

INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH

BRN 135131

DEVELOPMENT STUDIES

Working Papers

**AN EXAMINATION OF THE FINANCES
OF THE
CAPE MIDLANDS ADMINISTRATION BOARD, 1973-79**

**R.G. Humphries
Working Paper No. 8**



Rhodes University

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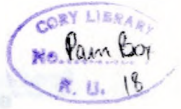


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Preface

The author would like to acknowledge financial support from the Human Sciences Research Council for this project. The opinions expressed in this paper are those of the author alone and are not necessarily those to which the Human Sciences Research Council might subscribe.

I would also like to extend my grateful thanks to Mr L.C. Koch, Chief Director of the East Cape Administration Board, for his assistance and ready access during the course of this study. My thanks are also extended to the Director of Finance of the East Cape Administration Board and to members of his staff for their help in tracking down documents.

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A. Brief History of the Board

While the Bantu Affairs Administration Board Act¹ was passed by Parliament in 1971, it was not until July 1973 that responsibility for the execution of state policy towards blacks resident in urban areas was removed from the Eastern Cape municipalities and vested in the newly created Cape Midlands Administration Board. The Board's boundaries were announced in December 1972 after the recommendations of the Bantu Affairs Administration Boards Implementation Advisory Committee and were to consist of the magisterial districts of Port Elizabeth, Uitenhage, Kirkwood, Somerset East, Cradock, Bedford, Adelaide, Fort Beaufort, Stockenström, Victoria East, Albany, Bathurst, and Alexandria. The head office was based in Port Elizabeth. These boundaries remained unaltered until the amalgamation of the three administration boards in the greater Eastern Cape, Border and Karoo areas in 1979.

Although the administration boards were to be primarily concerned with the administration of urban areas, they were also given responsibility for the administration of other aspects of policy towards blacks living in rural areas. Thus the Cape Midlands Administration Board estimated in 1973 that 327 601 persons were resident in the 20 urban areas within its jurisdiction while 163 312 blacks lived in the rural non-prescribed areas. This was a total of 490 913 persons.

B. The Accounts of the Cape Midlands Administration Board

i) Housing

Before examining the financial policies pursued by the CMAB a brief reference must be paid to the make-up of the housing account and the income and expenditure items which accrued to, and could be levied against it. Income accruing to the housing account consists of two main sources - housing and hostel rents and secondly service charges for water, electricity and other services rendered by the Board.³

Other sources of income to the housing account include lodger fees, and visitors fees. These were however minor sources of income to the board.

Throughout the six years that the CMAB existed - and indeed historically - the housing account was responsible for the largest deficits in the finances. As will be shown, these deficits were crucial to the inability of the CMAB to operate within the prescribed policy of administration board financial self-sufficiency - a policy laid down by the then Department of Bantu Administration and Development.⁴

An indication of the housing deficits is shown by the Auditor General's reports for the period 1973-79. It is important to note that these figures are taken from the Auditor General's classification of the General Account which does not completely correspond with the Housing Account as classified by the CMAB - in other words, the Auditor General's figures include income and expenditure from items such as labour bureaux, cemetery fees and other items which the CMAB classifies under its own general account.

Table 1
Income, Expenditure and Deficit of the General Account 1973-79

<u>Year</u>	<u>Income</u>	<u>Expenditure</u>	<u>Deficit</u>
1973-74*	3 010 625	3 093 745	83 120
1974-75	5 598 802	5 923 670	324 868
1975-76	7 864 000	8 948 059	1 084 059
1976-77	8 828 304	10 193 388	1 365 084
1977-78	10 409 067	12 781 851	2 372 784
1978-79	11 737 955	13 755 178	2 017 223

* These figures are not comparable with other financial years as they reflect only eight months income and expenditure.

(Figures taken from annual reports of the Auditor General of the accounts of the CMAB.)

These figures show a steadily increasing deficit during the latter half of the decade, reaching a record figure of R2,3 million after an initial deficit of R324 868 for the first full year of accounts only three years previously. These figures must be examined in greater detail.

The first budget speech presented by Mr J.C.K. Erasmus, chairman of the CMAB, for the eight months of the CMAB'S operations in 1973-74 reflected much of the future difficulties which the Board would have to contend with over urban housing.

"The combined expenditure of all our centres indicate a deficit of more than a quarter of a million rand for the current calendar year. Our consolidated income will approximate ten million rand but it is quite obvious that we shall have no money except for bare necessities. There is, however, a shocking dearth of services, even basic essential services, in most of the urban Bantu residential areas now coming under our control. A huge backlog of urgent capital and revenue projects must be considered and the additional interest and redemption charges, plus rising costs, makes it obvious that our present financial resources are totally inadequate to fill even a portion of the voids."⁵

Since the possibility of the general rates subsidising the tariffs of urban residents had been removed by the Bantu Affairs Administration Board Act -- through the policy of financial self-sufficiency -- other sources of revenue had to be found to compensate for this. A restricted number of possibilities were available to the CMAB, and indeed all the Administration Boards.

Firstly employers of black labour could shoulder a greater share of the costs of maintaining the urban townships whether directly, through increased employer levies in terms of the Contributions in respect of Bantu Labour Act of 1972, or indirectly through the payment of higher wages to black employees which would allow the CMAB to recoup a greater proportion of its expenditure on the provision of services. Secondly urban blacks themselves could contribute a greater share by paying higher service charges, without necessarily receiving higher wages, or by greater support of the beer and liquor monopolies of the CMAB, so increasing the profits obtained from these sales. Judging from the comments of the chairman it seems the CMAB would have preferred employers to shoulder a greater share in the financing of the townships, but that employers were unwilling to do so.

"The obvious solution of course is to raise our revenue by means of increased levies on employers plus higher rentals and realistic charges for services. In some cases such increases are justified, in fact overdue. Mostly though adequate services must first be provided or at least improved before significant increases can be considered. But this solution brings us to another problem. A cursory examination of the wage structure of Bantu in the Midlands reveals an unsatisfactory state of affairs.

"On making enquiries it was submitted that there are numerous idle, indolent and improvident residents in the townships, that productivity

is low, that combined family incomes are not below the poverty line and that many jobs are provided for reasons of charity rather than to receive value for wages expended.... One general conclusion, however, is inevitable. In many centres in our area the minimum wage of Bantu, legally resident and employed, is alarmingly low for their and, for that matter, our comfort...It is not our function to agitate for higher average wages but I do consider it our duty to insist that willing, productive workers, who are legally resident in our townships, should be remunerated on a scale devised not only to keep body and soul together, but also to provide at least basic amenities without dependence on such charity as may be available." ⁶

A more accurate picture of the finances involved with housing in urban areas came with the 1974-75 budget estimates, which were for the first full year of the CMAB's activities. The estimated losses on the housing account was budgeted at R983 081 for the 1974-75 year, even once the liquor and beer profits the Board expected to retain had been accounted for. This estimated deficit was made up out of R239 545 for services; R594 423 for administration and R149 113 for recreation and welfare. The CMAB estimated that for this deficit to be eradicated, site rental income (service charges) would have to be increased by 68 per cent - "an urgent necessity".

While this was not done, the chairman did recommend that the changes in site rental ought to increase automatically with increases in the cost of providing services. "Aanpassing behoort eintlik outomaties te geskeid sodra kennis van plaaslike owerhede ontvang is dat tariewe verhoog word." ⁷

The dependance of administration boards on Escom and white municipalities for supplies of water and electricity - major components of the site rental charge - was to prove even more difficult within a year or two as the local authorities drastically increased the charges payable by the CMAB. This problem was another consequence of the declared policy of financial self-sufficiency of administration boards insisted on by the government, now that subsidisation was no longer possible from the general rates.

"Munisipaliteite het tot hiertoe bewus of onbewus aansienlike toegewings gemaak sover dit die voorsiening van essensiële dienste aan bantoe-woonbuurtes in hul gediede betref. Die wet bepaal egter nou dat hulle wel gelde kan verg vir sanitasie, vuilgoedverwydering, riooldienste, water, straatligte en so meer. Almal het dan ook, in belang van hul belastingbetalers, ons vir alle gelewerde dienste laat betaal. Ons het dus nie net met stydende lostes te kampe nie, dog ook met nuwe en stywe rekenings vir dienste wat in die verlede nie ten volle deel van die Bantoe rekening was nie." ⁸

The expected deficit on the housing account for the 1975-76 year was estimated at R1,2 million - an increase over the estimated deficit of R983 081 the previous year - largely because of the increased charges levied by the municipalities. To meet this situation, the CMAB turned to one of the limited options open to it -- increases in service charges. The chairman reported that the proposed new service charges had been unanimously approved by the Urban Bantu Councils and Advisory boards "...mits natuurlik dat ons geld sal bestee aan verbetering van hul woongebiede."⁹ These higher service charges would, if they were implemented, reduce the expected deficit by R996 185 to R216 095.

The first major increases in service charges came in 1977 when they were raised on 1 February and again substantially on 1 April, in a bid to reduce the deficits on the housing account. Since 1974 service charges had been slightly increased and it appears that the 1977 increases were also designed to ensure a uniformity of charges in individual townships, which was a policy of the then Department of Bantu Administration and Development.¹⁰

Thus in 1974 site rentals ranged from R2,10 to R7,47 in Port Elizabeth; from R0,61 to R2,80 in Uitenhague; from R0,32 to R1,45 in Grahamstown and from R0,60 to R2,40 in Somerset East.¹¹

The following table reflects the 1977 increases for selected townships in the CMAB area of jurisdiction. In addition the range of house rents is also noted (this increased from 1 February only).

(Table derived from Government Gazette No. 2389 28 January 1977 pp. 41-48)

Table 2
Increases in Service Charges

<u>Town</u>	<u>Service Charge Payable p.m.</u>		<u>Range of House Rent p.m.</u>
	<u>1 February</u>	<u>1 April</u>	
Adelaide	R5,59	R7,76	R0,47 - R6,55
Alicedale	R6,72	R8,13	R3,54 - R4,72
Bedford	R5,69	R7,91	R1,20 - R3,18
Cradock *	R4,80	R7,00	R0,77 - R2,18
Fort Beaufort	R4,94	R6,91	R0,73 - R2,00 **
Grahamstown	R6,01	R8,82	R1,67 - R7,25 ***
Kirkwood	R3,76	R5,04	R2,27 - R4,00
Port Alfred	R3,47	R4,93	-----
Port Elizabeth	R5,88 - R8,60	R7,67 - R10,39	R0,18 - R6,59 ****
Seymour	R1,60	R2,20	-----
Uitenhague	R6,08 - R7,43	R7,87 - R9,22	R2,49 - R3,10 *****

* These figures refer to service charges for a communal water supply. The fees for individual water supply were R7,00 and R9,20 respectively.

** These figures refer to sub-economic housing rents only. Figures for economic rents ranged from R2,00 to R4,00.

*** These figures refer to economic rents only. Sub-economic rent was fixed at R0,70.

**** These figures are for economic rents only. The range of sub-economic rents were R0,82 to R2,39.

***** These figures are for economic rent only.

(Table derived from Government Gazette No. 5389 28 January 1977 pp. 41-48)

While these increased service charges certainly helped the CMAB to recover a greater proportion of its expenditure on the provision of services, it did not overcome the Board's inherent difficulty of a restricted financial base.

"Natuurlik is daar ook nog noodsaaklike dienste soos watervoorsiening, riolering en so meer wat uitgebrei moet word. Vanweë die hoë koste kan ons beswaarlik doen wat ons begerig is om te doen om die woongebiede op te knap en gerieflike te maak. Ons huurders, dit wil sê, die bewoners van ons dorpsgebiede, eis steeds meer en beter dienste en ons verkwalik hulle dit nie, maar ons is magteloos om met die bronne tot ons beskikking aan al hul begeertes te voldoen."¹²

The Cape Midlands Administration Board was thus caught between the necessity to generate income to ward off annual deficits in expenditure while at the same time attempting to generate surpluses to finance further facilities. The chairman had already given notice of what urban blacks expected from the Board in return for paying higher service charges,¹³ but the CMAB's difficulties were compounded by the financial losses suffered in the aftermath of the 1976 riots.

It was a situation which, in the words of the chairman, was "not becoming easier to solve as time goes by."

"Our predicament of mounting expenditure and limited sources of income is not peculiar to this Board...but in our case we are dealing with people who, with relatively few exceptions, have no savings to fall back on or cannot easily equate their basic expenditure on food and essentials with their income...It is therefore no simple matter just to increase charges to balance the budget and the problem is not becoming easier to solve as time goes by."¹⁴

The increases in service charges, effective from February 1977 and increased again substantially in April, were not sufficient to reduce the estimated deficit on the housing account. While the deficit on the housing account (excluding maintenance of the housing stock) was almost R440 000 during the 1977-78 financial year, the CMAB expected this to rise to R762 780 during the 1978-79 year, again not taking account of maintenance costs.¹⁵ This estimated deficit was calculated even after the expected surplus of R1 372 315 from the liquor and beer accounts had been used to reduce the deficit.

The CMAB calculated that for the deficit to be eradicated, service charges would have to be increased by an average of R3,42 per month throughout the area of jurisdiction of the Board.¹⁶ The charges were not however increased and the 1977 rates remained in force until the CMAB's amalgamation with the Eastern Cape and Karroo Administration Boards in 1979.

As pointed out earlier a major reason for the CMAB'S necessity to increase service charges was due to the higher tariffs levied by the municipalities for electricity, water, and other services performed and supplied by them on behalf of the CMAB. The following table charts this progressive increase during the period 1975 to the beginning of 1979.

Table 3
Municipal Charges for Services Supplied to the CMAB

<u>Item</u>	<u>1975-76</u>	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
Electricity	214 893	245 598	389 588	594 334
Sewerage and Drainage	133 843	159 900	561 180	682 017
Refuse Removal	10 537	19 098	22 381	27 482
Water	564 967	517 265	685 770	950 236
Total	924 240	941 861	1 658 919	2 254 069

(Table taken from annexure to budget speech for 1978-79)

Even though the municipalities were not allowed to charge more than cost price for the performance and supply of these services to the CMAB, these services were no longer subsidised by the general rates (in those municipalities which had followed a policy of subsidisation) which, consequently meant that urban blacks had to bear the cost of these services alone.

"Before we were established, the so-called "Native Revenue Account" was heavily subsidised by the ratepayers of all Municipalities. In Port Elizabeth, during the sixties, it was usually never less than a quarter of a million rand. Now there is no longer a "Native Revenue Account" with its chronic deficit but a fruitful source of income never enjoyed before...Their (municipalities) costs have risen, but then they must not be blind to the impact their increased debits have on others...Every cent of this amount is paid by the tenants of the urban black community, hence the higher service charges."¹⁷

Before concluding this discussion of the housing account of the CMAB until its amalgamation in 1979 with its neighbouring administration boards, brief attention should be paid to one other important aspect of the Board's responsibility for housing - namely the maintenance of houses. In terms of a long standing regulation, no more than 1,25 per cent of the original cost of construction of a house may be recouped annually for the costs of maintaining such a house, and charged as part of the hire of the house. Monies so obtained form the Renewals Fund from which maintenance costs can be defrayed.

The CMAB resolved in 1974 to approach the Department of Community Development for permission to increase the renewals fund contribution from the 1,25 per

cent limit to 2,5 per cent. No such approval was forthcoming however with the result that the Renewals Fund faced with "extraordinary demands" for maintenance, began to be depleted. By 1977-78 the demands for maintenance exceeded the statutory contribution by about R500 000 and the chairman warned that, at the present rate of depletion, it would be exhausted "well within the next decade."¹⁸

Faced with the refusal of the Department of Community Development to increase the contribution recoverable from lessees of CMAB houses to fund the maintenance costs, the CMAB adopted a new policy of carrying out only essential structural maintenance. Between 1976 and 1978 - when this new policy was adopted - the CMAB had withdrawn nearly R600 000 from the Renewals Fund, which then stood at R1 419 000.

The chairman remarked that "...n verdere R819 000 sou volgens beraming gedurende 1978-79 getrek word, dog, danksy die nuwe beleid om net noodsaaklike strukturele onderhoudswerk te doen, is die bedrag tot R15 000 verminder."¹⁹

The 1,25 per cent limit remains in force today clearly unable to cater for the maintenance requirements in a situation where 33 per cent of existing housing stock in the new East Cape Administration Board has structural problems "of such a nature that one small step further will lead to total collapse or render the house uninhabitable."²⁰

ii) The Liquor and Sorghum Beer Accounts

Closely allied to the finances of the housing accounts of all administration boards are the profits derived from the sale of sorghum beer and liquor from the administration board monopoly of the sale of these items in black townships. A brief examination of the structure of these accounts is provided as an introduction to the examination and importance of beer and liquor profits to the CMAB.

The beer account is divided into three sub-accounts against which the costs of certain specified items may be levied. The "chief" account consists of the expenditure involved in the administration, production and distribution of the beer. Once these costs have been met, the profits are divided in the ratio of 2:1 between the other two sub-accounts (known as the one

third and two thirds account). The profits flowing to the "one third account" can be used for the provision of welfare and recreational facilities in townships while the "two-thirds" account (also known as the appropriation account) is used to offset and subsidise losses on housing schemes, the interest and redemption on housing loans, the maintenance of houses and for capital expenses involved in the provision of housing and services.

Liquor profits were, in 1973, split between the Department of Bantu Administration and Development (80% of the profit) and the individual administration board (20%). This ratio was reversed later in the decade and again subsequently changed to allow the administration boards to retain all liquor profits.

Both beer and liquor profits were an important, if slightly unreliable, source of income to the CMAB during the 1970s as the following tables make clear.

Table 4
Beer Sales Account

<u>Year</u>	<u>Income</u>	<u>Expenditure</u>	<u>Surplus/Deficit</u>
1973-74	390 453	300 638	89 816 +
1974-75	1 053 616	980 042	73 573 +
1975-76	882 317	795 003	87 313 +
1976-77	2 188 860	2 195 368	6 507 -
1977-78	3 543 174	2 994 767	548 406 +
1978-79	5 591 421	4 461 043	1 130 378 +

(Figures derived from annual reports of the Auditor General of the accounts of the Cape Midlands Administration Board 1978-79)

Table 5
Liquor Sales Account

<u>Year</u>	<u>Income</u>	<u>Expenditure</u>	<u>Surplus/Deficit</u>
1973-74	5 138 532	4 870 535	267 998 +
1974-75	8 228 440	8 027 254	201 187 +
1975-76	10 515 031	9 936 857	578 174 +
1976-77	8 407 554	8 175 378	232 176 + ¹
1977-78	8 202 096	8 647 151	445 055 -
1978-79	7 844 513	8 289 248	444 735 -

(Figures derived from annual reports of the Auditor General of the accounts of the Cape Midlands Administration Board 1973-79)

Beer and liquor sale profits represented one of the two fairly elastic sources of income to the CMAB -- the other being employer levies -- and this importance was accentuated by the financial malaise in which the CMAB soon found itself. An early indication of the importance of beer sales is to be found in the decision by the CMAB in 1974 to build a new brewery in Port Elizabeth. The Board estimated that the potential consumption of sorghum beer in the area of its jurisdiction was 3 315 300 litres per month.²¹ It will however be noted from the figures in table 4 that profits on beer sales never exceeded R100 000 during the first three financial years of the CMAB's existence, and even accorded a deficit during 1976-77, as a result of the 1976 riots and their aftermath. It was only for the period 1977-79 that beer profits amounted to substantial sums capable of making an appreciable contribution to the housing account deficits.

The adverse beer sales during, and immediately after, the 1976 riots showed the financial vulnerability of the CMAB to drastic fluctuations in beer sales. Instead of being able to transfer an expected surplus of R968 831 from the beer account as profit on sales during 1976-77 to the housing account, the CMAB had to carry the housing deficit on its accumulated deficit into the 1978-79 year. The beer sales did however recover to the extent that the Board was able to show combined profits of almost R1,7 million during the 1977-78 and 1978-79 years. These profits represented an 18 per cent and 25 per cent profit margin respectively, when expressed as a percentage of expenditure.

Faced with criticism of the necessity for the CMAB's dependence on beer and liquor sales as an important income earner the chairman argued that, if this source of income was not open to the administration boards, rents and service charges would have to increase to make good the lost income.

"We are often criticised for our modest participation in the liquor trade. Also for brewing and selling sorghum beer on a large scale. If, however, we did not secure a share in this money, which in any case would have been spent elsewhere, I dread to think what increase in rents and service charges would have to be applied and what few amenities could be made possible were it not for the surplus or profit of R1 372 315 from these undertakings. This is applied against the Housing deficits and for the provision of amenities."²²

This defence of the monopoly enjoyed by the CMAB, in common with the other administration boards, appears not only to have been the result of criticism from the black community at the importance of liquor sales to the financing of urban townships, but was also sparked by the investigation by the National Liquor Board into the possible legalisation of shebeens. A CMAB submission to the Liquor Board -- eventually published by the press²³ -- reaffirmed the points made by the chairman, quoted above, but went further to propose tightening its monopoly on liquor sales by preventing liquor being sold to blacks from liquor stores situated outside black townships. Profit margins on the sale of liquor were extremely low and subject to occasional price wars with liquor stores outside black group areas for the supply of the liquor and beer needs of shebeens.

During 1977-78 and 1978-79 the CMAB in fact incurred deficits on the sale of liquor by almost R450 000 each year. Prior to these deficits, profits on liquor sales (as a percentage of expenditure on liquor) never exceeded six per cent.

iii) Employer Contributions

The origins of the Contributions in respect of Bantu Labour Act²⁴ are to be found in the Bantu Services Levy Act passed by Parliament in 1952. This latter Act was designed to alleviate the financial burden placed on municipalities in their administration of black townships, particularly as a result of the influx of blacks to urban areas during the Second World War, through a system of employer levies. The funds so accumulated were to be used essentially to defray the costs of the provision of water,

sanitation, lighting or road services outside an urban black area which were essential for the development of such a township. The Bantu Services Levy Act was superseded by the Contributions in respect of Bantu Labour Act, but any funds which local authorities had accumulated through these levies were transferred to the administration boards which could utilise them for the purposes outlined above.

The balance of the Services Levy Fund increased only slightly between 1974 and 1979 -- as only interest now became payable to it -- from R4,57 million to R5,09 million.

However the employer levies payable in terms of the Contributions in respect of Bantu Labour Act were an extremely important source of income to the CMAB, and other administration boards. According to the evidence presented to the Commission of Inquiry into legislation affecting the utilisation of manpower (Riekert Report), employer levies amounted to almost 16 per cent of the income accruing to the administration boards.²⁵

Since January 1974 the monthly levies payable have increased twice, as the following table shows.

Table 6
Levies Payable in Terms of the Contributions
in Respect of Bantu Labour Act

<u>Sector</u>	<u>Contributions per month</u>		
	<u>Jan 74-March 75</u>	<u>April 75-Nov 77</u>	<u>Dec 77 till present</u>
Industrial	R1,50	R1,80	R2,15
Domestic	R0,50	R1,00	R1,20
Farming	R0,30	R0,40 *	R0,40 *
Licensed Premises	R0,80	R1,00	R1,20
Welfare	R0,50	R0,50	R0,50

* or R4 per employee per year.

The total annual income accruing to the CMAB through these levies has remained relatively constant during the second half of the 1970s, as the table below shows. This was almost certainly due to the recession in the South African

economy during this period which adversely affected employment generation throughout the country.

Table 7

Annual Income from Employer's Contributions to CMAB 1973-79

Year	1974-75	1975-76	1976-77	1977-78	1978-79
Income	1 618 718	2 074 474	2 096 786	2 006 844	2 273 722

(Figures derived from annual reports of the Auditor General into the accounts of the CMAB 1973-79)

This income derived from employer levies was not subject to the restrictions which were imposed on funds accumulated in terms of the Bantu Services Levy Act, mentioned above. Instead it was to be used in the "general interest of Blacks in White areas".²⁶

iv) The Accumulating Deficit

The financial difficulties of the CMAB are reflected in the steadily increasing accumulated deficit which was incurred between 1973 and 1979. It was however only in the last three years of the Board's existence that the accumulated deficit increased substantially. The CMAB budgeted for a deficit of R53 312 for the 1974-75 financial year but this changed to a surplus of R1 933 once the municipalities paid over the surpluses standing to the credit of their respective Native Revenue Accounts to the CMAB.

By 31 March 1977 however the accumulated deficit stood at R615 324 while one year later it had increased substantially to stand at R2 371 380 largely, it seems, as a result of the damage and destruction caused during and after the 1976 riots when CMAB property and particularly income-generating beer halls and liquor outlets were destroyed. The damage to Board property amounted to some R2,6 million between 1976 and the beginning of 1978.²⁷

By 31 March 1979 the accumulated deficit had been slightly reduced to R2 116 318.

v) Capital Expenditure

An examination of the capital expenditure of the Cape Midlands Administration Board between 1973 and 1979 helps to illuminate many of the issues discussed in the previous sections. In particular, the inability of the CMAB to generate sufficient capital from its income and the difficulties the Board faced as a result of its dependence on external sources of financing for capital projects, especially the Department of Community Development, are important factors in this regard.

It would certainly be true to say that the CMAB proposed and planned ambitious capital projects but, for reasons beyond its control, it was never able to implement these plans fully. The table below shows the annual estimates of capital expenditure proposed by the CMAB compared with the actual expenditure the CMAB was able to obtain for its plans.

Table 8Capital Projects - Estimates and Actual Expenditure

<u>Year</u>	<u>Estimates of Expenditure</u>	<u>Actual Expenditure</u>
1973-74	893 158	496 056
1974-75	5 210 201	1 184 336
1975-76	7 760 850	6 594 690
1976-77	10 777 560	5 671 668
1977-78	10 028 817	*
1978-79	12 384 094	*

* No figures mentioned in subsequent budget speeches to update table. However an indicator is provided by Auditor General's reports showing that CMAB received loans - both internal and external - of R7 741 391 and R7 784 803 for 1977-78 and 1978-79 respectively.

(Table derived from page 40 of budget speech 1977-78 of chairman of CMAB)

A number of points can be made about the CMAB's capital programme. Firstly, sources of funds for capital projects. As the following table clearly shows, the CMAB was heavily dependent on external sources of finance for

its projects.

Table 9

Sources of Capital Finance

<u>Source</u>	<u>Projected Expenditure *</u>		
	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>
Revenue	202 660	428 150	258 453
Renewals Fund	443 800	501 200	670 096
Capital Development Fund	1 349 800	1 135 000	1 882 419
Department of Community Development	6 527 300	5 191 120	7 865 850
External Loans	122 000	207 000	-
Donations	185 000	205 000	68 750
Bantu Services Levy	1 125 000	981 000	185 356
Special Loans	674 000	-	-
Other	148 000	379 847	1 453 170

* It is important to note that these figures refer to estimates of capital works proposed by the CMAB and are not a breakdown of sources of capital for expenditure finally undertaken.

(Table derived from page 38 of 1977-78 budget speech and page 6 of 1978-79 budget speech)

It will be noted that the major source of finance for capital works proposed by the CMAB was the Department of Community Development which was however unable to meet all the requests for funding, even for projects approved in principle by the Department's of Co-operation and Development and Community Development. For example the CMAB was granted allocations from the Department of Community Development for R1 035 000 in 1976 after an application of R6 527 300.²⁸ During the 1977-78 financial year an allocation of R1 809 342 was made by the Department of Community Development after an application for R5 709 285.²⁹

The inability of the Department of Community Development to meet the entire application for financing capital works was due to the cut back in government expenditure during this period in an attempt to reduce the rate of inflation. This situation, in turn, forced the CMAB to rely on bridging capital ('loans'

to the Department of Community Development from CMAB funds to finance projects until allocations were approved by the department), and external loans raised on the open market.

A second important feature of the capital programme relates to housing of blacks living in urban areas within the area of jurisdiction of the CMAB. It had been a long standing government policy that no sub-economic loans were to be made available for the provision of housing for urban blacks and secondly that no new family housing stock was to be provided in urban areas unless especially authorised by the then Department of Bantu Administration and Development. This latter policy was announced in 1968 and revoked in 1976.³⁰

These two policy matters, and particularly the former, had important consequences for the CMAB's programme to provide housing. The stipulation that no sub-economic loans were to be provided by the State for housing purposes meant in turn that the CMAB, and other administration boards would have to charge higher house rents because the cost of construction was inflated. This was a factor which the CMAB viewed with concern, and the chairman used the budget speeches for the 1976-77, 1977-78 and 1978-79 years to warn of the results.

"The ability of the people to meet the rents which will apply to properties at present under construction and to be constructed, is causing concern, because the rapidly increasing costs and rising interest rates are making it impossible to provide housing and services at an economic figure. In fact the cost of servicing and completion of new housing schemes at present day costs, municipal charges and rates of interest, will result in a rental far beyond the means of the greater proportion of the people for whom they are intended."³¹

As an alternative, the CMAB proposed that they be allowed to develop site and service schemes even though, in their view, these did not provide a permanent solution to the housing shortage.³² This proposal ran counter to government policy which meant that no funds from the Department of Community Development could be used for such schemes. No site and service schemes were undertaken by the CMAB -- presumably because permission could not be obtained -- and it was only in 1981, when site and service schemes became accepted as a possible solution to the housing shortage, that a pilot scheme was launched in Grahamstown by the East Cape Administration

Board.

State policy that no sub-economic housing funds could be used for black housing projects was changed in 1979.

The results of the constraints faced by the CMAB in providing black housing are all too apparent. In 1976, only 129 houses were built in the entire area of jurisdiction of the CMAB³³ but in 1977 1 451 houses were built in Port Elizabeth.³⁴ This meant that the CMAB was unable to alleviate the housing shortage in its area of jurisdiction, estimated at 24 000 houses in 1974 alone.³⁵

C. Conclusion

The over-riding theme of this discussion of the finances of the Cape Midlands Administration Board between 1973 and 1979 has been that of the consequences of the policy directive that administration boards were to function without any direct financial assistance from the central treasury, except for funding for certain capital projects. These consequences, for both the black residents and the Board itself must be drawn together.

A useful point of departure for this conclusion is provided by the following tables which show the changes and trends of, firstly, the sources of income and, secondly, the allocation of expenditure between 1973 and 1979.

Table 10

Sources of Income (by account) as a % of Total Income

<u>Account</u>	<u>1974-75</u>	<u>1976-77</u>	<u>1978-79</u>
General	37	44	46
Beer	7	11	22
Liquor	55	42	30
Other	1	2	2

(Table derived from annual reports of the Auditor General of the accounts of the Cape Midlands Administration Board)

Table 11

Allocation of Expenditure (by account) as a % of Total Expenditure

<u>Account</u>	<u>1974-75</u>	<u>1976-77</u>	<u>1978-79</u>
General	39	49	51
Beer	7	11	17
Liquor	53	39	31
Other	1	1	1

(Table derived from annual reports of the Auditor General of the accounts of the Cape Midlands Administration Board)

A number of points can be made from the above tables. Firstly they show that the sources of income accruing to the Board underwent a major shift in emphasis during the 1970s. This is particularly so with the income derived from beer and liquor sales. Income from beer (not to be confused with profits) rose from a relatively meagre 7 per cent of total income in the 1974-75 financial year (the first full year of trading) to 22 per cent of income in the 1978-79 year. Income from beer sales rose by over 500 per cent while profits rose from just under R100 000 to R1,1 million during the same period. On the other hand, the importance of liquor sales to the CMAB declined during this period to the extent that substantial deficits were incurred during 1977-79.

Secondly, the general account, which includes housing, also increased in importance, both as a source of income and as regards expenditure. The tables show that the share of total income derived from the general account rose from 37 per cent to 46 per cent between 1974 and 1978 while expenditure on the general account increased from 39 per cent to 51 per cent. The explanation for the increased contribution of the general account to total income would seem to be a result of the increases in service charges during this period, particularly the two increases in early 1977. The income derived from employer levies remained virtually constant during this period (see table 7) which adds support to the view that higher service charges were responsible.

Two explanations for the increased share of expenditure allocated to the

general account suggest themselves. During this period the Cape Midlands Administration Board, in common with other administration boards, was consolidating its operations after its establishment, particularly with the recruitment of personnel. Expenditure on wages, salaries and allowances consistently formed just under 50 per cent of the expenditure of the general account which, while not indicating any marked growth in the expenses attached to CMAB personnel between 1973 and 1979, is an indication of the administrative expenses involved. The share of expenditure allocated to salaries, wages and allowances, when expressed as a portion of total expenditure, was almost 30 per cent.³⁶ Another possible explanation is that the high inflation rate during the 1970s and particularly the second half of the decade increased the cost of providing services to the townships.

In conclusion, the consequences of the policy of financial self-sufficiency which administration boards were expected to achieve, must be mentioned.

It is clear from the evidence presented in this discussion that the ending of the possibility of subsidisation of the Native Revenue Account from the general rates under the system of municipal control had far-reaching consequences which were probably under-estimated at the time. The policy of Administration Board financial self-sufficiency meant that urban blacks had to exclusively finance the costs of administering and providing services to black urban areas -- except for the employer levies and capital finance from the Department of Community Development which was unreliable.

The accumulating deficit of the Cape Midlands Administration Board bears testimony to the extreme difficulties attached in achieving this goal. Regional variations in the capacity of urban blacks to pay economic tariffs for service charges -- the implicit assumption behind the policy of financial self-sufficiency -- were aggravated in the case of the Cape Midlands Administration Board by the higher unemployment rates and lower wage structures found in the Eastern Cape than in other metropolitan areas of South Africa.

Faced with these financial restrictions, the inevitable consequences were major increases in service charges as the CMAB sought to balance income and expenditure. However even with the two large increases in 1977 it was not able to achieve this.

It must be stated that the policy of financial self-sufficiency still applies to administration boards and community councils. Two aspects in particular -- the growing politicisation attached to increases in rents and service charges during the 1970s and the re-examination of the role of liquor and sorghum beer and employer contributions as sources of finance make it urgently necessary that new sources of revenue be made available to these authorities so an improved network of services can be provided in black residential areas. Such extra sources of revenue are also important given the commitment by the State to racially exclusive local authorities with the duplication of administrative structures and services this entails.

References

25. Cape Midlands Administration Board, op. cit. p. 11. My emphasis.
26. Ibid. p. 12.
27. Cape Midlands Administration Board, Estimates for the 1974-75 financial year, p. 10.
28. Cape Midlands Administration Board, Estimates for the 1975-76 financial year, p. 2. My emphasis.
29. Ibid. p. 4.
30. Cape Midlands Administration Board, Estimates for the 1975-76 financial year, p. 8.
31. Cape Midlands Administration Board, Estimates for the 1974-75 financial year, appendix.
32. Cape Midlands Administration Board, Estimates for the 1977-78 financial year, pp. 34-35. My emphasis.
33. See comment quoted on p. 2.
34. Cape Midlands Administration Board, Estimates for the 1977-78 financial year, p. 37.
35. Cape Midlands Administration Board, Estimates for the 1978-79 financial year, p. 3.
36. Ibid. p. 3.
37. Ibid. p. 4. My emphasis.
38. Cape Midlands Administration Board, Estimates for the 1977-78 financial year, p. 37.



References

1. Bantu Affairs Administration Board Act, 45 of 1971.
2. Cape Midlands Administration Board, Estimates for the 1973-74 financial year, pp. 27-28.
3. A more detailed breakdown of house rent components is as follows -- interest and redemption on loans, fire insurance premiums, and housing maintenance costs. Components of service charges are site rent, administration costs, sanitation, water, refuse removal, electricity, maintenance of roads, health services and welfare and recreation services. Ibid. p. 8.
4. Dr P.G.J. Koornhof, Debates of the House of Assembly, 1971, Column 1969.
5. Cape Midlands Administration Board, op. cit. p. 11. My emphasis.
6. Ibid. p. 12.
7. Cape Midlands Administration Board, Estimates for the 1974-75 financial year, p. 10.
8. Cape Midlands Administration Board, Estimates for the 1975-76 financial year, p. 2. My emphasis.
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11. Cape Midlands Administration Board, Estimates for the 1974-75 financial year, appendix.
12. Cape Midlands Administration Board, Estimates for the 1977-78 financial year, pp. 34-35. My emphasis.
13. See comment quoted on p. 5.
14. Cape Midlands Administration Board, Estimates for the 1977-78 financial year, p. 37.
15. Cape Midlands Administration Board, Estimates for the 1978-79 financial year, p. 3.
16. Ibid. p. 3.
17. Ibid. p. 4. My emphasis.
18. Cape Midlands Administration Board, Estimates for the 1977-78 financial year, p. 37.

19. Cape Midlands Administration Board, Estimates for the 1978-79 financial year, p. 6.
20. See speech delivered by R.O. Matlock, director of Technical Services, East Cape Administration Board, at information meeting 10 June 1981, p. 9.
21. Cape Midlands Administration Board, Estimates for the 1974-75 financial year, p. 5.
22. Cape Midlands Administration Board, Estimates for the 1978-79 financial year, p. 3.
23. Daily Dispatch 22 March 1980.
24. Contributions in respect of Bantu Labour Act, 29 of 1972.
25. Report of Commission of Inquiry into Legislation affecting the Utilization of Manpower, p. 191.
26. Ibid. p. 73.
27. Cape Midlands Administration Board, Estimates for the 1978-79 financial year, p. 8.
28. Cape Midlands Administration Board, Estimates for the 1977-78 financial year, p. 40.
29. Ibid. p. 39.
30. See speech by I.P. van Onselen, former secretary of Department of Bantu Administration and Development, to conference of Institute of Administrators of Non-European Affairs. Reprinted in Bantu, December 1976.
31. Cape Midlands Administration Board, Estimates of 1977-78 financial year, p. 41.
32. Ibid. p. 41.
33. Morris, P. 1982, A History of Black Housing in South Africa. Johannesburg: South Africa Foundation, p. 105.
34. Ibid. p.121.
35. Cape Midlands Administration Board, appendix to estimates for 1974-75 financial year.
36. See annual report of the Auditor General of the accounts of the Cape Midlands Administration Board 1973-79. Table: Allocated expenditure reflected in summarised income and expenditure account.



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**RHODES UNIVERSITY
6140 GRAHAMSTOWN
SOUTH AFRICA**