

SOME OBSERVATIONS, FACTS AND QUESTIONS WHICH ARISE FROM AN EXAMINATION OF JOHANNESBURG'S NATIVE REVENUE ACCOUNT OVER THE YEARS 1951 - 1959.

It was some twenty years ago that I first became interested in the Johannesburg Native Revenue Account when, as a student at the Witwatersrand University, I was set an exercise by the Lecturer in Bantu Studies to examine the Johannesburg Native Revenue Account. Shortly afterwards I was asked to prepare evidence for presentation before a Government Commission which had been appointed to investigate the distribution of Kaffir Beer by the Municipalities, and to make recommendations regarding the use to which the Kaffir Beer profits should be put. In 1940 the Beer sales were £94,447: resulting in profits of £63,752: The year before the profits were £32,768: I suggested at the time that moral issues might be overlooked in so profitable a venture. At that time the Council was carrying forward the deficits on the Native Revenue Account in the anticipation of meeting them from the Beer profits. Little did I think at the time that I would occupy my present position, with annual sales at £1¼M. and profits of over £600,000: a year. I hope, however, that in view of the research now being undertaken by the Council regarding Kaffir Beer, that I will not be accused of ignoring the moral issues. Later in the paper some of the figures reflecting the position at that time will be quoted to give an idea of the expansion that has taken place since then.

Under the Urban Areas Act of 1923, as amended, later Act 15 of 1945, the responsibility was placed on local authorities for housing natives employed within their boundaries. Under the same Act it became obligatory for local authorities to keep a separate account, to be called the Native Revenue Account, in which had to be reflected the income and expenditure in connection with native affairs. The Act laid down the categories of income which had to be credited to the Native Revenue Account, and what expenditure could be charged thereto. An important provision of the Act is that before any appropriations are made from the Native Revenue Account, estimates of expenditure must be passed by the local authority, and the estimates must be

approved in writing by the Minister of Bantu Administration and Development, subject to such conditions as he may deem fit. In the early days of the Beer profits, the Minister refused to pass the estimates unless the Council met the deficit instead of carrying it forward in anticipation of Beer profits in the future.

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

The Native Revenue Account consists of three portions:

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

In the time at my disposal it is not possible to detail the provisions of the Act regarding the Native Revenue Account, and I now propose to give some of the facts which emerge from a study of the Accounts.

The Balance Sheet of Johannesburg's Native Revenue Account, as at 30th June, 1959, reflects the following expenditure:

PROPERTY AND PERMANENT WORKS:

	<u>1959</u>
Bridges	38,759
Buildings	9,516,821
Fencing	144,051
Gas Supply	3,843
Land	1,302,603
Layout	112,969
Lighting	587,148
Plant and Machinery	105,230
Play and Sports Grounds	100,648
Railway Siding	4,861
Roads	736,076
Stormwater Drainage and Sewerage	2,565,910
Swimming Pools	3,407
Tennis Courts	4,544
Water Supply	<u>1,258,947</u>
c/fwd...	16,485,817

b/fwd... 16,485,817

OTHER CAPITAL OUTLAY:

Furniture	110,370
Medical Appliances	5,790
Meters	2,500
Motor Vehicles	119,392
Office Machines	36,232
Tools and Loose Gear	118,928
Sundry Debtors (For houses sold on 30 years Lease)	<u>1,155,057</u>
	<u>£18,034,086</u>

Some of the comparative figures for previous years were as follows:

	<u>1940</u>	<u>1952</u>
Total Assets	1,570,842	5,968,910
of which:		
Land	122,185	1,309,561
Buildings	{ 823,062	3,801,110
Orlando Housing Scheme	{ 430,472	
Stormwater Drainage and Sewerage	33,698	100,163
Roads	12,967	181,677
Playing Fields	-	18,132

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

Of the land costing £1,302,603 - £50,513: represents the cost of land for Hostels - £574,051: represents the amount spent on ground for housing schemes - £474,405: represents expenditure on ground for as yet undeveloped or partially completed schemes, and £166,640: represents what is termed in the Accounts "General Land", the bulk of which was the cost of £150,448: of the Bantu Sports ground in Von Weilligh Street. In examining the price at which ground has been purchased, it is interesting to find that the 1120 acres at Orlando East were purchased at an average cost of £6:14: 4d., per acre; the 1146 acres at Orlando West were

purchased at £7: 9: 3d., per acre, whereas the 4428 acres in the Site and Service schemes were purchased at an average of £87:18: 3d., per acre.

Where did the money come from to finance this expenditure?

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

Of the money borrowed from the Government -

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

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

719,646 was lent at $4\frac{1}{2}\%$ interest

930,623 was lent at $4\frac{3}{4}\%$ interest

2,671,781 was lent at $4-7/8\%$ interest.

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

£444,855 is at $\frac{3}{4}\%$

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

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

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

Whereas previously the Government provided sub-economic housing loans redeemable over forty years, the period for redemption of economic loans is now thirty years.

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

Of the surplus of £5,760,424: the amount represented by grants from the Native Services Levy Fund is £3,184,722: leaving a balance of £2,575,702: representing the amount of loans redeemed. Loans on some assets are, in many cases, only nominal. The Wemmer Hostel which cost £110,721: has been paid off except for £2418: Western Native Township which cost £388,034: has a loan outstanding of £35,318: and Eastern Native Township, costing £119,475: has a loan outstanding of £25,121:

In this connection it is interesting to speculate what the real value of the assets of the Native Revenue Account are, and the real amount of the surplus. For instance, the 11 acres of land on which the Wemmer Hostel is situated at the corner of Loveday Street and Village Road, stands in the Assets Register at £13,937: - £1280: an acre. The 71 acres on which Eastern Native Township is built cost £5618: - £79: per acre, whereas the 40 acres adjoining this area recently purchased for the Eastern Native Township Hostel cost £61,837: - £1550: an acre. I have already referred to the difference in price between the cost of ground bought at Orlando and the ground in the Site and Service schemes. The 666 acres in Pimville cost

£19,185: - £29: an acre. The 252 acres in Western Native Township cost £96: 2: Od., an acre - a nominal sum when one thinks of the price of stands across the road in nearby Sophiatown. An interesting question arising out of this value of land is at what price should the ground in Western Native Township be transferred from the Native Revenue Account when Western Native Township is converted into a Coloured Housing Scheme. While the value of much of the land may have increased, other assets may be worth less than the book value.

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

	<u>1940</u>	<u>1952</u>	<u>1959</u>
Rents from Hostels and Housing Schemes	167,780	484,281	1,436,943
Fines and Estreatment of bail	4,409	104,023	102,686
Labour Bureau Fees	-	-	14,890
Registration Fees	-	-	260,183
Government Subsidies	-	26,253	-
Sundry	4,424	48,583	37,061
Kaffir Beer Profits	<u>63,752</u>	<u>239,835</u>	<u>577,996</u>
<u>Total Income</u>	240,365	902,975	2,429,759
Deficit charged to Rate Fund	(1940 <u>c/fwd.)</u>	<u>348,612</u>	<u>121,580</u>
		<u>1,251,587</u>	<u>2,551,339</u>

The principal items of expenditure were:

	<u>1952</u>	<u>1959</u>
Salaries, Wages & Allowances	273,210	770,638
Departmental Charges	9,414	17,478
Medical Services (Nett)	100,219	241,468
Sanitary Fees	21,332	29,447
Sanitary Services	175,042	292,198
Water Supply	14,892	97,889
Grants in Aid	18,205	33,801
Other	167,307	266,724
Repairs and Maintenance	157,146	292,180
Loan Charges	<u>326,589</u>	<u>529,350</u>
	1,263,356	2,571,173
Less Charges to other Departments and Native Services Levy	<u>11,769</u>	<u>19,834</u>
	<u>1,251,587</u>	<u>2,551,339</u>

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

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

ACHIEVEMENTS IN RE-HOUSING:

The figures I have presented to you, and the information which has previously been given, particularly in my address to this Council in December, indicate what has been done. There is no time here to reiterate this information.

REDUCTION IN COST OF HOUSING:

The first houses erected by the Council were in the Western Native Township in 1919, when 2192 houses were built. The two-roomed house cost £120: the three-roomed £140: and the four-roomed £170: The next scheme was at Eastern Native Township where the two-roomed houses cost £115: and the three-roomed houses £135: In 1932-1935 the Council started the Orlando East scheme, where the two-roomed house of 397 sq. ft., cost £95: and the three-roomed house of 532 sq. ft., cost £115: Of the houses built in Orlando West during 1941-1947, the cost of the three-roomed house varied from £252: to £500: and the four-roomed house from £354: to £664: The 125 houses built in Pimville in 1944-1945 cost £494: for the three-roomed, and £599: for the four-roomed. When these costs are considered, and the fact that since that date costs of materials have been continuously rising, it is nothing short of a miracle that the houses built since the establishment of the Council's Housing Division, with the use of native labour, have cost between £160: to £185: for a 527 sq. ft. house.

Owing to the difference in sizes of the houses a truer comparison is to state costs in prices per square foot. In 1930 the price varied from 4/3d., to 5/3d., in 1938 this had increased to 9/3d., and in 1944 the houses at Orlando West cost 10/5d., to 11/5d. In 1946 the price had increased to 12/3d., and the Jabavu houses built in 1947 cost 10/2d. Then came the establishment of our own housing division, and the training of Native building workers. At a time when costs were increasing in comparison with the times stated above, the costs were decreased to from 6/1d., to 6/9d., per sq. ft. The materials used at all times were not the same, nor was the method of construction always the same, but in considering the recent achievements in housing, consideration must not only be given to the number of houses that have been erected, but also to the cost at which they have been built and the transformation in the lives of the labourers who have become trained artisans in the process.

BENEFITS FROM NATIVE SERVICES LEVY:

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

The Service Levy was inaugurated to provide the funds for -

Sewage Disposal Works
Main Access Roofs
Water Towers
Main Water Reticulation and
Sub-outfall Sewers, and
Lighting.

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

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

Native Services Levy Fund:

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

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

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

Approvals at 30.6.59		5,261,735
Less: Expenditure to 30.6.59		<u>3,822,129</u>
		1,439,606
Less: Unspent balance		<u>311,329</u>
Excess of approved projects to funds available		<u>1,128,277</u>

Nett Income of Fund is
estimated at -

for year ended 30.6.60	658,133
30.6.61	<u>658,133</u>
	<u>1,316,266</u>

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

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

DEPENDENCY UPON KAFFIR BEER PROFITS:

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

Allocation of Kaffir Beer Profits:

	<u>Year ended</u> <u>30. 6.58</u>	<u>Year ended</u> <u>30. 6.59</u>
<u>One-third Profit:</u>		
Urban Recreation	17,721	10,100
Urban Social Welfare	6,933	9,200
Bursaries		3,144
Grants-in-Aid	32,496	33,801
Vocational Training Centre	20,064	26,267
Medical Services Urban	(102,632	84,118
Medical Services Township	(48,535
	<hr/>	<hr/>
	179,846	215,165
	<hr/>	<hr/>

<u>Two-thirds Profit:</u>	<u>Year ended</u> <u>30. 6. 58</u>	<u>Year ended</u> <u>30. 6. 59</u>
Losses on Sub-economic Housing Scheme:		
Eastern Native Township	26,409	28,905
Jabavu	53,044	53,914
Orlando East	131,334	105,658
Orlando West	4,410	72,045
Pimville	81,044	56,170
Western Native Township	63,451	46,138
Unallocated Profit		<u>67,500</u>
	359,692	430,330
<u>GRAND TOTAL</u>	<u>539,538</u>	<u>645,495</u>

Since the establishment of the beerhalls, the profits have been very considerable, and during the last five years have been as follows:

1954/55	427,156
1955/56	407,846
1956/57	525,101
1957/58	539,538
1958/59	645,496
1959/60 Approx.	581,340

Since the beerhalls were established the total revenue has amounted to £10,855,558: and the profits to £5,179,922:

RESPONSIBILITY FOR SUB-ECONOMIC HOUSING:

At the time the Council undertook the sub-economic housing schemes at Orlando East and West and Jabavu, the National Housing Commission advanced the funds under a scheme whereby the interest charged was 3½% on the understanding that losses incurred on such schemes should, within defined limits, be borne in the ratio of three parts by the Government and one part by the Council. The Council first submitted its claim for losses in 1950. Up to the 30th June, 1953, the losses incurred on these schemes amounted to £1,079,173: and of this sum it was calculated, on the Council's understanding of the formula, that £502,320: was recoverable from the Government, but only £235,727: was recovered at that time.

In 1951 the old 3½% formula was cancelled. In that year local authorities, in submitting claims for losses on the National Housing formula, were required to certify that

tenants' incomes did not exceed £25: on loans prior to 1.10.46 and £30: thereafter. In 1952 differential incomes were laid down, and were fixed at £15: for natives. Local authorities were advised that a fully economic rate of interest would have to be paid on a pro rata share of the loans in respect of tenants with incomes in excess of those limits, and that the increased cost could be recovered by way of increased rentals. Legal opinion given to this Council doubted the Commission's power to do this. In 1954 the National Housing Commission agreed that the sub-economic rentals should be increased by 3/- for every 10/- of the income over £15: In 1954 the Council, because of its unhappy experience under the National Housing formula, agreed to convert the 3½% loans to 7% loans, thereby cancelling the sharing of losses on the schemes, but insuring the benefit of the lower rate of interest.

In 1957 the Council's claim for over £400,000: under the old 3½% scheme was finally settled for £125,000: The £125,000: was paid into the Capital Development Fund and earmarked for street lighting in the Native Townships. As in the Housing Act of 1957 provision was made in Section 78(3) for legalising actions of the National Housing and Planning Commission which were not authorised at the time they were done, this Council's legal rights were swept away.

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

The Johannesburg City Council, by accepting the realities of the situation in fixing £20: as the economic limit rather than £15: is paying the State (in two years 1958 and 1959 an amount of £73,311:) whereas in terms of the formula laid down at the time the sub-economic housing

schemes were commenced the State was to share in the losses. The experience of local authorities under the formula has indeed been an unhappy one! Would the Council have embarked on these schemes if it had visualised the change that was to take place in the State's attitude to the agreements solemnly entered into?

CONTRIBUTIONS BY THE EMPLOYERS OF NATIVE LABOUR AND THE COUNCIL:

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

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

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

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

The Government bears the loss of interest on those funds lent to the Council at less than economic rates.

I regret that at the time at my disposal I have not been able to give more than a sketch of some of the facts that have come to my attention.

I hope at some later date to present more information about the Native Revenue Account, as the financing of this huge undertaking is not only an important factor in the finances of this City, but also on the lives of the thousands who live in our Townships.

THE ABOVE IS THE TEXT OF A STATEMENT MADE BY COUNCILLOR
P. R. B. LEWIS, CHAIRMAN OF THE NON-EUROPEAN AFFAIRS
COMMITTEE OF THE JOHANNESBURG CITY COUNCIL, TO THE
MEMBERS OF THE COUNCIL AT A MEETING HELD ON THE 26TH
JULY, 1960.

JOHANNESBURG:

July 26, 1960.

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