



public works
& infrastructure

Department:
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

DPWI CONFIRMS ALL BUILDINGS THAT HAD BEEN ILLEGALLY CLOSED ARE NOW REOPENED

The Department of Public Works and Infrastructure (DPWI) confirms that negotiations between the DPWI and the landlord in Tshwane have resulted in the reopening of all buildings that had been illegally closed last week.

Affected departments were the National Treasury, the South African Police Service, the Department of Water and Sanitation, the Department of Higher Education and Training, the Department of Justice and the Department of Defence.

The closure of client departments' buildings was illegal and the DPWI is continuing to pursue legal action against the landlord regarding their actions against our client departments.

BACKGROUND TO THE RECOVERY OF LEASE OVERPAYMENTS

As part of the Department of Public Works and Infrastructure's Lease Clean-up operation initiated in early 2019, more than 10 000 current and historic leases have been captured. The review of 98.5% of these leases is complete and the programme discovered that in a few instances, there were under and overpayments.

It is important to note that these errors are occurring in a minority of cases. In the review of more than 2000 current active leases for example, 96.7% were found to have been accurately paid; 2% reflected underpayments and only 1% reflected overpayments.

Where overpayment was discovered, we are now in the process of recovering it. Almost all landlords are co-operating with the DPWI in this regard. Notice was given to affected landlords that DPWI would use the advances (historical overpayments) to recover overpayments. We are continuing to engage landlords where there are disputes on the records, to find a resolution.

BENCHMARKING AND CORRECTING OVERCHARGING

As part of the lease capture and review process, a benchmarking exercise was also implemented to review the price that the DPWI is being charged per square meter and compare these charges to the market rates.

This process, presented in the Rode's Report, was undertaken nationally, but with a particular focus on Tshwane. The benchmarking exercise confirmed that the State, through the Department of Public Works and Infrastructure, has been overcharged on many leases. The Department has subsequently been engaged in lease renegotiations to correct the historic overcharging.

The Department had a string of meetings with different landlords last year where negotiations were held to lower rentals on new leases, in line with the current industry standards. In December 2021, the DPWI reached an agreement on new pricing with most landlords and lease agreements were signed. Following a Departmental Directive, the payment of month-to-month (expired) leases came to an end at the beginning of 2022.

The landlord in Tshwane, who had not accepted the lower market-linked rentals, was affected by the Directive halting further month-to-month rental payments. We have 17 leases with this landlord.

Of these seventeen leases, 9 are on month-to-month payments and 8 are still within an approved lease period. The Department is still in negotiations with the landlord to reduce their rates and sign longer term leases on the month-to-month leases. At this point, we have not reached an agreement as the landlord is asking for rates higher than those indicated as acceptable by the Rode's Report. The Rode's Report is used by the DPWI to benchmark and determine fair and reasonable rates.

The locking of the buildings by the landlord was unlawful and DPWI is taking legal action to ensure that our client departments are not subjected to this style of illegal action in the future.

Following last week's lockouts, negotiations with the landlord resulted in the unlocking of the buildings, allowing client departments to move back in.

The DPWI has committed to continued payment of the leases not in dispute and continue to negotiate on the remaining leases.

Ends

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