

**Minister of Public Works
Ms Stella Sigcau
15 March 2001**

[Back](#)

Public Works Media Briefing

The Deputy Minister of Public Works, Rev Musa Zondi
The Director General of the Department of Public Works, Mr Tami Sokutu
The Deputy Director-General, Accommodation and Asset Management
Other senior managers of the Department
Ladies and Gentlemen of the media

Thank you for coming.

INTRODUCTION

Last year when we announced our Five-year Delivery Programme, we said we would give yearly briefings, look at milestones achieved and focus on the challenges of the year ahead.

KEY FUNCTIONS

To refresh your memory, my department performs three core functions, namely:

- Ownership and management of Fixed Assets on behalf of the State. This function includes provision, maintenance and disposal of such property - to enable government in general and government departments in particular to focus on their service delivery mandates.
- Transformation, development and promotion of sustainable growth of the Construction Industry in South Africa.
- Contribution to the government poverty relief programme through the Community Based Public Works Programme (CBPWP) - probably one of the most important contributors to the successful realization of Integrated Sustainable Rural Development Strategy (ISRDS).

The successful execution of our core functions results in associated social benefits and economic impact in areas such as:

- Infrastructural creation
- Rural development
- Job creation
- Black Economic Empowerment
- Emerging Contractors Development
- Economic stimulation
- Construction and Property Industries revival

Though Public Works has a broad mandate, today I however wish to speak to you about the Construction Industry Development as well as the Capital Works Programmes.

CONSTRUCTION INDUSTRY

The development of the South African Construction Industry is moving rapidly from policy and legislation into the arena of implementation. Critical to this progression is the establishment of the new institutions to drive industry development.

Following the enactment of legislation at the end of last year, nomination processes are underway to appoint:

- The Construction Industry Development Board (by April 2001).
- The 6 Councils for the Built Environment Professions (by June 2001).
- The overarching Council for the Built Environment (by October 2001).

The Department is co-operating with all stakeholders and will financially support the establishment of the

CIDB, the new Council for Project and Construction Management and the Council for the Built Environment (total of R13.6 million).

To ensure that the new institutions promote the fundamental objectives of the legislation, the Department is initiating a study on the state of the industry and its performance. In so doing we will promote a process to establish targets to construction industry improvement and key performance indicators (KPI"s) for growth, delivery and transformation.

Key Performance Indicators that would support industry improvement would need to include issues such as:

- Improved investment and capital spending as a measure of growth;
- Reduced costs, defects and delivery times as a measure of value for money and reduced risk to clients;
- Improved profit margins to industry through reduced adversity, claims and litigation that characterises construction as a risky investment and further erodes the bottom lines;
- Improved participation of the emerging sector.

The key to improvement lies in innovation and best practice. And this will require intensive co-operation between the industry and its clients in the public and private sector. The new institutions that we are bringing into being so that the industry achieves the recognition it deserves as a key contributor infrastructure development, economic growth and social prosperity must foster this co-operation.

At the launch of the Construction Industry Development Board in April of this year we will raise these and other challenges with the industry in more detail. In the meantime the Department of Public Works will begin a process to drive performance improvement by promoting best practice on its own projects.

In line with our underlying commitment for accelerated capital expenditure and delivery, the Department of Public Works will commit to the all-round performance improvement on issues such as contract cost and time reduction. We have started a process to benchmark our current performance and have identified projects over R600 million to pilot a partnering approach with major contractors and parties involved in the supply chain.

As part of this commitment, the Department will realign its construction procurement documentation with industry endorsed best practices.

In response to concerns raised by the industry over the public sector's payment record, the Department is targeting a 10% reduction in delayed payments for selected provinces and 20% for the National Department of Public Works in 2001/2002. We hope to achieve a 50% success rate in 2002/2003 and eradicate the problem by 2003/2004.

Despite having pioneered affirmative procurement and successfully demonstrating the implementation of the Targeted Procurement Methodology as a means of meeting the requirements of the Preferential Procurement Policy Framework Act, experience dictates that targeted procurement alone is not enough to develop and empower emerging black business.

Lack of skills within black business remains testimony to the effects of past discrimination. For example, in the Western Cape, there are only two accredited African plumbers and two electricians on our database of over 450 contractors.

To turn things around, we have therefore embarked on an extensive training campaign in all nine provinces - a campaign aimed at addressing general business skills, tendering and procurement as well as specialist training in areas such as electricity and plumbing. This programme, with specific focus on women, will reach:

- 1000 contractors through interactive workshops on procurement.
- Over 200 contractors trained in management and contracting skills, using the Contractor Entrepreneurial Training (CET) programme developed with the International Labour Organization.
- At least 30 black contractors accredited for plumbing and electrical work in the Western Cape alone.

A study conducted by the Gender Commission in 1999 identified construction as one of the industries least likely to empower and offer opportunities to women. We plan to reverse that. To elevate the status of women in the construction industry, we are planning to launch a pilot project in August 2001 aimed at identifying and capacitating women in construction.

Furthermore, the Department plans to introduce a mentoring programme on strategic projects worth a total of R99 million to ensure that competent black contractors do indeed emerge into the mainstream, construction economy.

ACCESS TO FINANCE

This still continues to be an impediment to the growth of black and emerging business. Almost on daily basis dismayed black and emerging business people who have been denied access to finance and other guarantees by the formal banking sector in South Africa confront the Department.

It is lamentable that South Africa with its commitment to the promotion of alternative forms of economic growth and job creation should be held to a ransom by its own high cost of credit. I will soon be seeking a meeting with the Banking Council to discuss these problems.

Within the Strategic Empowerment Programme we have also mobilized the support of Khula and the Industrial Development Construction (IDC) to ensure that all successful black contractors in this programme, will gain access to bridging finance. We have approached the IDC, which has agreed to make R20 million available for this programme.

TOWARDS AN IMPROVED SERVICE DELIVERY ON PROVISION OF ACCOMMODATION SERVICES

This still continues to be an area of great challenge to us. An area that needs to be sharpened to enable government in general and government departments in particular to focus on their service delivery mandates.

Recognising that our "Achilles Heel" was in the timeous expenditure of the Budget on maintenance and capital works, I instructed the Director General and his team to conduct an investigation into the causes and possible remedies to this situation.

They found out that there was a combination of factors playing themselves out, namely

- High turnover of senior management, particularly in recent years. In fact when I joined the department in June 1999 we had to bring a whole senior management team, because there was none in place.
- Lack of a sense of urgency has evolved itself over time into a culture that is entrenched in the department.
- The relationship that my department has had up to now with its client departments: Public Works has been seen in the past as a financier and decision making authority with respect to requirements of other client departments.
- The department did not see itself primarily as a service provider to client departments.
- Often the inflexible nature of the procurement procedures negatively affects our turnaround times.
- The ratio of a Project Manager to number of projects to be managed seems to favour norms in private sector than in public sector. As an example, in the private sector the general norm is about one-project manager managing 10 to 15 projects. In the department one project manager manages about 20 to 30 projects depending on the size.
- Ongoing reprioritisation from client departments as well as the fact that in the past money was put on Public Works budget without aligning it to specific projects, affects our planning.
- Pricing in construction industry is dependent on competition and this often leads to lower prices than the estimates

The team has also come up with what is termed the "Capital Expenditure Intervention Programme" which proposes among others, to:

- Strengthen partnerships with Private sector by engaging the big players in the construction industry e.g. the Department met with the captains of the industry to look at alternative ways to improve service delivery. Some of them have seconded their high-ranking officials to help improve operational efficiencies. A Task Team made of Public Works officials and people from the private sector, is in place. High-level project managers have been appointed to assist our Regional Managers with project management.
- Streamline the life cycle for building projects, i.e. dispensing with traditional approaches to project management, which hinder accelerated delivery. It traditionally takes 16 to 18 months for our department to plan projects whereas in the private sector, it takes much less. In order to deal with this

problem we have now engaged the private sector in reengineering our planning cycles.

- We are consulting on ongoing basis the State Tender Board on the modern and best methods of procurement.

In addition, we are currently accelerating our efforts towards establishment of a State Property Agency, which will operate very much along the private sector lines.

Further plans to see my Department as an efficient service provider will be announced in the near future.

The new arrangement will force my department to be operationally efficient. We will ensure that there are service level agreements signed with other government departments and put in place incentives and disincentives to ensure operational efficiency.

Work is in progress to work out an asset and property management framework within which my department will enter into Private Public Partnerships (PPP) with regard to property management. We envisage that in future all government owned properties would be managed via PPP contracts. In this arrangement most of the risk will be transferred to the private sector. This will be done in such a way that we shall still able to benefit from the flexibility, innovation and the experience of the private sector.

CAPITAL PROJECTS

The Department has maintained momentum with regard to the provision of desired accommodation under capital projects. The year 2000 saw the completion and / or hand-over of, among others, the following capital projects:

- R200 million Empangeni Qalakabusha Prison (Correctional Services).
- Completion of Medium (R84 million) and Maximum Security prisons at Kokstad (Correctional Services)
- R20 million and R18.9 million upgrading of Napierville and Westville Prisons respectively, in KwaZulu Natal (Correctional Services).
- R27 million and R19 million Khayelitsha and Kuilsrivier Magistrate Courts, Western Cape (Justice).
- Community Safety Centres at George, Western Cape (R8 million), Leboeng, Northern Province (R16 million), Nsimbini, KwaZulu Natal (R10 million) Khutsong, Gauteng (R12 million), Centani, Eastern Cape (R18 million). (Various Departments)

Construction work began in 2000 for the maximum-security prisons in Bloemfontein and Louis Trichardt respectively, bequeathing 6000 prisoner beds to the Department of Correctional Services. The two projects were piloted under the Asset Procurement and Operating Partnerships Systems, a DPW Public Private Partnership initiative.

Later in 2001, APOPS will invite tenders for its first office accommodation project for the construction of the Head Offices for the National Department of Education in the Pretoria CBD.

The momentum is set to continue into 2001/2002 with the construction of:

- R65 million Chancery in Berlin, Germany (Foreign Affairs)
- Kinshasa Embassy in the Democratic Republic of Congo (Foreign Affairs)
- R27 million Magistrate Court at Tembisa, Gauteng (Justice)
- R76 million and R63 million refurbishment of the Nigel (Gauteng) and Klerksdorp(North West) prisons, respectively (Correctional Services)
- R69 million upgrading of Bloemfontein (Free State) 3 Military Hospital (Defence).
- R24 million construction of Galeshwe (Northern Cape) Community Safety Centre (SAPS, Health, Welfare).

BLACK ECONOMIC EMPOWERMENT

For the financial year 2000/2001, 40% of black economic empowerment was achieved in major projects for APOPS, namely Bloemfontein and Louis Trichardt. On both projects 25% of the construction work was awarded to black entities.

For our Repair and Maintenance Programme (RAMP), of the R1, 1 billion, 70 % was awarded to Affirmable Business Enterprises (ABE's). About 48% of consultants fees (R100 million) went to Affirmable Professional Service Providers (APSP).

On major projects (those above R5 million) totalling R307 million in 2000/2001, 68% in rand value, totalling R208 million were awarded to Affirmable Business Enterprises.

CONCLUSION

Ladies and gentlemen, with the aggressive strategies such as the ones we have put in place, under expenditure- will soon be a thing of the past.

Thank You.

[top](#)