



public works

Department:  
Public Works  
REPUBLIC OF SOUTH AFRICA

**MINISTER OF PUBLIC WORKS  
REPUBLIC OF SOUTH AFRICA**

**Building the new DPW:**

**Operationalising the PMTE**

Working Session 6-8 August 2014  
E&Y Offices, 102 Rivonia Rd, Sandton

**Input: TW Nxesi MP  
Minister of Public Works**

- Programme Director
- Acting (Transitional) Head of PMTE and management
- Colleagues

This workshop that you are attending – represents a critical landmark event in the Turnaround of the Department of Public Works.

We have said that the operationalisation of PMTE is at the heart of the Turnaround Strategy in order to:

- Deliver on the mandate of Public Works to provide accommodation to government and to act as custodian for the state's immovable assets; and
- Address negative audit findings.

*[Incidentally, yesterday I met with the Auditor-General's Office. There is good news:*

- *On the Main Vote, DPW moved from qualified to unqualified opinion;*

- *On the PMTE Account, we moved from a disclaimer to a qualified opinion.*

*The bad news was that there were serious qualifications on the PMTE Account in a number of areas: irregular expenditure, leases and accruals – and the A-G made it very clear that adequate controls and systems are still not in place. You will have to work closely with the A-G's Office to address the audit findings – and the PMTE business model you develop must take account of these concerns.]*

I have also said that operationalizing PMTE is one of my five priorities for the period of this Administration (2014-2019).

One of my other priorities is to make good on the Public Works mandate to transform the Built Environment – including both construction and property

sectors. Whilst this involves other branches, a key site of delivery will be the PMTE.

## ***Background***

Let us remind ourselves of the background to the PMTE:

- 1999 Cabinet approved in principle the creation of a State Property Agency. 2006 National Treasury approved the business case for a separate Trading Entity (PMTE) to manage state properties. This was not implemented – leading to major audit queries over the last 8 years.
- GIAMA (Government Immovable Assets Management Act) – gives DPW the mandate to manage state assets (including establish an Immovable Assets Register), real estate and facilities management. This was not implemented resulting in:

- Numerous audit queries
  - major problems with leases (media scandals)
  - often sub-standard government facilities
  - no planned maintenance – stripping out value from state assets
  - inadequate controls and security – leading to vandalism, hijacking and illegal occupation
  - massive under-utilisation of state properties
  - major costs to the state – in terms of leasing-in and failure to collect all rentals.
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- The PMTE Account constitutes 75% of the work and budget of Public Works. It is the largest property portfolio in South Africa (7 times the size of GrowthPoint – SA’s largest private property fund.)
  
  - But it has been run like a Spaza shop – with no real business model, weak management systems and the near absence of the requisite skills – in Asset Management, Property Development, Real Estate and Facilities Management.

## ***The Turnaround 2012-2014***

As part of the Turnaround Plan, gains include:

- Establishing a comprehensive *Immovable Assets Register* – 95% physically verified (this is a first in the history of the South African state). We now know much more about what properties we own. Some findings:
  - 107,000 state properties on approx. 30,000 land parcels (73,000 used by government departments; 1,800 leased out to private sector; some 30,000 are not utilised currently). [*More recent estimate is 112,000 buildings – which includes those on unregistered land.*]
  - Instead of using our own accommodation, the trend has been towards leasing-in for government accommodation (currently 2,700 properties at a cost of R3.2 billion per annum to

the fiscus; also provides opportunities for corruption.)

- We have identified properties which may have been illegally transferred from the state. These will be forensically investigated and action taken as part of our 'Bring Back Campaign'.
- Leases - Conducted an audit of the 2,700 leases (*with National Treasury*), and introduction of an interim dispensation from Treasury to facilitate rapid re-signing of leases to prevent clients being evicted. As a result of the audit and the re-signing campaign:
  - Renegotiated leases downward in 50% of cases (with a saving of R32 million per annum).
  - Treasury dispensation places a 5.5% ceiling on escalation of leases (ie below inflation) – with further savings to the state.

- The Audit also highlighted leases where fraud and collusion is suspected (eg. empty buildings we are paying for) for forensic investigation.
- With National Treasury's Technical Advisory Unit (TAU; now renamed GTAC) we developed the Business Case for the establishment of PMTE as a Government Component. This has been presented to the Cabinet Committee – and thoroughly debated and amended for presentation to the full Cabinet next week. Let me say that the quality of the debate in the Executive reflected the quality of work that had gone into the preparation of the submission. I need to thank all those involved – led by Dhaya.

So that is where we are now as DPW and the PMTE. The task now is to drill down into the detail of what must be done to take forward the vision of PMTE and to implement the mission and purpose.



Let me refer you to what I said in my Five Year Policy Statement and Vision for 2014-2019 (20 June 2014). In regard to PMTE, I said:

- *“I need to see the PMTE formalised and fully operationalized – with the sub-units clear about where they are reporting. PMTE must be appropriately staffed, with the necessary skills. This is the time for a fundamental review of functions, structures, governance, operations, reporting lines, strategic plans and required resourced and skills. [That is partly why you are meeting here today.]*
- *We have made real progress on leases and the Immovable Asset Register – providing a solid basis for developing the business – but a number of elements still need to be finalised. I need to know when the following business plans and models will be in place:*

- *An overall Asset Investment Management Framework*
- *A Property Management framework*
- *A Facilities Management framework – including a Maintenance Plan:*
  - *What is happening to take forward the NIMS (National Infrastructure Maintenance Strategy) project – we cannot wait indefinitely?*
  - *When will we have a report on the condition of properties?*
  - *What is the backlog, and what is our plan to address this?*

*I need to emphasise this point. I understand that the Department in the Presidency for Performance Monitoring and Evaluation has prepared a report to on the state of government buildings – indicating the challenges around lease management, dilapidated structures and poor maintenance*

*– all of which hinder service delivery by other line departments. You are going to have to give me a clear plan on how these challenges are being tackled.*

*○ I have said that the starting point for developing a business model must be to establish and project demand over the planning period. In simple terms: to ask our clients what they want. DPW is failing on this front:*

- User Departments have not coped with User-AMPs (Asset Management Plans);*
- DPW/KAM in the past adopted a hands off approach – blaming the client for non-performance;*
- The Joint Teams – proposed in the Turnaround – were never fully implemented.*

*This is crucial colleagues. On the Supply side, we now have a much better knowledge of the accommodation we control. But unless we can gauge our clients' needs and predict Demand, we are going nowhere. This is the only way that we can provide accommodation which is fit for purpose.*

*PMTE/KAM - it must be a priority to establish a robust client liaison and servicing model. If clients are overwhelmed by U-AMPs, you will have to go to them and walk them through the process. Perhaps you also need to strategize on how the U-AMP/C-AMP processes can be streamlined. I would like to believe that this matter will be addressed as part of the process of developing a Service Delivery Model.*

*I think I need to emphasize this point very strongly - by way of an example. The leasing-in portfolio almost collapsed because highly-paid*

*officials – in Pretoria and in the regions – sat in their offices and waited for clients and landlords to come to them. We only turned the tide on leases when A/DDG: PMTE and his team went out on the road - engaged with clients and landlords, and physically got them to sign new leases.*

*Colleagues, we say that “South Africa works because of Public Works”. Internally, I think we can say: ‘Public Works works, only if PMTE works.’ I am aware that there is a lot of high level work to be done for this to happen, but as we take corrective measures, as we do the necessary research, we must be simultaneously delivering on the core business of PMTE – providing appropriate accommodation to government.*

*Guidelines for planning in this respect include the following:*

- *As part of our capital procurement plan, we need to have clear plans to accommodate those departments which have requested new national head offices. (I need to add: what are the implications of the reconfiguration of an expanded cabinet – and the resultant demand for additional office accommodation?). We need to constantly engage with the client departments so that they are satisfied that their needs are being addressed and they take ownership of the project – including the inevitable glitches along the way.*
  
- *A clear plan to shift the balance away from leasing-in - to better utilisation of our own stock – with consequent savings to the Department (and the fiscus). Necessarily this will require:*
  - *A plan to review the assets to determine those which can be deployed to address user needs;*
  - *A plan to assist clients to develop U-AMPs and project demand.*

- *As part of our mission to reclaim the mandate of Public Works, plans to take control of – and develop – small proclaimed harbours as well as harbours that are not yet proclaimed. This has implication for the better utilisation of state resources to promote economic development and job creation. The same goes for Admiralty land for which DPW is responsible. [This becomes all the more urgent in the wake of the President’s championing of the ‘Ocean Economy’.]*
- *Clarification of the BBBEE policy and its application to leasing-in, leasing-out, Property Management, Facilities Management and planned maintenance.*
- *Plans to safeguard the state’s assets from vandalism, theft or land invasion. Is this an area where PMTE should be working with EPWP – which has been providing training and learnerships for security personnel?*

- *At the same time, clear timeframes for the Bring Back Campaign – to reclaim land stolen from the state.*
- *All of this means that PMTE/AIM has to up its game: it requires a higher order of thinking. We are going to need considerable analytical capacity in relation to the total portfolio (the largest property portfolio in the country by a factor of seven. You will need to analyse the broader property market and the performance of the PMTE portfolio within that market – with a view to maintaining and enhancing value and leveraging this for economic development and job creation.*

*This fundamental shift in the way we do business will not occur over night. We always said it was a ‘process’ not an ‘event’. We will need additional capacity. There will need to be research and a lot of planning. But as Minister, when I argue the case for Public Works and PMTE, I need to know when we intend to go live. When will PMTE start to generate*



*income? – or at least generate cost-savings to the state? What are the plans to build asset value and drive the development of state assets?”*

Let me add some additional bullet points to my Five Year Vision:

- The PMTE business model must drive cost effectiveness and reduce operational costs;
- We also need to establish clear – and measureable – targets, which we translate into performance agreements as the basis of a performance-driven work culture. That means identifying and addressing poor performance, as well as recognising and rewarding excellence;
- We have to reduce the overdraft on the PMTE Account and improve debt collection; and

- I need clear timeframes for clearing the backlog of municipal rates and taxes. Our colleagues in the other spheres of government are unable to perform because we have not done our work.
- We have spoken of empowerment and transformation in the Built Environment and the role of PMTE in delivering that. Again I need plans, timelines and measureables.
- The biggest challenge is that you are being asked to do all this at a time when resources and budget are in short supply. You are going to have to come up with smart solutions which involve leveraging PMTE assets, whilst developing a business model which provides clear strategic leadership and project manages the work of partners and entities.

This then is the big picture here: PMTE has to

- to ring-fence, better manage and optimally utilise this massive state property portfolio to build value and to bring savings to the state,
- as well as other socio-economic benefits – particularly job creation and empowerment ,
- whilst improving service to client departments.

I wish you well in your deliberations and look forward to receiving the recommendations that emerge from this working session.

I thank you.