

17

AN EXAMINATION OF JOHANNESBURG'S NATIVE REVENUE ACCOUNT
DELIVERED BY COUNCILLOR P. R. B. LEWIS TO THE TRANSVAAL
STUDENTS' SOCIETY OF THE INSTITUTE OF MUNICIPAL TREASURERS
AND ACCOUNTANTS ON THE 15TH SEPTEMBER, 1960.

While the subject to my talk tonight is the Johannesburg Native Revenue Account, in order to get our perspective it is necessary for me to sketch the task with which Johannesburg has been faced in endeavouring to provide for its Native people.

INCREASE IN
POPULATION:

At the turn of the century, the Non-European population was 72,279, of whom 61,153 were males and 5100 were females, and there were 6,016 children. Of the Non-European population 59,605 were Natives. The ratio of males to females was 12 to 1. By 1911 the Native population had grown to 101,971 and ten years later it was 116,120. By 1927 (when the Non-European Affairs Department was first established) the population had increased to 136,700 of whom only 19,000 were females and 117,700 were males, the ratio being 6 males to 1 female. At the commencement of the War in 1939 the male population had increased since 1927 by 50% to 179,000 but the female population had increased by over 300% to 65,000. By 1946 the population was 395,231 of whom 211,322 were males, 100,000 females and 83,909 children. In 1959 the estimated Native population was 560,408 of whom 241,344 were males, 143,579 females and 175,485 children. In addition to this population within Johannesburg's boundary, the estimated population in the Peri-Urban Areas North and South of Johannesburg, including Alexandra, amounted to 165,000 so that in the metropolitan area of Johannesburg the total Native population is approximately 725,408.

It is particularly necessary to note not only the increase in the population, but the change in the population from a predominantly male one to the present when the ratio of men to women is five to three, and where the children form approximately one-third of the total population.

BUILDING OF
HOUSES:

You are no doubt aware of the provisions of the Urban Areas Act placing an obligation on local authorities to house natives employed within their boundaries. Johannesburg's first housing scheme was in 1919 when some 2000 houses were built at Western Native Township. In 1925 and 1930 a further 628 houses were built at

Eastern Native Township. In 1930 the Orlando scheme was started and during the following four years 2800 houses were built, and in 1939 a further 3091, so that at the commencement of the War in 1939 approximately 8700 houses had been built.

WAR PERIOD: It was during and immediately after the War that the large migration of family units to the Cities took place. These were the days of squatter camps and appalling living conditions owing to a shortage of materials and labour due to the concentration on the War effort. The task of providing decent living conditions seemed impossible, not only because of the cost of houses, but the cost of the provision of services which, in many instances, was more than the cost of the house.

PERIOD OF ACTION: Then followed the passing of the Native Building Workers Act in 1951, the Native Services Levy Act in 1952, the Site and Service Scheme and the establishment, in 1954, of the Council's Housing Division. At the end of 1953 the Johannesburg Council had built 17,814 houses, and had Hostel accommodation for 14,120 men. By the 30th June, 1960, the houses built had increased to 52,183 and the Hostel accommodation was 24,398 and, in addition, sites allocated in the Site and Service Schemes, on which the building of houses was awaited, amounted to 4,667. The present programme is to build 5000 houses a year. The Council is now faced with a shortage of suitable sites on which to build.

LOAN FROM MINING HOUSES: In addition to the housing loans provided by the Government, a great stimulus was given to Johannesburg in 1956 by the Mining Houses agreeing to loan Johannesburg £3M. to provide homes for the slum dwellers of Moroka and Shantytown. 12,649 houses have been built to date from these funds, enabling the removal of 73,304 persons from these slums.

It is against this background of the task confronting the Council, a task faced by most of the local authorities, but not on such a large scale, that I want to present to you some aspects of the financing of this large enterprise.

NATIVE REVENUE ACCOUNT: Under the Urban Areas Act of 1923, as amended, later Act 15 of 1945, the responsibility was placed on local authorities for housing

natives employed within their boundaries. Under the same Act it became obligatory for local authorities to keep a separate account, to be called the Native Revenue Account, in which had to be reflected the income and expenditure in connection with native affairs. It would appear that the reason for this legislation was that some local authorities were misusing the income from their locations to subsidise European Ratepayers. The Act laid down the categories of income which had to be credited to the Native Revenue Account, and what expenditure could be charged thereto. An important provision of the Act is that before any appropriations are made from the Native Revenue Account, estimates of expenditure must be passed by the local authority, and the estimates must be approved in writing by the Minister of Bantu Administration and Development, subject to such conditions as he may deem fit.

The Native Advisory Boards must be given an opportunity of considering the estimates, and their comments must be considered by the local authority, and transmitted to the Minister. The Act also provides that no immovable property belonging to the Native Revenue Account can be disposed of without the approval of the Minister or contrary to any condition which he may impose when granting such approval.

The Native Revenue Account consists of three portions:

1. The Ordinary Native Revenue Account
2. The Kaffir Beer Sub-Account
3. Native Services Levy Fund.

In the time at my disposal I do not propose to detail the provisions of the Act regarding the Native Revenue Account, as I wish to give some of the facts which emerge from a study of Johannesburg's Accounts.

CAPITAL
EXPENDITURE:

In order to give some idea of the comparative capital expenditure, I have extracted the figures for Balance Sheets as at 30th June, 1940, 30th June, 1952, and 30th June, 1959. These reflect the following capital expenditure:

	<u>30. 6. 40</u>	<u>30. 6. 52</u>	<u>30. 6. 59</u>
Land	122,185	1,309,561	1,302,603
Buildings	823,062	3,801,110	9,516,821
Machinery & Plant	18,035	18,548	105,230
Tools	204	102,324	118,928
Motor Vehicles	8,334	62,278	119,392
Furniture	17,043	49,187	110,370
Layout	3,345	35,390	112,969
Fencing	46,073	91,705	144,051
Livestock	2,388	12,248	
Tennis Courts	190	3,966	4,544
Stormwater Drainage & Sewerage	33,698	100,163	2,555,910
Railway Siding	4,297	4,861	4,861
Water Supply	33,233	74,353	1,258,947
Roads	12,967	181,677	736,076
Tramway Extension	1,750	1,750	
Lighting	12,781	60,900	587,148
Medical Appliances	17	16	5,790
Swimming Pool	768	741	3,407
Orlando Govt. Housing Scheme	430,472		
Bridges		26,817	38,759
Gas Supply		3,843	3,843
Playing Fields		18,132	100,648
Office Machinery		4,296	36,232
Sundry Debtors House			
Selling Schemes		5,044	1,115,057
Meters			2,500
	<u>1,570,842</u>	<u>5,968,910</u>	<u>17,994,086</u>

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This reflects the tremendous expansion which has taken place in recent years. It may be of interest to give details of some of these items. For instance, of the expenditure on buildings to the 30th June, 1959 - £9,516,821: the amount spent on erecting eight Hostel buildings amounted to £957,347: The amount spent on housing schemes amounted to £8,195,536:

INVESTMENT
IN LAND:

Of the land costing £1,302,603: - £50,513: represents the cost of land for Hostels - £574,051: represents the amount spent on ground for housing schemes - £474,405: represents expenditure on ground for as yet undeveloped or partially completed schemes, and £166,640: represents what is termed in the Accounts "General Land", the bulk of which was the cost of £150,448: of the Bantu Sports Ground in Von Weilligh Street. In order to comply with Government policy, certain ground in the City area was transferred at cost from the Native Revenue Account to the City's Estate Branch, the value of this property being approximately £240,000: and that is why the expenditure on land is reflected at a lower amount in 1959 than in 1952. In examining the price at which ground has been purchased, it is interesting to find that the 1120 acres

at Orlando East were purchased at an average cost of £6:14: 4d., per acre; the 1146 acres at Orlando West were purchased at £7: 9: 3d., per acre, whereas the 4428 acres in the Site and Service schemes were purchased at an average of £87:18: 3d., per acre.

AREA OF LAND: The purchases of ground in the areas to the south-west of Johannesburg are reflected in the following table of the areas of ground owned from time to time:

1910	69.7 morgen
1920	69.7 morgen
1930	1349 morgen - 4.4 sq. miles
1940	1972 morgen - 6.5 sq. miles
1950	5208 morgen - 17.2 sq. miles
1958	6936 morgen - 23 sq. miles.

This excludes the area of ground purchased by the Resettlement Board in Diepkloof and Meadowlands, adjacent to the Council's Housing schemes.

SOURCE OF FUNDS: Where did the money come from to finance this expenditure?

As at 30.6.59	
Government Loans amounted to	£7,737,346
Loans from Native Services Levy Fund	608,999
Loans from outside bodies (Mining Houses and Soldiers Housing Organisations)	2,545,556
Advance from Council's Consolidated Loans Fund	1,523,707
Advance from Council's Capital Development Fund	<u>175,734</u>
	12,591,342
Less: Temporary advance to Rate Fund	<u>317,680</u>
	12,273,662
Accumulated Surplus	<u>5,760,424</u>
	<u>£18,034,086</u>

Of the money borrowed from the Government -

£3,359,589 was lent at $\frac{3}{4}\%$ interest on the basis of National Housing Commission formulas

55,707 was lent at $3\frac{1}{2}\%$ interest

719,646 was lent at $4\frac{1}{2}\%$ interest
930,623 was lent at $4\frac{3}{4}\%$ interest
2,671,781 was lent at $4-7/8\%$ interest.

The loan from the Native Services Levy Fund bears interest at $1/8\%$. The loan from the Mining Houses is at $4-7/8\%$ and from the Soldiers Housing Organisations at $1\frac{1}{4}\%$. The rate charged by the Consolidated Loans Fund and the Capital Development Fund varies from year to year, depending upon the average paid by the Council during that year, and in 1958/59 it was at the rate of 4.446%. Of the funds provided by the Government since 1952 -

£444,855 is at $\frac{3}{4}\%$

681,333 is at $4\frac{1}{2}\%$

882,398 is at $4\frac{3}{4}\%$

2,541,811 is at $4-7/8\%$.

SURPLUS:

As you are aware, Municipal accounting is different from commercial accounting, and the amount shown as the surplus in the Capital Account represents the excess of the original cost of the assets over the loans outstanding, and in the case of Johannesburg, mainly consists of loans redeemed and grants from the Native Services Levy Fund. In the books of the Council assets are maintained at their original cost, and are not depreciated, and they are only written off against the surplus when they are disposed of. The surplus therefore represents the difference between the historic cost of the assets and the outstanding part of the loans which were raised to finance them. The assets belong to the Council, but, as previously stated, the assets of the Native Revenue Account may only be disposed of with the approval of the Minister of Bantu Administration and Development, and on conditions laid down by him.

Of the surplus of £5,760,424: the amount represented by grants from the Native Services Levy Fund is £3,184,722: leaving a balance of £2,575,702: representing the amount of loans redeemed. Loans raised for the financing of some assets are, in many cases, only nominal as the following schedule reflects:

<u>LOANS REDEEMED:</u>	<u>Total Expenditure</u>	<u>Loans Outstanding</u>	<u>Loans redeemed and assets written off</u>
General Section	500,268	257,506	242,762
Kaffir Beer Section	528,323	293,733	234,590
Denver Hostel	264,808	186,805	78,003
Dube Hostel	264,126	251,643	12,483
Mai Mai Hostel .	20,192	11,328	8,864
Wemmer Hostel	110,721	2,418	108,303
Wolhuter Men's Hostel	137,965	38,532	99,433
Wolhuter Women's Hostel	5,068	294	4,774
Eastern Native Township	119,475	25,121	94,354
Jabavu	1,076,831	946,176	130,655
Moroka	268,346	148,820	119,526
Orlando East	1,421,039	987,845	433,194
Orlando West	2,080,493	1,894,386	186,107
Pimville	165,147	88,032	77,155
Undeveloped Schemes	519,165	411,766	107,399
Shantytown	111,500	7,346	104,154
Western Native Township	388,034	35,318	352,716
	7,981,501	5,587,069	2,394,472

MUNICIPAL VALUE
OF LAND:

In this connection it is interesting to speculate what the real value of the assets of the Native Revenue Account are, and the real amount of the surplus. For instance, the 11 acres of land on which the Wemmer Hostel is situated at the corner of Loveday Street and Village Road, stands in the Assets Register at £13,937: £1280: an acre, but the Municipal Valuation of this ground is £200,000: or approximately £20,000: per acre. The value would be more if the present restriction that the ground can only be used for Hostel purposes were removed. Ground adjacent to this Hostel is valued in some cases at £40,000: per acre, some at £60,000: per acre and some at £80,000: per acre. The 71 acres on which Eastern Native Township is built cost £5618: - £79: per acre, whereas the 40 acres adjoining this area recently purchased for the Eastern Native Township Hostel cost £61,837: - £1550: an acre. The Municipal Valuation of the ground on which Eastern Native Township is situated is £128,000: The ground on which the Municipal Brewery is situated in Von Weilligh Street, which cost £1096: has a Municipal Valuation of £50,000: The ground on which the Wolhuter Men's Hostel was

erected cost £5103: and now has a Municipal Valuation of £40,000:

I have already referred to the difference in price between the cost of ground bought at Orlando and the ground in the Site and Service schemes. The 666 acres in Pimville cost £19,185: £29: an acre. The 252 acres in Western Native Township cost £24,249: and the Municipal Valuation of this ground is £190,000: While the value of much of the land may have increased, other assets may be worth less than the book value. For instance, the ground on which the Bantu Sports Ground is situated in Von Weilligh Street, which cost £150,448: has a Municipal Valuation of only £70,000: It might be quite an interesting innovation to insert the Municipal Value of the land in Balance Sheets.

An interesting question arising out of this value of land is the price at which the ground in Western Native Township should be transferred from the Native Revenue Account when Western Native Township is converted into a Coloured Housing Scheme. Should it be at cost, which to my mind would be unfair to the Native Revenue Account, and if not at cost, what should the price be, and how would the purchase be financed?

REVENUE
ASSETS:

The Revenue assets and liabilities in the Balance Sheet as at 30th June, 1959, were:

ASSETS:

Stores on Hand		79,508
Sundry Debtors		327,758
On General Account	105,049	
Rents	214,923	
Loans	4,354	
Payments in Advance	<u>3,432</u>	
Work in Progress		79,582
<u>Investments</u>		1,678,586
Native Services Levy Fund	923,961	
Other Funds	<u>754,625</u>	
Cash on Hand		<u>15,416</u>
		<u>£2,180,850</u>

LIABILITIES:

Sundry Creditors		283,292
Reserve and Trust Funds		1,678,586
Maintenance Reserve Fund	620,548	
Reserve for Bad Debts	116,616	
Native Gratuities	15,317	
Security Deposits	2,144	
Native Services Levy Fund	<u>923,961</u>	
Surplus - unallocated		
Kaffir Beer Profit		67,500
Advance from Rate Fund		<u>151,472</u>
		<u>£2,180,850</u>

ARREAR RENTS
£214,923:

Over the past four years the arrear rents have increased very substantially as the following table reflects:

<u>Year Ended</u> <u>30th June</u>	<u>Annual</u> <u>Rents</u>	<u>Arrears</u>	<u>% of Annual</u> <u>Rent</u>
1956	669,943	10,807	1.6
1957	857,060	22,512	2.6
1958	1,174,131	105,827	9
1959	1,436,943	214,923	15

The Council's experience has been that the arrears are more as a percentage in the sub-economic housing schemes than in the economic housing schemes. In June 1959 the arrears in the sub-economic housing schemes amounted to an average of $3\frac{1}{2}$ months rental, whereas in the economic schemes it was a month and three-quarters. It appears to me that one of the causes of the arrears in the sub-economic schemes is the operation of the formula under which rents are based on the income for the previous year on a sliding scale. In the formula no provision is made for the size of the families, nor has the £15: income limit, fixed in 1952, been increased in spite of the fact that during that period the cost of living has gone up. The Johannesburg City Council has fixed the sum of £20: as being the sub-economic limit. The Council has been considering the advisability of invoking the provisions of Section 20(3) of the Urban Areas Act under which the employer would be required to pay the rental. Part of the difficulty in collection of the rentals is the delay in Court procedure, but nevertheless, it is very significant of the times in which we are living that a large number of tenants find it extremely difficult to make ends meet. I hope that in the discussion the experience regarding rent arrears will be given by members of other Authorities.

In Southern Rhodesia it is the employer who pays the rental, but this presents certain difficulties, one of which is that if a person loses employment he often loses his house simultaneously.

MAINTENANCE
RESERVE:

The question is often asked as to whether the Council's policy is not too conservative in writing off the capital cost of the houses over the period of the loans raised to finance these houses, while at the same time provision is made not only for the maintenance of

those houses, but also for the creation of a maintenance reserve, which, at 30th June, 1959, was made up as follows:

Maintenance Reserve:

Dube Hostel	£16,899
Nancefield	11,149
Dube Housing Scheme	5,323
Jabavu	159,837
Mofolo	12,975
Orlando East	17,888
Orlando West	273,052
Pimville	12,408
Site and Service	27,066
Other Schemes	<u>83,951</u>
	<u>£620,548</u>

Examples of this may be given. For instance, of the loan raised to finance the cost of the establishment of Eastern Native Township the total cost of which was £119,475: the amount outstanding at 30th June, 1959, was £25,121: But the Municipal Valuation of the land which stands in the Council's books at £5618: is £128,000: so that while the loans raised will be redeemed in the near future, the value of the assets will in all probability far exceed their original cost, but will have been paid for in full. Similarly, the cost of establishment of the Western Native Township was £388,034: of which the loan outstanding at the 30th June, 1959, amounts to £35,318: As previously stated, the Municipal Valuation of the ground, which cost £24,249: is £190,000: It is true that the houses in both these schemes are old, but they are habitable for many years to come. These instances are of townships situated within the City where land has appreciated considerably in the last thirty to forty years.

Take another example: the cost of buildings at Orlando West was £1,571,328: At the 30th June, 1959, the amount standing to the credit of the Maintenance Reserve for this Township amounted to £273,052: The cost of maintenance of these houses during the three years ended 30th June, 1959, amounted to approximately £36,000: and of the loans raised £186,107: had been redeemed, so that the reserve for maintenance and redemption of loans amounted to about one-third of the total cost. The final balance of the

loans will only be redeemed in 1992. In this case it is hard to know what the maintenance bill will be during the next thirty years, and whether at that time that standard of house will be acceptable to the population. The Council's experience with the older townships, such as Eastern Native Township and Western Native Township, does show that at the end of the normal loan period a value does attach to the houses. It is the Council's policy to endeavour to maintain the houses in good condition, and if the Maintenance Reserve should prove inadequate, maintenance would be charged against current revenue.

Research is being carried out regarding the costs of maintaining houses, and the Council is experimenting with a new method which is being tried in Orlando East where a start has been made on a complete renovation of houses in a section of the township, and it is proposed to do this at regular intervals. Another factor to be taken into consideration is that Government loans are now redeemed over a thirty-year period instead of forty years.

I think it advisable at this stage to dispel an argument put forward that the loans redeemed have been from the rents paid by the tenants in places such as Western Native Township, and that the rents cover the purchase of the properties. This is not so. In Western Native Township the costs of administering the township during the last eight years alone (1952-1959)

amount to	£608,167
of which the loan redemption charges =	<u>74,019</u>
Expenditure (excluding redemption charges)	<u>£534,148</u>
The rents paid during this period amounted to	<u>£223,293</u>
So that the loss, excluding redemption charges was	<u>£310,855</u>

therefore it cannot be said that the rents paid by the tenants covered the loan redemption.

SOUTHERN RHODESIAN
COMMISSION RECOM-
MENDATION:

In the Report of the Urban African Affairs Commission of Southern Rhodesia, which was published in 1958, paragraph 313 reads:

"We recommend that the Native Revenue Account be recast and that the following general principles should be observed:

- (a) The Native Revenue Accounts should not be charged with interest on and redemption of funds borrowed from the local authorities and still have no assets when the loans have been redeemed. As the assets belong to the municipalities, the redemption of the loans should fall upon the municipalities. On the other hand, the Accounts should properly be charged with interest on the loans and a suitable rate of depreciation.
- (b) The costs of administering the native urban areas should be borne by the municipalities but the Accounts should be required to make a reasonable contribution to the municipalities in lieu of rates. The method of assessing this contribution should be standardized and fixed by government. Even if in some cases the amount of this contribution should not be significantly different from what it happens to be at present we think it important that the principles by which the assessment is fixed should be clear and uniform. And having determined the appropriate rateable values of the native urban areas we think that the poundage rates to be applied should be the same as those which operate within the municipalities proper.
- (c) A suitable contribution from profits on water and electricity supplies should be made to the Account.
- (d) We think it important that the rent charges should be clearly separated from the charges for services so that the African in the urban areas should be able to understand more clearly for what he is paying."

COMMENT ON
COMMISSION
RECOMMENDATION:

These suggestions would be a fundamental departure from the present system. I like the idea of divorcing payments, for example, medical services, water, sanitary and refuse removal, from rents. What we commonly call rent is much more than rent and I think we could perhaps bring about a change in attitude to rents if many of the other amenities provided were the subject of a separate charge, and a better appreciation of the services being provided might result. In view of the Capital appreciation on land in some of the older townships, the Native Revenue Account might be better off in the long run paying redemptions but retaining capital appreciation.

NATIVE REVENUE
ACCOUNT - INCOME
& EXPENDITURE:

What are the sources of income of the Native Revenue Account. These can be summarised as follows:

ANALYSIS OF EXPENDITURE & INCOME ON NATIVE REVENUE ACCOUNT

	<u>1952/53</u>	<u>1953/54</u>	<u>1954/55</u>	<u>1955/56</u>	<u>1956/57</u>	<u>1957/58</u>	<u>1958/59</u>	<u>Approx.</u> <u>1959/60</u>	<u>Est.</u> <u>1960/61</u>
<u>EXPENDITURE:</u>									
Salaries, Wages & Allowances	273,210	369,649	427,988	486,963	541,320	647,991	770,638	855,877	922,020
Miscellaneous Expenses -									
Departmental Charges	9,414	9,621	10,924	14,670	15,167	15,501	17,478	19,839	20,872
Medical Services (Nett)	100,219	129,460	109,654	238,012	265,745	339,889	241,468	310,196	343,025
Sanitary Fees	21,332	25,415	27,088	23,652	24,347	37,622	29,447	20,860	20,860
Sanitary Services	175,042	183,008	184,862	210,327	247,176	295,536	292,198	344,448	346,518
Water Supply	14,892	14,463	22,546	42,707	52,700	76,625	97,889	127,767	144,200
Grants-in-Aid	18,205	18,492	22,273	25,110	29,449	32,496	33,801	32,565	41,272
Other	167,307	212,841	191,173	180,656	261,289	240,343	266,724	299,943	314,513
	506,411	593,300	568,520	735,134	895,873	1,038,012	979,005	1,155,618	1,231,260
Repairs and Maintenance	157,146	175,264	194,666	176,277	261,740	269,473	292,180	302,860	353,803
Loan Charges: Interest	157,236	160,814	172,154	199,284	217,317	261,862	349,531	422,837	(
Capital Redemption	169,353	146,972	144,492	133,686	127,986	131,878	179,819	193,206	(720,829
	1,263,356	1,445,999	1,507,820	1,731,344	2,044,236	2,349,216	2,571,173	2,930,398	3,227,912
Less: Charged to Native Services Levy	11,769	15,990	16,344	15,487	15,719	17,783	19,834	17,800	17,800
	£1,251,587	1,430,009	1,491,476	1,715,857	2,028,517	2,331,433	2,551,339	2,912,598	3,210,112
<u>INCOME:</u>									
Fines	104,023	126,159	137,059	111,952	129,855	91,048	102,686	100,000	100,000
Rents	484,281	539,517	571,476	669,943	857,060	1,174,131	1,436,943	1,526,550	1,622,050
Labour Bureau Fees		11,804	15,518	16,692	16,282	16,980	14,890	14,500	14,500
Registration Fees		172,041	202,845	211,357	215,188	249,626	260,183	260,000	260,000
Govt. Subsidy: Housing Losses	26,253	31,195	38,462	40,335	42,841	5,660	-	-	-
Sundry	48,583	46,305	38,102	18,680	27,491	38,539	37,061	72,000	76,500
Kaffir Beer Profits	239,835	366,230	317,156	517,846	525,100	539,538	(1) 577,996	(2) 548,840	542,756
<u>TOTAL INCOME</u>	902,975	1,293,251	1,320,618	1,586,805	1,813,817	2,115,522	2,429,759	2,521,890	2,615,806
Deficit to Rate Fund	348,612	136,753	170,858	129,052	214,700	215,911	121,580	390,708	594,306
	£1,251,587	1,430,009	1,491,476	1,715,857	2,028,517	2,331,433	2,551,339	2,912,598	3,210,112

(1) Excluding £67,500: unallocated
(2) Excluding £32,500 unallocated.

MEDICAL SERVICES:

In the schedule giving the main headings of expenditure, Medical Expenses are shown as nett. For the year ended 30th June, 1959,

the gross expenditure was as follows:

Health Inspection and Sanitation		20,503
Nursery Schools		10,346
Medical Services in Locations		420,527
Infectious Diseases		8,772
Tuberculosis		221,591
Venereal Diseases		3,416
Medical Examination at Registration Centre		9,860
Waterval Hospital		125,653
Non-European Child Welfare		<u>5,022</u>
		825,690
Refunds received from Government	291,888	
Refunds received from the Province	267,376	
Other Income	<u>24,958</u>	<u>584,222</u>
		<u>241,468</u>

For 1960/61 the gross expenditure is estimated to be £1,071,733: and the nett £343,025:

REDEMPTION CHARGES:

It will be noticed from the Schedule that interest paid has increased more rapidly than the redemption charges. One reason for this is that redemption of loans normally only commences when loans are fully paid out. Frequently the expenditure of a loan is spread over many years, so that while the income may be accruing from the assets on which part of the loan has been spent, the redemption charges are only charged to the Native Revenue Account in later years. As in economic loans the calculation of rents include an allowance for redemption, it appears to me that the annual Accounts should make some provision for redemption even though the payments would be deferred. At the 30th June, 1959, of £10,877,976: drawn against approved loans only £5,345,261: was subject to redemption, so that if all the loans had been subject to redemption the capital redemption charges in the Native Revenue Account would have been greatly increased.

FINES: Questions are often asked as to what fines accrue to the Native Revenue Account. These are as follows. The fines recovered and bail estreated in respect of contraventions of the provisions of the following:

- (i) Native Urban Areas Act No: 25 of 1945
- (ii) Curfew Proclamations under Section 19, Act 25 of 1930
- (iii) Native Administration Act No: 38 of 1927
- (iv) Location Regulations framed under Act 25 of 1945
- (v) Emergency Camp Regulations: Govt. Notice 890 of 1927
- (vi) Registration Regulations: Govt. Notice 1032 of 1949
- (vii) Native Services Levy Act No: 64 of 1952
- (viii) Native Transport Services Levy Act No: 53 of 1957.

Fines received in respect of the last two items are credited to the respective funds.

SIGNIFICANT CHANGES:

To me the most significant changes which are revealed from a review of the financing of the Native Revenue Account in the last ten years

are -

1. The terrific achievements in the re-housing of the population, and the improvement in the services provided for the welfare of the Native people.
2. The reduction in the cost of housing.
3. The increase in the cost of administration.
4. The benefits which have accrued from the introduction of the Native Services Levy.
5. Dependency upon Kaffir Beer profits.
6. The change in conception as to where the responsibility lies for shouldering the financial burden of providing housing for the sub-economic groups.

ACHIEVEMENTS IN RE-HOUSING:

The figure I have presented to you and the information in my introduction indicate what has been done.

REDUCTION IN
COST OF
HOUSING:

The first houses erected by the Council were in the Western Native Township in 1919, when 2192 houses were built. The two-roomed house cost £120: and the three-roomed £140: and the four-roomed £170: The next scheme was at Eastern Native Township where the two-roomed houses cost £115: and the three-roomed houses £135: In 1932-1935 the Council started the Orlando East Scheme, where the two-roomed house of 397 sq. feet cost £95: and the three-roomed house varied from £252: to £500: and the four-roomed house from £354: to £664: The 125 houses built in Pimville in 1944-1945 cost £494: for the three-roomed, and £599: for the four-roomed. When these costs are considered, and the fact that since that date costs of materials have been continuously rising, it is nothing short of a miracle that the houses built since the establishment of the Council's Housing Division, with the use of native labour, have cost between £160: to £185: for a 527 sq. ft. house.

Owing to the difference in sizes of the houses a truer comparison is to state costs in prices per square foot. In 1930 the price varied from 4/3d., to 5/3d., in 1938 this had increased to 9/3d., and in 1944 the houses at Orlando West cost 10/5d., to 11/5d. In 1946 the price had increased to 12/3d., and the Jabavu houses built in 1947 cost 10/2d. Then came the establishment of our own Housing Division, and the training of Native building workers. At a time when costs were increasing in comparison with the time stated above, the costs were decreased to from 6/1d., to 6/9d., per sq. ft. The materials used at all times were not the same, but in considering the recent achievements in housing, consideration must not only be given to the number of houses that have been erected, but also to the cost at which they have been built, and the transformation in the lives of the labourers who have become trained artisans in the process.

INCREASE IN
COST OF
ADMINISTRATION:

As an example of the increase in the cost of administration, I quote the figures for one of our older townships, in which the number of houses has been the same during the whole period.

WESTERN NATIVE TOWNSHIP:

	<u>51/52</u>	<u>52/53</u>	<u>53/54</u>	<u>54/55</u>	<u>55/56</u>	<u>56/57</u>	<u>57/58</u>	<u>58/59</u>
Salaries, Wages & Allowances	9195	9422	11391	12708	13455	13240	20343	18213
Misc. Expenses	32236	26959	29972	30488	38322	45372	51321	50181
Repairs & Maintenance	8706	13293	18901	16137	7206	8293	10164	7660
Loan Charges	16139	20890	14985	14395	13901	9806	10477	4416
Distrib. H/O Adminis.	3359	4060	3244	4818	4889	3442	3317	2851
Total Expend.	69635	74624	78493	78546	77773	80153	95622	83321

	<u>51/52</u>	<u>52/53</u>	<u>53/54</u>	<u>54/55</u>	<u>55/56</u>	<u>56/57</u>	<u>57/58</u>	<u>58/59</u>
Rents	25473	25577	25698	25657	25823	25893	32171	37001
Sundry Income	34	12	18	15	24	12		182
Total Revenue	25507	25589	25716	25672	25847	25905	32171	37183
Deficit for year	44128	49035	52777	52874	51926	54248	63451	46138

When it is considered that the cost of administering this township in 1940 was £45,589: it is realised what a large increase has taken place during the period. Part of this increase, of course, is due to the fact that better services are provided.

BENEFITS FROM
NATIVE SERVICES
LEVY:

The Native Services Levy was introduced in 1953 as it was felt that the employers of native labour, who did not house their labourers, should make a direct contribution to the cost of providing housing. In many instances the cost of providing the services was as much as the house itself. For instance, in the Noordgesig houses built in 1938 the services were estimated to cost £262: and the house £254: In Orlando West in 1944 the estimated cost of the services was £338: and the house £441: and for the Orlando West houses built in 1946 the services were estimated at £415: and the house at £546: Because of the high cost of these services, some have not as yet been provided.

The Service Levy was inaugurated to provide the funds for -

Sewage Disposal Works
 Main Access Roads
 Water Towers
 Main Water Reticulation and
 Sub-Outfall Sewers, and
 Lighting.

The Services Levy Fund makes grants to local authorities and loans at 1/8% interest.

A summary of the amounts received by the Johannesburg Native Revenue Account from the Services Levy Fund to 30th June, 1959, is as follows:

Native Services Levy Fund:

Total collections 1.1.53 to 30.6.59		4,229,485
Less: Administration		<u>96,027</u>
		4,133,458

Total expenditure to 30.6.59		
Direct Charges and Grants	3,209,497	
Loans	<u>612,632</u>	<u>3,822,129</u>
<u>Unspent balance</u>		311,329

Expenditure on Loans repayable to Fund		<u>612,632</u>
Balance in Fund at 30.6.59 (after making provision for repayment of all Loan expenditure)		<u>923,961</u>

Approved Native Services Levy Projects
as at 30. 6. 59

Approvals at 30. 6. 59		5,261,735
Less: Expenditure to 30. 6. 59		<u>3,822,129</u>
		1,439,606
Less: Unspent balance		<u>311,329</u>
Excess of approved projects to funds available		<u>1,128,277</u>

Nett Income of Fund is
estimated at -

for year ended 30. 6. 60	658,133
30. 6. 61	<u>658,133</u>
	<u>1,316,266</u>

<u>Approved Projects</u>	<u>Total approved estimated cost</u>
Sub-Outfall and Link Sewers	741,175
Water Mains	756,470
Oliphantsvlei Sewage Disposal Works	956,761
Street Lighting	245,360
Widening and re-alignment of Roads	52,300
Electricity Supply	428,010
Water Towers and Reservoirs	277,874
Roads and Bus Routes	468,851
Survey and Lay-out	69,220
Clearing of Sites	11,600
Nightsoil Intake	3,129
Sanitation: Latrine Grants	264,847
Reticulation Fittings and Installation	977,094
Sundry Expenditure	<u>9,044</u>
	<u>£5,261,735</u>

The grants received from the Native Services Levy have proved a boon to local authorities, as they have provided the funds to install these essential services at no cost to the Council, and have helped the Natives, as in the calculation of economic rentals no cost has had to be included for the services provided from the Service Levy Fund.

DEPENDENCY
UPON KAFFIR
BEER PROFITS:

Since the establishment of the beerhalls, the profits have been very considerable, and have been as follows:

<u>Year</u>	<u>Kaffir Beer-</u>	
	<u>Revenue</u>	<u>Profit</u>
1937/38	15,534	7,093
1938/39	59,250	32,768
1939/40	94,447	63,752
1940/41	112,767	62,547
1941/42	101,519	53,699
1942/43	100,946	47,272
1943/44	169,780	99,061
1944/45	229,485	121,477
1945/46	128,489	57,276
1946/47	208,779	47,952
1947/48	286,689	121,837
1948/49	327,047	181,215
1949/50	372,445	174,724
1950/51	414,023	175,131
1951/52	499,420	201,576
1952/53	<u>614,830</u>	<u>239,835</u>
c/fwd...	3,735,450	1,687,215

<u>Year</u>	<u>Kaffir Beer</u>	
	<u>Revenue</u>	<u>Profit</u>
	b/fwd...	
1953/54	3,735,450	1,687,215
1954/55	701,534	366,230
1955/56	823,203	427,156
1956/57	892,196	407,846
1957/58	1,029,041	525,101
1958/59	1,108,528	539,538
1959/60 Est.	1,294,856	645,495
	<u>1,270,750</u>	<u>581,340</u>
<u>TOTAL</u>	10,855,558	5,179,921

It is hard to visualise how the development of housing and other services could have been provided without these profits. Yet this source of income could fluctuate. For instance, there might be a boycott of the beerhalls, and more important still, there are moral issues involved. The Johannesburg City Council has recently voted £14,000: for research regarding Kaffir Beer, to ascertain, amongst other things, what is the food value, what are the relative intoxicating effects of Kaffir Beer and other liquors, and what its effect is on work competency. Many people, while realising the evil effects of illicit liquors, are still uneasy about the extent to which the financing of the Native Revenue Account is dependent on sales of Kaffir Beer.

Two-thirds of the profits derived from the sale of Kaffir Beer may be used (a) to make up the losses on housing schemes, (b) to make up any amount required to offset the loss to the Native Revenue Account resulting from the reduction of rentals in force at any location, native village or hostel, (c) the capital expenditure on housing schemes or works or services in connection with a location, native village or hostel, and interest and redemption charges and maintenance costs in connection with any location, native village or hostel. One-third of the profits may be spent on any service, expenditure or grant which may be certified in writing by the Minister of Bantu Administration and Development as being calculated to improve the social or recreational amenities for native residents within the area of the urban local authority, or other wise to promote the social welfare of such residents.

Allocation of Kaffir Beer Profits:

	<u>Year Ended</u> <u>30. 6.58</u>	<u>Year Ended</u> <u>30. 6.59</u>
<u>One-third Profit:</u>		
Urban Recreation	17,721	10,100
Urban Social Welfare	6,933	9,200
Bursaries		3,144
Grants-in-Aid	32,496	33,801
Vocational Training Centre	20,064	26,267
Medical Services Urban	{ 102,632	84,118
Medical Services Township		<u>48,535</u>
	179,846	215,165
<hr/>		
<u>Two-thirds Profit:</u>		
Losses on Sub-economic Housing Scheme:		
Eastern Native Township	26,409	28,905
Jabavu	53,044	53,914
Orlando East	131,334	105,658
Orlando West	4,410	72,045
Pimville	81,044	56,170
Western Native Township	63,451	46,138
Unallocated Profit		<u>67,500</u>
	359,692	430,330
<u>GRAND TOTAL</u>	<u>539,538</u>	<u>645,495</u>

RESPONSIBILITY FOR SUB-ECONOMIC HOUSING:

At the time the Council undertook the sub-economic housing schemes at Orlando East and West and Jabavu, the National Housing Commission advanced the funds under a scheme whereby the interest charged was 3¼% on the understanding that losses incurred on such schemes should, within defined limits, be borne in the ratio of three parts by the Government and one part by the Council. The Council first submitted its claim for losses in 1950. Up to the 30th June, 1953, the losses incurred on these schemes amounted to £1,079,173: and of this sum it was calculated, on the Council's understanding of the formula, that £502,320: was recoverable from the Government, but only £234,727: was recovered at that time.

In 1951 the old 3¼% formula was cancelled. In that year local authorities, in submitting claims for losses on the National Housing formula, were required to certify that tenants' incomes did not exceed £25: on loans prior to 1.10.46 and £30: thereafter. In 1952 differential incomes were laid down, and were fixed at £15: for natives. Local authorities were advised

that a fully economic rate of interest would have to be paid on a pro rata share of the loans in respect of tenants with incomes in excess of those limits, and that the increased cost could be recovered by way of increased rentals. Legal opinion given to this Council doubted the Commission's power to do this. In 1954 the National Housing Commission agreed that the sub-economic rentals should be increased by 3/- for every 10/- of the income over £15: In 1954 the Council, because of its unhappy experience under the National Housing formula, agreed to convert the 3¼% loans to ¾% loans, thereby cancelling the sharing of losses on the schemes, but insuring the benefit of the lower rate of interest.

In 1957 the Council's claim for over £400,000: under the old 3¼% scheme was finally settled for £125,000: The £125,000: was paid into the Capital Development Fund and earmarked for street lighting in the Native Townships. As in the Housing Act of 1957 provision was made in Section 78(3) for legalising actions of the National Housing and Planning Commission which were not authorised at the time they were done, this Council's legal rights were swept away.

The application of the Government's policy of economic housing has had the effect of shifting the financial burden from the State on to the shoulders of the poor, the local authority and the employers, through the Native Services Levy Fund. Local authorities are obliged to accept full responsibility for economic housing, while the role of the State, from the financial point of view, is limited to the advance of loans at economic rates of interest, and by shortening the period of repayment of loans from forty to thirty years, and by the increase in the rate of interest from ¾% to 4-7/8%, has had the effect of increasing the rental on a house costing £200: by 15/-d., per month. The Government bears the loss of interest on those funds lent to the Council at less than economic rates.

The Johannesburg City Council, by accepting the realities of the situation in fixing £20: as the sub-economic limit rather than £15: is paying the State (in two years 1958 and 1959 an amount of £73,311:.) whereas in terms of the formula laid down at the time sub-economic housing schemes were commenced the State was to share in the losses. The experience of local authorities under the formula has indeed been an unhappy one!

Subsidies received from the Government, credited to the Native Revenue Account, over the last seven years were as follows:

1952/53	26,253
1953/54	31,195
1954/55	38,462
1955/56	40,335
1956/57	42,841
1957/58	5,660
1958/59	-
	<u>£184,746</u>

CONTRIBUTIONS BY THE EMPLOYERS OF NATIVE LABOUR & THE COUNCIL:

Since the introduction of the Native Services Levy the contributions by the employer community in Johannesburg and this Council to the financing of the housing, transport and general wellbeing of the native community have been as follows:

	<u>Registration Fees (Nett)</u>	<u>Native Transport Levy</u>	<u>Native Services Levy</u>	<u>Deficit on N.R.A.</u>	<u>TOTAL</u>
1953		67,891	271,564	348,612	688,157
1954	45,809	139,460	557,841	136,759	879,869
1955	94,857	149,146	615,141	170,858	1,029,902
1956	80,093	154,752	657,048	129,052	1,020,945
1957	63,532	159,376	680,467	214,701	1,118,076
1958	86,288	332,603	710,759	215,910	1,345,560
1959	47,846	361,052	736,665	121,580	1,267,143
	<u>418,425</u>	<u>1,364,280</u>	<u>4,229,485</u>	<u>1,337,472</u>	<u>7,349,652</u>

ROLE OF THE MANAGER OF THE NON-EUROPEAN AFFAIRS DEPARTMENT IN RELATION TO THE NATIVE REVENUE ACCOUNT:

While the estimates of the Non-European Affairs Department are ostensibly put forward by the Manager of that Department, he has very little direct control of the expenditure of a large portion of these funds.

For instance, the medical services, the cost of which during this year are estimated to be over £1M. are under the control of the Medical Officer of Health. The maintenance of buildings - a cost of £192,095: the provision of refuse removal and sanitary services costing £346,518: are under the control of the City Engineer. The

City Treasurer controls the treasury staff whose salaries and allowances amount to £179,488: It is hard to get an accurate figure, but I estimate that two-thirds of the expenditure of the Native Revenue Account is under the control of officials of other Departments. The sources of income of the Native Revenue Account are restricted, and the Department is in the unenviable position of having to accept debits for large sums which, although provided for in the Estimates, are not known to the Department until the year end. This contrasts with the system employed in other towns, where all sections of the administration of the Department except, I understand, for the work done by the Medical Officer of Health, fall directly under the control of the Manager. It may be that the very size of operation in Johannesburg warrants this difference.

I think it is human nature to be more careful in spending one's own money than somebody else's, and as a generalisation I would suggest that a department which can pass on the whole of its expenditure to another department at the year end would tend to be less watchful than if the expenditure had to be met out of its own budget.

CONCLUSION:

I am afraid I have probably given you bad mental indigestion by quoting so many figures. You no doubt appreciate the difficult role of Councillors who are entrusted with the task of taking decisions on matters of considerable importance. How can these decisions be taken unless the implications are understood? These days financial considerations are often the most important aspect in determining what can or cannot be done - at least finance committees think so! It was for this reason that I have tried to understand the financing of Johannesburg's huge undertaking in Native Administration. I often get lost in all these figures, and then a glimmer of understanding shines through. I hope I have cast some light on it for you - at least I am sure that the million pounds of this and million gallons of that will have impressed you!

You have all, no doubt, heard of Parkinson's Law - "Work expands so as to fill the time available for completion". Professor Parkinson has now written a second book 'The Law and the Profits' in which the second law is enunciated - "Expenditure rises to meet income". Parkinson is a very caustic critic of the admin-

istration of Public Services. His theory is that to eliminate public waste an essential step is to reduce the total revenue. He says: 'Officials are less likely to squander what is not there'. Now, I am not suggesting there has been any squandering of money, but I do think it is wise to review what has been happening over a period to ascertain that we appreciate the results of what we have been doing, and to be sure we know where we are heading. For instance, should expenses of administering the townships increase at the same rate as during the last twenty years, serious consequences would result as an increase in income is difficult to obtain, often not because of the merits, but, because of resistance, which is not justified, but for fear of organised opposition with possibilities of organised boycotts, has to be taken into account. Large scale unemployment could send estimates haywire.

I hope that in my analysis I have contributed to your understanding of what has been happening.

I would commend to your reading Professor Parkinson's book. You are bound to recognise some of the characters portrayed - Councillors and Officials alike! You will get some good laughs, and I hope some cause for reflection.

I would like to close with a vote of thanks to those officials of my Council who have met, with great patience, my requests for more and yet more information. I am deeply indebted to them for their assistance.

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