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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Prof. Cameron Morajane
Director: CCMA
Commission for Conciliation, Mediation and Arbitration
Private Bag x94
MARSHALLTOWN
2107

Email: KediboneM@ccma.org.za

Dear Prof Morajane

EXTENSION OF CONTRACT IN EXCESS OF THE 15% THRESHOLD: APPOINTMENT OF 15 SERVICE PROVIDERS FOR OFFICE LEASE

1. National Treasury acknowledges receipt of your letter dated 06 December 2021 and additional information received on 14 January 2022.

2. Your Institution is requesting approval to extend 15 lease contracts for office accommodation for the below offices **(Requested contract extensions**):

No.	Region	Supplier Name	Contract start date	Contract end date	Contract amount	Variance
1	East London	Border Remedies	01 Feb 2022	31 May 2023	R2 347 380.00	20.72%
2	Rustenburg	Redefine Properties Limited	01 Mar 2022	30 June 2023	R1 670 880.00	14.50%
3	Cape Town	The 78 Partnership	01 Apr 2022	31 July 2023	R11 457 116.00	26.04%
4	Kimberly	Pniel Road Investments cc/Hostprop 1111cc	01 Apr 2022	31 July 2023	R1 920 000.00	43.86%
5	Emalahleni	Nganya Investments cc	01 July 2023	31 Oct 2023	R4 570 836.00	17.30%

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6	Port Elizabeth	Simmark Investments	01 Apr 2022	31 July 2023	R3 719 037.07	17.12%
7	Mbombela	Vukile Property Fund represented by Broll Property group Ltd	01 May 2022	31 Aug 2023	R869 612.32	40.76%
8	Bloemfontein	MFT Property Management Trust/ Michael Family Trust	01 June 2022	30 Sept 2023	R4 496 387.52	16.48%
9	Ekurhuleni	City Property Obo of Heracle Shareblock	01 June 2022	30 Sept 2023	R6 250 077.60	29.88%
10	Newcastle	Viking Pony Properties 80	01 July 2022	31 Oct 2023	R615 000.00	19.93%
11	National Office	Rebosis Property Fund	01 Aug 2022	30 Nov 2023	R16 624 923.68	29.21%
12	Vryburg	Realnet	01 Sept 2022	31 Aug 2023	R180 004.44	44.97%
13	Johannesburg	City Property representing Olitzki Properties (OPH)	01 Nov 2022	31 Oct 2023	R9 564 255.60	20.30%
14	Polokwane	Delta Property Fund	01 Nov 2022	31 Oct 2023	R2 438 905.42	16.20%
15	Tzaneen	Realty 1 PG Rentals TZ	1 Dec 2022	30 Nov 2023	R226 278.26	174.36%

Below is the **original contract and previous details**:

No.	Region	Supplier Name	Original Contract start date	Contract end date Incl. Extension	Original contract amount	Total previous Extension Amount	No of previous extensions
1	East London	Border Remedies	01 Mar 2010	31 Jan 2022	R11 327 921.81	R3 872 997.60	2

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2	Rustenburg	Redefine Properties Limited	01 Sept 2011	28 Feb 2022	R9 403 543.94	R1 322 502.85	1
3	Cape Town	The 78 Partnership	01 Apr 2017	31 Mar 2022	R43 995 676.98	R0.00	0
4	Kimberly	Pniel Road Investments cc/Hostprop 1111cc	01 Apr 2016	31 Mar 2022	R4 377 307.62	R1 608 408.36	1
5	Emalahleni	Nganya Investments cc	01 Apr 2012	31 Mar 2022	R26 418 772.20	R0.00	0
6	Port Elizabeth	Simmark Investments	01 May 2011	31 Mar 2022	R21 718 525.22	R3 012 420.08	1
7	Mbombela	Vukile Property Fund represented by Broll Property group Ltd	01 Nov 2013	30 Apr 2022	R2 133 440.50	R2 380 935.84	4
8	Bloemfontein	MFT Property Management Trust/ Michael Family Trust	01 Apr 2009	31 May 2022	R23 086 465.31	R12 485 289.10	4
9	Ekurhuleni	City Property Obo of Heracle Shareblock	01 June 2015	31 May 2022	R20 917 007.89	R10 994 471.76	2
10	Newcastle	Viking Pony Properties 80	01 July 2014	30 June 2022	R3 085 622.46	R0.00	0
11	National Office	Rebosis Property Fund	01 Aug 2017	31 Jul 2022	R56 906 451.46	0	0

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12	Vryburg	Realnet	01 Sept 2016	31 Aug 2022	R400 232.80	R573496.07	1
13	Johannesburg	City Property representing Olitzki Properties (OPH)	01 Nov 2017	31 Oct 2022	R47 124 106.73	R0.00	0
14	Polokwane	Delta Property Fund	01 Nov 2011	31 Oct 2022	R15 059 111.8	R6 819 761.76	3
15	Tzaneen	Realty 1 PG Rentals TZ	1 Apr 2018	30 Nov 2022	R129 779.10	R923 69602	4

3. The lease extension request was recommended by the CCMA Director on 13 December 2021.

4. The reasons provided for the lease extensions are that the CCMA embarked on a process of reviewing the office space currently occupied across the country for 25 offices. The review was carried out in a phased-in approach based on the lease expiry dates of the various leases and to date 16 offices have been reviewed. Based on the review the CCMA is currently occupying 30 332 Gross Lettable Area (GLA)/ rentable space in these leases. The review results from the 16 leases reduced the total GLA for the 16 leases to 24 756 GLA resulting in a saving of 5 659 (19%) GLA. It is estimated that the GLA saving will approximately save the CCMA a total of R9.9 million annually based on the current rate per square meter. CCMA assessed the lease expiry dated and the most financially viable process to implement the outcomes of the space review. The following was the outcome of the comparison:

   i) **Bidding process:** The increase in rental cost due to new rental rates is likely to be higher than the current rental rates due to the amortisation of tenant installation and other related costs at the inception of the lease. Will incur additional cost on relocation and tenant installation costs of the possible new office. Incur costs associated with IT infrastructure set up due to possible relocation office.

   ii) **Variation of contract:** Negotiate for reduced increase/no increase / maintain the current rental rates to ensure hat rental costs does not increase over the extension

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period. Maintain the current set-up with no additional cost and maintain the current IT infrastructure with no additional costs incurred.

5. Based on the above it was not that it is best for CCMA to vary the contracts to allow for transition from the current size to the revised sizes. Request rental reductions from the current landlords to reduce the current costs and procure new office space based on the reduced GLA for the future financial sustainability of the organisation. The savings received after negotiations with landlords is R6 583 312.56. Of the R6 583 312.56 reduction received, R4 203 015.23 will be realised in the 2022/23 financial year (FY) and R2 365 966.16 realised in 2023/24 FY. The proposed procurement timelines indicate that procurement process up until award and service level agreement will be finalised in October 2022 for phase 1 and for phase 2 will be finalised in February 2023.

6. The reasons provided for these lease extensions are valid.

7. National Treasury's response to the extension of 15 lease contract is:

No.	Region	Supplier Name	Status	Period
1	East London	Border Remedies	**NT supports** the extension on condition that the rates payable are market related and CCMA commences and finalises an open procurement process for office accommodation within this period.	12 months
2	Rustenburg	Redefine Properties Limited	**NT supports** the extension on condition that the rates payable are market related and CCMA commences and finalises an open procurement process for office accommodation within this period.	11 months
3	Cape Town	The 78 Partnership	**NT supports** the extension on condition that the rates payable are market related and CCMA commences and finalises an open procurement process for office accommodation within this period.	10 months

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4	Kimberly	Pniel Road Investments cc/Hostprop 1111cc	**NT supports** the extension on condition that the rates payable are market related and CCMA commences and finalises an open procurement process for office accommodation within this period.	10 months
5	Emalahleni	Nganya Investments cc	**NT supports** the extension on condition that the rates payable are market related and CCMA commences and finalises an open procurement process for office accommodation within this period.	10 months
6	Port Elizabeth	Simmark Investments	**NT supports** the extension on condition that the rates payable are market related and CCMA commences and finalises an open procurement process for office accommodation within this period.	10 months
7	Mbombela	Vukile Property Fund represented by Broll Property group Ltd	**NT supports** the extension on condition that the rates payable are market related and CCMA commences and finalises an open procurement process for office accommodation within this period.	9 months
8	Bloemfontein	MFT Property Management Trust/ Michael Family Trust	**NT supports** the extension on condition that the rates payable are market related and CCMA commences and finalises an open procurement process for office accommodation within this period.	8 months
9	Ekurhuleni	City Property Obo of Heracle Shareblock	**NT supports** the extension on condition that the rates payable are market related and CCMA commences and finalises an open procurement process for office accommodation within this period.	8 months
10	Newcastle	Viking Pony Properties 80	**NT does not support** the extension of this lease. CCMA must test the market.	0
11	National Office	Rebosis Property Fund	**NT does not support** the extension of this lease. CCMA must test the market.	0
12	Vryburg	Realnet	**NT does not support** the extension of this lease. CCMA must test the market.	0

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13	Johannesburg	City Property representing Olitzki Properties (OPH)	**NT does not support** the extension of this lease. CCMA must test the market.	0
14	Polokwane	Delta Property Fund	**NT does not support** the extension of this lease. CCMA must test the market.	0
15	Tzaneen	Realty 1 PG Rentals TZ	**NT does not support** the extension of this lease. CCMA must test the market.	0

8. The Institution has an obligation to ensure that any contract for goods and services is in accordance with a system of procurement which is fair, equitable, transparent, competitive and cost effective.

9. Please be advised that these awards must be published on the e-tender portal.

Kind regards,
Signed by:Molefe Isaac Fani
Signed at:2022-01-27 12:35:28 +02:00
Reason:Witnessing Molefe Isaac Fani

MR. MOLEFE-ISAAC FANI
ACTING CHIEF PROCUREMENT OFFICER
DATE: