



defence

Department:
Defence
REPUBLIC OF SOUTH AFRICA

Minister of Defence and Military Veterans

Hon T. Modise, MP

BRIEF TO THE STANDING COMMITTEE ON APPROPRIATIONS 2nd September 2022

Presented by:
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PURPOSE

To brief the Standing Committee on Appropriations on the progress made regarding the devolution/transfer of the infrastructure maintenance function from DPWI to SANDF and related matters.

CONTENT

- **DOD Outsourcing Decision**
- **DOD Facility Status**
- **Response to Information Required (1-6)**
 1. **Transfer of Projects from DPWI to DOD**
 2. **Waterkloof Projects**
 3. **DPWI DOD Projects progress (1st Quarter)**
 4. **DPWI Legal/Administrative Challenges**
 5. **1 Military Hospital Progress**
 6. **Any other Issues**
- **Closure**

DOD FACILITY MANAGEMENT LEGAL FRAMEWORK

□ Sec Section 7 (4) of ANNEXURE "D" of Schedule 6 to the Constitution of the Republic of South Africa 1996 provides as follows:

“Subject to and in accordance with any applicable law, the assets, rights, duties and liabilities of all forces referred to in Section 224 (2) shall devolve upon the National Defence Force in accordance with the directions of the Minister of Defence.”

□ In terms of Sec 80 (2) of the Defence Act the Minister of Defence (MOD) is empowered and accountable by the legal framework to acquire (Lease, buy, construct), repair, maintain, and dispose (Sell, demolish, alienation, transfer) of DOD occupied Facilities. On this matter the Defence Act prevails above all other acts except the Constitution.

□ GIAMA Sec 4 (1) recognize the owner- and custodianship of the DOD of Facilities by providing as follows.

4. (1) The departments managed by the following executive organs of state within the National and Provincial spheres of government are custodians:

*(a) The Minister, in relation to immovable assets that vest in the national government, **except in cases where custodial functions were assigned to other ministers by virtue of legislation before the commencement of this Act;***

(Refer to Appendix “A” for elaborate discussion of this Legal Framework)

DOD OUTSOURCING DECISION

- ❑ In 1996 the DOD commissioned Deloitte and Touche to introduce efficiency and cut on cost. The outcome of this study was that the DOD must outsource non-core functions.
- ❑ The Facility Functions was seen by the DOD as a non-core function and outsourced to DPWI.
- ❑ This outsourcing overlooked the provisions in Sec 97 and 7 Annexure D of the Constitution and Sec 3 (2) and 80 (2) Defence Act.
- ❑ The outsourcing of the Functions created tension between the DOD and DPWI in that the Minister of DPWI was made to execute without accounting and the Minister of Defence was made to account.
- ❑ The capability and capacity within the DOD of over 107 Built Environment Professionals were dissolved.
- ❑ In 2006 the DOD became concerned that DPWI is not performing. Therefore, the DOD entered a Memorandum of Understanding with DPWI with the hope that DPWI would improve their performance. The signed MOU indicated that it is not a legally binding document (par 1.3). (Refer Appendix B: Memorandum of Understanding)
- ❑ Even the Government Immovable Asset Management Act (GIAMA No 19, 2007) Sec 4 (1) recognize the custodianship of the DOD.

DOD Facilities Status

The DOD is the custodian of all DOD occupied Facilities which were in good condition before being outsourced to DPWI after 1996.

DOD Immovable Asset Portfolio Status were as follows (excluding escalation): (2017/2018 Condition Assessment Results as required by GIAMA)

□The replacement value of the DOD occupied facilities was Rb87

□Over the years the total backlog on repairs and maintenance was indicated as Rb 11.4

□The Facilities beyond economical repair that need to be demolished and replaced was valued at Rb4.7

If the situation is not corrected in the medium to long term it will lead to the undermining of operational readiness of the Defence Force.

As witnessed by SCOA during the visits of Bloemfontein, Thaba Tshwane and Waterkloof Airforce Base, troop accommodation is a risk and not suitable and safe.

✓ This make it difficult for commanders to mobilise troops for any emergency.

✓ It impact on the moral of the troops and aggravate their financial situation

Migration of Functions from DPWI to DOD

The DOD had taken over the Municipal Function from DPWI (Effective 1 April 2020) and have introduced efficiencies and better control to achieve an annual reduction.

The DOD have settled arrears accounts of Rm350 due to Municipalities that was not paid by DPWI prior to April 2020. It was agreed with DPWI to re-fund the amount to the DOD but not yet refunded to date.

The following Functions in the table are to be insourced back to the DOD: (To be supported by National Treasury)

S No	Function	Take-Over Target Date	Amount	Remark
1	Property Rates And Taxes	Immediately	RM280	Budget to remain with DOD
2	Planned Maintenance			
a	Day-to-Day Repairs	Immediately	RM340	Budget to remain with DOD
b	Emergency Repairs	01-Apr-23	RM266	
c	Refurbishment Projects	01-Apr-23	RM314	Partial/Incremental Transfer
Total Accommodation Charges			RB1.2	

Use of Saving

The funds saved through efficiencies and the funds to be taken from the Day-to-day Repairs in the previous table will be reprioritized to address DOD unfunded projects that pose Life Threatening risks to members.

- ✓ **A-Mess.** The mess is situated on a Level 8 dolomite risk area. The cost to relocate the 1000 members and rebuild the mess is Rm410.
 - Rm150 asap for Composite Structures to be constructed for interim relocation of members.
 - Rm260 for the Construction of the new Mess in Thaba Tshwane over the next 5 years
- ✓ **Loftus/Airforce HQ.** The HVAC system is dysfunctional and needs urgent replacement at an estimated cost of Rm150.
- ✓ **Dolomite Risk Reduction – Thaba Tshwane.** Fix and replace the bulk services system at a cost estimated at Rm250 over 3 years.
- ✓ **1 Military Hospital.** Estimated at Rb1.379 is required for refurbishment over the next 29 months:
 - Construction at Rm580
 - Medical Equipment Fixtures at Rm799

In order to achieve this, National Treasury must assist to remove this funds as earmarked funds from Accommodation Charges to the DOD Facility Budget.

Further Efficiencies and Budget Saving

Support from National Treasury is required for Funding of the DOD Lease Replacement Strategy:

- The DOD lease cost have increased from Rm300 in 2015 to over Rm750 per year.
- At the current rate it will escalate to over Rb1.2 in the next 5 years if not addressed.
- To stop the continued escalation in Leases financial injection is required;
or
- Restore the DOD Refurbishment Budget to Rm847 as it was up to 2018 before the budget cuts.

The Lease Replacement Strategy does not only reduce the Lease cost but will further introduce efficiency in:

- Centralisation of staff, administrative and logistic support required at each decentralized facility.
- Elimination of transport and travel time between decentralized leased facilities.
- Improvement of member morale
- Safety and Security of the centralized Military Areas.

Response to SCOA Questions (1)

1. Progress report on all projects that were transferred from DPWI to SANDF after the Committee`s oversight visit to Bloemfontein and Gauteng, to date. This should include the value of these projects and status of completion thus far:

No projects were transferred to the DOD and remain the responsibility of DPWI.

The DOD still have no insight into progress or involvement in any of the projects except a one-line report on the cumulative expenditure per project and a status indicator per month.

Exception: DPWI indicated that the cost to fix the roofs of the Kitchen and Emergency Ward at 3 Military Hospital (Bloemfontein) will cost over RM2.0. The DOD rejected the cost proposal and fixed the roof within 2 weeks, using internal capability and capacity.

The work was executed by 1 Engineer and 7 Artisans of which the material cost was just under R 70 000.

Response to SCOA Questions (2)

2. Progress made and detailed costs of the refurbishment of the Waterkloof Airforce base fuel station that was damaged by fire and overall maintenance of the residential building for force members;

Waterkloof Fueling Station:

Immediately after the fire the DOD requested DPWI to fix the Fuel Station using Emergency Funds.

DPWI indicating that it was not an emergency and refused to use Emergency funding and requested the DOD to fund the project at an estimated cost of Rm15.

During the visit of SCOA to Waterkloof, DPWI recognized the Fuel Station as an emergency and promised SCOA that they will utilise Emergency Funds to fix the Fuel Station.

Seeing that DPWI is not fulfilling its promise to SCOA to fix the Fuel Station the DOD engaged DPWI again to fulfill its promise. DPWI responded again that the project is not an emergency, and the DOD must provide the funding to fix the Fuel station.

Response to SCOA Questions (2)

Waterkloof Fueling Station: (Continue)

The DOD resolved to take over the project, to cost it and withhold the equivalent funds which are supposed to be transferred to DPWI. National Treasury support is required to give effect to this decision.

Waterkloof Residential Building:

No response or actions by DPWI to date

Response to SCOA Questions (3)

3. Detailed report of the 2022/23 financial year first quarter expenditure per program.

DPWI to report on detail regarding the various programs (Detailed data is not available to the DOD)

- Planned Maintenance Projects**
- Refurbishment Projects**
- Capital Works Projects (New Work)**

Notes:

- 1. Before the Budget cut from Rm847 to Rm197 DPWI had already committed the DOD for over Rm600 on registered projects.**
- 2. In response to this unforeseen and unavoidable circumstances the DOD and DPWI at a meeting in 2019 agreed to freeze all projects at status 1 to 4 to avoid fruitless and wasteful expenditure.**

Response to SCOA Questions (4)

4. Any legal or administrative challenges faced by the DPWI in transferring the infrastructure maintenance function to the Department of Defence

DPWI has failed to provide any legal reason that empower them to be the custodian of DOD occupied facilities.

There is no formal document by the Minister of Defence or the President which transfer the Facility functions and custodianship from the DOD to DPWI.

If the Facility Functions is not transferred to the DOD:

- The Constitution and Defence Act must be amended to absolve the Minister of Defence to be held accountable.**
- The Minister of DPWI must be made to respond to facility establishment, repairs and maintenance during natural disasters and in war time.**

Response to SCOA Questions (5)

5. Progress report on the refurbishment of the 1 Military Hospital in Pretoria;

The project had been frozen awaiting the outcome of the alleged corruption and subsequent actions with specific reference to possible claims from the Consulting Firm that may lead to fruitless expenditure.

The Defence Works Formation is ready to start the project and complete it within 29 months subject to funding and the resolution of the Consulting Firm issues.

Response to SCOA Questions (6)

6. Any other matter related to this subject that may be useful to the Committee in exercising its oversight mandated functions.

SCOA and Treasury are requested to assist the DOD with the following:

- 1. The savings on Municipal Charges only become visible at the end of September. It is therefore requested that Treasury should allow this money to roll over to the next financial year for 3 years (MTEF) until the amount saved by the DOD is proven to be correct.**
- 2. Once the concept had been proven, it is requested that Treasury remove the funds from water and electricity and earmark the funds to DOD Facilities for repairs, maintenance, refurbishment and capital works.**

DOD MAJOR CONCERN ON DPWI PROJECTS

The DOD is concerned with the delay of the transfer of the functions with specific reference to the performance of DPWI on the DOD Project Portfolio.

Example: Planned Maintenance Projects.

Analysis of the data regarding the 54 Planned Maintenance Projects as provided by DPWI in July 2022 is as follows:

- DPWI has already spend Rb1.12 on Consulting Fees dating back to 2005 (over 15 years)**
- According to DPWI projection, another Rb1.4 is needed for Consulting Fees for the same projects up to 2026.**
- Most of these projects have not started with construction and have no clear indication of the actual completion date.**
- If DPWI is allowed to proceed with these projects, Rb2.5 will be spent on consultants without any tangible construction.**
- It must be noted that Capital Works and Refurbishment projects analysis are not included here.**



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Thank You



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18