

**Minister of Public Works**  
**Mr J Radebe**  
**10 February 1997**

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## **Parliamentary Media Briefing**

In his address to Parliament on Friday 7 February 1997, President Mandela provided an overview of achievements and immediate objectives for Government. He indicated that "in all matters of governance, we have laid the foundation to move even more speedily to our nation's goals" and to continue implementing the RDP as an "integrated programme to improve the nations' quality of life". One point he stressed was the centrality of the citizen to the programme, particularly whether "the funds have been spent, and how they have benefited the citizen!" Practical implementation of policies is the order of the day; cost effective governance and job creation being but two of the aims involved.

This report provides an overview of the key programmes adopted by the Department of Public Works during 1996, and highlights areas of activity for 1997/8 which will ensure that the Department fulfils its brief within the integrated policy of government to ensure delivery. It will identify those areas of the President's address which specifically relate to programmes of the Department. These include the construction of facilities in previously neglected areas; the involvement of small, medium and micro enterprises [SMMEs]; interdepartmental accommodation provision; departmental restructuring to ensure cost-effective and efficient public service; community based public works programmes and job creation; and tender and procurement procedures.

Essentially, the Department of Public Works focuses on three core strategic functions: \* Property and facilities management; \* Property Development; and \* National Public Works Programme.

The Property and Facilities Management section aims to ensure that all the state's assets are managed effectively and cost-efficiently and that the value of the portfolio is enhanced. Its key activities include the following:

The compilation of a REGISTER OF STATE PROPERTIES. Late in 1995, Cabinet mandated the DPW to compile a national register of all the state's fixed property assets. This initiative is essential to ensure that an accurate and reliable record of the State's fixed assets is readily available and to assist in the efficient, effective and cost effective management of the portfolio. In May 1996, after following the normal tender process, a project manager was appointed. The programme is divided into a number of phases which aim to create a register which not only records the physical location of properties, but also includes core information such as the usage, size, address, floor areas, tenant details, maintenance and condition of units, derived values, etc. Part of the complication of the programme has been the erratic and in some cases non-existent records from previous administrations, as well as a non-uniform accounting process which has had to be rationalised and computerised. This is a large undertaking and the programme is scheduled to be completed in mid-1998. However, we do envisage that information which becomes available before then will be optimally used by the Department.

To date some 130 000 state owned properties, such as farms, vacant land, houses, offices, military bases, schools, hospitals etc. have been identified. The information received from the various sources, such as other government-user departments, is now being reconciled. The process to gather the "missing" information is scheduled to commence by mid-1997.

The second facet of the asset register exercise entails upgrading the integrity of the Department's data on the estimated 5 484 leasehold properties. Almost 20% of the Department's budget is allocated to leaseholds. The verification/auditing of rentals is therefore essential to ensure effective financial control. Tenders are currently being awarded to firms, with the necessary financial background, in order to verify the rent payable by the State to landlords. In terms of the project schedule, this process will be completed by the end of April 1997. The Eastern Cape and North West Provinces have already appointed consultants to undertake a similar exercise. The information from all Provinces will be captured on the Department's database once they have concluded their reconciliation exercises.

Properties acquired under clandestine conditions from the past, or those that belong to the state but are not registered as such will be investigated and sourced during the course of this year. The difficulties in achieving this are obvious, but we are confident of support from other government departments to make this process succeed.

With regard to the FOREIGN PROPERTIES ASSET REGISTER the Department has an inventory compiled

by the Department of Foreign Affairs of RSA properties in over 100 countries. It contains information such as property details, present utilisation and estimated market values. Currently the information is being refined and updated. The DFA has established that of the former TBVC states, only Bophuthatswana owned property abroad. These properties, of which custodianship has passed to the national DPW, are located in Paris, Rome, and London. Consultants have been appointed to market the property in Paris. The Department of Finance is charged with the responsibility of disposing the State's shares in the Rome property. The two London properties were sold in 1995 for 2,4 million UK pounds and 205 000 UK pounds respectively.

During the period 1994-1997 DPW disposed of a number of foreign properties identified as redundant by the DFA. These were in New York, Paraguay and St Petersburg. Further properties have since been declared redundant and are being considered for disposal.

The DISPOSAL OF REDUNDANT STATE-OWNED PROPERTIES IN SOUTH AFRICA is the responsibility of an Intergovernmental Task Team established in 1996 after a Public Works MinMec to investigate the policy and process for the disposal of redundant state-owned residences. Vacant residences are costly to maintain and are susceptible to vandalism and illegal occupation. The National Department of Public Works will, within the next two months, approach cabinet for approval to dispose of all redundant residences that have been identified to date. The way in which this will be done will be largely determined by local market conditions, but it is our declared policy to dispose of assets at market value. So far, 1 100 housing Units have been identified as redundant in the Eastern Cape, over 2000 in North West, 442 in Northern Cape. The other provinces have indicated to the national department that their base information will be available by the end of February 1997.

A major problem confronts the Department and the taxpayer in particular in the form of a massive MAINTENANCE BACKLOG. It has been estimated that, in present day costs, the total estimated backlog is in the region of R8,8 billion [including VAT]. As result, we have determined that immediate and drastic action is necessary to ensure that the State's valuable property portfolio, which includes some of the finest buildings of their type in the world, does not fall into an irreparable state of decay. Budgetary proposals have been put forward to help address this question. In the meantime, however, a number of other strategies are being looked at and we hope to make details available in the near future.

Another area that the Department is involved with is the important task of ACCOMMODATION PROVISION for other government departments. The Department has designed a set of interim guidelines regulating existing and new lease agreements with private sector accommodation providers. The department aims, inter alia, to eliminate possible corrupt practices, save costs for the state and ensure the best value for money. It was found for example, that in the past a number of leases were often not renewed years beyond their expiry dates, a situation which severely underlined the Department's ability to negotiate favourable lease agreements on behalf of the state, especially if suitable alternative accommodation was not readily available. Over the last few months, the Department has saved the state considerable sums of money in negotiating, renewing and, in some instances, terminating lease agreements, in accordance with the new interim measures. Some of the successes include the following:

- renewal of lease for the Department of Justice, at Presidia Building, Pretoria - R5,9m saving over the lease period;
- renewal of lease for the Dept of Housing at 240 Walker St in Arcadia - R2,3m saving over the lease period;
- renewal of lease for the Dept of Constitutional Affairs, at 260 Walker St in Arcadia, R1,5m saving over the lease period;
- renewal of lease for the Departments of Correctional Services and Public Works at Poyntons Centre, Pretoria - R15,7m saving over the lease period;
- termination of leases for accommodation at four buildings in the Pretoria area that were not optimally utilised resulting in a saving of R6,2m per year.

In the arena of property investment, the Department aims to protect and enhance the state's resources through prudent acquisition, development, hiring and disposal of immovable property, and locating these within the government's socio-economic objectives. Critical to this area are the implementation of the 10 Point Plan, the Pilot Roster System, the Affirmative Procurement Policy, and the Asset Procurement and Operating Partnerships system [APOPs]. The DPW played a central role in the development of the 10 point plan which constitutes a set of interim strategies that constitute the basis for procurement reform in the country. Refined in collaboration with the Dept of Finance, it was approved by Cabinet in 1995. Shortly, a green paper on a revised procurement policy for the country will be tabled for discussion jointly by the Departments of Finance and Public Works. The focus of the DPW is to ensure that the principles underlying the plan are implemented within the construction sector. This is done through a series of programmes which aim to enable SMMEs to participate more gainfully in construction projects, using mainly labour intensive methods of construction, and

to enable essential infrastructural needs to be met at the same time.

An important initiative in this regard is the development of the ASSET PROCUREMENT AND OPERATIONALISATION PARTNERSHIPS SYSTEM [AOPs]. Approved by Cabinet in 1996, AOPs aims to bring the private sector into working joint venture type processes with the state to work towards the provision of assets and the rapid delivery of infrastructure. The aim is to make sure that the private and public sectors co-operate in a manner which will ensure reduced costs to the state, and where necessary even encourage the private and public sectors to compete with each other for state tenders. A team is currently developing a plan for implementation through 6 pilot projects expected to be launched in April 1997. These projects include the provision of facilities for correctional services, secure care centres for Welfare, and specialised office accommodation.

The department will of course continue to provide construction facilities to the government in the normal manner. Thus the SANAE IV base in Antarctica was built by Public Works, the continuation of a long-term interest in that White Continent that amply shows the skill and expertise that is contained in the department itself.

Another scheme is the PILOT ROSTER SYSTEM which was launched in December 1995. It aims to increase the capacity and experience amongst previously marginalised firms and individuals. The scheme admitted 105 Engineering, 40 Quantity Surveyors and 76 Architects firms immediately after its launch.

The first appointments utilising the Pilot Roster were made in April 1996. Many consultants in architecture, engineering, quantity surveying and other related professions got access and were allocated work. Of the firms admitted to the Pilot Roster in December 1995, 90% have received at least one opportunity to render services to the department.

Before any firm is appointment from the Pilot Roster it has to satisfy the Department that by executing its services on the project, specific human resource development will take place in the process.

The following number of appointments were made: Architects: 124: the value of projects associated with these appointments is R890 106 125.00 and the estimated fees R18 480 768.00. Quantity Survivors: 119: The value of projects associated with these appointments is R623 035 236.00 and the estimated fees R15 733 091.50. Engineers: 208: The value of projects associated with these appointments is R688 605 000.00 and the estimated fees R20 175 300.00.

On 31 May 1996 a second round of applications closed, adding new firms on the previous list eligible for appointment as projects unfold.

Since the implementation of the AFFIRMATIVE PROCUREMENT POLICY, an elaboration of the 10-point plan, in August 1996 in the Department 970 tenders were called for. So far, 268 contracts were awarded to firms with PDI equity ownership to the value of R35,4m [40,2%]. Approximately 400 tenders are still in a process of adjudication. The Department has also been engaged with a number of projects aimed to speed up the delivery of badly needed infrastructure. Using a system of accelerated delivery, 41 police stations were upgraded in the former Transkei. Most of these police stations are now completed whilst a number will be handed over to the SAPS in the next few weeks. Essentially, the system modified the tendering procedures in order to maximise local participation of construction skills and suppliers. To assist SMMEs in the tender process, as well as to acquaint other more established groups of the new procedures, a series of 6 full-day capacity building workshops were held in a number of localities before and during the tender process. Contractors were called upon, amongst other things, to tender their "profit" and "overhead" percentages as opposed to the considerable efforts required to price a traditional tender based on a bill of quantities. Although a number of difficulties were experienced the adjudication team, was well-pleased with the quality and quantity of the tenders received. At the end of the process, 11 emerging contractors and 4 established, national firms were successful. Direct local contributions accounted for some 45% of the total R37,5m allocated for the project. The project was a pilot project and further assessment is being made to ensure that the system could be expanded elsewhere.

Another example of the implementation of the policy is the construction of the Malmesbury prison and housing complex worth over R200m. Further details of this project will be provided at the official handover to Correctional services on 27 February 1997.

The department has also been engaged in a process of internal restructuring and transformation. This involves fundamental institutional reform and human resource development. To date the department has

managed to fill a number of middle and upper management posts in line with the principles of race and gender representivity. The post of Director: Finance Management has been upgraded to Deputy Director General.

The personnel component of the DPW will need to be reduced from an approx 8000 to approx 2000 over the next five years. A number of these positions are not filled at present, due to the moratorium on appointments and for a number of other reasons. It must be emphasised that the reduction will be carried out in such a manner that reduces the impact of forcing people into unemployment. Staff will be encouraged to form themselves into work units, to seek employment in the private sector and to be able to compete for a number of jobs such as cleaning which in due course will be outsourced to the private sector from government. At the same time, human resource development within the department will ensure the upgrading of existing skills to secure better work from personnel.

The National Public Works Programme will be dealt with by the Minister during the debate on the President's Address. However, pie charts and summary tables of the successes to the end of December 1996 are attached for interest.

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