

**Minister of Public Works
Mr J Radebe
10 March 1999**

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**Budget Debate 1999
Vote 27 of the State Account
Parliament**

[Salutation]

It is with a sense of pride and great pleasure that I present this final Public Works Budget Vote of the first democratic government of South Africa. The journey we began five years ago has enriched our country and its people in ways that seemed unimaginable. Together, bound by a spirit of determination and reconciliation, South Africa's multicultural society has made great strides towards the creation of a just, free, socially secure environment. We, all of us, can justly be proud of the achievements we have charted. South Africa and its people remain giants in the modern world, poised to guide and lead others in the perilous task of building democracy and ensuring that the better life for all which we are committed to becomes a cardinal reality of each and every citizen's life.

In our small way, the Department of Public Works has played an important role in these developments. I wish, at the very outset, to pay tribute to the women and men employed by my department who have committed themselves to the new challenges of our democratic order over the last five years. Without the contribution of the largely anonymous footsoldiers of my department we would not have been able to do what we have done over the past five years. I am sure, fellow parliamentarians, that you will join me in asking the Acting Director General Sivi Gounden to convey our collective thanks and gratitude to the members of the Department for a job well done.

Let me also take this opportunity to formally present, for the first time, the new Deputy Minister, Mrs Nzimande. We were university students together at the University of Zululand in the 1970s. But more significant perhaps is one short story that illustrates perfectly the commitment of Mrs Nzimande to securing the interests of ordinary people. Promoted to the principleship of a rural school she was surprised to find that no buildings existed for the school! Undaunted she set about organising the construction of the school and recruited teachers. I am sure that we will soon feel the benefit of this type of commitment and I look forward to the successful development of a solid working relationship. At the same time, I wish to place on public record my appreciation for the sterling work and dedication of my former Deputy Minister, Mrs Shandu, who has now taken up the tasks of education in KwaZulu- Natal.

Another significant change in the leadership of the department is the departure of the Director General Siphon Shezi and the appointment of Sivi Gounden as Acting DG. Siphon took the decision last year to carve a career for himself in the private sector. He discussed his plans with me in great detail and I reluctantly accepted his resignation. It is difficult to explain the tremendous contribution Siphon made not only the Department of Public Works itself but also to the general development of many programmes of government. His energy and enthusiasm was infectious and we are indeed fortunate to have had him as a DG. We formally wished him well at a farewell function in Pretoria in January and I want to place on record yet again the gratitude I as an individual and as Minister have to the contribution of this young man. It pleases me at the same time to welcome Sivi Gounden as the new DG and although his formal title is Acting DG I wish to make it very clear that I do not consider his authority as the Accounting Officer or the chief executive of the department diminished in any way. He has my full confidence and support in his efforts to continue the good work that has been performed within the department since 1995.

The business before us today invites an appraisal of all that we have done over the past five years. I will not be tempted however to traverse the past period and wish to concentrate on a few of the major areas of concern. I have tabled today the Annual Report for 1998 today along with the Memorandum outlining details of the state's building programme for the 1999/2000 financial year. It is not my intention to revisit areas dealt with in these documents except to highlight one or two aspects. I am also confident that honourable members will identify other areas of interest in their contributions to today's discussion.

The budget allocation for the DPW for 1999/2000 is R3,794089 billion, as compared to R3,823922 billion in 1989/99. Although this decrease of some 0,8% may appear negative, one must analyse the allocations made by the Department of State Expenditure to various expenditure components to determine the true picture.

While there have been decreases of R320 million or 26,5% in the allocation for capital works, and R8,336

million or 3% for personnel expenditure, provision was made for an increase of some R309,178 million of the expenditure for other areas of the department's activities. This increase may appear substantial, but it must be kept in mind that R90m can be attributed to a special increase for maintenance, R62m for recurring expenditure for new capital works, and nearly R10m for funds shifted from other votes. The net increase for other expenditure is thus only R147 million. This means that the expenditure on other services, such as municipal services, rates and leasing, allows for little more than escalation. Client departments will therefore have to tighten their belts and assist the DPW to ensure that accommodation is optimally utilised.

A feature of the budget is that, excluding funds allocated to capital works, first charge expenditure items such as municipal services, rates on State [property, leasing of accommodation and the maintenance of buildings, account for 85% of the available funds. There is thus very little leeway to reprioritise further other expenditure to fund important initiatives such as the CBPWP. This latter programme is funded mainly through the contributions of the special anti-poverty allocations of the national budget. Since 1994 the DPW has been allocated just R609m for CBPWP. That money has been spent across the country, mainly in the poorest areas of our rural countryside. Over 1300 projects have been generated and more recently we have concentrated our attention on the poorest areas of the Eastern Cape, Northern Province and KwaZulu-Natal. Since 1995, and including projects developed by other departments such as Water Affairs and Constitutional Development, government has provided short-term employment to well over 250 000 people in the deep rural areas. The beneficial impact has spread to more than an estimated 1 million people in these areas. Surveys to date show that the nature of the projects, clustered around identified core economic areas, have already begun to positively affect the way of life of ordinary people. Economic activity in market places, assisted by better communication and road networks, brightened by the extension of electricity and telephone connections, has empowered previously disadvantaged areas in a way never experienced before.

Let us look at the Khandalisizwe Primary School. For many years the children attend classes in a tin rondawel perched precariously on a hillside. Subject to buffeting by wind and rain and the heat of KwaZulu-Natal's summers, education was a painful experience for pupils and teachers alike. Today, as a direct result of the CBPWP, education in the area has been revolutionised with the construction of a new school. At last, through the actions of our democratic government and the DPW in particular, education as a right can take place in the correct atmosphere.

Or let me take another example, the Mthimude Sports and Recreation Centre in the Ugu Regional District Council. This building was rehabilitated under the CBPWP to its new pristine glory. Some critics may question the need for such a facility in a rural area but it should not be necessary for me to emphasise the absolute principle that social cohesion and the ability to enjoy life to the full is a cardinal component of the CBPWP. Schools, creches, day-care centres, community halls, access roads, recreation and sports arenas are appearing across the length and breadth of our country. Slowly and steadily we are delivering new infrastructure for our people, for their benefit, enjoyment and enrichment.

Let me give you another example of the success these programmes has achieved. Mrs Bongekile Biyela was born in 1954. She was raised and has lived in the remote KwaZulu-Natal community of Nkwalini. Since 1982 she has been struggling to make a living selling fruits at the local market. The old market area was out in the open, shade provided by a few trees that were not adequate for those steaming hot summer days so frequent in that province. The CBPWP programme identified, along with the community and the local council, the need to build shelters and a proper market facility. Today, there are clean toilet facilities. Rooms and counters provide better access and accommodation for the increasing number of traders. In her own words, Mrs Biyela has praised the new market, saying that "the new facility has brought hope to the local people. It has resulted in more business coming to the market, as more people feel safe to stop at this new facility." The increase in her business activity has allowed some ease to the difficulties of sending her children to school and financing their future education as well. This is a simple story that illustrates the benefit to just one of our citizens. It is a story duplicated all over the country, and one which will continue to grow over the coming years. Shortly, I will be able to announce the 1999/00 grants for anti-poverty programmes and I can assure the house that our plans to provide employment for another 120 000 people during the coming financial year will be fulfilled..

Another feature of the 1999/00 budget is that for the first time, allocations for new capital works that result in an increase in the State's property portfolio, are accompanied by additional allocations for the operational expenditure of such new assets. The allocation for such expenditure, which includes maintenance, municipal services and rates on State properties, amounts to R62,265 million for the 199/2000 financial year.

One of the dire needs that have still to be addressed in the MTEF is the adequate funding of maintenance. Although a maintenance allocation of R1bn per year was requested to address backlogs, only an additional R90million per year was allocated from the 1999/2000 financial year.

But we cannot sit still and simply complain about a lack of resources to deal with the maintenance backlog. One of the reasons we are in government is to provide innovative solutions to complex problems. The traditional approach in addressing our maintenance backlogs is not managing to address the problem of maintenance. In comparison to countries that have a similar magnitude of fixed assets we are not realising the full economic potential of the states fixed asset property portfolio to the point that the state's revenue generated is negligible. A cursory review of the current assets identified indicates that about 50% of these assets have significant commercial value that is not being realised at present. We have a wealth of resources with the potential to address the maintenance backlogs as well as possible providing a revenue stream to the national fiscus. It would be highly irresponsible for us simply to complain that we don't have sufficient resources to address the approximately R10bn backlog. It is our task to come up with innovative solutions to complex problems.

It was a result of trying to identify innovative solutions that we identified the need to examine the possibility of establishing a Property Agency in the country. The introduction of changes to property management provides the immediate opportunity for improved good governance, increased empowerment and substantial asset improvement for the State. It will provide the benefits of privatization without forgoing assets and full control.

Following discussions with the different tiers of Government and the major private sector participants in private sector property ownership and management, recommendations have been made for the introduction of "Property Guidelines" and a "Property Agency". I intend developing the proposals into a final package for presentation to Cabinet before the election. Parliament will of course be party to finalization of any plans we have and we would encourage a wider public discussion of these elements.

The problems before us can be summarized simply. The existing structures do not allow for effective use of the State's assets in property or the utilisation of these assets for the fulfillment of government policy, in particular empowerment. Similarly, the current arrangements do not attribute any value to the property of the State either domestically or internationally. Further, the cost of property for Departments is seen as a 'free good' with no expenditure being debited to their accounts in respect of accommodation, land or other property holdings.

I am currently considering major changes to the operation of Property Management: These would include:

- the introduction of "user pays" by allocating on portfolio accounts the full costs of property usage;
- the creation of a property agency for State property asset management;
- the full involvement of the private sector in the facilities management of State owned property;
- The use of the value of the State estate for funding of refurbishment, maintenance and development.

The current arrangements lead to inefficiencies and a considerable drain on the resources of the State. The failure to address the increasing requirements of maintenance and refurbishment have resulted in many buildings not satisfying the current occupational health and safety legislation of the State as well as a substantial ongoing depreciation in the worth of property to the State and highly dissatisfied occupants. This has been combined with a preference of Departments to utilise private sector accommodation resulting in a substantial vacancy rate of State property.

The successful implementation of the recommendations will aim to:

- greatly improve good governance in terms of:
 - accountability, and lead to a
 - great reduction in fraud and corruption
- place a value on the estate of the State (estimated to be around R120billion at the moment)
- provide a financial return of government
- provide quality accommodation
- establish performance and service levels
- provide a dividend to the government
- identify the true costs of property operation expenses
- allow for the strong implementation of government policy in:
 - empowerment
 - planning; and
 - property sectoral management
 - deliver the benefits of privatisation without forgoing assets or control.

In the not too distant future I will release a full report for discussion. Clearly the successful completion of the National Property Asset Register will complement the work of the Agency. The Annual Report of the Department which members have outlined the details of the Asset Register process in some detail and I do not wish to repeat those details here.

There are other areas of work of department that is frequently forgotten or simply not known. Staff of the department work tirelessly in a number of areas outside our borders. The many years of hard work in inhospitable climates has engaged specialists from the department in areas such as Antarctica with the building of the SANAE 4 base. Perched high on the plateau, the new facility fulfills all the requirements required to protect the environment in that delicate climate, as well as providing adequate accommodation for the scientists who work there. Other work during 1998 involved the construction of a new helipad on Gough Island. The old one was built of wood. It rotted, was extremely slippery due to fungus and damp, and was a major hazard to people and aircraft. In terrible conditions and freezing cold, DPW built the new helipad that has provided a major boost to the important work carried out on the island. I want to take this opportunity to pay tribute to the officials and personnel who work in these areas, separated from family and loved ones for long periods of time. Their contribution is important for the new South Africa.

I wish to refer to a number of important strategies of the department that are geared to create opportunities for emerging business enterprises and contractors. The emerging Contractor Development Programme is aimed at bringing together three fundamental stakeholder groupings. The DPW itself provides work opportunities and has the authority to facilitate an environment in which emerging contractors have the opportunity to develop themselves into market-competitive contractors. Emerging contractors who are technically competent but lack knowledge of the department's procedures, competitive techniques, business management and also lack access to finance and material supplies at favourable interest rates are a second stakeholder. Other organizations that have an interest in the development of emerging contractors and have the resources that emerging contractors require. These organizations include other government departments and the private sector. The key performance areas for the ECDP include providing job opportunities to emerging contractors; leveraging access to finance; facilitating training opportunities and providing access to information. In summary, by the end of February 1998, the department awarded a total of 2029 contracts worth just over R4m. Of these, 1526 valued at some R2,57m were awarded to emerging contractors.

These successes go hand in hand with the continued benefits to affirmable business enterprises through the affirmative procurement policies of the department

I have a major announcement to make today. The State Tender Board has recommended the appointment of SA Custodial Service (Pty) LTD (SACS) and Ikwezi (Bloemfontein) Correctional Contracts (Pty) LTD for the Maximum Security Prisons at Louis Trichardt and Bloemfontein respectively.

The State Attorney and State Tender Board will issue the Project Development Agreements (PDA's) for the Maximum Security Prisons at Louis Trichardt and Bloemfontein for signing after approval of the documents.

The PDA is a Pre-Cursor Agreement to the Concession Contract to give tenderers an opportunity to undertake preliminary works without having to take the risk should the Government decide not to go ahead while finalising the Concession Contract.

It is anticipated that the signing of the PDA's will be finalised within 3 weeks. The State Attorney and Cabinet will approve the Concession Contracts prior to signing.

Sa Custodial Services Pty LTD has equity shareholders as Wackenhut Corrections Corporation SA (Pty) LTD and Kensani Corrections Management Pty Ltd on equal basis. Concor, Group Five and Makhosi (CGM) undertake the design and construction part of the concession contract while African Merchant Bank provides financial services. Other services providers are Edward Nathan & Friedland Construction Inc (Legal), Fidelity Guards and Royal Food Services.

The shareholders in Ikwezi (Bloemfontein Correctional Contracts (Pty) LTD are Fikele Projects CC, Ten Alliance Holdings (Pty) LTD, Group 4 Correction Services (Pty) LTD, Murray & Roberts Construction LTD, Bloemfontein Community Trust on equal basis.

Both bidders met the empowerment requirements set in the Invitation to Tender (ITT). The tenderers had to provide the following: the tendering entity had to have a minimum of 40% shares held by the Priority Population Groups, 25% of work in all phases done by Previously Disadvantaged Enterprises, reach Target local Labour Goal of 3.75%, training of employees and outsourcing of work to SMMEs.

The Net Present Value @ 6% discount rate including VAT for the two projects are as follows:

Prison	Total Value in R	Cost per prisoner per day
Louis Trichardt Maximum Security Prison	1 806 599 049.00	R 65.47
Bloemfontein Maximum Security	1 764 644 196.00	R 66.04

The State realised savings in procuring the prison services through APOPS rout as follows:

Prison	Total Value in R	Cost per prisoner per day
Louis Trichardt Maximum Security Prison	1 806 599 049.00	R 65.47
Bloemfontein Maximum Security	1 764 644 196.00	R 66.04

DCS NORM	
Louis Trichardt Maximum Security Prison	4.83%
Bloemfontein Maximum Security	4.86%

High Level of Service.

The High Level of Service requires, in addition to DCS Norms, substantial amounts of rehabilitation, involving prisoners spending considerable lengths of time outside their prison cells which requires additional prison staff for direct supervision.

DCS Norms.

The Norms form the basis of Correction Services prison policy. They are based on the UN Standard Minimum Rules for the Treatment of Prisoners, 1995 that prescribe no overcrowding, require adequate food, hygiene and outdoor exercise and access to medical services.

Finally let me refer on a lighter note to two pleased customers of the DPW. During the course of this year, two important members of the South African community will have new accommodation built by the DPW. The two VIPs are none other than a Koala Bear from Australia and a rather slithery Komodo Dragon. Both are resident in the Pretoria Zoo and I wish them well in their new abodes.

Ladies and Gentlemen, I look forward to your contributions in the rest of this debate.

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