

AN EXAMINATION OF JOHANNESBURG'S NATIVE REVENUE ACCOUNT BY COUNCILLOR P.R.B. LEWIS, C.A. (S.A.), CHAIRMAN OF THE NON-EUROPEAN AFFAIRS COMMITTEE OF THE JOHANNESBURG CITY COUNCIL.

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 1961 the estimated Native population was 614,606 of whom 213,669 were males, 180,452 females and 220,485 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 106,500 so that in the metropolitan area of Johannesburg the total Native population is approximately 721,106.

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 roughly equal 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, 1961, the houses built had increased to 57,357

and the Hostel accommodation was 24,264 and, in addition, sites allocated in the Site and Service Schemes, on which the building of houses was awaited, amounted to 1,137. The present programme is to build 5,000 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 R6M. to provide homes for the slum dwellers of Moroka and Shantytown. 13,893 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 ...

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 1961. These reflect the following capital expenditure:

	<u>30. 6. 40.</u>	<u>30. 6. 52.</u>	<u>30. 6. 61.</u>
	R	R	R
Land	244,370	2,619,122	2,203,311
Buildings	1,646,124	7,602,220	23,773,228
Machinery & Plant	36,070	37,096	242,057
Tools	408	204,648	250,405
Motor Vehicles	16,668	124,556	323,233
Furniture	34,086	98,374	240,299
Layout	6,690	70,780	245,585
Fencing	92,146	183,410	252,702
Livestock	4,776	24,496	-
Tennis Courts	380	7,932	9,606
Stormwater Drainage & Sewerage	67,396	200,326	7,001,731
Railway Siding	8,594	9,722	9,721
Water Supply	66,466	148,706	2,853,158
Roads	25,934	363,354	2,013,942
Tramway Extension	3,500	3,500	-
Lighting	25,562	121,800	1,587,618
Medical Appliances	34	32	17,583
Swimming Pool	1,536	1,482	6,814
Orlando Govt. Housing Scheme	860,944	-	-
Bridges	-	53,634	116,411
Gas Supply	-	7,686	7,687
Playing Fields	-	36,264	228,879
Office Machinery	-	8,592	114,166
Sundry Debtors House Selling Schemes	-	10,088	2,647,216
Meters	-	-	10,730
	<u>R3,141,684</u>	<u>R11,937,820</u>	<u>R44,156,082</u>

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 1961 - R23,773,228; the amount spent on erecting nine Hostel buildings amounted to R2,428,693; The amount spent on housing schemes amounted to R20,525,132.

INVESTMENT ON LAND.

Of the land costing R2,203,311: - R119,681 represents the cost of land for Hostels - R1,149,800 represents the amount spent on ground for housing schemes - R869,874: represents expenditure on ground for as yet undeveloped or partially completed schemes, and R13,222: represents what is termed in the Accounts "General Land". In order to comply with Government policy, certain buildings and 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 R1,037,000: and that

is why the expenditure on land is reflected at a lower amount in 1961 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 R13.43 per acre; the 1146 acres at Orlando West were purchased at R14.93 per acre; whereas the 4428 acres in the Site and Service schemes were purchased at an average of R175.83 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
1961	7861 morgen - 26 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 30.6.61.	R
Government Loans amounted to	19,427,931
Loans from Native Services Levy Fund	1,629,287
Loans from outside bodies	6,084,237
(Mining Houses and Soldiers Housing Organisations)	
Advance from Council's Consolidated Loans Fund....	3,201,353
Advance from Council's Capital Development Fund ..	503,383
	<hr/>
	30,846,191
<u>Less:</u> Temporary advance to Rate Fund	586,667
	<hr/>
	30,259,524
Accumulated Surplus	13,896,558
	<hr/>
	<u>R44,156,082</u>

Of the money borrowed from the Government -

R6,882,582 was lent at $\frac{3}{4}\%$ interest on the basis of National Housing Commission formulas
 R110,688 was lent at $3\frac{1}{2}\%$ interest
 R3,406 was lent at 4% interest
 R1,383,742 was lent at $4\frac{1}{2}\%$ interest
 R1,807,475 was lent at $4\frac{3}{4}\%$ interest
 R9,145,028 was lent at $4-7/8\%$ interest
 R95,010 was lent at $5\frac{1}{2}\%$ 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 1960/61 it was at the rate of 4.494%. Of the funds provided by the Government since 1952 -

R1,857,602 is at $\frac{3}{4}\%$
 R1,564,112 is at $4\frac{1}{2}\%$
 R2,102,716 is at $4\frac{3}{4}\%$
 R9,289,332 is at $4-7/8\%$
 R95,010 is at $5\frac{1}{2}\%$.

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 R13,896,558: the amount represented by grants from the Native Services Levy Fund is R7,860,789: leaving a balance of R6,035,769: 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</u> <u>REDEEMED:</u>	<u>Total</u> <u>Expenditure</u>	<u>Loans</u> <u>Outstanding</u>	<u>Loans redeem-</u> <u>ed less assets</u> <u>written off.</u>
General Section	735,795	321,016	414,779
Kaffir Beer Section	1,233,996	665,097	568,899
Denver Hostel	550,179	364,709	185,470
Dube Hostel	514,726	490,390	24,336
Mai Mai Hostel	40,157	20,735	19,422
Wemmer Hostel	221,544	4,261	217,283
Wolhuter Men's Hostel	273,960	54,673	219,287
Wolhuter Women's Hostel	10,380	659	9,721
Eastern Native Township	364,296	166,426	197,870
Jabavu	2,475,111	2,131,243	343,868
Moroka	530,133	241,942	288,191
Orlando East	3,260,067	2,168,138	1,091,929
Orlando West	4,375,740	3,860,320	515,420

<u>LOANS REDEEMED.</u>	<u>Total Expenditure</u>	<u>Loans Outstanding</u>	<u>Loans Redeem- ed less assets written off.</u>
Pimville	303,587	153,404	150,183
Undeveloped Schemes	959,394	722,279	237,115
Shantytown	223,833	13,706	210,127
Western Native Township	772,936	57,782	715,154
	<u>R16,845,834</u>	<u>R11,436,780</u>	<u>R5,409,054</u>

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 R27,874: R2560: an acre, but the Municipal Valuation of this ground is R400,000: or approximately R40,000: 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 R80,000: per acre, some at R120,000: per acre and some at R160,000: per acre. The 71 acres on which Eastern Native Township is built cost R11236: - R158: per acre, whereas the 40 acres adjoining this area recently purchased for the Eastern Native Township Hostel cost R123,674: - R3,100: an acre. The Municipal Valuation of the ground on which Eastern Native Township is situated is R256,000. The ground on which the Municipal Brewery is situated in Von Wielligh Street, which cost R2192: has a Municipal Valuation of R100,000. The ground on which the Wolhuter Men's Hostel was erected cost R10,206: and now has a Municipal Valuation of R80,000.

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 R38,370: R58: an acre. The 252 acres in Western Native Township cost R48,498: and the Municipal Valuation of this ground is R380,000: While the value of much of the land may have increased, other assets may be worth less than the book value. 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 1961, were:

:- ASSETS ...

ASSETS:

	R	R
Stores on Hand		170,842
Sundry Debtors		616,372
On General Account	170,021	
Rents	431,451	
Loans	7,267	
Payments in Advance	<u>7,633</u>	
Work in Progress		277,794
<u>Investments</u>		5,299,274
Native Services Levy Fund	3,048,736	
Redemption Fund - Mining House Loan	175,807	
Reserve and Trust Funds	<u>2,074,731</u>	
Cash in Hand		<u>25,008</u>
		<u><u>R6,389,290</u></u>

LIABILITIES:

Sundry Creditors		539,081
Reserve and Trust Funds		5,299,274
Maintenance Reserve Fund	1,612,025	
Reserve for Bad Debts	411,910	
Native Gratuities	40,669	
Security Deposits	10,128	
Native Services Levy Fund	3,048,735	
Redemption Fund - Mining House Loan	<u>175,807</u>	
Surplus - unallocated Kaffir Beer Profit		285,636
Advance from Rate Fund		265,299
		<u><u>R6,389,290</u></u>

ARREAR RENTS : R431,451.

Over the past six 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	1,339,886	21,614	1.6
1957	1,714,120	45,024	2.6
1958	2,348,262	211,654	9
1959	2,873,886	429,846	15
1960	3,106,212	473,162	15.2
1961	3,390,402	431,451	12.7

:- The ...

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 1961 the arrears in the sub-economic housing schemes amounted to an average of 3 months rental, whereas in the economic schemes it was a month and a half. 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 R30 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 R40 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 1961, was made up as follows:

Maintenance Reserve:

	R
Dube Hostel	46,983
Jabulani Hostel	18,751
Nancefield	39,248
Dube Housing Scheme	9,437
National Housing Scheme	1,053,018
Mofolo	20,669
Orlando West Extension	4,972
Site and Service	153,346
Other Schemes	265,601
	<hr/>
	R1,612,025
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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 R364,296; the amount outstanding at 30th June 1961, was R140,904; But the Municipal Valuation of the land which stands in the Council's books at R11,236; is R256,000; 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 R772,936; of which the loan outstanding at the 30th June 1961, amounts to R57,782; As previously stated, the Municipal Valuation of the ground, which cost R48,498; is R380,000; It is true that the houses in

:- both ...

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 R3,206,523: At the 30th June 1961, the amount standing to the credit of the Maintenance Reserve for this Township amounted to R648,928: The cost of maintenance of these houses during the four years ended 30th June 1961 amounted to approximately R96,000: and of the loans raised R515,420: 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 ten years alone (1952 - 1961)

amount to	R1,626,166
of which the loan redemption charges =	159,695
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Expenditure (excluding redemption charges)	R1,466,471
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The rents paid during this period amounted to	R587,831
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So that the loss, excluding redemption charges was	R878,640
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therefore it cannot be said that the rents paid by the tenants covered the loan redemption.

SOUTHERN RHODESIAN COMMISSION RECOMMENDATION.

In the Report of the Urban African Affairs Commissioner 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 principle should be observed:

- (a) The Native Revenue Account 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 AND EXPENDITURE.

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

: - ANALYSIS ...

ANALYSIS OF EXPENDITURE & INCOME ON NATIVE REVENUE ACCOUNT

	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69	1969/70	1970/71	ESTIMATED 1971/72.
EXPENDITURE:										
Salaries, Wages & Allowances	546,420	739,298	855,976	973,926	1,062,640	1,296,982	1,541,276	1,671,422	1,766,500	1,932,904
Miscellaneous Expenses -										
Departmental Charges	18,828	19,242	21,848	29,340	30,334	31,002	34,956	39,368	39,603	50,467
Medical Services (Nett)	200,438	258,920	219,308	476,024	531,490	679,778	482,936	571,692	609,530	743,017
Sanitary Fees	42,664	50,830	54,176	47,304	46,694	75,244	58,891	92,528	61,848	76,560
Sanitary Services	350,084	366,016	369,724	420,654	494,352	591,072	584,396	496,194	534,204	573,278
Water Supply	29,784	26,926	45,092	85,414	105,400	153,250	196,778	284,832	364,577	359,030
Grants-in-Aid	36,410	36,984	44,546	50,220	58,898	64,992	67,602	59,806	80,992	99,528
Other	334,614	425,682	382,346	361,312	522,578	480,686	533,448	736,660	602,043	699,367
	1,012,822	1,186,600	1,137,040	1,470,268	1,791,746	2,076,024	1,858,010	2,279,100	2,292,768	2,801,267
Repairs and Maintenance	314,292	350,528	389,332	352,554	523,480	538,946	584,360	668,790	1,066,369	1,151,296
Loan Charges: Interest	314,472	321,628	344,308	398,568	434,634	523,724	699,062	796,944	962,872) 1,613,336
Capital Redemp- tion.	338,706	293,944	288,984	267,372	255,972	263,756	359,638	428,906	488,017	
	2,526,712	2,891,996	3,015,640	3,462,688	4,068,472	4,698,432	5,142,346	5,848,182	6,566,553	7,498,801
Less: Charged to Native Services Levy	23,538	31,960	32,688	30,974	31,438	35,566	39,668	33,488	34,525	33,900
	2,503,174	2,860,036	2,982,952	3,431,714	4,037,034	4,662,866	5,102,678	5,808,674	6,532,028	7,464,901
INCOME:										
Fines	206,046	252,318	274,118	223,904	259,710	182,096	205,372	188,748	115,869	100,000
Rents	968,562	1,079,034	1,142,952	1,339,886	1,714,120	2,348,262	2,873,886	3,106,212	3,390,402	3,571,200
Labour Bureau Fees	-	23,608	31,036	33,384	32,564	33,960	29,780	30,108	27,917	27,000
Registration Fees	-	344,062	406,690	422,714	430,376	499,252	520,366	496,700	478,315	480,000
Govt. Subsidy: Housing Losses	52,506	62,390	76,924	80,670	85,682	11,320	-	-	-	-
Sundry	97,166	92,610	76,204	37,360	54,982	77,078	74,122	350,886	527,403	628,000
Kaffir Beer Profits	479,670	732,460	634,312	1,035,692	1,050,200	1,079,076	(1) 1,155,992	(2) 849,770	1,139,913	1,540,829
TOTAL INCOME	1,806,960	2,586,502	2,641,236	3,173,610	3,627,634	4,231,044	4,859,518	5,122,424	5,679,819	6,347,029
Deficit to Rate Fund	697,224	273,536	341,716	258,104	429,400	431,822	243,160	686,250	852,209	1,117,872
	2,503,174	2,860,036	2,982,952	3,431,714	4,057,034	4,662,866	5,102,678	5,808,674	6,532,028	7,464,901

(1) Excluding R135,000 unallocated
(2) Excluding R350,000 unallocated.

MEDICAL SERVICES.

In the schedule giving the main headings of expenditure, Medical Expenses are shown as nett. For the year ended 30th June 1961 the gross expenditure was as follows:

	R	R
Health Inspection and Sanitation		45,864
Nursery Schools		20,760
Medical Services in Locations		876,638
Infectious Diseases		16,952
Tuberculosis		563,191
Veneral Diseases		7,719
Medical Examination at Registration Centre		25,020
Waterval Hospital		256,947
Non-European Child Welfare		8,639
		<hr/>
		R1,821,730
Refunds received from Government	697,812	
Refunds received from the Province	451,618	
Other Income	62,770	1,212,200
		<hr/>
		R 609,530
		<hr/>

For 1961/62 the gross expenditure is estimated to be R2,129,536 and the nett R743,017.

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 1961, of R21,049,814: drawn against approved Government houses loans only R16,937,449: 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) ...

- (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 R240; and the three-roomed R280; and the four-roomed R340. The next scheme was at Eastern Native Township where the two-roomed houses cost R230; and the three-roomed houses R270. In 1932-1935 the Council started the Orlando East Scheme, where the two-roomed house of 397 sq. feet cost R190; and the three-roomed house varied from R504; to

;- R1000 ...

R1000: and the four-roomed house from R708: to R1328. The 125 houses built in Pimville in 1944-1945 cost R988: for the three-roomed, and R1198: 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 R320: to R370: 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 42½c., to 52½c., in 1938 this had increased to 92½c., and in 1944 the houses at Orlando West cost R1.04, to R1.14. In 1946 the price had increased to R1.22½, and the Jabavu houses built in 1947 cost R1.02. 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 61c., to 67½c., 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:

	51/52	52/53	53/54	54/55	55/56	56/57	57/58	58/59	59/60	60/61
Salaries, Wages & Allowances	18,390	18,844	22,782	25,416	26,910	26,480	40,686	36,426	40,830	40,673
Misc. Expenses	64,472	53,918	52,944	60,976	76,644	90,744	102,642	100,362	133,236	121,666
Repairs & Maintenance	17,412	26,586	37,802	32,274	14,412	16,586	20,328	15,320	23,420	16,295
Loan Charges	32,278	41,780	29,970	28,790	27,802	19,612	20,954	8,832	10,256	9,769
Distrib. H/O Adminis.	6,718	8,120	6,488	9,636	9,778	6,884	6,634	5,702	5,104	5,661
Total Expend.	139,270	149,248	156,986	157,092	155,546	160,300	191,244	166,642	212,846	194,004
	51/52	52/53	53/54	54/55	55/56	56/57	57/58	58/59	59/60	60/61
Revenue	50,946	51,154	51,396	51,311	51,046	51,786	64,342	74,002	69,468	71,779
Sundry Income	68	24	36	30	48	24	-	364	586	567
Total Revenue	51,014	51,178	51,432	51,341	51,694	51,810	64,342	74,366	70,054	72,346
Deficit for year	88,256	98,070	105,554	105,751	103,852	108,490	126,902	92,276	142,792	121,718

:-- When ...

When it is considered that the cost of administering this township in 1940 was R91,178; 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 R524; and the house R508. In Orlando West in 1944 the estimated cost of the services was R676; and the house R882; and for the Orlando West houses built in 1946 the services were estimated at R830; and the house at R1092. 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 1961 is as follows:

Native Services Levy Fund.

	R	R
Total collections 1.1.53		
to 30.6.61.		11,264,349
<u>Less: Administration</u>		273,251
		10,991,098
 Total Expenditure to 30.6.61		
Direct Charges and Grants	7,942,362	
Loans	1,644,799	9,587,161
		1,403,937
 <u>Unspent Balance</u>		
 Expenditure on Loans repayable		
to Fund		1,644,799
Balance in Fund at 30.6.61 (after		
making provision for repayment		3,048,736
of all Loan expenditure)		3,048,736

:- Approved ...

Approved Native Services Levy Projects
as at 30.6.61.

	R
Approvals at 30.6.61	11,778,670
Less: Expenditure to 30.6.61	9,587,161
	<hr/>
	2,191,509
Less: Unspent balance	1,403,937
	<hr/>
Excess of approved projects to funds available	787,572
	<hr/> <hr/>
Nett Income of Fund is estimated at - for year ended 30.6.62	1,316,266

Approved Projects as at 30.6.61.

Total approved
estimated cost

Sub-Outfall and Link Sewers	1,399,253
Water Mains	1,852,185
Oliphantsvlei Sewage Disposal Works	2,384,300
Street Lighting	607,155
Widening and re-alignment of Roads	102,190
Electricity Supply	957,507
Water Towers and Reservoirs	883,985
Roads and Bus Routes	901,959
Survey and Lay-out	106,184
Clearing of Sites	23,200
Nightsoil Intake	6,258
Sanitation : Latrine Grants	
Reticulation Fittings and Installation	2,506,702
Sundry Expenditure	47,792
	<hr/>
	R11,778,670
	<hr/> <hr/>

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:

:- Year ...

<u>Kaffir Beer</u>		
<u>Year</u>	<u>Revenue</u>	<u>Profit</u>
1937/38	31,068	14,186
1938/39	118,500	65,536
1939/40	188,894	127,504
1940/41	225,534	125,094
1941/42	203,038	107,398
1942/43	201,892	94,544
1943/44	339,560	198,122
1944/45	458,970	242,954
1945/46	256,978	114,552
1946/47	417,558	95,904
1947/48	573,378	243,674
1948/49	654,094	362,430
1949/50	744,890	349,448
1950/51	828,046	350,262
1951/52	998,840	403,152
1952/53	1,229,660	479,670
1953/54	1,403,068	732,460
1954/55	1,646,406	854,312
1955/56	1,784,392	815,692
1956/57	2,058,082	1,050,202
1957/58	2,217,056	1,079,076
1958/59	2,589,712	1,290,990
1959/60	2,691,090	1,299,768
1960/61	2,819,873	1,239,913
TOTAL	R24,680,579	R11,736,843

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 R28,000 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 otherwise to promote the social welfare of such residents.

:- Allocation

Allocation of Kaffir Beer Profits:

	<u>Year Ended</u> <u>30.6.61.</u>
<u>One Third Profit:</u>	
Urban Recreation	21,252
Urban Social Welfare	13,167
Bursaries	4,734
Grants in Aid	80,992
Vocational Training Centre	46,093
Medical Services Urban	214,358
Medical Services Township	32,708
	<hr/> <u>R413,304</u> <hr/>

Two Thirds Profit:

Losses on Sub economic
Housing Scheme:

Eastern Native Township	49,951
Jabavu	98,893
Orlando East	215,624
Orlando West	142,416
Pimville	143,275
Western Native Township	76,450
Unallocated Profit	100,000
	<hr/> 826,609 <hr/>
<u>GRAND TOTAL</u>	<u>R1,239,913</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 $3\frac{1}{4}\%$ 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 R2,158,346; and of this sum it was calculated, on the Council's understanding of the formula, that R1,004,640: was recoverable from the Government, but only R469,454: was recovered at that time.

In 1951 the old $3\frac{1}{4}\%$ 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 R50: on loans prior to 1.10.46 and

:- R60 ...

R60: thereafter. In 1952 differential incomes were laid down, and were fixed at R30: 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 30c. for every R1.00 of the income over R30. In 1954 the Council, because of its unhappy experience under the National Housing formula, agreed to convert the $3\frac{1}{4}\%$ loans to $\frac{3}{4}\%$ 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 R800,000: under the old $3\frac{1}{4}\%$ scheme was finally settled for R250,000. The R250,000: 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 $\frac{3}{4}\%$ to $4\text{-}7/8\%$, and over has had the effect of increasing the rental on a house costing R400: by R1.50 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 R40: as the sub-economic limit rather than R30: is paying the State (in the years 1958, 1959, 1960 and 1961 an amount of R355,135:) 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, were as follows:

	R
1952/53	52,506
1953/54	62,390
1954/55	76,924
1955/56	80,670
1956/57	85,682
1957/58	11,320
1958/59	-
	<hr/>
	R369,492
	<hr/> <hr/>

:-- CONTRIBUTIONS ...

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:

	Registration Fees (Nett)	Native Transport services Levy	Native Services Levy	Deficit on N.R.A.	TOTAL
1953	-	135,782	543,128	697,224	1,376,334
1954	91,618	278,920	1,115,682	273,518	1,759,738
1955	189,714	298,292	1,230,282	341,716	2,059,804
1956	160,186	309,504	1,314,096	258,104	2,041,890
1957	127,064	318,752	1,360,934	429,402	2,236,152
1958	172,576	665,206	1,421,518	431,820	2,691,120
1959	95,692	722,104	1,473,330	243,160	2,534,286
1960	41,578	647,606	1,400,642	686,250	2,776,076
1961	1,842 CR.	559,419	1,404,739	852,209	2,814,525
TOTALS	876,586	3,935,585	11,264,351	4,213,403	20,289,925

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 R2,129,000 are under the control of the Medical Officer of Health. The maintenance of buildings - a cost of R438,000: the provision of refuse removal and sanitary services costing R573,278: are under the control of the City Engineer. The City Treasurer controls the treasury staff whose salaries and allowances amount to R368,658. 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...

CONCLUSION.

This review of the Native Revenue Account deals with the financial aspects of the administration of Johannesburg's Native Townships. It is realised that there is still much more to be done. No longer is the bulk of the population made up of completely unsophisticated, uneducated and simple labourers. We have today the second, and in many cases, the third generation of persons who have known of no other home than Johannesburg, who have spent their entire working life in full-time industrial and commercial employment in the City, and who are integrated into urban conditions of living. These persons are clamorous for increased rights and opportunities.

In giving the review of what has been done, one does so not with a sense of complacency, but with a view to indicating the Council's desire to face the task assigned to it with vigour and goodwill towards the Native people.

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