

**Minister of Public Works
Ms S Sigcau
17 September 2001**

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Parliamentary Media Briefing

Members of the media,
Representatives of the Diplomatic Corps,
Ladies and Gentlemen.

INTRODUCTION

Since 1994, Public Works has championed transformation within and around its responsibilities. The Department has reduced its staff complement drastically from the original ±8 000 posts to 4 392 (4 September 2001) and has redistributed the workforce to the regional offices where client activities are accommodated.

We have embarked on a major "Working Smart" drive as a home-grown initiative to focus our service delivery on adding value to our clients.

Major achievements during the years, on which we have kept you informed, include restructuring, upgrading of management, financial, operational and information systems. Milestones have been the compilation of the domestic state fixed property asset register, the introduction of the National Public Works Programme and its Community Based Public Works Programme or Ilima/Letsema right through to the introduction of project management, pioneering of affirmative procurement and the transformation to a built environment that is much more atoned to our current needs and challenges as a growing economy, with opportunities for the entire population to participate.

ASSET MANAGEMENT AND DISPOSALS

One of our core functions remains the management of state fixed assets in a manner that adds and extracts value during the assets' entire lifecycle, from planning, acquisition through to their maintenance and disposal.

It was for this reason that on 24 June 2001 the Department issued tenders for the appointment of a multi disciplinary strategic asset management partner to advise the Department on fixed asset management in compliance with the prescripts of the Public Finance Management Act and other prevailing legislation.

Following a laborious adjudication process, the State Tender Board, on 13 September, accepted our recommendation for the appointment of CONSULTANTS IN ASSOCIATION as the successful tenderer - a consortium consisting of:

1. Rand Merchant Bank Properties;
2. Dijalo Property Services;
3. Deloitte and Touche;
4. Africon;
5. WipCapital;
6. Macquarie Africa, and; and
7. Turner and Townsend.

Ladies and Gentlemen, join me in congratulating our strategic partner in fixed asset management, most of whom are with us today and will be introduced to you later. The Department will now proceed with the finalisation of the formal agreement.

As part of our "Working Smart" programme, we are cleaning our leasing portfolio. Lease renegotiations have been conducted in our Pretoria, Johannesburg, Pietersburg, Nelspruit and Mmabatho offices, saving government R14 369 108. An additional R436 516.00 has been recovered from landlords for overpayment on rentals as well as repayments for vacated space. Negotiations were also finalised with the private sector where all maintenance costs will be for the account of the landlord. This will go a long way in delivering a more cost effective and efficient service to the client departments.

In respect of the disposal of under-utilised or redundant State properties, we have disposed of 237 fixed properties of the extent of 60 188 ha for non-commercial purposes between 1 April 1995 and 31 August 2001. Of this land, 57 688 ha went for land reform purposes, 2 339 ha for the provision of low-cost housing and related infrastructure and 161 ha for educational and religious purposes. A further 14 424 ha or 103 properties, were sold for R22 114 000 excluding Silvermine and Midrand.

In terms of large tracts of land, we initially identified five properties for disposal:

1. Midrand - 125 ha for which we announced the successful tenderer on 16 August 2001;
2. Silvermine - ±30 ha on which the adjudication has been done and an announcement will be made soon;
3. Waterkloof Extension 7 - 32 ha that is out on tender with a closing date of 9 October 2001;
4. Brooke's Hill - 7 000 m² sold to Sisanda Development Services for R630 000; and
5. Pietermaritzburg, on College Road - 11 148 metre-square currently being negotiated for provincial use.

Recently we have concluded a R35 million long-term lease agreement for the property at FernWood.

In terms of progress on the military base disposals, we already have three tenders out, on:

1. Toothrock and Langefontein in the Western Cape, which closed on 28 August 2001; and
2. Bourke's Luck in Mpumalanga with a closing date of 23 October 2001.

Four other former military bases are going out on tender this year. These are:

1. Zwartkops in September.
2. Mmabatho in September.
3. Camden in September.
4. Thaba Nchu in November.

Our disposal programme is part of our effort to ensure that we unlock the value of the properties owned by the state to the benefit of the South African people. Part of this is to attract, where possible, foreign direct investment as in the case of Midrand.

NEW CAPITAL WORKS AND MAINTENANCE

I have found that historically the Department of Public Works has never been able to spend its full budget allocation in any single financial year. We have therefore introduced urgent corrective measures in the 2000/2001 financial year to accelerate project implementation and thus eliminate under-expenditure. This initiative is named PACE, which stands for Programme for Accelerated Capital Expenditure. These include:

- Ensuring that the whole capital works budget is aligned to prioritising;
- Shortening the planning cycle of projects;
- Eliminating unnecessary bureaucracy; and
- Recruiting adequate capacity.

Despite its infancy, PACE is already beginning to yield desired results as evidenced by the increased pace of service delivery characterised by new sense and culture of urgency among our staff.

I would like to thank my colleagues i.e. other Ministers and their management team for their cooperation and enthusiasm.

CURRENT CAPITAL PROJECTS

The total amount budgeted/allocated to Public Works by the client departments for the current financial year regarding capital works is R1 billion. This amount covers all the regions as well as all the State Departments for the almost 6 000 running projects. Unless something unforeseen happens, we have committed ourselves to spending all our capital budget. By the end of August this year, 31% or R577 000 000 of these funds had already been expended as compared to only R325 million for the same period last financial year. About 42% (R780 529 000) were committed (i.e. awarded to contracts) meanwhile 25% (R448 191 000) was the value of contracts still at various stages of tender.

LET US LOOK AT SOME OF THESE PROJECTS.

The Bloemfontein prison has already been completed and was opened on 1 July this year, while the scheduled opening date for the Louis Trichardt prison is February next year. These two prisons were the first to be procured under the Asset Procurement and Operating Partnerships System (APOPS) and together offer room for almost 6 000 prisoners. Each has a 25-year concession value of R1.6 billion.

Three other APOPS projects have been identified for the near future, namely:

- Offices for the National Departments of Education, Environmental Affairs and Tourism and Foreign Affairs

Some key capital projects that are completed or underway in the current financial year include:

- A Super Maximum Security Prison complex in Kokstad to the value of R314 million, recently been completed and handed over to the Department of Correctional Services, including the R88 million Kokstad Medium handed over on 23 August 2001.

Other projects scheduled for the Department of Correctional Services include:

1. Tenders for the upgrading of Nigel Prison closed in September 2001; and
2. Tenders are currently out for the multimillion upgrading and additions to the Klerksdorp Prison.

The following projects are either completed or are nearing completion on behalf of the Department of Justice.

1. R44.7 million restoration of the Palace of Justice in Pretoria, expected to be completed by the end of September this year;
2. The R12 million Magistrate's Office in Botshabelo was completed and handed over in May 2001; and
3. The multi million rand upgrading of Port Elizabeth Magistrate's Court for two years, starting January 2002.

Among others, the following projects will benefit South African Police Services:

1. R34 million upgrading of security around Presidential and Ministerial residences and other prestige accommodation in Cape Town, handed over in May 2001; and
2. The construction of several Community Safety Centres is underway at the following areas Khutsong (R12.3 million), Tshidilamulomo (R8 million), Centane (R18 million), Leboweng (R16 million), whereas tenders are being evaluated for Galeshewe near Kimberley. Both Ntsimbini near Umbumbulu and Thembaletu near George are already operational.

Other projects include:

1. The upgrading of the Entrance Hall of the Co-operation Building in Pretoria, and the Project Hanis, both are nearing completion for the Department of Home Affairs.
2. The construction of R12.6 million Presidential Arrival and Departure facilities at the Cape Town International Airport in conjunction with the Airports Company of South Africa (ACSA) on behalf of the South African National Defence Force, has gone out on a pre-selection tender to shorten the tender process.

MAJOR REPAIRS, RENOVATIONS AND UPGRADING

Service delivery is of key importance in ensuring that priorities determined by National Government are met.

Faced with the challenge of wiping out the maintenance backlog, the Department planned and implemented the Repair and Maintenance Programme in 1999.

The Repair and Maintenance Programme (RAMP) is an initiative where private companies from the professional consulting, construction and related industries are tasked with the repair and maintenance of specific government facilities at a tendered cost over a three-year period. The Department of Correctional Services was prioritised as the client Department to launch the Repair and Maintenance Programme because this Department was experiencing problems in service delivery because of poor conditions in a number of its prisons.

The Repair and Maintenance programme for prisons was initiated in October 1999 and includes the repair and maintenance of 33 prisons, at a total value of approximately R1.2 billion.

A similar repair and maintenance programme has been initiated for malfunctioning lifts. The programme covers the repair and maintenance of 720 lifts in government owned buildings. We discovered that the original suppliers of the lifts merely continued to do the maintenance thereof, without contracts, and we rectified this situation.

Repair and Maintenance Programmes have also been initiated for the South African Police Service and the

Department of National Defence.

For the SAPS, six projects have been identified which are still in the first phase, thus appointing consultants and finalising the maintenance contracts. The total estimated value of the Programme for three years for the six facilities is R18 million.

The following facilities are included in this programme:

1. Benoni mechanical training centre in Gauteng;
2. Tabase police station;
3. Mount Fletcher police station;
4. Ongeluksnek border control post;
5. Elandsheight police station; and
6. Avondale police station, all in the Eastern Cape.

About 23 contracts worth R71.4 million are currently being implemented under RAMP for the SA National Defence Force.

FACILITIES MANAGEMENT

As part of implementing its alternative forms of delivery, my Department has just issued Requests for Qualifications on 12 September, as a prelude to the appointment of a facilities management company to manage the Parliamentary Complex and other Prestige Accommodation in Cape Town as well as the Union Buildings and the Bryntirion Estate in Gauteng.

This is an important milestone on our road to attain value for money in the effective and efficient management of the state fixed property portfolio as proposed towards our envisioned State Property Agency.

CONSTRUCTION INDUSTRY DEVELOPMENT PROGRAMME

In August this year, at the biannual Afribuild exhibition, the Department was able to show case the significant progress made under the title "Public Works - Your Partner in the growth, development and transformation of the Construction Industry".

IMPLEMENTATION OF LEGISLATION PASSED AT THE END OF 2000

A critical focus of our activity has centred on establishing the institutions that will drive the objectives of "growth, development and transformation" and that will implement the legislation enacted by Parliament at the end of last year.

Following a public nomination process, the Construction Industry Development Board was appointed in April 2001 and the 6 Professional Councils in July 2001. The appointment of the Councils has kick-started nominations for the overarching Council for the Built Environment, which should be established at the end of this year.

The newly established organs have commenced work with enthusiasm.

Members of those Councils that have been re-established, such as the Engineering Council of South Africa and the SA Council for Property Valuers have expressed confidence in both the calibre and the representivity of the new membership.

To cite just two examples:

- The Engineering Council of South Africa (ECSA), which was previously 90% white and 100% male dominated, is now 45% black and 12% female.
- The Property Valuers Council, previously 100% white and male, is now 50% black and 20% female.

Geographic representation has also been achieved. For example, the Quantity Surveyors Council has representation from 8 provinces (except North West) plus 47% black and 35% women.

Of equal significance is the fact that the new Councils have embraced the spirit and intention of the legislation with some electing black Presidents (Property Valuers, Quantity Surveyors and Project and Construction Managers). Women have also been elected to the position of Deputy President, for example by the Property Valuers and by the Engineering Council, which elected a black woman to this office. To promote an

understanding of the role of the professions in our new democracy, the Department has commissioned a study on the historic impact of Government policy and world events on the development of the built environment professions. It is the intention that this study will result in a publication that will be available to all the professions early next year.

PROMOTING PUBLIC WORKS AS A BEST PRACTICE CLIENT

Eliminating Delayed Payment:

The commitment of Public Works to drive an improved payment ethos within the public sector has received widespread support from the industry. As announced early this year, the Department has commenced a systematic process to reduce payment delays by both national and provincial Departments of Public Works.

Guidelines for best practice payment were developed which covered detailed procedures for payment, a code of conduct, recommendations for electronic payment administration, the establishment of an "independent payment officer", a complaints register and targets for implementation.

The pilot implementation programme is currently underway in the following selected regional and provincial offices:

Provinces: Gauteng, Northern Province, Northern Cape
National Department: Kimberley, Durban.

What we aim to achieve by the end of 2002 is:

- 50% improvement in overall payment;
- 95% of all payments by value within 14 days;
- Approximately 0% outstanding after 60 days;
- 95% of payments by electronic transfer; and
- Less than 0.1% of interest to be calculated per financial year.

HIV AIDS AWARENESS STRATEGY

The construction industry has the 3rd highest incidence of HIV/AIDS in South Africa. The Department is developing a strategy to promote HIV/AIDS awareness on all Public Works projects. A draft strategy is under review and will be presented to DPW management in November 2001. It is believed that this strategy will find wider application by all organs of state that engage the services of the construction industry.

TARGETS FOR INDUSTRY GROWTH, DEVELOPMENT & TRANSFORMATION

In line with government's strategy to promote domestic and foreign direct capital investment, the Department has commissioned the CSIR to conduct a review of construction investment and to examine key investment drivers and measures to promote investment as a critical condition for growth.

In collaboration with the Construction Industry Development Board, this study will engage leaders in the financial and investment sector and will be complete by April 2002.

The study is linked to an overall review of the state of the construction industry, its performance and capacity.

INTENSIFIED EMPOWERMENT OF BLACK AND WOMEN CONTRACTORS (ECDP)

Strategic Projects Targeting Women:

This was put in motion by the August 9th launch of the programme comprising 42 projects in an estimated total value of R142 million. Ten of these projects are already out on tender with the first tender closing later this month.

Rigorous monitoring and evaluation to assess capacity constraints in different regions as well as critical success factors will further support the programme.

Mentoring:

To ensure that competent black contractors do indeed emerge into the mainstream construction economy, our

Emerging Contractor Development Programme has worked with all stakeholders to develop a focussed mentoring programme to address managerial, technical and financial skills throughout the project lifecycle. Cooperation with the University of Pretoria has facilitated a process to accredit a panel of potential mentors for selection by successful contractors.

Access to Finance:

The Department has taken bold steps to overcome the constraints faced by emerging contractors in gaining access to finance. This year a decision was taken to waive the requirement for guarantees on projects less than R2 million.

Much work has been done to activate Khula funding as well as the commitment of the Industrial Development Corporation to provide financing in the value of R20 million. A number of special measures characterise the new approach we have taken to reduce the perception of high risk by putting in place supporting mechanisms, including the mentoring programme highlighted above.

The IDC has also demonstrated an innovative approach to financing that includes low interest on the loans that are payable when the project has become self-funding and not on the basis of inflexible repayment schedules, which characterise most transactions of this nature.

We believe that we may be breaking new ground in this approach to the financing of emerging contractors and some of the commercial banks are demonstrating keen interest to work with us.

A Continued Training Campaign:

In the first half of this year we conducted an extensive training campaign in all nine provinces - a campaign aimed at addressing general business skills, tendering and procurement. This programme, with specific focus on women, has already reached:

- Over 1000 contractors through interactive workshops on procurement; and
- 120 contractors trained in management and contracting skills, using the CET (Construction Entrepreneurial Training) programme developed with the International Labour Organisation.

We are currently embarking on the second phase of this campaign. This phase will commence before the end of this year for completion by March 2002. This second phase will also cover all 9 provinces and will entail:

- Over 1000 contractors participating in tendering workshops which will also aim to develop provincial capacity so that these workshops can be convened more often at a local level.
- Many of the 120 contractors already trained will be upgraded using the CET (Construction Entrepreneurial Training) programme and a further 120 contractors will receive basic training.
- At least 30 African contractors have been identified for training and accreditation in plumbing and electrical work in the Western Cape, Northern Cape and KwaZulu-Natal.

CONCLUSION

We are pleased with our progress to transform the Department of Public Works into a service provider and a supplier of choice for its clients' accommodation needs.

In the process of dispensing our mandate and performing our unique core functions, we at Public Works positively touch on both the economy and the society of South Africa, as evidenced by such noble deliverables as the ones we elicit, among others:

- Growth and development of both the construction and property industries;
- Creation and retention of jobs in both industries;
- Women, youth and black economic empowerment;
- Infrastructural development; and
- Small and emerging business development.

As we grapple with the challenges of the future, we take pride in the struggles of the past and the lessons they bequeathed.

We look forward to a family of institutions that are each focused in their core businesses led by the State Property Agency focussing on reaching commanding heights in service delivery of accommodation requirements and the National Department of Public Works effective in policy and regulatory activities as well as community based rural development.

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