

[Features](#)

# Property: Levelling the field

**The department of public works is looking to speed up transformation in the property sector by restructuring its property empowerment policy**

06 January 2017 - 07:10 AM Xolisa Phillip



Important changes are on the way in the property environment. Picture: GALLO IMAGES/AFP/GIANLUIGI GUERCIA

The department of public works is rejigging its property empowerment policy with a view to giving black business more action in the department's multibillion-rand property portfolio.

Paul Serote, head of the department's property management trading entity, says the review will be complete by end-March.

The department, once a laggard among its peers, with rampant corruption in its lease agreements and widespread irregular expenditure, has finally completed its asset register — 15 years after first undertaking the exercise. It shows the department is the custodian of 31,310 land parcels and 92,593 buildings dotted across nine provinces and collectively valued at R112bn.

The trading entity is in charge of managing the department's properties.

Serote says public works will spend R4bn procuring private leases from landlords in 2016/2017.

Enter the SA Institute of Black Property Practitioners, which has been lobbying the department to ensure its members benefit from public works' procurement spend.

The department has long co-operated with the institute, says Serote, who confirms that it is in talks about how state programmes and tools can contribute to transforming the property sector.

"Public works minister Thulas Nxesi has also been in discussions with the SA Property Owners Association and financial institutions with a view to rapid and holistic transformation, including the transformation of lending practices and instruments which support the transformation programmes of the department," says Serote.

For its part, public works' property empowerment policy review will focus on strengthening enforcement, monitoring and evaluation. In addition, the department will place greater emphasis on small business support, empowerment, market access and skills development. The department will also assist new players through maintaining its properties over their life cycle, says Serote.

Public works' primary procurement areas are in general goods and services, construction, and property and facilities management.

"Black business can benefit from opportunities in these areas of procurement," says Serote. "The draft preferential procurement regulations of 2016 seek to address inadequacies in the current procurement regulations by introducing an increase in the threshold value of tenders subjected to the preference points-scoring system wherein price and black economic empowerment status are scored."

The current regulations provide that, for all tenders up to R1m, scoring must be 80 points for price and 20 points for BEE. Tenders greater than R1m are subjected to a 90/10 scoring system.

"It is evident that, with this allocation of points scoring, tenderers who quote a cheaper price can score maximum points," says Serote. "This does not favour small businesses when [they are] competing with well-established enterprises. To address this challenge, the new regulations ... allow for the 80/20 principle to apply for all tenders up to R100m and tenders greater than R100m are subject to the 90/10 principle."

The draft regulations also make it mandatory for state organs to set prequalifying tender criteria, which include subcontracting 30% of the value of the contract to emerging micro enterprises and qualifying small enterprises owned by black people.

To develop small, medium and micro enterprises in the built environment, the department has advertised for an "expression of interest" with a view to establishing a panel of service providers who will participate in a contractor incubator programme.

"The targeting of specific categories of persons and enterprises will enable black businesses to compete for procurement opportunities," he says.

Vuyiswa Mutshekwane, CEO of the SA Institute of Black Property Practitioners, says pushing for black business inclusion involves knowing what assets are in play. She is optimistic, now that public works has completed its asset register.

The institute initiated talks with the department in a bid "to do away with the notion that black business is synonymous with small and medium enterprises [the institute's core constituency]", she explains.

The institute no longer wants to see small businesses doing the "small things" — "they also need to do the major work, from architecture to construction, that is where the big money is spent".

Mutshekwane warns that SA does not have another 22 years to redress its economic imbalances.