

**Minister of Public Works  
Ms Stella Sigcau  
11 August 2000**

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**Signing of the APOPS Concession with the South African Custodial Services for  
Louis Trichardt Maximum Security Prison**

Minister Skosana  
Representatives of the South African Custodial Services (Louis Trichardt) Proprietary Ltd  
Distinguished guests  
Ladies and gentlemen

Today's signing ceremony is a further milestone in the procurement of private sector participation in the provision of specialised infrastructure in respect of addressing our shortage of correctional accommodation in South Africa. The Louis Trichardt Maximum Security Prison for 3 024 inmates should provide a major contribution in our country's attempt to cope with and address crime.

Relating to our particular challenge of service delivery in this country I recognise two things at the outset on the Louis Trichardt Maximum Security Prison Project.

Firstly, I recognise the business people who are in public-private partnership with government in order to assist in the provision of infrastructural public services.

Secondly, this is a collaborative partnership between various government departments, including a further partnership between these national departments and the Louis Trichardt Town Council at local government.

With the national Department of Public Works as the procurement agency, the Department of Correctional Services and National Treasury are working in a close relationship on this delivery of the second prison project under the APOPS programme.

The Louis Trichardt Town Council donated the land on which the prison will be built. This lucrative donation is a clear example of the direct co-operation government is encouraging between various levels of government. In this spirit of co-operation, we are actively supporting the Council's initiative for local economic development and job creation through this particular PPP.

As you will recall and for the information of those not in the know, limited financial resources for allocation towards asset creation and specifically an increased need of correctional facilities as an element of the crime prevention drive in our country, necessitated Public Works to scan numerous models of alternative accommodation procurement from around the world.

In the process we have developed the Asset Procurement and Operating Partnership System (APOPS), based on best practice models in the UK and USA where similar models have been tried and tested over the last ten years.

APOPS also includes a perspective taken from PPP initiatives in developing countries in South East Asia and South America.

The objective of APOPS is to bring together the synergy of design construction, financing and operations into one entity in order to facilitate effective delivery of public infrastructure. The contracts further eliminate a future increase to the existing maintenance backlog through the pre-agreed maintenance programme on the facilities.

On a number of fronts our Government through policy and regulation plays the role of facilitator. It acknowledges that private enterprise has access to resources, including technology and finance, that could be utilised in accelerated delivery.

We believe that no economic activity would be properly sustained unless it is run on professional and objective management concepts to ensure:

- \* The most economic use of resources,
- \* The highest operational efficiency,
- \* The most effective organisation,
- \* The highest level of accountability,
- \* The sharpest focus on the client.

These elements have been negotiated and agreed with South African Custodial Services (Louis Trichardt)

Proprietary Ltd (SACS) and we have created mechanisms to maintain the standards of efficiency by imposing heavy penalties for non-compliance on sectors where necessary.

South African Custodial Services (SACS) is a consortium equally owned by Wackenhut Corrections Corporation, a USA based international prison operating company and Kensani Corrections, a local empowerment company owned by a group of women.

We are expecting the partners in this concession to develop a strong and efficient South African based prison operating company. SACS will serve as a platform for developing the South African private prison operation market to grow into a regional and international marketplace in the future.

The construction subcontractor in SACS is CGM, an unincorporated joint venture composed of three local construction companies - Group 5, Concor Construction and Makhosi Holdings who are not shareholders in the concessioning company.

This project should act as a springboard to improve economic activity in the Louis Trichardt area through the provision of a larger spectrum of higher quality services to be sourced from the local community. SACS committed itself to use at least 75% local labour on the project and has set a participation goal of 28% of previously disadvantaged enterprises during both the construction and operations periods. The bulk of the building materials, construction products and labour will come from the local area. The department is convinced that mechanisms that have been put in place will create capacity and ensure skills transfer to local people and domestic empowerment partners.

An addition of ~600 permanent jobs is expected to be added to the local employment market. At the peak of the construction phase, it is envisaged that approximately 1 500 people will be employed on the project. Further procurement of goods and services for the duration of the operation of the prison, would obviously be done from the local and surrounding area. This includes services such as food provisioning, uniforms, bed linen, the supply of stationary and cleaning materials, etc., that will result in added black economic empowerment.

The different levels of empowerment include the ownership, the management, the-sub-contracting and the local economic development for the full duration of the contact. This means that, for example, a minimum 40% equity of the contracting entity is owned by Previously Disadvantaged Enterprises (PDEs) and a minimum goal of 25% of government expenditure for the participation of PDEs on the design, build and operational phases of the contract have to be secured. The achievement on this commitment by the Concessionaire will be closely monitored.

The meaningful creative and dedicated professional inputs from the concessionaire, together with that from our diligent officials from the Departments of Correctional Services and Public Works as well as National Treasury should ensure that we achieve some world firsts in terms of risk transfer and value for money without compromising the professional integrity on deals comprising design, build, finance and operation. Our approach to the PPP process is now supported by a solid foundation created as a result of an Interministerial Task Team on PPPs that led to the establishment of a PPP Unit in Treasury.

I believe we have also set sustainable benchmarks for other public/private/ partnership deals in South Africa for other departments to emulate.

Today's signing of this concession reflects progress and achievement that compares favourably to standards achieved only by third generation PPPs in other countries.

I wish all the parties concerned a successful partnership, especially the women within the partnership for their participation will add to the numbers of women who have broken the "glass ceiling" in the field of construction and the business/industrial world in general.

My good wishes also go to my colleague, Minister Skosana, for he indeed is grappling with a mammoth task of finding accommodation for the varied prison inmates.

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