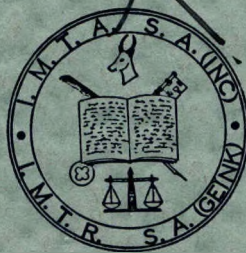


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BY DIE H.P.K. AS 'N NUUSBLAD
GEREGISTREER

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The Staffing Of Local Authorities

THERE IS at present a dearth of professional staff available to local authorities, particularly accountants and medical officers, and engineers to maintain essential services and to undertake the large capital programmes involved in providing essential services to commerce and industry, which have staged such a healthy recovery and are expanding rapidly to meet the demands made upon them.

This dearth is being met in a small way by immigration from other territories in Africa and from overseas but the small trickle is not making available all the staff that is required. There is a tendency for planning and public works to be retarded for lack of the necessary staff, or alternatively, for local authorities to turn to consultants for assistance, or to plan and design works at considerably increased cost compared with normal municipal costs.

The problem, of course, is not confined to local government only; the government service is also feeling the pinch, and there have been widespread complaints from commerce and industry that they too cannot obtain all the specialist staff required, particularly artisans and machine operators and that immigration is not filling the gap.

National policy in many cases precludes the use of non-Europeans to fill the vacant positions and the necessary training facilities for non-Europeans are also not available.

Some of the professional institutes to which local government staff belong do not hesitate to deal with the need for improved salary grades to overcome the staff difficulties, but others, including this Institute, do not attempt to prescribe rates of pay and conditions for their members. This Institute, nevertheless, is concerned with the good government of the country and of local authorities in particular, and is anxious to see that standards are maintained in the various finance departments.

Various means have been adopted to attract staff now that pensions and other rights are so freely available in commerce and industry, and various proposals have been made to train staff to undertake more responsible duties, so that promotion can be

from within, and the dearth of professionally qualified people can be overcome.

Late in 1963, the Johannesburg Municipality adopted a plan for the induction and in-service training of male clerks, which has involved selective recruitment in the first place, followed by appropriate induction and in-service training, and the encouragement of employees to obtain prescribed academic and professional qualifications. These moves are accompanied by adequate grades to attract the young people into the service, and the training course involves lectures and visits to the various departments in an attempt to inculcate useful knowledge about the local authorities in the minds of the new recruits. Rotation of trainees is also to be attempted, and overall the proposal is intended to train junior officials for more senior positions to ensure continuity in the service.

Training of staff, of course, also takes place in all local authorities but the attractions of industry and commerce, and the high initial financial rewards offered by them to young people, have weakened the hands of local authorities in attracting this type of staff. For the older employees, the attraction of outside employment has also grown stronger and a local authority may not prove the magnet that it was in the past.

The Republic is not alone in its difficulties in respect of qualified persons. In the United Kingdom two committees have been appointed to investigate aspects of local government. The first is a committee on the "Management of Local Government" which will be asked

"to consider in the light of modern conditions how local government might best continue to attract and retain people (both elected representatives and principal officers) of the calibre necessary to ensure its maximum effectiveness."

The second committee will deal with "Staffing of Local Government," and will

"consider the existing methods of recruiting local government officers; their opportunities and their relationship to committees and councils; and what changes might help local authorities to get the best possible service and help their officers to give it."

The latter committee will have to deal with the general position and determine what are the difficulties in attracting staff for their service. It will have to review the greater employment of graduates, career prospects, transfers between local authorities, and opportunities for promotion, as well as the reasons for the failure of local government to attract people to the service, but it will not deal directly with financial rewards. Training, however, is bound to be considered including the proposal for a staff college for local government which would be an elaboration of

the Johannesburg procedure to cover all branches of the service.

The outcome of these enquiries will be of interest to local government in the Republic and may provide a key to some of the problems in this country. There seems no doubt that the fear of loss of employment, particularly among Europeans, and the possibility of a depression, do not loom large in the calculations of most persons, and the younger generation has no recollection of 1929 and the early thirties when positions were so hard to obtain, and commerce and industry did not provide the answer.

Eastern Province (Cape) Students' Society

Those who do not want to delve too deeply into the financial relations issue must be asked to consider why national and provincial finances are so buoyant when local government resources are so strained. The answer is that the higher authorities have flexible and expanding sources of income, because of the taxes available to them, while local authorities are cabined and confined by the rigidities of the rating system. The Local Authorities Committee has it in its power to make recommendations to remedy the position.

The Local Authorities Committee (Borckenhagen Committee)

A Review by F. E. JENVEY, B.Com., F.I.M.T.A.(S.A.), City Treasurer, Port Elizabeth

The Historical Background

NEGOTIATIONS on the financial relations between the Government, the provinces and the local authorities in the Republic are of long standing. The South Africa Act, 1909, empowered the Provincial Councils to make ordinances in relation to local authorities and thus control them, but the growing complexity of affairs necessitated government legislation on certain local services after the first world war. These services comprise health, housing and Bantu affairs. Others were added in later years, often without providing local authorities with the necessary income to finance them.

At Union, local authorities had small populations, rates were low and services were largely of benefit to properties, e.g. roads, sanitation and environmental health services, water supply and self-supporting trading undertakings. The new services introduced by the government and some by the provinces, however, are largely social in character and concern the welfare of people, and not of property.

The history of the United Municipal Executive is really the history of financial relations because it was established during the depression in the early thirties when government properties were derated in terms of the State Property (Immunity from Rating) Act of 1931, ostensibly on the ground that minor bodies should not tax the State, but really to ease the pressure on the national exchequer during the depression.

Although the United Municipal Executive has undertaken other responsibilities, it is still concerned with financial relations. In like manner the Institute of Municipal Treasurers and Accountants, S.A.

(Incorp.) has played a major part as the adviser to and representative of the United Municipal Executive on financial issues, which are expected to dominate all United Municipal Executive discussions, even after the present Local Authorities Committee has reported and been dissolved.

Proposals for the Appointment of a Commission

As long ago as 1944, the Institute, on behalf of the United Municipal Executive, prepared a memorandum recapitulating the urgent need for relief and defining what should be done in the matter. Because of the slow progress being made in obtaining financial relief, the Institute suggested that a Commission should investigate the following basic problems:—

- “(1) The appropriation by central or provincial authorities of revenues which are normally considered peculiarly suited to the needs of local authorities, or which by custom have come to be regarded as local sources of revenue.
- (2) The extent to which the Central Government has delegated to local authorities functions and duties which are primarily national in character, without simultaneously providing local authorities with the additional revenue required to pay for these functions.
- (3) The additional burdens which post-war development is likely to place upon local authorities.
- (4) The limitations imposed by the restricted nature and lack of elasticity of the sources of revenue available to local authorities.
- (5) Finally, the possibility of finding means to overcome the financial difficulties imposed by the operation of the factors set out above,

either by broadening the basis of local taxation or by an adequate scheme of subsidies from the Central Government."

The request was refused and in April, 1945, the Minister of Finance (the late Mr. J. H. Hofmeyr) suggested that local authorities should redefine their claims in the light of the following principles:—

"An urban local authority comes into being as a result of the close settlement of large numbers of people in so small an area as to make it an urban area—its functions and its financial resources should be related to the circumstances which call it into being. From those circumstances arises the necessity of the performance of certain functions. From this there also accrue certain advantages to citizens and owners of land in the area.

(1) The functions of an urban local authority, for which it should be regarded as financially responsible, are those which are consequent on the close settlement of a body of people in an urban area. Some of these functions will be purely local, others will be of a hybrid character. In respect of the former class the local authority should bear full financial responsibility—in respect of the second such responsibility should be shared by it with the Central or Provincial Government.

(2) The financial resources of a local authority should be either such as should accrue to it consequentially on the exercise of its functions or such as are associated with the benefits accruing to individuals as a result of the urban development of the area. Under the latter head the factor of primary importance is the locality value which fixed property in an urban area acquires as a result of such development.

(3) In relation to fixed property as a source of municipal revenues, it is appropriate not merely that a rate should be imposed on the present value of such property in the urban area, but also that the local authority should derive benefit from the capital gains of landowners as they accrue. The produce of a tax on unearned increment would appropriately be used by an urban local authority for capital improvements, including works of post-war development."

Although an attempt was made to comply with the Minister's wishes, it was unsuccessful because too many interests are involved. If these principles were strictly applied, motor taxation, entertainment taxes and other provincial revenues, and possibly liquor licences, would become local authority revenue. The provinces, however, are not prepared to lose revenue, and their combined opposition conveyed in a memorandum issued in January, 1948, has ensured no change so far, but the Cape Provincial Administration has attempted to soften the blow by improving main road subsidies and by financial assistance in respect of freeways.

In reporting on the Minister's proposals in April, 1945, the Institute of Municipal Treasurers and Accountants, S.A. (Incorp.) commented as follows:—

"(8) With regard to the final paragraph of the Confidential Statement, which deals with unearned

increment in fixed property, the Minister is reminded that local authorities do in fact share in this increment by an increased rate product on higher valuations. However, if the Minister supports the principle that a portion, or all, of this capital increment on sale or transfer of properties should accrue to local authorities and is prepared to introduce the necessary legislative measures to this effect, the revenue so accruing would afford a means of setting up a Capital Development Fund under the jurisdiction of the local authorities and would result in some relief in respect of projected capital expenditure. No immediate benefit would accrue to Rating Account, however, apart from the consequential saving in annual Interest and Sinking Fund Charges."

The United Municipal Executive approved of this proposal, which was duly submitted to the Minister, but has not led to any action possibly because of previous experience in attempting to tax unearned increment and experience in the United Kingdom where a betterment tax has not been very successful.

Views of Social and Economic Planning Council

Indirect support was received to the claims of local authorities when the Social and Economic Planning Council, in Report No. 8 on Local Government Functions and Finances, published in 1945, commented on the small amount of financial support accorded to local authorities in South Africa compared with similar bodies in Europe and the United States of America, and noted that the growth of local government expenditure exceeded the growth of revenue. The Council also recorded that:—

"The characteristics of the financial relationships between local authorities and the Central and Provincial Administrations are as follows:—

- (a) They cause the relative burdens and privileges to be distributed in an anomalous manner as between the local authorities of one province and another.

The Council recommends that the Cape local authorities be relieved of their financial obligations under the Cape Hospitals and Charitable Institutions Ordinance of 1912 and the Poor Relief and Charitable Institutions Ordinance of 1918; a substantial allocation of the proceeds of the revenue derived from motor vehicles should be made to urban local authorities in respect of those vehicles registered within their respective areas of jurisdiction; and the local authorities in the Transvaal should be allotted the Native registration fees payable under the Natives (Urban Areas) Consolidation Act, 1945.

- (b) The financial adjustment in respect of expenditure incurred on traffic control appears to the Council to be fundamentally unethical, and it approves of the negotiations which are under way to alter the system.
- (c) The formulae on which refunds are based are altered from time to time, often to the detriment of local authorities.

The Council recommends that financial relations between the Government and local authorities once established, should be maintained on as stable a basis as possible.

- (d) The Government has exempted its buildings and motor vehicles from the payment of rates and licence fees.

The Council finds no reason for this exemption and recommends that Government buildings and vehicles be made subject to rates and licence fees respectively.

- (e) The profits of municipal trading undertakings are not subject to income tax.

The Council sees no reason why these profits should not be taxed as all forms and extensions of municipal tradings are, under the present tax structure, an encroachment upon national taxation resources.

- (f) The form of assistance given by the Government in respect of the subsidised services (which are of national rather than of local concern) is basically unsound as it is almost purely on a pro rata basis and takes no account of the fact that a certain amount of expenditure may bear more heavily on one local authority than on another.

The Council recommends that a block grant should take the place of the large majority (all if possible) of the present part refund or percentage subsidies made to urban local authorities, and furthermore that the block grant should be so constituted as to afford a considerable increase in the financial assistance rendered by the Government to such local authorities.

The block grant should be distributed according to a formula along the lines of the British formula, the effect of which is to "iron out" to some extent, the inequalities of the financial resources of local authorities as well as to improve the financial position of all local authorities, big and small.

Such assistance should be extended to urbanised areas under the control of rural local authorities—divisional councils. Native district and local councils and the health boards. (Paragraphs 113-125)."

The Appointment of the Local Authorities Committee

Again in 1953 the United Municipal Executive pressed for the appointment of a commission and in the Institute memorandum prepared for that purpose many suggestions were put forward whereby relief could be granted to local authorities. Some of the proposals differ little from those originally suggested before the second world war, and include the re-rating of Government property, motor vehicle licences, trading licences, entertainment taxes and services levies for Coloureds and Indians.

There were some new proposals, including a suggestion that the Government and the provincial administrations should be requested to agree in prin-

ciple that local authorities should be allowed to levy taxes on a permissive basis in respect of items or matters not already taxed by them, and that the necessary legislation in general terms be introduced thereafter. The memorandum also suggested that the government and provincial administrations should review the so-called local income tax and other taxes levied by local authorities in the United States of America, if necessary, by appointing a commission or committee for this purpose.

At no time has the government been prepared to appoint a Commission, but the increasing pressure led to agreement on the appointment of a committee of enquiry into the financial relations between the government, the provinces and the local authorities, and in August, 1956, the then Minister of Finance duly appointed the committee, with Mr. C. L. F. Borckenhagen as chairman. The committee is known as the Local Authorities Committee, 1956, or more popularly as the Borckenhagen Committee. The terms of reference are:—

"To investigate and report on:—

- (1) the existing functions of municipalities and other local authorities in the Union;
- (2) whether the exercise of all these functions by local authorities is justified and whether it would not be advisable to abolish, diminish or transfer to other appropriate bodies, certain of these functions;
- (3) the sources of income of local authorities;
- (4) the adequacy of these sources of income in relation to the functions local authorities perform or ought to perform;
- (5) any alterations in the sources of income of local authorities that appear to be desirable, and in particular, to what extent it is desirable to transfer to local authorities—
 - (a) the revenue from and the collection of licence moneys in respect of the licences mentioned in Part 1 of the Second Schedule to Act No. 32 of 1925, and
 - (b) the control over the issue of such licences;
- (6) the implications of such changes for the finances of the Union Government, the Provincial Administrations and other public bodies; and
- (7) the legal provision that will be necessary to give effect to any suggested changes."

The Minister said at the time that the committee would reach conclusions much more quickly than a commission, but it has been in existence since 1956 and, for many and valid reasons, has not yet completed its labours. Moreover, there have been various changes in the membership of the committee, and only the presence of the same chairman and secretary has ensured that continuity has not been lost.

Apart from the chairman, membership is confined largely to state and provincial officials. There is one provincial representative who is not an official. At one stage one United Municipal Executive representative was a treasurer, but generally councillors have filled the two positions, and the divisional councils'

representative has been a councillor. The original proposal was a small committee, with one representative from the provinces and two from the United Municipal Executive, but the provinces asserted their rights to be independently represented, which made four provincial members instead of one, while local authorities in the four provinces were left with two, plus one drawn subsequently from the Cape divisional councils.

The Reports of the Local Authorities Committee

The Committee has produced seven interim reports, of which five have been published. They cover the following subjects:—

1. Health.
2. Fines, forfeitures and estreated bails; certain aspects of property taxation; stamp duties and fees.
3. Road works.
4. Welfare services.
5. Supply of electricity in Escom licence areas. Railway service lines. Airports.
6. Trade licences.
7. Housing and Bantu authorities.

Reports Nos. 6 and 7 have not yet been published.

There must be at least one more report dealing with the sources of income of local authorities and a final report co-ordinating the views of the Committee, and bringing up to date many of the references.

The Committee has been helped considerably by memoranda prepared on behalf of the United Municipal Executive, mostly by the Institute of Municipal Treasurers and Accountants, S.A. (Incorp.). These have been published in two volumes and possibly there will be a third volume to complete the series.

The Government has stated that it will only review the position when the final report is submitted. Hence no action has yet been taken officially in relation to any of the memoranda, but during the course of the enquiry, the Department of Transport, for instance, has reacted in respect of proposals in relation to municipal railway service lines and airports, while the provincial administrations have reacted in respect of motor taxation in one way or another. Some changes in health and other services have also been noted.

While the Borckenhagen Committee has been sitting, the government and the provincial administrations have reviewed their financial relations on more than one occasion and the Schumann Commission has just completed one such review, which has not yet been made public. When Professor Schumann addressed the Cape Province Municipal Association in April, 1964, he said that although the report did not deal with the functions of local authorities, proposals in respect of health and roads would be useful to municipalities. (a)

Another Commission of Enquiry has been considering trade licensing for more than a year. Its questionnaire suggests that it may submit proposals affecting local authorities and empowering them to tax all (a) See the "South African Treasurer," June, 1964.

businesses annually on the basis of their gross receipts, subject to a certain maximum. If it does so it may pave the way for a sales tax based on gross receipts instead of on each article sold.

A Brief Review of the Recommendations

On the 20th June, 1958, the secretary of the Committee wrote to the United Municipal Executive and recorded "that the committee's investigations and report must necessarily fall into two broad steps, viz.:—

- (i) Recommendations regarding the services and functions which should be undertaken by local authorities; and
- (ii) Recommendations regarding the adequacy or otherwise of the financial resources of local authorities for the undertaking by them of the services and functions recommended in terms of (i) above."

He also recorded that the chairman desired the United Municipal Executive to approach the various subjects and functions in the light of—

- "(a) the most logical, governmental body for the efficient undertaking of the service; with due regard to the existing traditional, legislative and constitutional sub-division of governmental functions in the Union; and
- (b) the extent to which the service is or is not consequent upon the close settlement of a body of people in an urban area, or in other respects substantially or wholly for the benefit of the persons residing in a local area."

The Committee has observed the two broad steps (i) and (ii), but the order of approach under (a) and (b) does not appear to have been observed generally. Nevertheless, the various services have been adequately covered. They are reviewed at this stage.

Health Services

The United Municipal Executive has always maintained the view—

- "(a) that local authorities should be relieved of the full financial responsibilities for personal health services, including infectious diseases, either by the Central Government taking over such services, or by the Government meeting in full the cost of such services where local authorities desire to retain control.
- (b) that ambulance services be taken over and operated by the Union Government or by the Provinces, if the latter are to remain responsible for hospital services, and that local authorities be relieved of all financial cost in respect of such services."

Even where some local authorities still desire to control certain personal health services, they will expect the government to meet the full cost.

The Borckenhagen Committee, for its part, has proposed that urban local authorities should undertake the following services:—

“Urban Local Authorities

- (i) Should undertake without financial aid all the following services:—
- (a) *Environmental*, being water supply, sanitation, general health inspection, food hygiene, abatement of nuisances, regulation of offensive trades, eradication of vectors of diseases, public conveniences, cemeteries and crematoria, health aspects of housing and slum clearance and town planning.
 - (b) In connection with *infectious diseases*, reporting notifiable diseases, ordering and, if necessary, carrying out, the cleaning or disinfection of premises or dirty or verminous persons and arranging for admission to hospitals.
 - (c) Certain *permissive, preventive and promotive* health services, being medical examination of Natives entering service contracts and co-operation with Department of Health in general health education.
- (ii) Should undertake with the approval and financial assistance of the Department of Health other *permissive preventive and promotive* health services. At the initial stages the financial assistance could be on the basis of a formula to be determined at a level preferably below but not exceeding 50% of the cost thereof. These services are:—
- (a) Post and ante-natal.
 - (b) Infant welfare (medical aspect).
 - (c) Health visiting.
 - (d) Dental prophylaxis.
 - (e) Maternity services outside hospitals.
 - (f) Medical advisory services for the promotion of health and prevention of disease.
- (iii) Should co-operate on the present one-third each basis with the Department of Health, and the Provinces in the establishment and/or maintenance of *dental clinics* where required (permissive).
- (iv) Act for the Department of Health or the Province in any executive function *delegated* to them on terms mutually agreed upon.”

All other health services would be the responsibility of the provinces or the state, including ambulance services transferred to the provinces. The state would assume full financial and executive responsibility in connection with all communicable diseases, with the co-operation of the provinces.

In general these recommendations have been regarded as not unsatisfactory by local authorities.

Road Works

The United Municipal Executive has made representations on this subject almost from its inception. In presenting the case to the Borckenhagen Committee, the United Municipal Executive has relied on certain broad claims which can be summarised briefly as follows:—

- “(i) Road expenditure is the justification for motor taxation, and is one case where earmarking of

revenues are justified.

- (ii) The expenditure on motor taxation is justified only by the extent of road expenditure, including taxation such as customs duties, etc., which is credited to general revenue, and the current or annual taxation of the motorist including motor licence fees, and full taxes which should be used for road purposes.
- (iii) All government authorities which spend money on roads are entitled to an equitable share of motor taxation, but at present initial expenditure on provincial roads can be met largely from current revenue, but municipalities have to rely largely on rates, in the absence of an adequate share of motor taxation to finance capital expenditure on roads initially by way of loans.”

This view is reinforced by quotations in respect of practices elsewhere and the contention is advanced that under modern conditions the increased cost of urban roads is no longer a fair charge on assessment rates alone, whereas their rightful revenue drawn from motorists in the urban areas does not accrue to local authorities but to other bodies which spend it elsewhere.

The Borckenhagen Committee does not accept the view that any particular source of revenue should be earmarked for financing road works but considers, nevertheless, that motor and fuels taxation should contribute to a major extent to roads expenditure and that the motorists should finance most of the increased expenditure.

The Committee distinguishes between urban arterial roads and other roads. For the former it has recommended that local authorities should receive as a minimum a fifty per cent subsidy for major local authorities, graduated upwards, according to the size of authority and construction costs. Capital costs are deemed to include acquisition of rights of way, total construction costs, street lighting, kerbs, gutters, etc., on freeways, and service roads provided in conjunction with freeways. The capital subsidy should be by way of capital grants paid during the progress of the work; or alternatively an annual grant in respect of interest and redemption on the loan incurred by a local authority to finance the capital works.

In respect of maintenance of urban arterial roads, the committee recommends a fifty per cent subsidy in the case of the largest municipalities, graded upwards for the smaller authorities; the subsidy to be assessed as a percentage of the reasonable average annual cost per mile of maintenance for the various classes of roads.

With regard to urban roads and streets the Committee would lay the responsibility entirely on local authorities and goes so far as to suggest that the provincial administrations of the Transvaal and Natal should discontinue the present practice of allocating portion of motor licence revenue to local authorities in those provinces. Registration and other fees would not be affected.

The United Municipal Executive has not found all these proposals acceptable and desires to pursue its

claim for a fair share of motor taxation to finance urban roads and streets expenditure, despite the view of the Borckenhagen Committee that:—

“... the Committee does not consider that for the purposes of financing roadworks there should be any change in the present sources of revenue of the various road authorities. This should also apply to any increased allocation of motor fuel taxation which should accordingly accrue to the National Transport Commission.”

Welfare Services

The claim by the United Municipal Executive has always been that no obligation should be imposed on local authorities in respect of welfare services and that the government should remain financially responsible for social welfare.

The Committee has agreed, but it takes the view “that local authorities should encourage and assist voluntary welfare organisations by way of donations and loan of money, annual grants-in-aid, exemptions from the payment of property taxes, reduced tariffs for services, etc.,” and “that the local authorities should continue to control street collections and provide facilities for recreation and leisure activities.” Welfare activities should be undertaken on a voluntary basis.

Railway Service Line Facilities

The United Municipal Executive contends that the responsibility for railway service lines in industrial townships of local authorities should be divided between the responsible bodies on the following basis:—

(i) Local Authorities

- (a) to provide main feeder and sub-feeder lines, the cost being indirectly recoverable from the industrialists in the selling price of land; and
- (b) to provide the land necessary for exchange or marshalling yards if required.

(ii) South African Railways

- (a) to provide exchange and marshalling yards if required, on land provided by the local authority;
- (b) to provide all additional operational aids such as loops, control cabins, electric lighting, water columns, points and telephones; and
- (c) to maintain main feeder and sub-feeder lines, the cost if desired being recoverable from industrialists by direct agreement with the Administration.

(iii) The Industrialists

- (a) to provide and maintain their own private spur lines;
- (b) to pay indirectly through the purchase price of the land for the cost of main feeder and sub-feeder lines; and
- (c) to pay by agreement with the Administration for the cost of maintenance of main feeder and sub-feeder lines.”

The United Municipal Executive has also indicated that local authorities are prepared to hand to the

Railway Administration the main and sub-feeder lines in such townships free of charge, provided that the Railway Administration accepts responsibility for maintenance and renewal thereafter; any recovery being from industrialists and not local authorities.

The Borckenhagen Committee has been much influenced by the view of the Railway Administration that it cannot discriminate in its policy between the owner of an individual private siding and a municipal siding; but the Committee nevertheless considers that the Administration should not require any party to be responsible for the maintenance of railway facilities in perpetuity, and long after they had ceased to have any direct interest therein, and accordingly that, under certain circumstances, transfer of both the capital assets and the responsibility for the maintenance and renewal thereon to the administration is justified. Any transfers should be subject to negotiations and agreement between the parties concerned.

The United Municipal Executive has endorsed this proposal.

Airport and Aerodrome Services

The United Municipal Executive has claimed that airports and aerodromes should be taken over by the Government and administered as part of the national air transport services, with compensation to local authorities based on capital outlay. Failing this, that the Government should afford local authorities adequate financial assistance in respect of annual maintenance charges, including capital charges, by means of a full refund of the net expenditure involved.

After 1955 only Port Elizabeth and East London were affected and subsequently the East London aerodrome was also absorbed by the Department of Transport.

The Borckenhagen Committee considers that the Government had been generous in providing state-owned airports near Cape Town, Durban, Bloemfontein and East London, in addition to the international airport near Johannesburg, and that state assistance in respect of hardened runways at other airports has been generous. However, it recommends that the scale of landing charges be reviewed by the Department of Transport and, if justified, be increased to enable local authorities to cover the whole or a greater proportion of their annual expenditure on the airports and aerodromes owned by them. It suggests that taxes be imposed on passengers and fees on visitors to airports, where practicable. Although local authorities should be responsible for airports they cannot be expected to subsidise services from the rate fund.

After this report was issued the Department of Transport absorbed the Port Elizabeth Airport as from the 1st April, 1964. In so doing it only agreed to meet half the capital cost of the buildings and paid R2 for the land comprising the airport. It did not take much equipment and the airport manager and his deputy have been pensioned by the municipality at its own expense, because the Department of Transport would not absorb these men into the national service.

Stamp Duties

The claim by local authorities that they should be relieved of stamp duty in respect of all instruments enumerated in the second schedule to the Stamp Duties and Fees Act 1911, is supported by the Borckenhagen Committee, in view of the insubstantial sum of money involved and other tax reliefs enjoyed.

Housing and Bantu Authorities

Although recommendations on the matter have been made by the Committee its report has not yet been made public.

The United Municipal Executive has made frequent representations on housing matters, not only to the Borckenhagen Committee but to the Housing Commission as well. Some success has crowned these efforts but not in respect of sub-economic housing requirements, where local authorities are face to face with slum clearance and the rehousing of the unemployed, unemployable, the sick, the aged, and widows and all the social and economic problems associated with them. Most of these types are non-European and are unable to apply any political pressure for relief. Too little money is made available on sub-economic terms (i.e. $\frac{3}{4}$ % loan) and there is an appreciable percentage of the population, particularly non-European, which cannot pay rents, even when determined on a sub-economic basis. They have been termed the sub-sub-economic group and require far more assistance from government sources if local finances are to be relieved of the burden.

There are differences of opinion between the government and the United Municipal Executive on the need for an adjustment to the so-called income limits applied to sub-economic housing tenants, and the Bantu limit of R30 per family has not been increased since its inception. There are differences of opinion on the sharing of graduated rentals between the government and local authorities in the case of rent collections between the economic and sub-economic levels because local authorities are not permitted to take into account all the expenditure incurred by them on the respective housing schemes.

In relation to capital expenditure the main plea is that service levies should be applied to all non-European employees, and that the Bantu levy should continue indefinitely and be widened in scope. Liquor profits in Bantu areas should also be available for local capital purposes instead of four-fifths going to the government as at present.

Whether the Borckenhagen Committee has dealt with these issues is not known at this stage.

Reports on Income of Local Authorities

The only report which has reviewed income so far is the Second Interim Report, which covers three small matters, namely:—

Income from fines, forfeitures and estreated bails. Certain aspects of property taxation.

Stamp duties and fees (already considered in this address).

The main submissions of the United Municipal

Executive were related initially to traffic fines, viz.:—

“(a) That the present system of refunding traffic fines to local authorities be abolished.

(b) That the Government subsidise local authorities out of general revenue for expenditure incurred on traffic on the following basis:—

In respect of the first £10,000 approved expenditure, 100%.

In respect of expenditure in excess of £10,000, 75%.”

In 1959, the United Municipal Executive abandoned the proposed subsidy system and made representations for the provision of a supplementary source of revenue to finance the cost of traffic control. It had already stated that neither trading licences nor subsidies would be acceptable in substitution for traffic fines unless local authorities received motor vehicle licences over and above the share claimed for other reasons.

With regard to other fines, the United Municipal Executive in 1958, stated that fines accruing to the Bantu revenue and general revenue accounts should continue.

After considering representations from various bodies, the Borckenhagen Committee has recommended that traffic fines and forfeitures should be paid by the Department of Inland Revenue to the provincial administrations for distribution on the basis of actual gross expenditure incurred on traffic control by the provincial administrations and local authorities in the provinces concerned, subject to the payment to local authorities not exceeding fifty per cent of the gross expenditure on traffic control in any area; any balance being retained by the provincial administration concerned for use solely for the extension and development of traffic control measures and the promotion of road safety throughout the province.

Gross expenditure is defined as all expenses legitimately chargeable to traffic control including salaries, wages, allowances, transport and other expenses, repairs, maintenance and renewals, loan charges and contributions to reserves, and capital outlay, but not the cost of purchasing, installing or maintaining parking meters, or providing, maintaining and controlling off-street parking facilities.

With regard to general fines, the Committee considers that they should be paid into the consolidated revenue fund and not to local authorities, but fines and forfeitures in respect of contravention of legislation affecting Bantu in urban areas should accrue to local authorities. Estreated bails should be credited to the consolidated revenue fund.

The property taxation issue has reference to bulk grain stores, where relief has been sought, but the Borckenhagen Committee upholds the view of the United Municipal Executive that no concessions should be applied. In the case of mine property the Committee recommends no change in the present procedure.

Reports on Income to Come

The main representations affecting the income of local authorities, including exemption from rating,

particularly of government properties, licensing of motor vehicles, and new sources of revenue, such as a local income or sales tax, have yet to be considered. The report on trade licensing has yet to be made public and its recommendations may be affected by the views of the Trade Licensing Commission. Some useful additional revenue could be derived from this source.

The de-rating issue dates back to the 1931 depression when the Cape and Natal local authorities lost revenue previously received by them. The United Municipal Executive has pressed for the re-rating of all government properties, which would include provincial and railway property, or alternatively, for the payment of grants equivalent to such rates. The United Municipal Executive had made the case that in other countries, where rating applies, the governments concerned do make grants and that this is the only equitable method of reimbursing those local authorities where government properties are large in number. The measure, of course, would have to apply to all local authorities but relief in many cases would not be large.

Liquor licences would be a welcome addition to licensing income but there appears to be little likelihood of the government surrendering this source of income.

Motor licensing has already been mentioned in connection with road works, but local authorities will persist in their claims for part of this revenue, under the broad general principles enumerated by the late Mr. Hofmeyr and quoted earlier in this address.

New sources of income, such as a local income or sales tax, have not found favour and attempts by the United Municipal Executive to send a delegation to study the position at first hand in the United States of America and Canada have not received the support from the provincial administrations that was expected. The Borckenhagen Committee, too, has not shown any strong support. However, local authorities feel that their case is quite strong and that no other source is likely to produce the revenue to allow local government to fulfil its many functions and to maintain standards set in the past.

Conclusion

Looking back over the long negotiations on financial relations is not unrewarding because there have been successes along the line. Health services are an outstanding example, while Cape local authorities have obtained relief from provincial legislation dealing with hospitals, poor relief, and schools, in terms of which they had to provide subsidies under stated conditions. Cape local authorities have also benefited from improved provincial subsidies under the main roads programme.

The continued probing into local affairs by the Borckenhagen Committee, and the presence of government and provincial representatives on that Committee, may have benefited local government indirectly because the higher authorities have not been able to forget the claims of local authorities, and are aware of the effects of adding to their functions without

providing additional sources of income to finance new services.

Looking forward the main problem facing local authorities is how to meet demands from the citizens for more social, cultural and educational facilities, including non-European requirements, without killing the ratepayer, who cannot be expected to finance so many services not of benefit to his property.

No responsible local authority would forego the power to levy rates, which is the mainstay of its finances, but all would welcome additional income to meet demands for more and more services.

Local authorities have suggested two obvious sources from which the additional income could be obtained without disturbing traditional tax systems, namely the re-rating of government property, and the transfer of motor vehicle licences, in whole or in part, from the provinces to local authorities. Variations on these proposals are that the government should make a grant in lieu of rates, if it does not wish to be taxed by lower authorities, which is the method adopted in the United Kingdom and Commonwealth countries and that if necessary additional motor vehicle taxation be imposed for the benefit of local authorities, or that a share of the petrol tax be paid to them.

Turning to less traditional methods of taxation, local authorities have suggested sales or local income taxes, and the former tax has been supported by the United Municipal Executive. Sales taxes are imposed in many parts of the world for state purposes and both sales and local income taxes are imposed in the United States of America and Canada by local authorities. They operate satisfactorily and could be operated in South Africa. Prejudice is strong, however, and the higher authorities have not indicated their preparedness to consider such taxation, let alone authorise it by suitable legislation. Nevertheless, the Borckenhagen Committee should obtain all the information it can on so vital a matter and make suitable recommendations, if it decides to support this form of taxation.

Those who do not want to delve too deeply into the financial relations issue must be asked to consider why national and provincial finances are so buoyant when local government resources are so strained. The answer is that the higher authorities have flexible and expanding sources of income, because of the taxes available to them, while local authorities are cabined and confined by the rigidities of the rating system. The Local Authorities Committee has it in its power to make recommendations to remedy the position.

Candidates for the 1964 Examinations are reminded that examination entrance forms must reach the Secretary of the Institute, P.O. Box 8652, Johannesburg, as early as possible, but not later than 31st August next.

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