

**Minister of Public Works  
Ms Stella Sigcau  
21 September 2000**

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## **Parliamentary Media Briefing, September 2000**

Ladies and gentlemen of the media

As you know my department has three core functions:

1. Provision of accommodation to all National Government Departments to enable them to focus on their service delivery mandates. Associated with this function, my department is a custodian of government property.
2. My department is also charged with contributing to the government- wide poverty relief programme having, through the Community Based Public Works Programme, a single biggest allocation of funds to one department for this purpose. The focus of this programme as you know is the rural areas.
3. We also have a programme of transformation, development and promotion of sustainable growth of the Construction Industry in South Africa.

These three functions constitute our mandate. However in line with overall government socio-economic objectives, and as a result of the type of work we do, we also have to deliver towards promotion of affirmable business enterprises, emerging contractors through carefully crafted procurement policies, procedures and process.

### **REPAIR AND MAINTENANCE PROGRAMME (RAMP)**

Allow me to begin with progress in the area of provision of accommodation to national departments and management of the government estate.

Let me remind you that our biggest challenge is to reverse the downward spiral of buildings used and owned by government as a result of historical lack of maintenance. When I joined my department last year in June I was informed that the government maintenance backlog is estimated at R10billion. I was also informed that government does not have the capacity to deal with the backlog by injecting the required R1billion per annum over ten years. I therefore committed myself to finding creative ways to deal with this challenge.

We have found out that the major cause for the poor state of buildings is the simple lack of dedicated maintenance. In many cases, for example boilers, fire hydrants and other new installations are either not maintained or are poorly maintained with recurrent problems. This apparent lack of professionalism also affects new equipment, which we spend a fortune to procure. As a strategic response to this problem, we have begun to roll out what we call a "Repair and Maintenance Programme" (RAMP). This is a programme where private companies from the construction and related industries are invited to tender for upgrading and maintenance projects for specific buildings. We have prioritised the Department of Correctional Services due to the major problems that we experience with the conditions of prisons. We have already committed RAMP to the value of approximately R127 million to eight prisons. In three years this will grow to 35 prisons with an estimated value of R783 million.

In this programme the winning contractor upgrades and maintains a building at a fixed cost over a three-year period. This provides an incentive to ensure that the buildings and the equipment are fixed right the first time. This means that for three years the Minister of Correctional Services does not have to worry about maintenance problems for affected prisons. He can focus on the core business of his department, i.e. correcting the criminal behaviour of his department's customers.

The success of RAMP will see the strategy rolled out to other government departments notably the South African Police Service, Justice etc.

We are quite pleased that recently the Cabinet approved that for all new government owned buildings, 1,3% of the replacement value must be set aside for maintenance on an annual basis. This will ensure that in future we will not have the problem of buildings that are not maintained and therefore leading to crisis proportions. In addition Cabinet also approved that in principle there must be some incentive created through disposal of properties to ensure that some funds from the proceeds of property disposals are reinvested in property management. Cabinet also approved that 50% of Capital funds will be dedicated to repair and upgrading of existing installations. This will eliminate the problem of building new buildings instead of upgrading the

existing ones in order to maximise return on investment.

## FACILITIES MANAGEMENT

You may also recall that I committed myself earlier this year to introducing facilities management as part of a quest to eradicate maintenance-related problems.

I am pleased to announce that in October we will go out on tender for facilities management for the first time ever by government in South Africa. This is yet another exciting opportunity for the private sector and in particular the property industry to get involved in a partnership with government in supporting service delivery.

The facilities that are targeted for private sector management include the Union Buildings and Magistrates' courts in Pretoria, the Parliamentary Complex and the Police Headquarters in Cape Town as well as all prestige residences in Pretoria and Cape Town. As these will constitute pilot projects the initial investment is estimated at R60m. This project will be implemented on the basis of private public partnership, where most of the management risk will be transferred to the private sector. Again I am quite confident that this initiative will contribute significantly towards reversing the legacy of dilapidating buildings.

I envisage that after a year or two, once we have gained experience in these pilot projects we will be able to roll out this initiative to other government buildings.

## LEASING

With regards to buildings that we lease from the private sector, it is with disappointment to announce that many of the privately owned buildings are in a state of disrepair similar to those owned by government, even though they have a guaranteed income stream. It is quite clear that many private property owners have over the years exploited government, taking advantage of inadequate capacity to manage these leases. Many departments have reported their lifts at times not working for up to six months. In cases where they do work, one has to wait for an unacceptably long time to get into a lift. Certain buildings have been condemned on the basis of their health and safety aspects.

We have embarked on a process in partnership with the property industry to revisit our leases with a view to thoroughly renegotiate them or in cases where buildings are in very poor state of repairs, to cancel such leases.

The exercise of renegotiations and cancellation of leases will be conducted in partnership with the property industry itself.

Our earlier investigations revealed that for certain buildings we are paying much higher than the going rate. In other cases we are paying for leases that expired years before.

For example out of only twenty properties in the North West Province alone, we have identified savings of up R384000,00 due to overpayments, payments of expired leases, etc. By the end of this year I am convinced that we will have saved millions of rands in this portfolio.

Currently my department is engaged in a series of discussions with the property industry, and is hopeful that as early as November government properties will be managed by the private sector on a partnership basis. Each pilot project will consist of a property portfolio to be managed by the private sector to extract maximum value and to minimise risk to government. I am not in a position to give details at this time as these are being worked out as we speak. I must say though that the initiative that we have started with the property and the construction industries hold a very big promise for the future of government estate management.

## CAPITAL PROJECTS

My department currently has eleven major projects being implemented to the value of almost a billion rand (R818 082 785). The projects range from R7, 7 million to R284 million. It is worth highlighting the following 5 big projects:

- Kokstad Super Maximum prison was handed over to the Correctional Services in August. The Medium Security Prisons including a Housing Project to the value of R404 million, will be handed over in November this year.
- The New Generation Empangeni Prison including a Housing Project worth R265 million was delivered in August

- The Palace of Justice - restoration to the value of R40 million will be completed in March 2001.
- Final delivery of three Community Safety Centres to the value of R35 million will be done this month of September.
- The first two phases of upgrading the Simon's Town Dry Dock have been completed, the final phase will be completed in the new year. The total value will be R32 million.

In addition, work is underway for the building of a police station complete with holding cells, office block for Criminal Investigation Unit, indoor recreational facilities, mortuary and single living quarters in Richards Bay. The value of the contract is R23 270 000.

My department officially handed over a R7,7 million refurbished police complex including holding cells and an office block to the SAPS on 10 July at Atteridgeville near Pretoria.

#### ASSET PROCUREMENT AND OPERATING PARTNERSHIP SYSTEMS. (APOPS)

The Department of Public Works introduced APOPS in 1996 within the broader ambit of Public Private Partnership to implement alternative methods of procuring infrastructure service delivery, engaging the private sector's management expertise, innovation, resources and finance.

Since March this year, APOPS has delivered two outputs in the form of Concession Agreements signed between the Department of Correctional Services and private sector companies for the commencement of construction of Maximum Security Prisons in Bloemfontein and Louis Trichardt respectively. In implementing these projects we have adhered to the three principal requirements of APOPS: there must be optimum risk transfer, between the parties involved and the projects should demonstrate value for money and affordability to government.

Both these prison facilities will in the near future provide accommodation for 6000 inmates to relieve overcrowding in South African Prisons. During construction a total of 3000 jobs will be created. About 1200 people will be employed on a permanent basis once the prisons are operational. Specific training programmes have been negotiated with the contractors to make provision for a targeted skill transfer which will be monitored closely. The contracts stipulate that 25% of the value of work be reserved for previously disadvantaged enterprises during both construction and operation phases.

We are also on the verge of finalising negotiations to secure a land availability agreement for the development of the new DTI offices.

#### DISPOSAL OF PROPERTIES

Identification and disposal of redundant properties form part of our asset management function. Our disposal strategy is aimed at ridding the government of superfluous and redundant properties. It also helps to contain costs associated with management of those properties, including their maintenance.

On 20 January this year I announced our intention to dispose, in stages, of properties both large and small. With regard to the five large properties at Midrand, Brookes Hill, Waterkloof Heights, Silvermine and Old Supreme Court in Pietermaritzburg, we are already implementing a schedule for their disposal.

Following our feasibility study into the alternative uses for the seventeen (17) un-utilised and under-utilised military bases, ten (10) reports for the conversion of military bases have been finalised. The other seven reports will be finalised in October 2000.

Calls for proposals for the first five military bases will be announced in the near future with the remaining twelve programmed for disposals between February and June 2001.

During this financial year 85 properties to the value of R5.9 000 000-00 have been disposed.

#### STRATEGIC ASSET MANAGEMENT

Currently there is no coherent government-wide framework for the management of government estate to support the PFMA requirements for devolution of accountability to individual departments and provinces. My department has initiated a process that will culminate in a national framework for management of government fixed assets. A Cabinet memorandum has been prepared in this regard.

From 2001 the maintenance budget will be devolved to the individual Departments accountable for the usage of their resources. Client departments will still have to utilise DPW as their agent to procure their maintenance and capital requirements.

#### CONSTRUCTION INDUSTRY DEVELOPMENT PROGRAMME

Historically government has been the lifeblood of the construction industry, playing a central role in procuring goods and services. Consequently, the government owns a huge estate.

Today the role-played by government has changed. Instead the government has become a catalyst for change, helping the construction industry to be internationally competitive and domestically relevant to the dictates of the reconstruction and development of post apartheid South Africa. Symptomatic of the changes has been the process to establish the Construction Industry Development Board.

This year the Department of Public Works has placed legislation before Parliament that will establish a national agenda for reconstruction, growth and development in the construction industry.

This legislation emanates from the White Paper that we launched last year on "Creating an Enabling Environment for Reconstruction, Growth and Development in the Construction Industry". The White Paper sets out Government's vision and a coherent strategy for industry development. In championing this vision I am committed to ensuring the preservation of our industry as well as its growth and transformation.

The Construction Industry Development Board that we will establish through the legislation will implement an industry development strategy on behalf of all stakeholders. It must be a catalyst for change, promoting best practice by service providers and clients alike. It must ensure that our industry grows rapidly, that it is increasingly representative, that it embraces a culture of continuous innovation, and that it prospers in the regional and global economy.

It is indeed pleasing to report that the National Council of Provinces has committed to ensuring that the Bill to establish the CIDB will be processed as quickly as possible. I am confident that we will honour our commitment to have the CIDB established early next year.

I would therefore like to thank the Inter-Ministerial Task Team, a Reference Group of Stakeholders, the industry itself, the Provincial Parliaments and the Select Committee for their hard work to develop and refine this Bill as well as the 7 Bills on the built environment professions, which I will table in the National Assembly next Friday (29 Sept).

This legislation seeks to promote improved co-ordination and a framework for the ongoing transformation and development of the professions. To achieve this the proposed legislation will establish an overarching Council for the Built Environment Professions and will re-enact the laws on existing Councils to align them with the precepts of our democracy and the need for public involvement and greater levels of transparency and accountability.

#### AFFIRMATIVE PROCUREMENT AND EMERGING CONTRACTOR DEVELOPMENT

Consistent application of the Targeted Procurement methodology pioneered by the Department bears testimony to our conviction that strategies such as procurement reform, linked to supporting development programmes, can be effective instruments in overcoming the stranglehold of resources that perpetuates former patterns of domination.

When we say that emerging black contractors now undertake 34,5% of the Department's capital budget as opposed to 4% in 1994 and that there are today some 1980 black contractors on our Departmental database, 226 of whom are women, we are not merely citing statistics. We are in fact rewriting the script that has for decades marginalised the majority of our people from the mainstream construction economy.

We are encouraged by the progress achieved by our programmes. During the past seven months the number of formerly marginalised contractors on our database increased by 310 from 1570 to 1980 of which 18% are women owned enterprises. In terms of training, 91 contractors including 30 women received training in management, tendering, tax obligations and technical skills.

#### COMMUNITY BASED PUBLIC WORKS PROGRAMME

As you all know, a lot has been written about the poverty relief programme and the under expenditure associated with it. The Community Based Public Works Programme is a significant programme under the poverty relief programme of government. Yes, it is true that (R250 m) was rolled over last year. Yes it is also

true that in the face of such poverty in South Africa it is almost criminal not to spend money destined for the poor.

As I have said previously, the real issue in this case is not that money was not spent. The issue is that money was allocated very late in the year. This meant that my department could not commence with the necessary planning in time to ensure the expenditure of all funds. However by the end of the financial year, the money allocated had been committed for specific projects.

Now I am happy to say with great confidence that all three budgets that we are currently spending, i.e. 98/99; 99/2000; 2000/2001, covering a total of R1 billion, will all be spent by the end of this financial year - unless a catastrophe like the recent floods we had, occurs.

Now that the CBPWP funds are firmly committed through the MTEF the Department is able to plan ahead. This will ensure that in the next financial year, we will be able to spend funds from the very first month.

Through clean and green projects, informal settlements have seen unprecedented levels of cleanliness. The clean and green programme has restored the dignity of our people by providing them with municipal services. First implemented as a pilot in 1996, the clean and green programme has now been fully adopted as part of the Community Based Public Works Programme. At the same time implementation is underway of a Youth Working Towards Environmental Accessibility (Yowotea) programme. This programme trains young people to work on 50 selected public buildings in each of the selected provinces (EC, KZ, and NP) in order to make them accessible to people with disabilities. The level of progress we have made in implementing Yowotea is now such that we will soon be launching a number of these projects.

More importantly is the impact that the Community Based Works Programme is having on the rural poor and on economic development and sustainability of our rural areas. Our new initiatives provide not only the much needed direct employment but stimulate a range of economic activities and spin-offs that provide impetus within Government's rural development strategy.

I have come to the conclusion that unless we find sustainable solutions in fighting poverty, we will never win the war in rural areas. As you heard from the statistics from Statistics South Africa two and half weeks ago, the Eastern Cape has now become the poorest province in South Africa, with Elliotdale the poorest town. Temporary jobs will only help for the period of the project. We must find in villages activities that will lead to sustainable job creation. It does become very important that we work in partnership with other Government departments. For this reason I have started together with my colleague, the Minister of Agriculture what we call community production centres (CPCs).

At present the CPCs are based on rehabilitating the irrigation schemes that were started by the former homelands across the country. The community production centres will be agricultural based rural development activities. This is in line with the October '99 survey of Statistics South Africa that found that land based development is still the one holding promise for rural development. In these schemes communities will eventually own and turn the production through their own structures. Six CPCs are being implemented, namely, Lambasi and Ncora (EC); Makhathini Flats and Ndaya (KZN) and Veeplaas and Elandskraal (NP).

In conjunction with the Government Communication and Information Service, we are developing multiple purpose community centres (MPCCs) across the country. These are one-stop service delivery centres for communities. The aim is to assist rural communities to access a number of government services as well as a range of information products of government, and also be able to communicate back to government at one locality.

## FINANCIAL MANAGEMENT

Repeated remarks by the Auditor-General about the state of financial management in the public sector have not gone unheeded by my Department. In our five-year delivery Programme we made a public pledge to turn the financial situation of the Department around. To be specific, we gave ourselves a two-year mop up period and promised to begin to record progress in our 2001/2002 budget.

It is quite clear to me that one of the major contributing factors to the bad state of financial affairs in my department was due to lack of top management in the department when I joined the department. We have now moved relatively quickly to fill all vacant posts in management positions. So, while there was no DG and no Deputy Director Generals in my department when I joined. We now have all three Deputy Director General's positions filled as well as the Director Generals office.

We have also moved swiftly to upgrade management of the regional offices where most of the spending takes place. We now have Chief Directors responsible for regional office where before we had only directors. We

have also decided to upgrade financial management capacity to have directors responsible for financial management in regional offices.

Since January, we have adopted stringent measures to tighten up financial controls and fight corruption. These include Monthly Financial Review Sessions to enable Senior Finance Personnel to evaluate expenditure budgets including financial administration systems and controls.

We have also contracted a firm of Internal Auditors to assist us in dealing with capacity limitations in the area of Internal Audit following recommendations by the Standing Committee on Public Accounts (SCOPA).

The Department is in the process of developing its own anti-corruption plan in conjunction with the Internal Audit and the office of the Auditor-General. Together with the provincial MEC's of Public Works, we have called for the convening of the National Anti-Corruption Conference in October to target primarily the public works officials who on a daily basis are exposed to handling multimillion transactions on behalf of government. This is in fulfilment of the MINMEC resolution of 25 October 1999 to adopt a Five Point anti Corruption Plan. Recent tough measures and penalties were meted out against companies and individuals involved in corruption related cases are an example enough of our resolve to promote an ethical organisation characterised by zero tolerance for fraud, negligence and corruption. This is evidenced by the recent uncovering of corruption in our Durban regional office where tough measure have been taken against affected officials.

Ladies and gentlemen, my department has now turned the corner. We do believe that a start has been made in improving service delivery and for our department to run on oiled wheels and in a business like manner.

I thank you.

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