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REPORT

OF THE

COMMISSION OF INQUIRY

**into the occurrence of ruling high selling
prices of vacant residential sites and un-
planned land being acquired for township
development.**

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**INTO THE OCCURRENCE OF
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OF VACANT RESIDENTIAL SITES
AND UNPLANNED LAND BEING
ACQUIRED FOR TOWNSHIP DEVELOPMENT.**

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NED LAND BEING ACQUIRED FOR
TOWNSHIP DEVELOPMENT.**

TO:

*THE STATE PRESIDENT
OF THE REPUBLIC OF SOUTH AFRICA.*

As promulgated by Government Notice No. 3787 of 21 November 1969, you were pleased to appoint a Commission of Inquiry to investigate and, on or before 30 June 1970, to report on —

- (i) the occurrence of ruling high selling prices of vacant residential sites and unplanned land being acquired for township development; and
- (ii) steps, if any, required to be taken by the authorities to meet the situation.

You appointed the undermentioned persons as members of the Commission:

- (i) Mr. J.H. Niemand, Secretary for Community Development, Pretoria (Chairman);
- (ii) Mr. H.J. Viljoen, Secretary for Agricultural Credit and Land Tenure, Pretoria;
- (iii) Mr. C.R.B. de Villiers, Registrar of Financial Institutions, Pretoria;
- (iv) Dr. B. van Staden, Deputy Head, Economic Department, S.A. Reserve Bank, Pretoria;
- (v) Mr. J.J.C. Kock, President of the United Municipal Executive of South Africa, Pretoria;
- (vi) Dr. G.H. Hansmann, Consulting Actuary and Director of Companies, Cape Town.

After the first meeting Mr. C.R.B. de Villiers, Registrar of Financial Institutions, requested permission to withdraw in view of his imminent retirement from his post as Registrar and you were then pleased to appoint Mr. H.J.F. Cilliers, Chief Inspector of Financial Institutions, in his stead.

Mr. C.J. Immelman of the Chairman's Parliamentary Staff acted as Secretary.

Your Commission has completed its inquiry in accordance with its terms of reference and has the honour to submit the following report.

CHAPTER 1.

AUTHORITIES AND SOURCES CONSULTED.

1. The Commission specifically invited the undermentioned bodies to prepare memoranda and to give evidence:—

- (1) The four Provincial Secretaries;
- (2) the United Municipal Executive;
- (3) the local authorities of the cities of Pretoria, Cape Town, Johannesburg, Durban and Port Elizabeth;
- (4) the Divisional Council of the Cape;
- (5) the National Housing Commission;
- (6) the Community Development Board;
- (7) various large commercial banks;
- (8) various large township development companies;
- (9) the South African Property Owners' Association;
- (10) the Association of Building Societies;
- (11) the Afrikaanse Handelsinstituut;
- (12) the Association of Chambers of Commerce of South Africa;
- (13) the Institute of Estate Agents;
- (14) the Institute of Sworn Appraisers;
- (15) the Citizens' Housing League of the Cape Peninsula;
- (16) the Garden Cities Housing Company of the Cape Peninsula;
- (17) Sanlam;

- (18) Old Mutual;
- (19) the Director-General of Surveys;
- (20) the National Building Research Institute of the Council for Scientific and Industrial Research;
- (21) the Manager of the development company "Sasol Dorpsgebied Beperk".

2. In addition all interested parties desirous of making representations or giving evidence were invited, in terms of the aforementioned Government Notice, to approach the Commission without delay.

3. The Commission has pleasure in placing on record that it was afforded the greatest possible measure of assistance and co-operation by approximately 90 bodies and individuals who submitted memoranda. No fewer than 40 bodies and individuals gave verbal evidence. The Commission wishes to express its sincere thanks to all for the contributions and sacrifices made by them.

4. A complete list of the names of bodies and individuals who submitted documentary evidence, appears in the addendum to this report.

5. After having heard detailed evidence and having acquainted itself thoroughly with all the facets of the subject of its inquiry, the Commission also exchanged views with –

- (1) the Chairman of the Prime Minister's Economic Advisory Council, assisted by his senior professional assistants;
- (2) the Chairman of the Prime Minister's Planning Advisory Council;
- (3) the Chief Trade Adviser of the Department of Commerce (the Secretary for Commerce was, at that stage, on a mission outside South Africa);
- (4) the Secretary for Transport together with his Chief Engineer and other senior staff members; and
- (5) the Chief (an Engineer) of the Building Division of the Department of Community Development.

6. The specialized knowledge of these people was of inestimable value to the Commission in that it provided a background against which to evaluate its impressions and deductions after having heard all the evidence, and also served the Commission as a guide in the face of difficult solution problems. The Commission therefore wishes to express its sincere appreciation of the work done by these persons.

7. Last February the Chairman of the Commission was privileged to receive a visit from Mr. D.P. Cartwright (a South African citizen), at present Director of the Australian Institute of Urban Studies, who spent some time in the Republic en route to London. On this occasion a valuable exchange of views took place. The abovementioned Institute was established in 1967 as a central research body for the six Australian states and was entrusted with the task of handling urban problems, of which land use and urban development were important elements.

8. Mr. Cartwright was also a member of the Inter-departmental Committee appointed by the Prime Minister of Western Australia in 1967 to investigate tax levies on unimproved land. The Committee was required, inter alia, to recommend steps to curb land speculation. Through the kind offices of Mr. Cartwright your Commission obtained a copy of the said Committee's report.

9. Through the instrumentality of the Secretary for External Affairs the Commission obtained valuable information from the South African Embassy in London in connection with a Land Commission established in Britain in 1967 by the Land Commission Act of 1967, with the following two aims as its main tasks:

- “ (a) To secure that the right land is available at the right time for the implementation of national, regional and local plans, and
- (b) to secure that a substantial part of the development value created by the community returns to the community and that the burden of the cost of land for essential purposes is reduced”.

CHAPTER II.

FIELD COVERED BY EVIDENCE AND MEMORANDA.

1. After studying all documentary evidence submitted to it, hearing verbal evidence and further discussion with the experts mentioned in paragraph 5 of Chapter 1, the Commission came to the conclusion that the question of the high prices of vacant residential sites and unplanned land earmarked for township development, could be summarised as follows:—

The enormous demand for residential sites, which resulted from the increase in population, urbanisation and immigration and was stimulated further by the exceptionally high liquidity in the private sector and by speculation, greatly exceeded the supply of residential sites, while the provision of residential sites was retarded by delays in the proclamation of townships and the provision of services — delays which, in turn, were due to a shortage of both capital and labour.

AVAILABILITY OF UNDEVELOPED SITES.

2. The Commission was surprised to learn of the existence, in the Greater Cape Peninsula, of some 40,000 undeveloped residential sites the majority of which could be serviced were they to be built upon. Whilst approximately 1,500 sites are built upon annually, only a very small percentage is nevertheless actually for sale.

3. The position with regard to the availability of serviced sites is much more alarming in Pretoria. According to evidence given by representatives of the local authority, there are only some 6,000 vacant erven available whereas the annual demand for building purposes is in the region of 2,000. Some 10,000 further sites in proposed townships are in fact under consideration, i.e. the process of township establishment is being proceeded with, but the servicing of these sites poses grave problems.

4. In Port Elizabeth, where the City Council itself owns several thousand morgen of

unplanned land, the position is easier. The demand for serviced sites, however, exceeds the supply because, through what is claimed by witnesses to be an inadequacy of borrowing powers, the City Council is not supplying serviced sites rapidly enough.

5. In the Durban city area the provision of sewerage services by the City Council causes grave problems, and neither the City Council nor developers, including the Department of Community Development, can supply serviced sites rapidly enough.

6. There is no dearth of prospective township developers in the Johannesburg city area but, here too, the City Council is well in arrear with its sewerage programme. At the moment an area of no less than 12 square miles is urgently awaiting sewerage before it can be developed.

7. In rural towns there are no problems with regard to either purchase prices or the availability of sites. New growth points such as Newcastle, however, require the urgent attention of developers.

REASONS FOR THE NON-AVAILABILITY OF RESIDENTIAL SITES

I. Rationing and Speculation:

8. In the case of the Greater Peninsula with about 40,000 vacant sites which can be serviced, it was testified before the Commission that these sites are largely in the hands of owners who are not prepared to sell. Many of these sites still belong to the original developers (township establishers) who are feeding the market gradually (in this connection mention was made of the townships of Welgemoed, Kenridge and Eversdal the establishment of which was approved by the Administrator 15 to 20 years ago but certain portions of which are only now being offered for sale). It was argued that owner companies take account of income tax laws and therefore restrict their annual sales. Sites are also retained in the hope of a rising market. Evidence was given that during the past few years many of the available sites in the Peninsula were acquired by persons not with a view to building on these properties for themselves but merely by way of investment, i.e. on speculation. These erven are therefore not freely available to purchasers but are held until such time as it best suits their speculator-owners to sell. Unfortunately not only individual erven but often whole blocks, or as many as 100 erven at a time are acquired by such speculators. Because of the retention of erven by speculators who acquired them from township developers and the "rationing" of sites to the buyer's market by the township developer himself, sites required by prospective buyers for their own use are not freely available when needed and even the available ones are available only at speculative prices. The Commission was authoritatively informed that, in the Johannesburg city area, literally thousands of small syndicates have been formed (usually consisting of a few salaried persons who have pooled their resources); these syndicates then purchase erven which become available and keep these off the market until they can sell them. According to evidence submitted, investment of this nature is prevalent throughout the country.

II. Delays in finalising township establishment:

9. Representatives of all bodies having a direct or indirect interest in township establishment procedures were outspoken on the subject of the slow progress of township establishment. It was stated that in the Transvaal it actually takes years to have a township established. In the Cape and the Orange Free State the machinery operates more rapidly and in Durban no problems are experienced because of the existence of master

plans and the delegated powers enjoyed by the City Council. According to the parties who testified, the delaying factors are as follows:—

(a) Duplication of work by local authorities and township boards.

In this connection it was pointed out that township plans should be examined with equal thoroughness in respect of the same particulars by the appropriate local authority and the Province before the Townships Board submits its recommendations to the Administrator (this does not apply to the Durban and Pietermaritzburg city councils, which are vested with delegated powers in respect of township establishment).

(b) Lack of liaison between a prospective township establisher and the relative local authority prior to his submitting his final township plan.

Officials of the Planning Department of the Johannesburg Municipality testified that during the 25 years since the last war no single developer had come forward to discuss his plans with that Department prior to submitting them to the Townships Board. This has led to considerable delay and subsequent arguments. The developer might wish to establish a township in a locality where services cannot be provided by the municipality in the next fifteen years. As a rule he tends to provide too many business and flat sites in relation to the size and situation of the proposed township or to site residential erven on topographically unsuitable land. In certain other areas in the country, notably those around Cape Town, prior liaison does, however, take place. However, in view of the fact that, before any plans are considered by the Townships Board, township developers in the Transvaal are required to provide guarantees that services will be available within three years, they are now forced to consult with the relative City Engineer in advance about the provision of services. In this way early liaison is assured.

(c) The Townships Board cannot permit a plan to proceed until such time as the planning of roads, which is time-consuming, has been finalised.

Complaints were voiced to the Commission that such planning, especially where national roads are involved, invariably takes years, one case being instanced where it took all of 9 years. Developers went so far as to state that they were not prepared to undertake development in an area involving a national road as too many stumbling blocks are experienced in the implementation of a townships plan. Witnesses agreed, however, that when the routes of provincial or national roads also had to be planned, township establishment could not be finalised overnight. Some of the larger developers, however, quoted examples of inconsistencies in the requirements regarding street widths in ordinary suburbs without freeways or bus routes; the required width may be 22 feet or 30 feet and in one specific instance as much as 60 feet was specified. These anomalies lead to lengthy negotiations and naturally provoke opposition on the part of the developer. There have also been instances where developers have had to wait up to 7 months before being advised that a planned road on a township plan had in fact been approved.

(d) Offices of Surveyors-General have a large backlog, which prevents the timeous approval of general plans.

The Director-General of Surveys testified that some plans were delayed unduly because the survey, like any other, profession is not without its quota of inefficient members. In such cases incomplete work is submitted by private surveyors appointed by township developers to survey their townships. The staff position in the offices of the Surveyors-General is really critical. Since professional people are prac-

tically unobtainable, immigrants have to be employed to assist in performing certain tasks. Many of these have no knowledge of either Afrikaans or English and simple methods of instruction have to be employed. Unfortunately members of staff are continually being lured to the private sector. In the Transvaal it usually takes six months to obtain approval of a general plan; in the Orange Free State and Natal the period is four months, while in the Cape Province it averages three months.

- (e) Many authorities at Government level as well as provincial departments and local authorities approached by township boards for their comments on plans submitted take an inordinately long time to finalise matters.

Developers are generally agreed that to achieve sound planning a thorough examination of plans is essential. They feel, however, that all authorities, including local authorities, should be allowed a limited time within which to make their comments and that if no comments are received, the matter should be proceeded with on the assumption that the authority had no objection to the planning in question. Moreover there seem to be cases where municipalities experience difficulties in integrating developers' plans with their own; this in turn delays the submission of their comments.

- (f) Shortage of professional manpower at local authority and provincial administration level for the necessary checking and preparation of plans before townships boards are able to recommend the acceptance of such plans.

The Director-General of Surveys also referred to this matter in connection with the offices of Surveyors-General — please see (d) above. All the evidence given by representatives of provincial administrations and local authorities confirmed this fact. It was also mentioned that the recruiting of professional staff outside South Africa had met with little or no success.

- (g) Lack of master and guide plans with respect to land use as well as the provision of services.

Several of the larger developers testified that when local authorities were approached to consider their plans it was found to be impossible to determine how these would fit in with the areas already planned or with inevitable future expansion and that the developers were then asked to prepare, at their own expense, guide plans indicating how their township plans could be fitted into the overall plan. In respect of services there are practically no projections available for requirements based on population growth, with the result that local authorities are being overwhelmed by the rapid urbanisation which is taking place, and since the sewage purification works, reservoirs, mains etc. available are inadequate to serve new extensions. As a rule new townships therefore cease to be established unless the developer is able, for the time being, to make alternative arrangements on his own.

- (h) Financial inability of local authorities to provide services.

Apart from the lack of planning in respect of essential services mentioned in (g), large urban local authorities do not have the financial means to provide the necessary services, particularly capital works, in good time. On the one hand, it was stated, their capital expenditure is restricted by the authorities and on the other, the ceiling on the interest rates allowed makes it impossible for them to raise capital by borrowing. Township establishment is therefore delayed unavoidably unless the developer is able and prepared voluntarily to make financial contributions towards this end.

III. Auctioning of erven by local authorities.

10. In all four provinces it is the policy of local authorities to make their own erven

available to the public by public auction. To obtain the best results small numbers of erven are auctioned at a time, usually at high upset prices. The municipal erven offered in this manner are not sufficient to satisfy the existing demand whilst the high prices obtained at the auctions result in a corresponding increase in the market prices of all the erven in the area.

IV. Excessive prices for vacant or unplanned land.

11. From surveys made by various bodies it appears that 60 % to 80 % of the White population in the five main cities in the country fall into the group with incomes below R4,000 per annum. It was stated in evidence that the percentage in the Cape Town urban area is approximately 60 %, whilst in Pretoria it is between 70 % and 80 %. According to the 1966 census figures, 32 % of the White population of Johannesburg belonged to the R1,200 — R2,499, and 35 % to the R0 — R1,199 income group. The rise of large, financially strong, development companies in recent years has led to such keen competition for the acquisition of unplanned or agricultural land in peri-urban areas that a price of R8,000 per morgen is no longer exceptional. The opinion was expressed to the Commission that to keep a vacant site with services within the means of the lower middle income groups, comprising, as has been pointed out, between 60 % and 80 % of the population of the larger cities, the price of such a site should not exceed R3,000. Moreover, developers estimate that to ensure a maximum selling price of R3,000, vacant, unplanned land should not be purchased at a price exceeding R5,000 per morgen. It would therefore appear that the provision of residential sites for the bulk of the urban population is seriously affected by the fact that land prices, especially in the vicinity of Pretoria and the Witwatersrand, have risen well above the R5,000 per morgen mark.

DEMAND, OR THE "SELLER'S MARKET".

12. During the hearing of evidence the pattern reflecting the demand for residential sites and unplanned land was seen to comprise many facets. In the broader framework it manifests itself most prominently in the average person's inability to purchase an undeveloped site at current prices. Meanwhile, according to various developers, it is not the well-to-do whose need of residential sites is greatest, but the middle-income group who have been identified by witnesses as breadwinners earning less than R4,000 per annum. The more important facets are dealt with in the following paragraphs.

Ability of the mass of urban dwellers to purchase property.

13. In terms of the Housing Act the State, through the medium of the National Housing Commission, makes loan funds available for the housing of the lower income groups which are classified as follows:

- (i) Sub-economic groups: White families whose breadwinner has an income of not more than R100 per month and non-White families (Coloureds and Asians) with incomes not exceeding R60 per month fall into this group. They are subsidised liberally in that only a $\frac{3}{4}$ % rate of interest is levied on loan funds spent on their housing and only 49 % of the capital expended is recovered over a period of 40 years. Rentals are therefore so low that they usually amount to considerably less than $\frac{1}{5}$ th of the breadwinner's income. Because of their low incomes these families are naturally not potential purchasers of vacant residential sites.

- (ii) Economic groups: — In these groups income limits of R300 and R225 per month, apply in the case of White and non-White families respectively. Loan funds are made available out of the National Housing Fund at a 6 0/o rate of interest, which is $\frac{3}{4}$ 0/o less than the rate the Fund itself pays on its funds; in other words, the Fund itself subsidizes interest by paying $\frac{3}{4}$ 0/o of the normal rate of 6 $\frac{3}{4}$ 0/o it has to pay the Treasury on the loan funds it uses.

Most of the houses for these economic groups are built by utility companies, local authorities or the Department of Community Development, but individual loans are available to those acquiring residential sites with the intention of building their own homes. In this group there are therefore potential purchasers of undeveloped sites but they have a very limited purchasing power because, should they be called upon to utilise more than 25 0/o of their income in payment for land and accommodation, they would definitely suffer hardship. This small group of potential purchasers are therefore not able to buy sites costing, on an average, more than R600 to R800 but at the outside R1,000, and, for this reason, usually buy homes erected by utility companies, local authorities or the Department of Community Development, paying for these by instalments over a period of 30 years. These houses are erected on unplanned land, purchased and developed with Housing Funds by the bodies mentioned in this chapter.

14. As mentioned earlier, statistics of a survey conducted in Johannesburg during 1966 indicate that 32 0/o of the city's population consisted of persons in the income group R1,200 — R2,499, and 35 0/o of persons in the group R0 — R1,199, i.e. 67 0/o were below the R250 per month level. In Pretoria the percentage was slightly higher, whilst in Cape Town the position was more or less on a par with that of Johannesburg.

15. One of the larger developers informed the Commission that, in the light of available statistics of population income, his company had ascertained that only 20 0/o of the population could afford erven costing more than R4,000 each. His company had found that 80 0/o of the population earned less than R5,000 a year. Another body closely associated with township development since 1938 indicated that the ratio of the cost of a building to the cost of the land on which it is erected, was formerly about 3 $\frac{1}{2}$ to 1, with a maximum of 5 to 1. It finds the position unaltered. A site costing R4,000 would thus require the erection of a house costing about R12,000. Instalments plus maintenance costs, rates and water, electricity and sewage disposal charges would, however, amount to at least R200 per month in the case of a R16,000 transaction and an undeveloped site costing R4,000 or more would therefore be beyond the means of even a person earning as much as R6,000 a year.

16. Compared with this their current average prices of erven are stated by developers to be as follows:—

1st developer:	:	Port Elizabeth	R2100 per erf.
		Pietermaritzburg	R8000 per erf.
2nd developer	:	Pretoria	between R5500 and R7000 per erf.
3rd developer	:	Stikland, Bellville	±R3500 per erf

City council representatives furnished the following particulars of average erf prices in their cities:—

Durban metropolitan area	R6000 for an erf of 10,000 sq.ft.
Cape Town municipal area	R3750 – R4000 per erf.
Pretoria	Weavind Park R5000 per erf.
	Kilner Park R5000 per erf
Johannesburg	between R7000 and R8000, with a small number in less attractive areas at R3800.

Developers do not have as aim the provision of erven for the masses at prices within their means.

17. In the light of the facts mentioned in the foregoing four paragraphs it is clear that the mass of urban dwellers and the present developers just do not meet. Developers declare frankly that they do not cater for the needs of the lower income groups. Their aim is business and they concentrate on maximum earnings. In sharp contrast to these there was a small group of testifiers who had supplied a limited number of erven to the lower income groups at prices within their reach, but this must apparently be attributed to the fact that these sites were situate in less popular localities and had been cut up into smaller sites so as to bring them within the means of the less affluent purchaser. In their evidence development consultants, as well as developers themselves, hinted that they would be prepared to provide erven for the less affluent should the State make capital available to them at reasonable rates of interest, but the consensus of opinion was that the poor were the responsibility of the State.

In general, the profits accruing to developers and speculators from the establishment of townships and the high prices of erven militate against the adequate provision of erven.

18. According to evidence given developers invest a relatively small portion of their own capital in preparing erven for the market. A specific project was mentioned where the income from sales amounted to R910,000, whilst the developer had at no stage invested more than R165,000 of his own funds in the project. In addition developers levy interest at the ruling rates of $9\frac{1}{2}\%$ or $10\frac{1}{2}\%$ on their capital and a gross return of approximately 60% on their expenditure in order to allow them a nett return of approximately 15% to 30% after taxation. In fact, the operation of the two factors of profit margin and income tax results in a 60% loading of the cost of services. They recover their expenditure (i.e. purchase price of land, costs of planning and of services, and interest) over periods varying from 3 to 4 years in the case of one, and 6 to 8 years in the case of another developer. To recover money expended by them, they begin by selling rapidly to speculators and speculative builders and then handle further sales as they see fit so as to obtain maximum profits – portions of Welgemoed, Kenridge and Eversdal, referred to earlier in the report, which were approved some 15 to 20 years ago, are only now reaching the market.

19. Their affluent purchasers are drawn from only approximately 25% of the population who, apart from wishing to enjoy the amenities of situation, outlook and climate offered by the area in which they purchase, are also status-conscious and therefore prefer to buy large, expensive erven in opulent areas. There is no doubt that this market is a lucrative one; hence the fantastic rises in prices of erven over the past three years. A report by the Council for Scientific and Industrial Research on comparable prices for the years 1960 to 1965 reveals that the average price of a residential site during that period was R1787. According to evidence given by a representative of the Old Mutual the price of land in the more expensive suburbs of Cape Town could easily be R1 per square foot. In certain areas it is at present much higher. In the northern areas of the Cape Peninsula the price varies from 28 to 33 cents per square foot and in Durbanville it is 44 cents per square foot. In Durbanville 15 vacant sites were sold three years ago by public auction at figures ranging from R1500 to R2000 each. One of these

vacant erven, as yet undeveloped, was recently resold for the third time, on this occasion for R7000. It is the Old Mutual's experience that the prices of vacant residential sites in average (not particularly popular) areas have risen by roughly 100 % since 1968. Speculators recently advised the Old Mutual to postpone the sale of certain erven in a township they are at present developing, for a period of two years, at which stage the prices will have doubled or trebled. According to evidence on behalf of the Johannesburg City Council the price rises in its suburbs were 1712 % over the years 1961 to 1969 in the case of Fairland and 261 % over a period of 3 years in Tulisa Park. In a few other instances rises were 627 % over 9 years, 300 % over 7 years and 311 % over 8 years. According to one of the developers 87 erven, situated 15 miles outside Durban and originally earmarked for sale at R5,000 to R10,000, were, after a delay in township establishment, eventually sold at R25,000. During the 5 years prior to 1968 prices of erven increased by some 20 % annually but subsequently the increase was approximately 50 % per year.

Seller's market stimulated by shortage of accommodation to let.

20. Witnesses conceded that, with the exception of flat accommodation and sub-economic and economic housing provided in terms of the Housing Act by utility companies, local authorities and the Department of Community Development, there were very few houses to let in the private sector. It was also pointed out that a relatively limited amount of flat accommodation was erected during the last few years. Witnesses attributed the dearth of houses available for hire to the fact that old buildings had to make way for new developments on the land occupied by them, which, as a result of the expansion of urban areas, had become highly valuable. Compared with present-day investments the letting of old houses is no longer profitable. The lively demand for houses to purchase is one of the main reasons for the scarcity of houses available for letting. Financial institutions and developers have testified that they are no longer interested in the provision of flat accommodation because they fear that the provisions of the Rents Act might be applied to their buildings with a resultant drop in returns to unprofitable levels; on the other hand there are other fields of investment offering less risk and more profitable returns than blocks of flats which are subject to the provisions of the Rent Act. The representatives of Sanlam, however, stated that, should the Registration of Sectional Titles' Bill be passed, their concern would definitely be interested once again in financing or erecting blocks of flats. Other bodies reacted similarly.

21. Further views were exchanged with witnesses on the question of the provision of flats and the impression gained by the Commission was that the demand for luxury flat accommodation having been reasonably met, investors were not inclined to satisfy the needs of the lower income groups - just as they were not interested in providing residential sites for these groups.

22. Because of the fact that, comparatively speaking, less letting accommodation is becoming available in the private sector, many potential lessees are being forced to buy expensive erven beyond their means. Evidently this applies particularly to young couples with small children - a further factor aggravating the demand for sites from developers and speculators.

Market for small sites.

23. Practically all the bodies whose representatives testified before the Commission, were of the opinion that because of the urban sprawl resulting from the traditional South African "one site one home" pattern of development, it was essential to achieve greater compactness by providing smaller sites in townships. Ideal small sites were seen as being between 8000 sq.ft. and 10,000 sq.ft. but preferably 8000 sq.ft. Still smaller sites would be popular for maisonettes or duplex flats but according to local authorities

and developers they were being hampered by provincial requirements as minimum sizes were prescribed for erven and these minima made it impossible to provide such small erven. Should an adjustment be possible the demand for small erven would be active and would result in the emergence of small builders, which in turn would ensure a turnover for developers.

The influence of large developers on the determination of site prices.

24. Excepting in the Orange Free State, Port Elizabeth, Pietermaritzburg and Kimberley developers with large portfolios own most of the developable unplanned land around the urban areas, and can, with the land already in their possession, exercise absolute control over the availability of residential sites during the next 7 to 8 years.

This situation enables developers to obtain a virtual monopoly and places them in a very strong position as regards the disposal of erven on the market. No wonder then that speculators were able to advise the Old Mutual so convincingly on prices which its erven would realize two years later. Several developers testified that they were no longer interested in acquiring unplanned land nor prepared to pay more than R5000 per morgen. Mostly owning thousands of morgen, they have, for the present, reached saturation point. The whole southern hinterland of the Johannesburg municipal area is, for instance, owned by a large developer. To a large extent this also applies to areas to the north and east of the Cape urban complex.

Sales prior to the proclamation of townships.

25. In view of the fact that, according to their own evidence, developers have the more affluent purchaser in mind and concentrate firstly on planning the more attractive sections of their townships and providing all the necessary services (even tarred roads and sewerage) for that group, pre-proclamation sales are lively. For the developer this procedure constitutes an essential element in the development process as it ensures an early recoupment of outlay, including interest, to enable him to pay for the installation of services in the township without the need to obtain the required funds elsewhere. Speculators are naturally on the look-out for such opportunities as the blocks of erven or portions of the township which they purchase, are usually acquired by them at special prices. Provided his township is favourably situated, a developer has no difficulty in effecting early sales. Unfortunately, after that the general public has to pay prices demanded by speculators. The Transvaal Provincial Administration took steps to restrict preproclamation sales but is reviewing the position since developers, as well as the general public, fall a prey to the delayed provision of services resulting from the fact that the developer's capital, without the benefit of prior sales, is insufficient to meet the cost of providing such services. Administrations have become more and more inclined to insist on developers supplying guarantees to the effect that their townships will be serviced within a specified period (3 years in the Transvaal). This measure protects bona fide pre-proclamation purchasers who are eager to build as soon as possible, and is, in itself, naturally a further inducement to the public to purchase such erven. Testifiers declared that they were in favour of pre-proclamation sales because instalments over a period of approximately 3 years, plus the appreciation of the erf were often sufficient to serve as a deposit for a reasonable building loan.

THE POSSIBILITY OF INTRODUCING PRICE CONTROL IN RESPECT OF RESIDENTIAL SITES.

26. As a result of a memorandum from, and verbal evidence by, the Department of Commerce whose departmental head is also the Republic's Price Controller, the Com-

mission had at its disposal detailed and convincing argument on this matter.

The relevant passage from the memorandum reads as follows: –

“11. Een van die basiese uitgangspunte by die toepassing van beheer kragtens die Wet op Prysbeheer 1964 is die beginsel dat daar alleenlik met die vrye werking van die markmeganisme ingemeng word in daardie gevalle waar toestande gunstig is vir uitbuiting van die koperspubliek.

12. Op basis van hierdie oorweging alleen, skyn daar dus genoeg gronde te wees vir owerheidsinmening in die vorm van die instelling van beheer oor woonerfpryse.

13. Die vraag is egter of hierdie beheer in die praktyk effektief toegepas sal kan word sonder om die aanbod van woonerwe nadelig te tref, en watter vorm die beheer moet aanneem om aan hierdie vereiste te voldoen.

14. In wese is daar drie alternatiewe metodes waarvolgens beheer oor die pryse van woonerwe toegepas kan word, naamlik –

- (a) die vasstelling van maksimum verkoopprijs;
- (b) die bevriesing van woonerfpryse op hulle huidige peile; en
- (c) die vasstelling van die verkoper se winsmarges.

15. Nadere oorweging toon dat die metodes (a) en (b) hierbo genoem nie prakties uitvoerbaar is nie.

16. Vanweë die verskillende faktore soos grootte, ligging en so meer wat die prys van 'n spesifieke woonperseel bepaal, sou dit 'n onbegonne taak wees om vooraf uniforme maksimumpryse vir woonerwe vas te stel.

17. In die geval van die moontlike bevriesing van woonerfpryse, skyn die grootste leemte te wees dat sodanige prysbevriesings slegs toegepas kan word op woonerwe wat reeds in die mark is, en nie op nuwe ontwikkelinge nie.

18. Vanweë die starheid van albei hierdie metodes sou hulle, selfs al sou hulle prakties toepasbaar wees, kapitaalbelegging in nuwe dorpsontwikkelingsprojekte ontmoedig wat op sigself die aanbod van erwe sou beperk.

19. Dit laat die derde alternatief, naamlik, die vasstelling van winsmarges vir die verkoper, as 'n moontlike metode om die pryse van woonerwe te beheer. Die probleme in hierdie geval is egter om 'n algemeen aanvaarbare norm te bepaal van wat as 'n billike wins beskou kan word. In hierdie verband bestaan die gevaar natuurlik ook dat die vasstelling van 'n té lae winsmarge kapitaalbelegging in die bepaalde rigting sal ontmoedig, wat weer op sy beurt die huidige probleme met betrekking tot die beskikbaarheid en pryse van woonerwe eerder sal vererger as verlig. Die metode van beheer deur die instelling van winsmarges hou, nietemin, die voordeel in dat dit verband hou met veranderings in die verkoper se kosteposisie.

20. Die vasstelling van 'n uniforme winsmarge ten opsigte van die verkoop van woonpersele hou egter dié nadeel in dat dit geen aansporing vir dorpsontwikkelaars bied om grond teen die laags moontlike pryse te bekom en aan die publiek te verkoop nie. 'n Moontlike oplossing vir hierdie probleem sou miskien wees om die toegelate winsmarge progressief te laat afneem namate die aankoopprys

van grond vir die dorpsontwikkelaar styg. Tesame hiermee kan moontlik ook oorweging geskenk word aan metodes waarvolgens die winsmarges volgens 'n gly-skaal verhoog word ten einde dorpsontwikkelaars aan te spoor om erwe gouer, nadat goedkeuring vir 'n bepaalde dorpsontwikkelingskema verkry is, aan die publiek beskikbaar te stel.

21. 'n Verdere probleem wat met die beheer van winsmarge gepaard sal gaan, spruit voort uit die praktyk waarvolgens woonerwe dikwels te koop aangebied word voordat die dorpsontwikkeling voltooi is. In daardie stadium is dit dus nog nie moontlik om die gemiddelde koste per erf waarop die marge toegepas sal moet word te bepaal nie. Hierby kom nog die probleem dat erfpriese gewoonlik wissel na gelang van hulle ligging, uitsig, straatfront, en so meer, sodat dit feitlik 'n onbegonne taak sal wees om 'n koste per erf te bereken waarop die vasgestelde winsmarge toegepas kan word. 'n Moontlike uitweg kan wees om ontwikkelings- en verkoopskostes te beraam voordat met die verkoop van erwe begin word, hierdie kostes by die aankoopprys van die grond wat in 'n dorpsgebied uitgelê word, te tel en dan, na gelang van die ligging van die erwe in die dorpsgebied, kospryse vir individuele erwe te bereken wat in totaal klop met die aankoopprys van die grond plus die beraamde ontwikkelings- en verkoopskoste. Hierdie sal egter 'n baie moeilike prosedure wees om in die praktyk toe te pas.

22. Vanweë die eiesoortige aard van grondverkooptransaksies sal dit nodig wees om die bestaande prysbeheerwetgewing substansieel te wysig indien die pryse van woonerwe kragtens hierdie wetgewing beheer moet word. Dit mag selfs wenslik wees om afsonderlike wetgewing vir hierdie doel op te stel. Die hele opset van die bestaande wetgewing is gemik op beheer van die pryse van roerende goed en dienste waarby dit moontlik is om 'n redelike noukeurige berekening te maak van die koste van elke artikel of diens waarvan die prys beheer word. Op grond van hierdie opset van die bestaande prysbeheerwetgewing bestaan daar twyfel of grond binne die bestek daarvan val ten spyte van die feit dat grond nie spesifiek uitgesluit is by die omskrywing van die goedere waarop die wetgewing betrekking het nie.

23. Dit is egter die oorwoë mening van die Departement van Handel dat die bekamping van buitensporige prysstygings in die geval van woonerwe liefers langs ander weë as deur middel van prysbeheermaatreëls bevorder moet word."

CHAPTER III.

PROVISION OF SERVICES TO ERVEN.

1. In view of the fact that township establishment and the provision of services go hand in hand and that the latter, in turn, constitute an essential element in the demand for and the supply of erven, developers, as well as local authorities, have repeatedly raised the question of the provision of services. According to statements by developers there are amongst the larger local authorities those who never get so far as to supply services as and when required by developers. In this connection a large developer specifically singled out the City Council of Pretoria as a local authority with whom he had experienced many problems. Representatives of the City Councils of Durban and Johannesburg voluntarily testified that their councils find it exceedingly difficult to supply services timeously to new developing townships.

2. The representatives of the Pretoria City Council stated that when certain adjoin-

ing areas were recently incorporated in the Pretoria municipal area, 5-, 10- and 15-year development zones were defined, i.e. zones where it would take the City Council the number of years indicated to provide services. Their experience had been that certain developers purchased land in the 15-year zone and then insisted ceaselessly on the immediate provision of services.

3. Representatives of the Durban City Council explained that their problems were twofold, nl., firstly, the determination of priorities, which meant that all the areas could not be serviced during the same year and, secondly, a shortage of professional staff. Their present shortage of engineers amounted to 40 %/o. Recruiting overseas had not improved the Council's staff position.

4. According to the representatives of the Johannesburg City Council some 12 square miles of land lying to the north of the city was urgently awaiting development, which was being delayed pending the provision of services. In view of the higher population densities which have become necessary in urban development the initial installation of sewerage is essential as French drains give rise to serious problems on the smaller sites used for building purposes today.

According to a predetermined planning pattern Johannesburg will require 10 years and R70-million to provide the framework of the sewerage system, consisting of mains and purification and disposal works, etc. The necessary filling-in in respect of the various townships requiring such services will in itself also be a colossal undertaking. North of Johannesburg the development of large blocks of flats will have to be delayed for two years because of inadequate disposal works. The municipality provides sewerage on a regional basis, i.e. also to neighbouring local authorities, but owing to inadequate projections by the neighbouring local authorities the rapid population expansion has caused a serious backlog with respect to the provision of services.

5. The Durban City Council has preplanned as far as 1983 and hopes to have the whole city provided with water-borne sewerage by that date. Durban, too, services neighbouring local authorities on a regional basis. Water reticulation and extensions estimated to cost R32-million, have been planned for the next 10 years. The successful completion of these programmes is dependent solely on the availability of the necessary funds and manpower.

6. The representatives of the City Councils of Cape Town and Port Elizabeth confirmed the statements made in respect of the other cities, namely, that, as a result of a shortage of funds and manpower, it is impossible to provide services rapidly enough to ensure the smooth progress of township development and that this is a real stumbling-block in the provision of residential sites for the market.

Preplanning and programming of services.

7. Witnesses from the Provincial Administration of the Transvaal informed the Commission that old approved townships in the enlarged Pretoria municipal area had, for periods up to 26 years, remained undeveloped because the required certificates that services were available, had never been furnished despite the fact that the submission of such certificates was a prerequisite to final proclamation. Witnesses had been informed that some erven had meanwhile been returned and resold as many as 10 times. Successive purchasers had become disheartened because townships had not been proclaimed and they had had to forfeit all the payments made on their sites. Such cases had induced the Provincial Administration to support the proposed legislation of the Minister of Economic Affairs aimed at protecting purchasers against losses of this nature.

8. Because services cannot now be made available for the proposed townships, not a single application submitted for township establishment in the Pretoria area can be approved at this stage. This position has arisen because, on the one hand, there are no municipal services in the vicinity of the proposed townships, and, on the other, developers cannot finalise their financial arrangements for the provision of services with local authorities. According to witnesses testifying on behalf of the Provincial Administration there is a real need of comprehensive preplanning of communal reservoirs, sewage disposal works, etc., for the Witwatersrand-Pretoria complex. Definite programmes should be prepared for the systematic provision of these services, which will, of necessity, demand vast capital expenditure. The alternative would be an absolute inability to provide new township development or to do anything whatsoever about the rise in the prices of existing erven.

Financing of services.

9. A large part of the time spent by the Commission on the hearing of oral evidence was devoted to the question of responsibility for the installation and financing of services and its effect on the prices of residential sites. According to provincial and local authority directives the owner of a township must provide and finance certain services. In certain cases he may, as a township becomes occupied, recover a portion or the whole of his capital expenditure from the local authority. In certain other instances he recovers nothing whatsoever. Responsibility for the installation and financing of services is apportioned amongst local authorities and township developers broadly on the following basis (a development company, established by Sasol, operates in Sasolburg in accordance with a formula specially agreed upon and is not included):

Water reticulation: In all four provinces it is the responsibility of the township owner to provide the water reticulation system at his own expense and to hand it over, free of charge, to the local authority.

In Durban, however, the city council does not expect the developer to pay for the supply of water.

Streets: In three provinces, namely the Transvaal, Natal and the Cape Province, the township owner must construct roads in accordance with the instructions of the City Engineer and maintain them until such time as the local authority decides to take them over. As a rule the requirement is that gravelled roads (formed roads in the Transvaal) of a prescribed standard be constructed. The requirements vary from one province and from one city to another.

In the Orange Free State roads must be provided with a hard surface, i.e. they must be tarred, and then handed over to the local authority.

In none of the four provinces may the costs incurred be recovered from the local authority.

Sanitation: In the Orange Free State township owners must, at their own expense, provide both a sewerage and a refuse removal scheme and hand these over free of charge to the local authority. In the Transvaal and Natal the township owner must, at his own expense and to the satisfaction of the local authority and/or the Administrator, provide for sanitation as well as refuse removal. In respect of sewerage he receives a small subsidy from the local authority which, in the case of Pretoria, amounts to R60 per site.

In the Cape Province responsibility for the provision of services does not rest with the township owner if these can be provided by the local authority. If a local authority has not established a sewerage scheme, householders must make use of septic tanks, in which case erven should be large enough to ensure proper drainage of waste water, due regard being had to soil structure.

Storm-water
drainage:

In the Orange Free State the township owner must, at his own expense, provide a complete drainage system with channels and culverts below streets and then hand it over, free of charge, to the local authority.

In the other three provinces township owners are expected to provide only enough channels and gutters to protect the streets.

Electricity:

In the Orange Free State the requirements are as described in the case of the other services.

In the other provinces the developer must, where electricity is supplied by the local authority, make cash deposits which are refunded to him as the sale of electricity becomes a payable proposition. In Pretoria the developer must deposit with the City Council 50 % of the cost of providing the reticulation, on which amount he receives interest at the rate of $3\frac{1}{2}$ %. These deposits are repaid in quarters, i.e. 25 % when 25 % of the erven have been connected, a further 25 % when 50 % of the erven have been connected, etc. According to witnesses other local authorities are more accommodating. In the Cape Town area up to 100 % must be deposited, but, as was explained, developers are compensated by means of endowment allowances.

In Durban the City Council itself pays for the supply of electricity.

The Commission was informed that, whenever ESCOM supplies electric current, it demands a contribution equal to a certain percentage of the cost of erecting power lines to serve the township and, in addition, requires a yearly guarantee in respect of the remaining portion of the costs. Moreover, the township owner must bear the cost of reticulation within the township, which is, however, refunded as soon as the income from the sale of electricity exceeds the amount of the annual guarantee.

Provision of other
capital works,
namely reservoirs,
sewage disposal
works and mains:

As a result of the vast urban development in the Pretoria-Witwatersrand area it has become customary for local authorities to request developers to make capital contributions towards the cost of these capital works.

Endowment contributions to local authorities and for government purposes.

10. In all the provinces developers are called upon to make endowment contributions in respect of cemeteries Bantu townships, open spaces for recreation purposes, public places, sites for educational institutions, government sites for post offices, police stations, etc., and for the provision of municipal services such as streets. The percentages vary

considerably and may amount to anything between 3 % and approximately 50 % of the value of the township. In divisional council areas, for example, where development takes place on land remote from municipal areas where services are provided, 40 % of the developers' land must be handed over for commonage purposes.

11. Representatives of developers, local authorities and provincial administrations stated that whilst certain prevailing endowment percentages were originally intended to meet the costs incurred by municipalities in providing services, these costs were at present approximately three times as high as the amounts collected by way of endowment. In the Transvaal these percentages are 15 % for roads and approximately 30 % by way of land endowment for sewerage and refuse disposal services. The township developer may voluntarily provide services of a higher standard and is then compensated by being required to make smaller endowment contributions.

12. The representatives of local authorities, developers and provincial administrations declared, more specifically with reference to the larger urban areas in the Transvaal, that as the endowments for services were not sufficient to cover the cost of providing such services because of great increases in costs and local authorities themselves were unable to raise or lacked the power to borrow sufficient capital funds, it had become the practice to request developers to provide these services out of their own funds. This has the advantage that the full range of services such as water-supply, roads, storm-water drainage and sewerage are quickly provided by developers, who are then compensated by being required to make smaller endowment contributions. This, however, has one serious disadvantage, namely that these amounts are debited as current expenditure by developers to the cost of development of their townships, a substantial rate of interest being charged and the full return being calculated thereon. Interest at rates as high as 11 % are levied and a return of 60 % to 70 %, before tax, calculated to ensure a net return of 20 % to 30 % after tax. According to developers (companies) this is the minimum return aimed at. If it is borne in mind that, according to evidence given, the cost of providing comprehensive services amounts to between R1100 and R1600 per erf, the implication for the purchaser of the site is serious because, had the local authority provided its share of the services (roads, sewerage, etc.), it would not have been possible for that expenditure and the accompanying high interest and profit charges thereon to be included and thus further to enhance the price of the erf, because the purchaser would then have assisted the City Council in redeeming the loan for the provision of the services over the normal period of approximately 30 years by means of tariff levies.

13. It also appears that officials of the Transvaal Provincial Administration, local authorities and the South African Property Owners' Association will reach agreement that township developers, also in the large urban areas of Pretoria and the Witwatersrand, should make capital contributions towards financing the provision of large storage dams, mains and sewage disposal works which, basically, must be provided by local authorities. This implies further capital expenditure by township developers to be allowed for as current expenditure in the prices of erven and a resultant further upward spiralling of costs.

14. All the developers complained that the standard of services demanded of them by local authorities was much higher than would have applied had the City Council itself provided the services.

One witness put it in this way: whereas, according to local authority standards, a service must have a life of 10 years, the standard set for developers demanded a life of at least 40 years. Roads, for instance, are often required by local authorities to be tarred and this makes erven considerably more expensive.

Witnesses testifying on behalf of local authorities and the Transvaal Provincial Administration however felt that profits earned by developers were very high; this in turn implied that higher standards could be set. Nevertheless the Director of Local Govern-

ment of the Transvaal Provincial Administration gave the Commission to understand that, should it come to the knowledge of the Provincial Administration that excessively high standards were being demanded, the Administration would certainly not permit this to continue. Developers however declared that in order to maintain good relations with municipal institutions, they preferred to accede to the demands rather than to appeal to the Provincial Administration.

15. All the developers and local authorities were interested in a possible reallocation of responsibility for services between local authorities and developers in terms of which local authorities would be held responsible for “trading services”, viz the provision of water and electricity, and developers for non-paying services such as roads and storm-water drainage. Sewerage is of a hybrid nature and although from an accounting point of view, it is not regarded as a trading service by local authorities, it can easily be provided as such by them. For purposes of this report it is however being treated as a non-paying service. This will result in local authorities recouping their expenses from occupiers over a long period in the form of tariff charges which will then most decidedly tend to depress the prices of erven once a more normal position as regards supply and demand obtains. Local authorities, however, foresee difficulties in that they might not succeed in obtaining loans at the rate of interest they are permitted to pay, or in that the authorities may not allow them sufficient latitude with regard to their capital expenditure. In view of the fact that developers deal in capital assets and provide relatively little capital themselves, the idea was very strongly expressed that it would be justified to expect them to make funds available to local authorities, possibly in the form of municipal stock which can be discounted, although not readily, enabling developers to regain their funds with which to carry on their business. They do not see their way clear to making long-term loans to local authorities – they simply do not have the required capital.

16. As regards the levying of endowments for Bantu townships it appears that in Pretoria the levy amounts to R33 on the effective price of the residential site. In view of the interest charged by the developer plus the surcharge of 60 + 0/o in respect of taxes and profits, the purchaser of the erf is eventually called upon to pay upwards of R50 more for his site. When the attention of the Council’s representatives was drawn to the fact that extensions to Bantu townships in the vicinity of the city had been halted because of the development of a homeland nearby, the reply was that the City Council had, years before, purchased land for Bantu townships and that presumably the present levies on new townships were being used, inter alia, to redeem those costs. According to Pretoria witnesses, the tariffs applicable in the Bantu areas had been laid down years before but administration costs had meanwhile increased considerably while revenue from the residential areas, as such, was no longer sufficient to cover all the costs involved so that the revenue from levies on new erven was also being applied towards meeting these costs.

17. The requirement that township owners contribute towards the purchase of land for Bantu townships appears to be a recent innovation following a request by the Government to Provincial Administrations. According to witnesses representing the South African Property Owners’ Association they are opposed to the idea that new townships not served by Bantu townships should be called upon to contribute.

CHAPTER IV.

EVIDENCE IN RESPECT OF BUILDING SOCIETIES.

1. One representative of the Association of Building Societies, speaking on behalf

of his own society, stated that his society was concerned about the prevailing high prices of residential sites; their modus operandi was to visit each new area, determine what the maximum price of the finished product should be in that area and then treat each application for a loan on the basis of these findings. They therefore made their own independent valuations and calculated the loan amounts accordingly. His society had lately considered 1000 applications for loans, of which 400 had been refused because they failed to meet the society's valuation requirements. The purchase price is not automatically accepted as criterion.

2. The Commission was somewhat amazed to learn from another witness, in contrast to the above, that prevailing selling prices were accepted as the basis for loans and that the reason for this was that, should a lesser value be determined, a potential borrower would not have the opportunity of negotiating the loan and the society would lose the business. According to him there were about 10 building societies and one of these would then be asked to transact the business.

After a further exchange of views with the witness the impression was however gained that he would in future adapt his approach so as to assist in protecting borrowers against exploitation through high selling prices and at the same time to stretch available funds to the utmost so as to be of assistance to the maximum number of individual borrowers.

3. The nature of the evidence relating to the active participation by building societies in township establishment and development was also unexpected as far as the Commission was concerned. It appeared that in a certain specific case a society intimated to a development company that it was interested in undertaking a joint scheme with such company. However, the society was not prepared to offer more than the usual 75 % on the bond at 9½ % interest per year. A further 40 % shareholding at two-thirds of the par value was required. In addition, the township developer would be expected to pay the building society a levy of 1 % on all bonds subsequently granted for the construction of houses. As can be expected nothing came of these negotiations between the developer and the building society.

4. In contrast, an experienced economist representing a large financial institution took the view that in cases where building societies had been granted powers to develop townships and were receiving Government aid, it would be possible to ensure that their final product was sold at more balanced prices, which would compel other developers to act more realistically.

5. Representatives of more than one developer testified that they could not see how building societies could enter the township development field as they had neither the staff nor the knowledge required. Unless they joined existing developers they, with their lack of knowledge and labour, would have to compete with such developers. In fact, building up an organisation and acquiring the knowledge for township establishment would cost them a fortune. They were therefore of opinion that building societies should, as at present, continue to assist speculative builders in new townships by making loans available to purchasers of new houses and to grant bonds, to borrowers in the usual manner.

6. The Chief Trade Adviser of the Department of Commerce, on the other hand, was of opinion that they should be activated to enter this field but not on the same basis as township developers in the private sector who, for example, provide large and luxury sites. He would like to see building societies in the role of utility companies and they should therefore cater for the category immediately above the limit set by the National Housing Commission and below the income level of those who can afford to buy luxury sites.

7. According to the evidence given by representatives of the Association of Building

Societies, building societies do not wish to cater for such low income groups as visualised by the Chief Trade Adviser, namely, families with a monthly income just exceeding R300 (R225 in the case of Coloureds and Asians). They testified that building societies had visualised developing and building for the middle income group. They saw this group as borrowers requiring housing in the price range up to, say, R15000. They also declared that, as things stood at present (referring to the restrictions to which they objected and which were imposed by the State, namely, that the proposed development plans of a project must be submitted to enable the Minister of Finance, after consultation with the Minister of Community Development, to prescribe the conditions governing the project) the contribution the building societies could make in checking the rate at which the prices of erven were increased was minimal, if not absolutely nil.

8. Further evidence that building societies discriminated between borrowers was given by a well-informed witness who was not one of the representatives of the Association of Building Societies. He testified that speculative builders received preferential treatment. In the case of a certain society, it was stated, loans to speculative builders were practically guaranteed whether funds were scarce or not, while individuals could often not obtain assistance. It was said that the approach by building societies was that it was better to deal with a known speculative builder who supplied a good article and who would apply to the same building society for further loans than with an unknown private individual employing a builder, who was probably unknown to the society, to build his home. It was also said that building societies were inclined to take the line of least resistance.

9. The Commission was also informed that most of the societies charged borrowers interest at the ruling rate on the full amount of the loan as from the date of its approval instead of on the amounts as and when actually received by the borrower. Borrowers were not happy about this state of affairs as they felt that such money could be invested by building societies at daily savings account rates until such time as it was actually used by borrowers and that they should therefore, at most, be responsible for the difference between the ruling rate of $8\frac{1}{2}\%$ and the rate applying in the case of savings accounts.

CHAPTER V.

FINDINGS OF THE COMMISSION.

TOWNSHIP DEVELOPERS HAVE PROFIT-MAKING AS OBJECTIVE AND CONCENTRATE ON THE HIGH INCOME GROUPS.

1. The entry of large specialised township developers, most of whose shares are quoted on the stock exchange, has caused township development in the private sector to develop towards obtaining the highest possible profits. Expertise is displayed in making projects as attractive as possible by the provision of expensive luxury services, such as high-grade tarred roads, so as to realise optimum selling prices. In point of fact this object is easily achieved mainly as a result of an inadequate supply of and an abnormally high demand for serviced sites which are favourably situated.

2. In contrast to utility companies, local authorities and the State, private developers are mainly geared to disposing their product to the wealthier income groups comprising only about 20% to 25% of the population.

IMBALANCE BETWEEN DEMAND AND SUPPLY.

3. Where, under normal circumstances in the economic framework, supply and de-

mand cause average price levels to fluctuate evenly, an imbalance between supply and demand has existed for more than two years owing to abnormal circumstances. As a result of the population increase, immigration, a lack of sufficient capital and labour for the provision of services, the exceptionally high liquidity of the private sector, speculation and other factors sufficient erven have not become readily available to the average person with the result that prices of erven have risen completely out of his reach. The growth-rate of the population's income is not nearly comparable with the rapid increases in erf prices and, as mentioned earlier, attention is paid mainly to supplying expensive sites only. Speculators are, quite legitimately, exceptionally active in this field, which of course aggravates the position. Measures aimed at establishing a healthy balance between the demand for and supply of erven for this broad mass of the population can only be taken by the State and in their absence the State will inevitably be saddled with them whilst private developers and speculators will, as is the case at present, be flourishing. As a matter of fact developers, without exception, informed the Commission that the less affluent section of the population was the responsibility of the local authorities and the State and that they were not prepared to assist unless the State was prepared to furnish them (the developers) with funds at low rates of interest for this purpose.

THE RATE AT WHICH TOWNSHIPS ARE ESTABLISHED IS TOO SLOW.

4. The rate at which approved townships, especially in the larger urban complexes are proclaimed is much too slow to meet the rapidly growing needs of the communities in these areas. The basic reasons for this inadequacy, which might be more serious in the one and less so in another province, are as follows:

- (a) Township establishment is not carried out methodically unless it is undertaken in terms of the National Housing Act for the less affluent by the Central Government or a local authority with or without the assistance of utility companies. With few exceptions it is, therefore, the private developer with initiative who comes forward and provides residential sites. Thus far local authorities have not prepared any worthwhile organised projections; in this respect there is, therefore, no ordered planning to ensure systematic and continual township establishment for all levels of the population in accordance with the needs of growing communities.
- (b) There is a serious lack of regional and guide planning of the areas around the larger cities. For 14 years a small body has occupied itself with such planning for the whole Pretoria-Witwatersrand-Vereeniging complex but, according to witnesses from the Transvaal Provincial Administration, this has not yet yielded concrete results because the task is apparently too big for this body. In a young and dynamically developing country such as the Republic of South Africa the prevailing position should be rectified with the least possible delay. As a first step projections of the population increase expected in all the larger urban areas of the Witwatersrand and Pretoria, the Vaal Triangle, Klerksdorp and environs, Witbank, Bloemfontein, Pietermaritzburg, Durban, East London, Port Elizabeth and the Cape Metropolitan area should be made so that separate regional and pilot plans for each of the areas could be tackled immediately afterwards. Organisational aspects of the required planning mechanism and the modus operandi are dealt with under the Commission's recommendations in the next chapter of this report.
- (c) The examination of township plans submitted is in most cases duplicated by townships boards and local authorities. In the Transvaal, for instance, these plans are carefully scrutinized by both authorities as two sets of experts carry out the same basic examination. Government authorities who are

affected by the plans and are asked for their comments, in turn sometimes take unduly long to reply. Developers, local authorities and representatives of provincial administrations have repeatedly lodged serious complaints about delays, particularly about those caused by the National Transport Commission when national roads were involved. Having consulted with the Secretary for Transport, the Chairman of the Transport Commission and his senior officials, including the Chief Engineer, the Commission of Inquiry is satisfied that, whatever the position might have been in the past, the allocation of functions and the understanding between the Transport Commission and the Provincial Roads Departments are at present so practical and clear that virtually no delay can take place in the office of the Transport Commission. Some 3000 miles of the remaining 4000 miles of unmade freeways on its programme have already been planned by the Transport Commission. The only points where national roads in local authority areas are affected by township development are junctions or interchanges which, in themselves, cannot cause any appreciable delay as the standards set by the Transport Commission are definite and unambiguous. The Transport Commission is now also concentrating on freeways only; all other roads which have hitherto been national roads will in due course be deproclaimed and placed under the control of the provincial administrations. According to a return of applications for township establishment submitted to the Transport Commission for its comments during the period 1 April 1969 to 31 March 1970 and supplied to the Commission of Inquiry, thirty-five applications were disposed of without delay at the Transport Commission's first ensuing meeting, two cases took 4 months to finalise, three had to await the receipt of further information which had unavoidably to be called for, whilst in another 4 cases other bodies, such as local authorities and provincial administrations, were involved, for instance in connection with the correct positioning of interchanges, the expropriation of parking places, etc. As a result of exceptional circumstances one case took 15 months, another 13 months, another 11 months, and another 9 months, to finalise. The Transport Commission is satisfied if, in the case of town planning, a proposed route is indicated between two points, but in the Transvaal the Provincial Administration requires full planning of the route before town planning affected by such roads is considered. The delay in town planning arising from the method employed in that Province can therefore not be ascribed to the Transport Commission.

- (d) Town planning is unavoidably delayed by the shortage of professional staff in the offices of Surveyors-general, provincial administrations and local authorities. The Durban City Council, for instance, has a 40 % shortage of engineers whilst the appalling position obtaining in the offices of Surveyors-general has already been mentioned earlier in this report. Representatives of the Durban City Council stated that the Council itself had not gained anything by personal recruiting overseas, although the country as a whole had benefited because the few immigrants recruited were at present being employed by the private sector in South Africa. Other local authorities and provincial administrations have had similar experiences.
- (e) As in the case of regional and guide planning, large urban complexes are not planned in advance nor is provision made for large capital works for residential areas. The Johannesburg City Council, as the main supplier of reservoirs and sewage disposal works to a large area, including the areas of neighbouring councils, was caught unawares through the lack of adequate projections by its neighbouring councils. Unco-ordinated town planning and development in Roodepoort (at present 91 townships) and other municipalities north of Johannesburg, for instance, have seriously embarrassed Jo-

hannesburg, the chief supplier of capital works, as it is now called upon to provide urgently services for a township complex of no less than 12 square miles in all. The consolidation of Pretoria and its environs into one local authority area some years ago and the population explosion in the area has placed that local authority in a very awkward position as regards the planning and provision of capital works, including mains. As far as the planning and provision of capital works are concerned, the central Transvaal urban complexes are, to put it mildly, in a critical position. The Commission has however gained the impression that the Provincial Administration and the local authorities are paying serious attention to these matters. As from 1 September 1969 the Transvaal Provincial Administration is empowered to compel township developers to provide services (reticulation and roads) in their newly-planned townships, but unfortunately both the Administration and developers are hampered by the shortage or backlog in the provision of regional reservoirs and sewage purification works.

- (f) In subparagraph (e) above an indication is given of the extent of the need of capital works for certain areas in the Transvaal. With the exception of the Orange Free State, where the position is less urgent, similar problems are experienced in the other provinces, and in Durban the position in respect of sewerage is really acute; but, apart from capital works, local authorities, with the exception of those in the Orange Free State, must also provide other services such as proper roads, storm-water drainage and, in many cases, an electricity supply system. A developer can also provide these services himself and obtain, as a *quid pro quo*, partial compensation in the form of a reduction in endowment. The Commission has however ascertained that the large local authorities are simply unable to obtain funds for all these services. Firstly, their spending of capital funds is restricted by the authorities, and, secondly, the interest they are permitted to pay on loans is too low to enable them to obtain money on the open market. In the next chapter of the report the Commission recommends ways of dealing with this problem while the present situation with regard to the provision of money continues.

LOCAL AUTHORITIES THEMSELVES MUST PARTICIPATE ACTIVELY IN TOWNSHIP ESTABLISHMENT.

5. The tradition that local authorities themselves do not enter the field of township development in the interests of the broad strata of the community must be reviewed. In terms of the Slums Act, 1934, local authorities are, as far as is practically possible, primarily responsible for providing housing for the inhabitants of their service areas and this includes, *mutatis mutandis*, the provision of residential sites. There is too large a group of residents in municipal areas who cannot be provided with housing under the Housing Act but, as is so clearly indicated by evidence before the Commission, neither local authorities nor private developers supply the residential sites needed by this group. It is therefore urgently necessary that local authorities join the ranks of township developers to ensure that no income group within their borders is overlooked and recommendations to this effect are made in the next Chapter.

LOCAL AUTHORITIES SHOULD AUCTION ERVEN ONLY BY WAY OF EXCEPTION.

6. The practice by local authorities of auctioning their erven in limited numbers and at high upset prices most decidedly contributes to increases in erf prices as the selling prices obtained are then usually considered to be the new market price levels. This

might be to the advantage of the city's treasury but on account of the inadequate supply of residential sites within the means of the less affluent who comprise the majority of municipal residents, it operates to the detriment of the community at large. The Commission learnt that both the present Minister of Community Development and his predecessor had broached this matter with the Administrators some time back and that the present Minister had also recently discussed it with the Administrators. The Commission does not feel that there should be a total prohibition on auction sales but is of opinion that these should be held only in the case of erven in expensive localities where only those who are really wealthy can afford to buy, provided that the less affluent should also be allowed to buy in that area and should, moreover, be given regular opportunities of acquiring erven from the local authorities at fixed prices within their means.

BALANCED TOWN PLANNING SHOULD ALSO PROVIDE FOR ACCOMMODATION TO LET, SUCH AS MAISONNETTES, ON SMALL SITES.

7. In view of the fact that developers cater mainly for the affluent and aim at selling everything in the form of residential sites, the continued availability of houses to let, other than houses provided on a national basis in terms of the Housing Act and those provided by employers, including the State, for their employees, is seriously threatened. Private developers do not make any provision for balanced township layouts with, *inter alia*, small sites for the construction of accommodation of a good standard for letting purposes; they are in fact restricted by provincial administrations and local authorities, who prescribe minimum erf sizes, and this, in turn, totally discourages the erection of dwellings of the maisonette or duplex flat type. Similarly, it is not possible to provide attractive and comfortable combinations of town houses (the good, sometimes even luxurious, type of town house found in Europe or even North America) in these townships. Those families in the towns and cities who have young children and wish to or must necessarily make use of good rented accommodation for a time, are keenly interested in this type of accommodation as the next best after single dwellings and definitely preferable to the ordinary large flat complexes. Dwellings erected according to the maisonette or duplex pattern as well as combinations of town houses can even be sold immediately on completion or in due course. The fact that, in the planning of townships, very small erven for these purposes are excluded from well-to-do as well as middle-class areas, contributes, in the Commission's view, to increases in erf prices and in the cost of living of families, who are then forced to purchase houses.

LEGISLATION TO PROVIDE FOR SECTIONAL TITLES IS NECESSARY.

8. The waning interest of investors in the erection of blocks of flats will be strongly stimulated by legislation making it possible to obtain sectional title. At present ownership of individual flats may be obtained by means of shareholding in companies formed for this purpose. The individual "owner" is however not an independent owner and also faces the risk of his company's becoming insolvent. Moreover, the shareholder has only a single vote in regard to company matters. Sectional title in respect of flats will considerably ease rent control in our country and will indeed contribute towards reducing the number of flats subject to rent control in densely populated areas.

PRICE CONTROL OF RESIDENTIAL SITES.

9. From the evidence given by the Department of Commerce (vide par. 26 pages 12 – 14) it is clear that it would be impractical to introduce price control in respect of residential sites. The control of erf prices is not only impracticable, but would also not solve the basic problem of the imbalance between supply and demand; it would rather

tend to encourage evasions and black market practices and, so far as its effectiveness is concerned, merely reduce the supply of erven to an even greater extent, thus aggravating the problem. The first step to be taken would have to be to make the prices of new houses also subject to control because otherwise sellers would merely increase the prices of houses instead of the prices of erven; this control will in turn give rise to complications with regard to the prices of existing houses.

UNPLANNED PERI-URBAN LAND EARMARKED IN TERMS OF GUIDE AND REGIONAL PLANNING FOR TOWNSHIP DEVELOPMENT IS A COMMUNITY ASSET AS OPPOSED TO A FREELY NEGOTIABLE ARTICLE.

10. Government policy in important Western countries.

I. (a) During the interview which Mr. D.P. Cartwright, Director of the Australian Institute of Urban Studies, had with the Chairman of the Commission of Inquiry in South Africa last February, he referred to a paper by Professor G.W.R. Bryant, a member of the staff of "L'Institut d'Urbanisme" of the University of Montreal, on the subject of land speculation. This paper appeared in a publication, "The Town Planning Institute of Canada, PLAN Canada", published in 1965. Professor Bryant's approach to speculation in unplanned land in general, is as follows:—

"The whole question of land speculation must, in reality, be looked at as part of a much greater whole, namely, the matter of control of land use. If it be accepted that the operation of normal market processes is the proper determinant of the proper use of land, and that individual proprietors have unrestricted right to develop their land in accordance with their personal calculations of profit, then any attempt to curb speculation and control prices of land becomes next to impossible. Price control is not applied to other sectors of the market save as an emergency measure, commonly in time of war, and it must generally be accompanied by some other control mechanism such as rationing.

Such measures are accepted as necessary in time of emergency, but direct control of prices is generally abandoned on the conclusion of the emergency as quickly as possible. The reasons for this are good and sufficient, and based on elementary economic laws. Prices are determined by the interaction of supply and demand: any attempt to interfere artificially with the operation of that basic mechanism is bound to lead to distortions and inefficiencies. Commodity speculation can be curbed by various means — but the fundamental way of holding prices down is to increase the supply in relation to demand.

With land, especially land on the fringes of cities, this cannot be done, for the simple reason that the supply is fixed and limited by nature. This alone is good and sufficient reason for regarding land as a very special commodity which cannot be left to the free and uncontrolled operation of the market. The ordinary market mechanisms simply do not produce the right answer in this field. Even in free enterprise North America this fact has been recognized for a very long time past."

(b) Dealing with the same subject when announcing the Government's intention of establishing a Land Commission — which was, in fact, subsequently created in 1967 — Britain's Minister of Land and Natural Resources said in a White Paper in September 1965 in connection with the development of land in the hands of private owners:

"1. For centuries the claim of private landowners to develop their land unhindered and to enjoy the exclusive right to profit from socially created values when their land is developed has been questioned, especially when the land is sold to the community which itself has created the value realised. The view that control over development must be exercised by the community is not now seriously

disputed and it is generally accepted that the value attached to land by the right to develop it is a value which has substantially been created by the community. A growing population, increasingly making their homes in great cities, has not only made effective public control over land indispensable; it has also made indefensible a system which allows landowners or land speculators wholly to appropriate the increase, often very large, in the value of urban land resulting either from government action, whether central or local, or from the growth of social wealth and population

2. There is no novelty in proposals to secure for the community at least a share in the values it has itself created. An Act of 1427 sought to recover increases in the value of property attributed to public expenditure on works for sea defence, and in the reign of Charles II there was statutory appropriation of a part of landowners' unearned enhancement or "melioration" assessed upon the benefits of street widening in London. In the late nineteenth century schemes to generalise this principle of betterment, as it came to be known, resulted in various legislative expedients. In 1942 the whole subject was authoritatively dealt with in the Report of the Expert Committee on Compensation and Betterment under the Chairmanship of Mr. Justice Uthwatt."

The Minister summarised the Government's aims in establishing the Land Commission, as follows:

"In the Government's view it is wrong that planning decisions which are public decisions about land use should so often result in the realising of unearned increments by the owners of the land to which they apply, and that desirable development should be frustrated by owners withholding their land in the hope of higher prices. The two main objectives of the Government's land policy are, therefore –

- (1) to secure that the right land is available at the right time for the implementation of national, regional and local plans;
- (2) to secure that a substantial part of the development value created by the community returns to the community and that the burden of the cost of land for essential purposes is reduced."

To achieve the Government's aims the Land Commission had to acquire land by agreement or expropriation and a levy based on an amount approximately equal to the difference between the price paid by the seller for his land and the market price obtained by him at the time of the sale, had to be collected from the seller or owner. The Minister further announced that the idea was that local authorities should also benefit indirectly from the levy through the granting of special financial assistance by the State.

(c) In a further White Paper published in 1969 the Minister indicated that a levy formula, which had in the meantime become law in 1967, would be relaxed mainly by granting exemption in the case of smaller sales at which market prices did not exceed R3000.

(d) In his paper Professor Bryant of Canada also refers to an Advisory Commission on Housing Problems (the Eichler Commission) appointed by the Governor of California in 1962, which had, inter alia, recommended as follows –

"that the familiar urban renewal formula, namely, assembly of land by public agency, should be extended to cover operations on vacant land, both inside and outside cities: A public authority, state or local, would thus assemble suburban land, make proper plans for its development, and sell appropriate tracts to private developers."

This, according to Professor Bryant, is also federal and provincial procedure in Canada for the "assembly" of land. He then goes on to say:—

"In North America, one so often hears slogans such as 'a city should not enter the real estate business'. To European eyes this seems quaint, because so many European cities do precisely that, as a matter of course. Partly, this is a matter of long-standing tradition, partly a matter of deliberate modern policy.

Stockholm owns an area greater than its administrative area. This policy of acquiring as much land as possible, when it comes on the market, has been a main feature of Stockholm municipal policy since 1904 — it antecedes the present Social Democratic government by many years."

(e) According to Mr. Cartwright of Australia the picture in that country in regard to the non-availability of residential sites is very similar to that in South Africa from the angle of speculation, advance purchases of blocks of land for withholding from the market for certain periods, insufficient public funds for financing the provision of services and delays in finalising township establishment — normally a year or two. Referring to trading in unplanned land he also drew attention to the following finding of the Government's committee of inquiry on which he served in the State of Western Australia in 1967:—

"The conclusion reached by the great majority of minds that have been bent to this problem is that trading in unimproved land (as distinct from land development) is not an essential feature of the modern capital-enterprise system. Rather it burdens the system by increasing business costs, diverting capital that could be more productively employed and forcing up the cost of establishing new enterprises."

(f) Mr. Cartwright's committee made a recommendation, presumably on the lines of that made in England at the time of the establishment of the Land Commission, viz. that an Urban Land Commission be established also in Western Australia with a view to acquiring land for urban development and subdivision (township establishment). The idea was that such land could, after having been planned, again be disposed of by private treaty or by auction, subject to the condition that improvements be effected within a specified period.

(g) The Australian committee also recommended as follows with regard to the levying of an appreciation contribution by the owner of unplanned land sold for the purposes of township development:

"Some part of the unearned increment in vacant-land values should be returned to the community to ensure at all times an adequate supply of serviced building-lots and to assist with the purchase of public open space, recreation areas and community land-needs. We therefore recommend a levy on all unimproved land at the time of sale.

The proposed levy would be a proportion of the increase in value of the land while held by that owner.

The principle of the proposed levy is that, if due allowance is made for any development costs, the increase in value of the land arises entirely out of the activities of the community and not from the owner's efforts. It is therefore only just that the community shares in the increased value. We propose that the increment in value be equally shared, 50 per cent to be retained by the vendor and 50 per cent to be paid into a public fund titled the Urban Land Development Fund."

(h) In conclusion Mr. Cartwright stated that it was quite likely that through the Australian Institute of Urban Studies, of which he was then Director, the whole of Australia would accept the approach that owners of agricultural land sold for the purpose of township development would be entitled only to the agricultural value (market value) of that land and that whatever was paid by way of purchase price in excess of this amount would be collected from them.

11. Conditions in the Republic of South Africa.

So far as the South African scene is concerned it was noticeable that even representatives of township developers time and again testified spontaneously before the Commission that undeveloped land was a "diminishing asset". The word "asset" was used in the sense of an asset of the country in the interests of its urban population, which implies that the concern about the diminution was not for the individual farm owner who must give up his land but, in the national interest, for the urban communities for whom such land is required. It was also stated repeatedly that while land could be subdivided into several small portions for township development, land as such could not be augmented or increased. It was therefore not a commodity that could be produced. The Commission is firmly convinced that as far as urban communities are concerned, the time has come that undeveloped peri-urban land in South Africa should not only be used sparingly and judiciously but should, indeed be considered an inseparable adjunct of the neighbouring or adjoining urban area and be reserved, through the authorities for the ultimate systematic and programmed use of the people of that urban area. The allocation of such land by the authorities — in respect of which the Commission has special recommendations to make in the next chapter regarding guide and regional planning for township development and the control of such planned land — must therefore remove it from the category of freely negotiable land the benefits from the sale of which accrue exclusively to the seller. As clearly motivated in the passages quoted on the position overseas, the seller of land round the cities has no moral claim to the appreciation in the value of his land which stems from urban development near by or on the land itself and in respect of which no contribution was made by him. The Commission's recommendations include a most considerate formula for contributions in respect of appreciation, which, incidentally, is not without precedent in the Republic as it has, for more than 14 years, been applied to compulsory appreciation contributions to the Community Development Fund in the case of properties affected in terms of the Community Development Act. Similarly, there is in operation in the Transvaal an Ordinance which provides for compulsory contributions by owners of sites in proclaimed townships whose sites appreciate in value as a result of the rezoning of subdivisions in the township but who have not themselves in any way contributed towards that appreciation.

CHAPTER VI.

RECOMMENDATIONS.

After careful consideration the Commission believes that the compelling need for a realistic and stream-lined townplanning and development system in the Republic aimed at a constant and ordered meeting of the demand for residential sites by the various income groups falling outside the province of the National Housing Fund, at prices within their means, will be satisfied if the undermentioned recommendations are implemented expeditiously and unremittingly.

1.1. The State, as well as provincial and local authorities, must, as a matter of urgency

and in an ordered and co-ordinated manner, take the initiative in preparing regional and guide plans with regard to the following matters in respect of land adjoining and surrounding the major urban complexes in the country:

- (a) The identification of land use (indicating the various uses such as agricultural, industrial and residential purposes, nature reserves, etc.);
- (b) future main-road systems;
- (c) future rail routes;
- (d) regional reservoirs and sewage disposal works and mains for services;
- (e) site requirements for educational, recreation and administrative purposes, etc.

- 1.2. To this end a non-statutory committee led by the Chairman of the Planning Advisory Council or his representative and comprising members representing the province and local authority or authorities concerned, the Department of Community Development, the Department of Agricultural Credit and Land Tenure, the Department of Industries, the National Transport Commission and the South African Railways, should be appointed for each large urban area or urban complex, the Chairman of the Planning Advisory Council being empowered to co-opt, as occasion demands, representatives of other bodies involved.

When a committee has been appointed for any large urban area or urban complex, the Director of Local Government must as soon as possible, in the light of adequate projections and after having consulted with the local authority, or local authorities in the case of a complex involving more than one local authority, submit to the committee proposals with regard to items (a) to (e) of paragraph 1.1. above and any other essential items which, in his opinion, should form the basis of a guide and regional plan for the area or complex concerned. For this purpose consulting planners should be employed freely whenever necessary. After consideration of these recommendations by the Committee the Chairman of the Planning Advisory Council must submit the Committee's recommendations to the Minister of Planning for approval, and when these have been approved, all developers and other bodies shall be bound by that guide and regional plan. Thereafter the Director of Local Government shall, at least once every three years, advise the Chairman of the Planning Advisory Council of the extent to which amendment or amplification of an approved guide and regional plan has become necessary, in which case the committee shall, as before, submit its recommendations for approval by the Minister.

- 1.3. As an urgent first step individual committees must be appointed without delay to prepare guide and regional plans of —
- (a) the Pretoria, Witwatersrand, Vereeniging areas — separately, if possible, but, if not, then as a complex;
 - (b) the complex of the Greater Cape Peninsula (i.e. the Peninsula and the areas up to and including Somerset West; the Strand; Bellville; Kuils River; Durbanville and Milnerton);
 - (c) Port Elizabeth;
 - (d) the Durban complex (including adjoining municipal areas such as Pinetown and Queensburgh);
 - (e) East London;

- (f) Bloemfontein (in view of the small-holdings situate on its perimeter);
- (g) Witbank.

1.4 It stands to reason that committees should be appointed by the Minister of Planning. Whenever an exceptional growth point develops at a place remote from large urban areas the Minister must appoint a committee to recommend a guide and regional plan for such growth point.

2. For the abovementioned purpose local authorities, acting on the instructions of the Director of Local Government, must prepare overall townplanning schemes in respect of their specific areas so as to facilitate and expedite subdivisinal and detailed planning by developers.

3. Powers to approve applications for the establishment of townships in accordance with the master townplanning schemes must be delegated to the larger urban local authorities employing their own professional staff, on the lines at present applicable in the case of the Durban and Pietermaritzburg City Councils.

4. Implementation of the recommendations under paragraphs 1 and 2 above will enable authorities, who at present have to be consulted by townships boards and local authorities in connection with applications for the establishment of townships to submit their comments within a very short time. The time allowed them for preparing their views and commenting on the applications should be limited to 2 (two) months and, when in default, such authorities shall be regarded as having no objections to the application.

5. The State, provincial administrations or the local authority concerned must be granted the right to acquire land preferably by purchase or exchange in the area for which a guide and regional plan has been prepared even though such land might already be the property of a prospective developer. (Local authorities should be granted this right irrespective of whether the land has been incorporated in their areas of jurisdiction or is still to be incorporated.) Should purchase or exchange not be possible, the land must be expropriated in terms of the Community Development Act, 1966 (Act 3 of 1966). The three authorities referred to should also have a pre-emptive right whenever such land is alienated by the owner to a private purchaser.

Private developers are permitted to develop land in their possession to the extent mutually agreed upon by the holders of preferential rights, or to acquire land either from private owners or holders of preferential rights for development purposes. Whenever unplanned land falling within the scope of a guide and regional plan is disposed of by the person who was the owner at the time of the publication of the plan, such person must, also in the case of alienation to a private developer or a holder of a preferential right, pay 50 % of the difference between the estimated market value of the land immediately prior to the approval of the guide and regional plan by the Minister of Planning and the compensation or alienation value obtained by him, to the local authority in whose area the land will be used for township development purposes so as to provide funds out of which that local authority may finance, wholly or in part, the provision of services for the new area in question.

6. In order to ensure that sufficient residential sites are always available to satisfy the needs of present residents as well as new residents added to the population through natural increase, growth and immigration it should, throughout the Republic, be the responsibility of local authorities to undertake township development themselves or to have private developers undertake it as and when the need arises in and around their areas.

Section 3 of the Slums Act, 1934 (Act 53 of 1934), must be amplified to remove any doubt about this related obligation.

7. Local authorities and, in the case of large urban complexes, the city council considered the leading one in the complex because of its size and consequent ability to provide services to its neighbouring local authorities, must regularly preplan reservoirs, sewage disposal and purification works and mains as directed by the Director of Local Government and must progressively programme and carry out their provision so as to meet the needs of new township development in good time.

8. Loans, if need be with Government aid, must, as a first priority, be made available to enable local authorities to provide systematically and timeously, essential large reservoirs, sewage disposal and purification works and mains, as the need arises in urban areas and extensions.

Basically the present position, viz. that the local authority is itself responsible for the provision of these services, must be maintained. If developers of new townships subsequently have to avail themselves of these services, it should be an easy matter in view of the existence of the recommended guide and regional plans, to assess their pro rata contribution by way of an additional endowment levy.

9. The responsibility for the provision of internal reticulation in townships must be shared by the local authority and the developer on the basis that the local authority accepts responsibility for the provision, at its own expense, of "trading services", whilst the township developers are responsible for the provision of full road construction, storm-water drainage and sewerage systems.

"Trading services" are comprised of water and electricity supply, both of which are productive of revenue, but may also include sewerage.

10. Whilst, as recommended in paragraph 8, local authorities should be enabled to obtain loans, if need be with state assistance, for the provision of reservoirs and similar important capital works, they should also, as regards their responsibility for the provision of internal reticulation for "trading services", be enabled to obtain from the township developers concerned long-term loans against municipal stock or otherwise. Local authorities' commitments can, in the long term, be met out of the revenue derived from the supply of water and electricity, and erf prices should therefore not be affected by this expenditure.

11. To ensure that the standards of the internal services specified or provided are as realistic and economic as possible, the various provincial administrations and local authorities must lay down, in co-operation with the C.S.I.R. and in the light of needs as they vary from one region to another, a code of standards with which local authorities and developers have to comply.

To simplify and regulate applications for township establishment, provincial administrations must likewise prepare a guide, with which developers in the province concerned must comply, prescribing the required guidelines, standards and procedures, this guide to be obtainable from such provincial administrations against payment.

12. Developers throughout the country must furnish local authorities with guarantees that the services for which they are responsible, will be provided within a stipulated period, and in respect of "trading services" they must furnish local authorities with guarantees covering underutilization of such services, the latter guarantees to remain in force until the township has been built up to the required degree (which must be the same for all local authorities in the province concerned). The local authority must similarly furnish a guarantee that the "trading services" will also be supplied by it within a specified time.

13. Unimproved residential sites in respect of which services are available, must be subject to an extra levy over and above the normal rates which would have applied had it been improved. This will be an inducement to build on the sites rather than to withhold them from the market for speculative purposes.

14. Municipal rates and taxes at the normal tariff applying in the area concerned must be levied on all land within the area of jurisdiction of a local authority other than unplanned land the exemption of which has been specially approved by the Administrator.

15.1. It is current practice for undeveloped residential sites to be freely sold with no or merely small deposits being demanded with the result that speculators do not fulfil their role of suppliers of capital to developers and, in fact, themselves invest little or no capital in the purchase of sites.

As a direct result of the easy availability of residential sites requiring no or only small deposits, the prices of erven are being considerably loaded, which in turn inevitably causes price levels generally to rise still further.

To combat this practice and to ensure that fewer erven are acquired by speculators (as opposed to speculation builders) who themselves make no, or very little, capital contributions and then withhold the erven from the market for indefinite periods, it is absolutely essential that powers be created to prescribe the levying of minimum deposits when undeveloped sites are sold. These powers should be provided in the new legislation contemplated by the Minister of Economic Affairs in regard to the sale of land on terms and could be exercised in a manner which would be to the greatest advantage of developers, local authorities and their communities.

Various bodies, including several developers with whom the Commission had been in contact, were in favour of the principle of compulsory variable deposits and it was even felt that under present circumstances a deposit equal to 25 % of the purchase price would be justified. Later, as the demand for undeveloped residential sites decreases and the imbalance between supply and demand is levelled out, prescribed deposits could be adjusted accordingly by the Minister.

15.2 In view of the fact that during the last few years many individuals and small syndicates have started buying undeveloped sites speculatively with a view to price rises and not for the purpose of developing it themselves, the Department of Inland Revenue should seriously consider regarding purchasers of more than two residential sites on the sale of any of these sites, for the purposes of normal income tax as speculators and tax them on their profits.

16.1. As opposed to the present situation where the conditions of township establishment usually prescribe minimum site sizes so that ordinarily only dwellings above a certain standard are erected in such townships, measures should be taken to compel developers to provide sites of varying sizes in their lay-outs so as to meet the needs of balanced communities. A fair percentage of sites measuring 8000 sq.ft., and less, ought to be provided in each township.

16.2. To enable townplanners and architects to plan and develop according to modern concepts and requirements with a view to obtaining higher densities by liberally providing family housing of a type differing from the conventional single detached house on its own site or from flats, but nevertheless complying with the basic requirements of family housing, the often impractical and uneconomic existing building regulations and by-laws, also as regards the placing of buildings on sites in relation to boundaries, should be reviewed. Zero building lines should not be rejected summarily but should be applied judiciously so as to save the occupier land and costs.

In this connection please also refer to paragraph 7 of the Commission's findings in Chapter V.

17. Legislation to provide for sectional titles which will stimulate the construction of flats and enable occupiers to obtain title to the type of housing envisaged in paragraph 16.2, is urgently necessary.

18. Building societies are, historically, and have remained, in essence, utility companies operating, not for their own gain, to serve communities in need of housing; they enjoy the protection and active assistance of the Government in the form of the provision of capital and certain important tax concessions and must play their role as utility institutions in an effective manner. Township development undertaken by them should be on a modest scale and in the interest of the less affluent occupiers and should not be aimed at the increase of business and enlargement of the image of a building society as such; there should be no suggestion that development undertaken by them should be as lucrative as that undertaken by private developers. Building societies should not be seen as financial partners of township developers in the private sector because they would then completely lose their identity and value as utility undertakings for the less affluent population groups.

19.1 In view of the recommendations in paragraphs 8, 9 and 10 the percentage cash endowment claimed from township developers by local authorities, should be adjusted. The percentage which may be claimed under normal circumstances should be set at not less than 3 % and not more than 7 %; provided that when, in view of exceptional circumstances pertaining to the provision of mains for services, reservoirs or sewage disposal or purification works, a cash endowment at a higher rate is clearly indicated, a higher rate may be levied with the special approval of and as determined by the Administrator, who must have the right to delegate these powers to the Director of Local Government concerned.

Furthermore, consideration should also be given to the question whether sites made available by endowment should not rather be purchased from the developer at reasonable prices.

19.2. Endowment levies in respect of Bantu townships, as applied at present, must be reviewed. There are, firstly, certain local authority areas where such townships are not being developed or extended. Moreover, the average Bantu wage rates are already so favourable that it appears to be unnecessary to demand such generous endowment contributions. Normally new loans for the purchase of land for Bantu housing can in any case be obtained from the Bantu Housing Board and it also seems to be wrong in principle to continue applying the levy (as, according to evidence, in the case of Pretoria) to new townships as they are established and then to use the funds for administering old-established Bantu townships in order that higher administrative tariffs need not be collected from the Bantu who reside there at very low, fixed rentals yet are in receipt of good and increasing incomes.

As regards administrative costs the Commission feels that the obvious procedure should be, on the one hand, the imposition of a levy on Bantu residents themselves and, on the other hand, an increase in the levy on employers who actually employ Bantu.

The Commission in fact recommends that residential sites for Whites should no longer be taxed with endowment contributions for the benefit of Bantu townships.

20. Generally, township developers enjoy the concession that rates are levied on them according to the block system. The result is that they are less heavily taxed than the individual site owner. The Commission cannot support this differential treatment. According to this system the local authority loses valuable revenue and this concession should be withdrawn wherever it exists.

21. Wherever possible, all the above recommendations in respect of future township development should also be applied to existing unproclaimed townships.

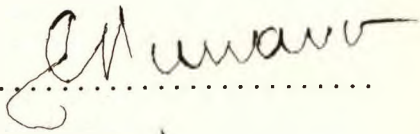
GENERAL.

In conclusion the Commission wishes to express its sincere thanks and appreciation to its Secretary, Mr. C.J. Immelman, for having so unremittingly devoted himself to the processing of tape-recorded evidence within the shortest possible time so as to enable the Commission to complete its task within the given period.

Signed at PRETORIA on the 22nd MAY, 1970.

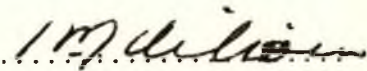
J.H. Niemand,

Chairman:

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H.J. Viljoen,

Member:

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Dr. B. van Staden,

Member:

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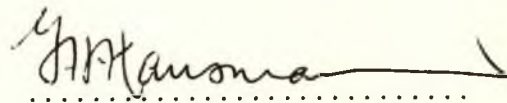
J.J.C. Kock,

Member:

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Dr. G.H. Hansmann,

Member:

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H.J.F. Cilliers,

Member:

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MEMORANDA, OTHER WRITTEN INFORMATION AND INFORMATIVE DOCUMENTS WERE RECEIVED FROM THE UNDERMENTIONED BODIES AND INDIVIDUALS.

1. The Director-General of Surveys, Cape Town.
2. The Institute of Land Surveyors of Natal.
3. The Institute of Government Land Surveyors of the Cape Province.
4. The South African Property Owners' Association.
5. Monkor Trust Township Developers (Mondorp), Johannesburg.
6. Glen Anil Investments, Johannesburg.
7. Corlett Drive Estates, Johannesburg.
8. Sasol Dorpsgebiede Bpk., Sasolburg.
9. Volkstrust, Johannesburg.
10. Model Wonings, Johannesburg.
11. Tuckers Land Holdings, Johannesburg.
12. Townships Development Corp. (Pty) Ltd, Johannesburg.
13. Wilderness Seafront Properties (Pty) Ltd, Knysna.
14. Creative Homes (Pty) Ltd, Cape Town.
15. Garden Cities, Pinelands, C.P.
16. Citizens Housing League, Cape Town.
17. O.P. Konstruksie Mpy. (Edms.) Bpk., Despatch.
18. Edglen Corporate Finance Ltd, Johannesburg.
19. Trust Bank of S.A. Ltd.
20. The Standard Bank of S.A. Ltd.
21. Barclays Bank, D.C.O.
22. Volkskas Bpk; (through Trans-Ornaje Finansierings- en Ontwikkelingskorporasie Bpk.).
23. Provincial Administration, Cape of Good Hope.
24. Provincial Administration of Transvaal.
25. Provincial Administration of Natal.
26. Provincial Administration of the Orange Free State.
27. The United Municipal Executive.
28. City Council of Port Elizabeth.

29. City Council of Pretoria.
30. City Council of Johannesburg.
31. City Council of Cape Town.
32. City Council of Durban.
33. City Council of Bloemfontein.
34. Town Council of Brits.
35. The Cape Divisional Council.
36. Mr H.M. Marsh, Executive Planner, Johannesburg City Council, in his personal capacity.
37. Mr A.C.P. Frantz, Electrical City Engineer, Cape Town.
38. Mr T.B. Floyd, Member of the National Housing Commission, Nylstroom.
39. Mr Mouritz Read, Planner, Verwoerdburg.
40. Plan Medewerkers, Pretoria.
41. The Association of Building Societies.
42. The Institute of Estate Agents of S.A.
43. The Instituut van Afslaers en Eiendomsagents.
44. The National Building Research Institute of the C.S.I.R.
45. The National Housing Commission.
46. The Community Development Board.
47. Mr W.J. Marais (Engineer), Chief, Building Services Section, Department of Community Development.
48. The S.A. Indian Council.
49. Mr J.P. Gokool, Durban.
50. Mr H.P. Botha, Consulting Engineer, Pretoria.
51. Withers and Gerke, City and Regional Planning Consultants, Johannesburg.
52. Die Afrikaanse Handelsinstituut.
53. The Association of Chambers of Commerce of S.A.
54. The Secretary for Commerce, Pretoria.
55. The Secretary for External Affairs in respect of replies received from the S.A. Embassies in England, Germany, France and the U.S.A.

56. Mr Derek Cartwright, Senior Planning Officer (Executive), Govt. of Western Australia (Director of the Australian Institute of Urban Studies).
57. Mr D.A.P. Mort (Township Development Adviser), Cape Town.
58. Sanlam.
59. The Old Mutual.
60. National Council of Women of S.A.
61. Artisan Staff Association, S.A. Railways, Salt River;
62. Steel and Engineering Industries Federation of S.A.
63. Building Industries Federation (South Africa).
64. Messrs Dunkley and Meintjies, Johannesburg.
65. Mr. D.J.B. Osborn, Advocate, Johannesburg.
66. Mr E.J. Read, Johannesburg.
67. Mr G.H. Halliday, Pretoria.
68. Mr D.G. van der Byl, Irene.
69. Mr J. McCulloch, Member of the Valuation Board, City Council of Johannesburg.
70. Muldersdrift Farmers' Association.
71. Mr J.J. Stanbury, Boksburg.
72. Mr D.L. Visick, Durban.
73. Mr A.N. Kühn, Parys, O.F.S.
74. Mr R. Wigboldus, Porterville.
75. Messrs Mitchell & Zietsman, Pretoria.
76. Mr J.H. Wessels, Johannesburg.
77. Mrs Harold Jones, Constantia, C.P.
78. Mr A. Juyn, Pretoria.
79. Mr K. Hall, Durban.
80. A.R.D. McIntosh (Pty) Ltd, Pretoria.
81. Eric J. Allis & Co (Pty) Ltd, Pinetown.
82. Mr A.O. Curry, Hillcrest.
83. Mr K.A.H. Adams, Braamfontein.

84. The Association of Law Societies of the R.S.A.
85. Miss A.J. van Eyck, Pretoria.
86. Mr. J.C. Atterbury, Pretoria.
87. Mrs J. Morkel, New Germany.
88. Attie Badenhorst Eiendomsagentskap (Edms.) Bpk., Pretoria.
89. Mrs A. Marais, Pretoria.
90. Artisan Staff Association, S.A. Railways, Braamfontein.
91. Captain D.M.K. Marendaz, Meyerton.
92. Mr J.A. Duigan, Pretoria.

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