TELKOM TOWERS PRECINCT RFI | Thursday, 10 September

Director-General of the Department, Mr Sifiso Mdakane.

Programme Director.

Members of the media.

Ladies and gentlemen.

We once again find ourselves in the Telkom Towers Precinct, specifically by the North Tower which has been subject to much criticism since it was originally purchased more than a decade ago – and deservedly so.

We know this story far too well.

It is one that has bedevilled by previous administrations and which has given rise to serious allegations of malfeasance and lack of consequence management.

After spending approximately R1.4 billion on acquiring, renovating and maintaining the complex and a further R776 million in financial losses directly attributed to the historical mismanagement of this property, the Department found itself in a deeply troubling situation of having to maintain something with the potential of being a world-class asset yet remained completely dormant.

By not being used for its intended purposes, this complex has fallen victim to extensive vandalism, theft and occupation by criminal elements.

It has taken exorbitant spending on security to ensure that Telkom Towers is not hijacked and stripped completely, and is costly reminder as to what happens when project management fails in the public sector.

When I first came into office, I vowed to turn South Africa into a construction site and transform our idle assets into income-generating properties that would multiply the revenue of the state. The impact of these goals would allow everything we do to fuel the job creation our country and communities so desperately need.

This has been my North Star in every single policy proposal, programme of action and intervention as Minister, and will continue to be for as long as I occupy this position.

This mission speaks to the heart of the matter – where institutional culture requires a complete overhaul and a path of deep correction so that public funds can never be wasted to the extent that they have been.

In order to change the strategic direction of this department, it requires the intentional strategic decision to fundamentally change how government does its business and approaches large-scale projects.

To do achieve this ideal, we have to look beyond the confines of government and truly work with all stakeholders to ensure we can deliver on our promises.

In December last year, I communicated on where we were regarding Telkom Towers and the crossroads we faced – one direction where we allow the status quo to continue and focus on what went wrong, or we chart a new course.

I specifically outlined our intention then to adopt a rehabilitate–operate–transfer model that will ultimately see the precinct fully occupied by government departments in the City of Tshwane.

To do this, it would require approaching the market and issuing a Request for Information (RFI).

Ladies and gentlemen, I can now confirm that we have finalised the MOU with the Infrastructure Finance and Implementation Support Agency (IFISA) and will be finalising the RFI in the coming days.

This work means that we will be able to formally publish the RFI as soon as next week.

By issuing this RFI we are taking a crucial step in the journey to make Telkom Towers productive and we are doing that now.

Now, it is important that we clarify what this RFI will entail.

Once the RFI is issued to the market, we will be asking respondents to do the following:

- Assess technical approaches to refurbishing and upgrading the asset to meet regulatory and government accommodation standards;

- Evaluate PPP delivery models, including contract structuring, packaging, and lifecycle approaches;
- Test commercial viability and bankability, including funding assumptions and conditions for private sector participation;
- Inform risk allocation, affordability, and Value for Money (VfM) assessments; and
- Explore operations, maintenance, and capacity transfer models to ensure sustainable long-term asset performance.

The collection of this information is essential given the scale of the project that is ahead of us.

Based on current estimates, the Telkom Towers redevelopment is expected to cost approximately R1.8 billion to R2.2 billion and will involve the refurbishment of all 9 buildings in the precinct. Once completed, the Department will have 106,000m^2 of gross leasable area that can be used to maximise state revenue either by existing clients or new ones.

This will be an immense opportunity to bring back our client departments from costly private leases into quality state infrastructure while also giving us as Public Works and Infrastructure the means to supply accommodation to the private sector.

More important than this will be impact this intended project has on jobs. From the redevelopment of Telkom Towers alone, we will contribute to the direct creation of more than 5 300 construction jobs.

These are jobs that support families, grow communities, fix broken metropolitans and drive economic activity which South Africa so desperately needs.

But we are not stopping there.

I am further happy to announce that as part of this process, wherein the Telkom Towers Precinct be formed as the base project, the RFI will also be testing a broader precinct-scale approach incorporating adjacent government assets for consideration during the feasibility study ensuring integrated planning and urban revitalisation in accordance with the Tshwane Inner City Regeneration Programme (TICRP).

These will specifically be Public Works House (PWH) city block as well as the Central Government Offices (CGO) building, the former being Public Work’s very own head office which is currently not operating at its intended capacity.

The inclusion of these properties will not only improve the quality of the Department’s asset register, but also vastly improve the capital investment in our country’s capital city.

With respect to Public Works House, we are anticipating a cost of approximately R2.2 billion that will refurbish 63,768m^2 Gross Leasable Area and create approximately 5 700 jobs in the construction sector. When looking at our CGO building, this results in a project cost of R560 million that will refurbish 41,739m^2 Gross Leasable Area and create approximately 1 600 jobs in construction.

Ladies and gentlemen, when we combine these figures to the Telkom Towers base project, we see an extraordinary impact on the Pretoria CBD.

The department will actively play its role in driving inner city rejuvenation and ensuring that government departments return to the centre of Pretoria and are located in government buildings. This will ensure that we cut down on costly private sector leases and return that money to departments to be used for service delivery.

The Department of Public Works will, as a result of the strategic steps we are taking today in the redevelopment project, be able to create more than 12 700 jobs in construction and unlock a total of 212 000m^2 of Gross Leasable Area for us to use to generate income for the state.

Once the RFI process has been concluded, the Department will then proceed to take the responses we received to design the Request for Qualification stage, which will identify companies that are technically and financially capable of doing the work.

Those qualified bidders will then be invited to respond to a Request for Proposals to rehabilitate, operate and, in time, transfer the facility back to the state.

As government, it would be solely and completely irresponsible for us to allow this immense opportunity to be lost.

We can never allow complacency, delays and excuses to further categorise how the state functions and how it allows bureaucratic processes to prevent economic development such as this project to prosper.

Public Works and Infrastructure is on a path of irreversible reform in how we operate and utilise the assets of the state which are the peoples' assets. Our work with the private sector, revenue generation and reduction of our R6 billion leasing portfolio is central to this work.

It forms part of the many initiatives we are undertaking to review our R150 billion asset register and open these properties up for investment.

This occasion marks the starting line where we demonstrate that reform is taking hold, where we are making good on our promises, where we take the right course of action and lead our Department in a new direction that gives effect to turning our country into a construction site.

I now will hand over to the Director-General, who will provide further details on how the RFI process will unfold.

I thank you.