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MEMORANDUM FOR
DEPUTATION ON 13/8/1971
TO SECRETARY FOR COMMUNITY
DEVELOPMENT.

1. INTRODUCTION

It is intended that a deputation of the Ad Hoc Housing Committee of Johannesburg will wait on the Secretary for Community Development, Mr. Niemand, at Pretoria at 9 a.m. on Friday, 13 August 1971. It is understood that endeavours are being made by Mr. Niemand to arrange for the Chairman of the National Housing Commission to be present at the meeting.

The deputation is to discuss the problems facing the Council in getting housing schemes built with particular reference to the difficulty being experienced to get sufficient response from contractors when these schemes are put out on tender to obtain tenders low enough for acceptance and the high building cost prevailing in the Johannesburg area which makes it impossible for standard housing schemes to be designed within the framework of the provisions of the Housing Code.

2. BACKGROUND

In 1964 following on a survey of accommodation in the city it was realised that Johannesburg was heading for a housing crisis particularly in the low and middle income groups unless immediate steps were taken.

For this purpose a control section was set up to find means and ways of expediting the planning and completion of the Council's housing schemes.

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The first task of the unit was the purchasing of vacant land for this purpose in areas where water and sewerage was available within a reasonable time scale. It was at this stage that it was realised that within the confines of the old municipal area there were virtually no large tracts of suitable land which could be developed. Perforce it was found necessary to purchase small detached portions of land and develop them to a comparatively high density by the technique now known as "garden estates".

The initial planning for White housing was based on a five-year plan of some 5 400 units costing some R30 million to cover a waiting list of 2 000 families plus immigration and natural increases. This plan, with the incorporation of the Southern Areas into the municipal boundaries was extended to cover some 9374 units at an estimated cost of R54 million.

Using hind-sight it is now obvious that the plan was too optimistic timewise as over the past five years there has been an unprecedented upsurge in development in all sectors of the Republic's economy. The national building industry has never been geared to such a tempo and in Johannesburg alone construction is of the order of R280 million for the past year.

The cost to the Council of this growth factor in the private sector was the loss of a large number of its professional staff.

In an endeavour to control the overheating of the economy the State Treasury limited the total spending of local authorities and State Departments and it was not unusual to have to wait some 18 months for funds for housing schemes to be provided after approval of a scheme in principle.

Substantial funds were subsequently made available and progress was relatively satisfactory and the completion of houses gained momentum with some 1 400 dwelling units being built for Whites and 1 400 for Coloureds.

The position has however changed sharply over the past 18 months and the Council is having a great deal of difficulty in maintaining its initial momentum which must be at least maintained to cater for the growing need and demand.

3. RISING COSTS AND LABOUR SHORTAGES

The Republic is at present suffering from a sharp escalation of building costs and a chronic shortage of skilled labour.

These difficulties are particularly rampant in the Johannesburg area due to the magnet of ultra large high-rise projects attracting the bulk of the artisan staff at high wages and with the opportunity to obtain experience in new methods of construction.

It is estimated that costs have risen in the private sector of Johannesburg by some 30% over a two-year period.

Mention has been made that it is still possible to keep within the National Housing Code price ceiling of R6 000 per dwelling unit in areas within some 30 miles of Johannesburg. This matter has been taken up with a very large private contractor and this organisation confirms that prices immediately outside the city are appreciably lower. The reasons given for this are:

- (a) There is a marked difference in the output of labour outside Johannesburg due to there being less competition for their services.

/(b) There ...

- (b) There is less strict control on labour dilution in the outside areas. In the Johannesburg area the trade unions keep the closest possible eye on employment of non-Whites.
- (c) Transport difficulties for materials and labour in outside areas are far less resulting in reduced standing time on labour and plant.

This phenomena is not confined to Johannesburg alone. It is recognised overseas where large cities have a loading factor in the cost yardsticks applicable to State housing schemes.

A method of loading the cost ceilings of housing units by an appropriate factor for Johannesburg has been suggested before at the State Committee for Johannesburg but has not met with acceptance. This concept must be again examined in view of the impossibility of constructing housing schemes to the present limits in Johannesburg.

It is requested that when Johannesburg has invited public tenders (as it always does in connection with an approved scheme,) and has received tenders and the Council is anxious to accept the lowest tender and proceed with its scheme, acceptance of the lowest tender should be approved - even if the lowest tender costs more than the ceiling laid down.

4. SHORTAGE OF TENDERERS AND METHOD OF TENDERING.

Some three years ago it was common when calling for tenders for housing schemes to obtain 6 - 12 tenders for a scheme but over the years these numbers have dwindled sharply. The reason given by contractors for not tendering have been mainly, the low profit margin available, the high standard of quality control, the length of contract due to shortage of labour and material experienced in Johannesburg,

/ lack of ...

lack of liquidity on the part of contractors, and the shortage of skilled labour. A number of contractors who used to tender regularly in the past have disappeared from the scene after forced liquidation of the companies concerned.

The method of calling for tenders which has been unchanged for a number of years is to advertise once in the morning and evening newspapers in both official languages and also to circularize all contractors who have tendered in the past. Usually some 20 circulars are sent out for each contract.

5. PRESENT DIFFICULTIES

(a) Cost Ceilings for Construction

In April 1971, a new set of Income Limits was fixed by the Department of Community Development for all housing schemes financed from National Housing Funds. Simultaneously, the Hon. Minister of Community Development announced, as reported, that a new set of price ceilings would also be issued. This has not yet been done. Schemes recently submitted in terms of a figure mentioned at the State Committee as the new ceiling have been disapproved.

Recent tenders received in Johannesburg both economic and sub-economic have been well above the old ceilings laid down in the Housing Code. In the case of a scheme for approximately R one million the lowest tender price exceeds the limits by about 30%. In respect of an old age scheme on Stand 181, Haddon, there has been a delay of over 3 years while cost ceilings have followed too late to match the tender prices.

(b) Standard Plans ex Housing Code

The Housing Code it is considered is basically designed for detached "bungalow" type township layouts and

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for this purpose is an excellent guide in planning such schemes.

As stated earlier due to the critical shortage and high price of land in Johannesburg which can be serviced in the next five years it is essential at present to design townships on a "garden estate" basis at an appreciably higher density than those listed in the Code.

To do this it is essential to design on a multi-storey basis and to use a comparatively large number of duplex flats. Construction of this nature is invariably more expensive than single storey detached housing and it is submitted due cognisance should be given to this aspect by means of increased cost ceilings for multi-storey and duplex dwelling units. Johannesburg has been using as precedent plans for these schemes which had the Department of Community Development's approval. Now such plans are being rejected. These are not to elaborate standards, and these standards should be maintained and improved despite rising costs.

(c) Increase in Interest Rates.

Following on the recent circular increasing interest rates, rentals for dwelling units are fast becoming out of reach of the lower income groups.

It is submitted that fresh attention should be paid to restoring the old interest rates of 5% or 6%.

(d) Need for 4-Bedroomed Units

Listed in the housing waiting list for Johannesburg for Whites, are a number of large families requiring 4-bedroomed accommodation.

/ In schemes ...

In schemes designed to a high density it is essential that no overcrowding takes place or else sociological standards fall sharply.

It is suggested that should a case be motivated a few 4 -bedroomed units be included in each scheme and that a special ceiling be fixed for units of this size.

(e) Format for Applications for Loans and Approval of Tenders

In recent months the Council has been faced with a number of difficulties in the presentation of its housing applications for loans and approvals of tenders. Invariably these schemes are returned within a very short period with an instruction that they be submitted in a different format. This entails a great deal of fresh work by the professional staff which is in exceedingly short supply.

In the Department of Community Development's letter reference A1217/4085/0 dated 7th July 1970, the method or basis of setting out is clearly indicated. It would appear that there have been changes since that date and it is suggested that this matter be clarified.

PARTICULAR SCHEMES

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6. CONTRACT NO 3266: PROVISION OF ESSENTIAL SERVICES TO PART OF CLAREMONT STAGE III EUROPEAN HOUSING SCHEME

Approval to the Claremont Stage III European Housing Scheme was given by the Department of Community Development in their letter dated 4th December 1970 (reference No. A1217/4206/3 (Johannesburg)).

Although a prior allocation of funds, to permit essential services to be constructed, had been requested, no such allocation was forthcoming and the City Council was eventually

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informed that only a sum of R300 000 would be available during the financial year 1971/1972 from the Housing Fund.

This sum was inadequate to cover the cost of the services, including design fees and supervision, to the whole of the housing scheme. However, because of a slight ridge almost central in the site, it was found to be possible to drain virtually one-half of the scheme in one direction and the remainder in another. Preparatory work in the way of a link stormwater drain to serve roughly one-half of the site had already been put in hand, financed by Council funds. Municipal sewers were reasonably adjacent to this portion and connection to the existing roads, principally Princess Road, could be provided at an economic outlay.

Accordingly it was decided to construct the essential services to this, the north-eastern part of the site. Contract documents were drawn up and tenders received on 5th May 1971.

Only one tender, from National Soils Group (1967) (Pty) Limited was submitted, the tender sum being R249 086-50, which was reduced after negotiation to R242 139-10.

This tender was submitted to the Department of Community Development after approval by the City Council, but notification has recently been received that fresh tenders should be submitted for the services to the whole of the scheme.

/Although

Although the tender sum is higher than the estimates on which the loan approval was given, the estimates in question were made in 1969, since when there has been a considerable escalation of prices. An estimate provided in March 1971, by the Consulting Engineer who prepared the contract documents came to R208 450 compared to an estimate of approximately R174 000, arrived at from the loan approval.

Certain items within the tender sum are not chargeable to the housing fund, e.g. cable trenches, link roads and sewers amounting to R22 679, whilst in addition, it is hoped that economies can be made, during the progress of the works so that contingency and day-work items and some provisional sums will not be required.

Because of pressure of work the services branches of the City Engineer's Department are not, as a rule, able to undertake any work connected with European housing schemes and thus the work at Claremont, Stage III has to be undertaken by contract. Although only one contractor submitted a tender, a total of twelve firms were contacted with a view to improving competition.

Because the site is comprised almost wholly of rock with no truly soft material, and which will have to be excavated almost entirely by explosives, it is considered advisable to construct the services ahead of house construction to obviate any damage to the latter, added to which the existence of roads and other services is a great help during house construction to establish house levels and to permit the easy delivery of materials to what will be a large housing complex. Additionally, of course, the tenant also benefits because there is no delay in the provision of roads, stormwater drainage, etc.

It is hoped to commence house construction during January 1972 and if tenders for the services for the whole of the scheme do have to be advertised, then it must be pointed out that this cannot be done before probably October 1971, so that work on site would probably also start in January 1972. If this is the case then the services contractor will not have a clear site to work on and this will no doubt affect his pricing. Additionally, prices will almost certainly have escalated above those used in the present tender, and in this respect there is clear evidence, particularly in house construction, that prices are rising by $\pm 3/4\%$ per month, and, of course, there is no guarantee that any more firms will submit tenders.

Two Further

Two Further queries from the Department regarding the above scheme:

Allocation of Costs

It is difficult when dealing with services to only a part of a housing scheme to give an accurate breakdown into economic and sub-economic sections, since such a breakdown is made on the numbers of habitable rooms in the economic and sub-economic sections. Thus, a service such as a water main could serve a large proportion of one type for part of the scheme but upon completion of the whole scheme it would almost certainly be found that the various proportions had altered greatly. In the case of Claremont Stage III roads and water mains in particular are difficult to allocate until the whole scheme is completed. If, however, this information has to be supplied, then it is recommended that approval be sought for the acceptance of the tender from National Soils Group (1967) (Pty) Limited for the provision of essential services to part of Claremont Stage III European Housing Scheme subject to such figures being supplied, rather than that a decision be held up until the figures are available.

Salary of the Clerk of Works

Regarding the salary to be paid to the Clerk of Works, the present salary scale in the City Council is R4068 x 156 - 4380 x 216 - R4596, rising in January 1972 to R4224 x 156 - 4380 x 216 - R4812. Even at this pay scale the Council is experiencing great difficulty in getting Clerks of Works to whom work of this important nature can be entrusted.

7. CONTRACT NO. 3237 : ECONOMIC HOUSING SCHEME:
HOLDINGS 119, 120 and 121, KLIPRIVIERSBERG
ESTATE SMALLHOLDINGS
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Only one contractor submitted a tender for the 173
/housing units ...

housing units in the above scheme. In addition to an invitation to tender being published once in each of the four local daily newspapers, namely "THE STAR", "THE RAND DAILY MAIL", "DIE TRANSVALER" and "DIE VADERLAND", some 20 contractors who have previously tendered for Council work were circularized with an invitation to tender for work which had been advertised in the Press.

The tender received has been submitted for approval, and it is understood that the Regional Representative's office in Johannesburg has forwarded it to Pretoria for approval. Urgent approval is needed to accept it within the validity period.

Tenders allowing for alternative methods were invited but the tender received was based on conventional building methods and a summary of the tender prices for the various types of housing units is given hereunder:

Three-bedroom duplex flats	- R 7 047-73 each
One-bedroom flats in 2-storey blocks	-R5 038 -74 each
Two-bedroom flats in 2-storey blocks	-R5 593 -16 each
One-bedroom flats in 3-storey blocks	-R5 658 -84 each
Two-bedroom flats in 3-storey blocks	-R6 203 -36 each
Two-bedroom row houses	-R5 963 -29 each
Three-bedroom row houses	-R6 627 -39 each
Four-bedroom row houses	-R8 052-28 each.

The majority of these prices are above the limit laid down but it is not considered feasible to construct only those housing units which fall below the prescribed limits.

As already mentioned, it is considered that a variety of housing types must be constructed to cater for the varying sizes of families and to provide a degree of aesthetic interest to the schemes in the way of finishes, dimensions and siting so that the schemes involved do not become monotonous and so that maximum land use, within the Housing Code standards, is achieved.

It is requested that the tender received be approved so that the work can be put in hand immediately.

ECONOMIC HOUSING SCHEME FOR WHITES : HOLDINGS
119, 120, 121 KLIPRIVERSBERG SMALL HOLDINGS.

SCHEDULE OF EVENTS.

Application approved by Department of Community Development (Reference A1217/3948/8 Johannesburg)	20th November 1969.
Working Drawings commenced	January 1970.
Council approval of funds for link sewer to area	24th February 1970.
Allocation of funds 1970/71 R200 000 (R17 000 taken up)	April 1970.
Working Drawing completed and Medical Officer of Health's approval obtained	28th August 1970.
Letter of Appointment of Quantity Surveyor	4th September 1970.
Structural Steel Drawings passed to Quantity Surveyor	12th December 1970.
Amendments made to some Drawings done - Quantity Surveyor to adjust Bill of Quantities	19th January 1971.
Work on services commenced	January 1971.
Bills of Quantities completed	10th February 1971.
Advertisement in papers sent to Translators	17th February 1971.
Advertisement appeared	10th March 1971.
Services completed	April 1971.
Tender received	7th April 1971.
Allocation of funds 1971/72 R300 000 (R15 000 taken up)	April 1971.

:- Checking

Checking of priced Bills of tenderer by consulting Quantity Surveyor completed	17th May 1971.
Analysis in terms of Department of Community Development format received from Quantity Surveyor	19th May 1971.
Analysis of Building and Services costs completed by City Engineer	1st June 1971.
Request by City Engineer to City Treasurer to prepare financial schedules	3rd June 1971.
Financial schedules completed by City Treasurer	28th June 1971.
Approval of Health and Amenities Committee	30th June 1971.
Approval of Management Committee	6th July 1971.
Receipt of certified copy of priced Bill of Quantities received from Quantity Surveyor	22nd July 1971.
Council Approval	27th July 1971.
Application by Clerk of the Council to Regional Representative, Department of Community Development for approval of tender	27th July 1971.
Application returned by Department of Community Development for amendment of format	29th July 1971.
New schedules prepared to new format ..	3rd August 1971.
New schedules relodged by Clerk of the Council with Department of Community Development	4th August 1971.

Collection Number: A1132

Collection Name: Patrick LEWIS Papers, 1949-1987

PUBLISHER:

Publisher: Historical Papers Research Archive, University of the Witwatersrand, Johannesburg, South Africa

Location: Johannesburg

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