

**MINISTRY**

**PUBLIC WORKS AND INFRASTRUCTURE**

**REPUBLIC OF SOUTH AFRICA**

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**NATIONAL ASSEMBLY**

**WRITTEN REPLY**

**QUESTION NUMBER: 1015 [NO.** **NW1261E]**

**INTERNAL QUESTION PAPER NO.: 11 of 2022**

**DATE OF PUBLICATION: 18 MARCH 2022**

**DATE OF REPLY: 19 MAY 2022**

**1015 Mr. S.S. Zondo (IFP) asked the Minister of Public Works and Infrastructure:**

(1) What are the costs of court orders that her department has entered into to assist the Government to drive down costs with private service providers?

(2) what are the details of the (a) agreements reached by her department with private property owners in negotiating the costs to do business with the State and (b) plans that her department has in place to address the rising costs to lease buildings over the medium term? **NW1261E**

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**REPLY:**

**The Minister of Public Works and Infrastructure**

1. I have been informed by the Department that there are no costs of court orders that the Department of Public Works & Infrastructure has entered into to assist the Government to drive down costs with private service providers. However, the Department has incurred legal costs for a briefing of Senior and Junior Counsel to assist in bringing an urgent court application for spoliation against one landlord who illegally locked-out some client departments from leased premises and the costs thereof are still to be received from the Office of the State Attorney.
3. The Department has undertaken a lease renegotiation drive for lease renewals with various landlords whose leases have expired or are about to expire; where user departments are still in occupation of such buildings. In this process, the Department relies on the following principles:

* All renewed lease agreements are aligned to the Rhode Report – which is an independent instrument that does market research to determine fair rentals for various areas around the country.
* Escalation is capped at 6% to manage the increase in rental rates annually.
* Negotiation of longer-term leases to increase our bargaining power to negotiate the lower rentals.
* Improved maintenance and tenant installations for such buildings where longer-term lease agreements have been successfully negotiated.

1. In the medium term, the Department is implementing various strategies in order to reduce over-reliance on private leases and reduce the cost of leasing.
   * **The Lease-to-own Strategy** – Involves signing longer-term leases (more than the usual 9years, 11 months) that allow developers to build these facilities to specification and the facilities reverting back to the state at the end of the lease period. This is aimed at smaller properties such as police stations and some courts.
   * **The Precinct Development Strategy** - The DPWI is making strides to plan and integrate accommodation requirements within government precincts, targeting both urban and rural areas. Because of population growth mainly in metros, there is a deliberate infrastructure planning interventions in the metro areas. In this regard, most of the Government Head Offices are situated in Tshwane, which is a hybrid of state-owned and leased accommodation. In terms of state-owned 14, National Government Departments occupy 750 000m2 of accommodation.

The establishment of the Government Estate Development Framework will facilitate the development of a further 900 000m2 of state-owned development across the following Precincts in Tshwane: Northern Gateway, Civic Precinct, Caledonian Precinct, Government Boulevard, and Ceremonial Boulevard

Within the Northern Gateway precinct, Salvokop is a mixed-use precinct gazetted as Strategic Infrastructure Project. Salvokop is a state-owned mixed-use precinct located within the inner city of Tshwane. The development will focus on phase 1 to develop **360 000 m2** of Head Office Complex for four (4) National Government Departments. This flagship project is jointly executed by DPWI, the National Treasury, and the City of Tshwane.

* + **The Refurbish, Operate, and Transfer Strategy** (ROT) - The ROT is an offtake of the already well-established infrastructure financing scheme called Build, Operate, and Transfer (BOT). Only the target for DPWI is already existing buildings that require funding to refurbish. BOT is a scheme or private finance initiative (PFI) or alternative procurement method in which a government contractually grants to a private sector entity a concession requiring the entity to obtain financing for the design, build, and operation of a public facility or infrastructure for a fixed period of time, during which the private entity can recover its costs of construction, plus profit, by charging fees or tools for its use and at the end of the concession period, transfer ownership and operation of the facility back to the government.