that is likely to happen and when you will be able to, if you are going to be able to continue constructing that pedestrian bridge.

Henry Laas

I will answer the second question and I will ask Cobus to answer your first question which relates to the financial implications. As far as the project is concerned or the project site is concerned the Department of Labour has to

lift their decision and give us access to the site again. Currently they have not done so. We have applied for permission to remove the collapsed steel structures to a secure area where it could be stores for investigation at a later stage. That application has gone in. we haven't received any feedback from the Department yet. As far as the project is concerned the project covers a much larger area that the M1 highway where this collapse occurred. We have applied to the Department of Labour whether we could proceed with other works as part of our scope but not to be undertaken at the site of the collapse. The Department of Labour needs to lift the restriction on the site and we will deal with that in that regard. Our client in this instance is the Johannesburg Development Agency, the JVA. We have had meetings with them and we are exploring the possibilities as and when the Department of Labour lifts the restriction as to how to proceed with this project. So no finality has been reached on that.

Roy Cokayne

Just with regards to the other work, the line isn't that great. I don't know whether you covered whether you have had a response from the Department of Labour to continue with other work.

Henry Laas

No, we have not. But that application has only gone in this morning or yesterday. So they will take some time to come back to us.

Cobus Bester

It is Cobus here. As far as the financial impact is concerned I think it is a little bit early to determine what he impact will be. The contract value was R130 million over a two-year period. So if we get the go-ahead to start in the next couple of weeks and start this section of the work from scratch again we will most probably end up being four or five months late on the project. We haven't agreed with the client what the consequences are. There are obviously limits of liability within the contract. Every contract is different. So it is difficult to say what the financial impact will be. So the various insurance policies will respond. In theory we end up paying only the excess, but in practise there are some of the costs which are not covered by insurance, which is some of the legal fees. And we can only determine that once the cause of the accident has been determined and we are responsible for that. But certainly we don't think it is a black swan event. It is not hundreds of millions. It is a R130 million contract in total. I don't think you can compare any losses that we may suffer with the losses of GPMOF and Gautrain. So the long-term cost impact would be difficult to determine. But by December at the half-year results we would be in a better position to know. If we make a provision obviously we will disclose it to the market.

Roy Cokayne

Thank you.

Operator

Thank you. Our next question is from Mohamed Ibrahim of Perpetua Investment Managers. Please go ahead.

Mohamed Ibrahim

Hi Henry. Hi guys. Just a quick question about the reputational risk which you touched on. From a reputational perspective are you seeing any carry-over to any other projects that you're doing or any tendered projects? And also about the insurance cover, I know Cobus covered it slightly, but if you could go into more detail about how exactly that works and whether you think there will be any liability that comes through in terms of healthcare costs etc.? Thank you.

Henry Laas

Mohamed, thank you for your question. I will ask Ian to answer your question as far as the insurance is concerned. I couldn't hear you very clearly but it sounded to me as if you were asking about the reputational risk and damage to Murray & Roberts. Is that correct?

Mohamed Ibrahim

Yes, that's correct. Are you seeing any immediate carry-over to other projects?

Henry Laas

There has been no immediate carry-over to any other projects. I think as far as future tenders are concerned each of these tenders normally gets evaluated and considered by quite a number of people which the clients use to assist in the adjudication process. We will not be building similar projects like this one in the foreseeable future. So I think it is on a case by case basis considered and we would like to believe that Murray & Roberts is a company that has been a major player in the African construction sector for many years and that the incident that has occurred now is not going to count against us when future tenders need to be adjudicated and considered.

Mohamed Ibrahim

And currently have there been any concerns about your current projects? Have any of your clients phoned you to raise any concerns or anything of that sort?

Henry Laas

Not at all. We haven't received any questions or any indication by clients that they are concerned about our work on existing projects. Obviously after the incident occurred we did write letters to our suppliers and clients on a collective basis and also to individuals within government to explain the situation. And I think those letters were well received. Nothing at this stage. No indications that there are any issues on other projects under construction. I will hand over now to Ian to comment on the question regarding insurance.

Ian Henstock

Good afternoon. It is Ian Henstock here. We have three policies in place that cover the entire event. And two policies are with two different underwriters. We have a contractor's all risk policy which really covers the cost of cleaning up and clearing the work site and putting it back into the state in which it currently was before the collapse occurred. We have a plant and equipment policy that will cover the scaffolding to the extent we are responsible for that and it is not covered by Waco. And then we have the liability policy that covers our professional indemnity, public liability and all the statutory defence costs that we are likely to incur. So between those three policies respectively underwritten by three underwriters all of our exposure is well covered. We have served notice on the underwriters and are in constant discussion with them and there appear to be no material differences with them as to how to approach this. And they are entirely happy with the way we've approached it.

Mohamed Ibrahim

Thank you.

Operator

Ladies and gentlemen, a final reminder, if you would like to ask a question please press star then one. Our next question is from Sunda Lotshe [?] of Marvey [?] Capital. Please go ahead.

Sunda Lotshe

Thank you very much. Thanks for the call. Just a quick question. At this stage perhaps based on your internal investigations are you able to share with us any preliminary findings or any direction around exactly what it is that has gone wrong or not?

Henry Laas

No there is unfortunately nothing that we can say at this stage. There are various investigations underway and I think each of these investigations has various work streams underway. It may be that there is more than one cause, multiple causes that contributed to this. At this stage there is no indication of what might have caused the collapse.

Sunda Lotshe

Okay. Thank you.

Operator

Thank you. Mr Laas, there are no further questions at this time. Would you like to make some closing comments?

Henry Laas

Thank you very much. I just want to thank all the participants for taking the time to listen to us and to put questions to us. I can assure you that from Murray & Roberts' point of view we are doing our best to make sure that the people who have been injured by this incident are being looked after and being cared for. And we obviously do so on a non-liability basis. And as far as the investigation is concerned as a professional and ethical company we will be transparent throughout this process. As soon as we are in a position to announce the cause of the incident we will certainly do so. In the meantime as far as the rest of the group is concerned we continue to strive for engineered excellence in everything that we do and our people are committed everywhere in the world where they undertake work to do it to a very high standard. Thank you very much for your participation. Goodbye.

Operator

Thank you. Ladies and gentlemen, on behalf of Murray & Roberts that concludes today's call. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT