

South African Institute of Race Relations (IRR)

222 Smit Street (virtual office)

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Braamfontein

Johannesburg

2000

South Africa

Dear Sir or Madam

Subject: Enforcement of BEE on community schemes

I write to you on behalf of the South African Institute of Race Relations (IRR) concerning the alarming comments that were made by Minister of Human Settlements, Mmamoloko Kubayi, that community schemes need to be subject to mandatory “economic transformation”.

This is an unconstitutional attempt by Minister Kubayi to forcefully implement failed racial preferencing policies, such as Black Economic Empowerment (BEE), on sectional title complexes, homeowners’ associations, retirement housing schemes, share block companies, and housing co-operatives.

Community schemes represent the home investments of innumerable South African households like mine. For most, this will be the largest outlay they will ever make; for many people, costs associated with housing are the single largest monthly expense.

This is a significant matter for the country's hard-pressed middle class. Not only has the country seen a marked escalation in the cost of living, but state failure has forced those who can afford it into a regime of

effective double taxation as we buy privately what the public administration is not providing. This is part of the reason for the growth of community schemes in the first place.

Making empowerment criteria mandatory would be another effective tax, the equivalent of demanding that households commit an additional portion of their after-tax incomes to supporting a government policy.

BEE is not a mandatory obligation for either the public or private sector. It is surprising that Kubayi proposes imposing it on ordinary households.

Additionally, BEE has failed to achieve its stated aim of economic empowerment for black South Africans. It actively benefits only a small group of well-connected elites while trapping millions in poverty.

Are you of the view that community schemes must be subjected to mandatory BEE?

This is a matter of vital public interest. Therefore, this letter and your response will be disclosed to the public (i.e. members of the IRR as well as ordinary South Africans) so that they can be informed about the current developments.

If you would like more information on BEE and the danger it poses to community schemes like yours, please contact me at mlondi@irr.org.za to arrange a meeting.

Warm regards,

Mlondi Mdluli

Campaign Manager

South African Institute of Race Relations

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