receipts from traffic fines should be regarded as a source of income because "this system is repugnant to the principles of justice and lays the local authority open to the charge of using its traffic department as a means of raising revenue."(1) The United Municipal Executive recommended that the Government should, out of general revenues, subsidise local authorities up to 100% for the first R20,000 on traffic expenditure, and 75% in respect of expenditure over R200,000 per annum. This submission was repeated by the United Municipal Executive in 1949 and 1955.(2) Opposition to the principle of utilising traffic fines as a source of income was also expressed by the Social and Economic Planning Council in 1945, the Road Motor Transportation Commission in 1945 and the Road Safety Mission of 1948.(3) Furthermore, the Department of Justice submitted to the Borckenhagen Committee a forceful memorandum condemning the entire system of paying over fines to local authorities on the grounds both of the cost of administering the system and the suspicion created in the mind of the public against the administration of justice. (4) The Department of Justice was furthermore very critical of local authorities for using the income from traffic fines to balance their budgets. This accusation was strongly refuted by the United Municipal Executive in a special memorandum prepared in reply to the Department of Justice.(5) The Borckenhagen Committee accepted the view that total income from fines represented a small porportion of total revenue accruing to local authorities and it also accepted the submission of the United Municipal Executive that "even if there were local authorities which deliberately sought to raise income from fines these authorities certainly represented a very small minority."(6)

The Borckenhagen Committee also accepted the view that "the enforcement of by-laws and regulations and the process of justice should not be impeded or harmed in the public mind, by reason of a feeling, whether justified or unjustified, that the income to be derived and not the control to be exercised was the prime reason for the action taken by local authorities in respect of offences....."(7)

(1) Ibid. Para. 135.
(2) See financial Relations Memoranda. Op. Cit. 1949 and 1955.
(3) Second Interim Report of the Borckenhagen Committee Op. Cit. Pages 8 and 9.
(4) "Die Indeling en Toewysing van Verbeurd Verklaarde Borggelde Boetes en Verbeurings en die Oorbetaling daarvan aan Plaaslike Besture". (1/313/29) 1957.
(5) "The Classification and Allocation of Estreated Bails, Fines and forfeitures and the Remittance thereof to Local Authorities"(1958)Memo prepared by I.M.T.A. SA. (Inc.)
(6) Op. Cit. Para. 10.
(7) Op. Cit. Para. 11.

The Committee recommended an entirely new basis, namely that all income from traffic fines should be paid by the Government to the Provincial Administration, who would make a distribution of the collections to local authorities on the basis of the actual gross expenditure on traffic control, but that that amount distributed to local authorities should not exceed 50% of the gross expenditure on traffic control in the province, the balance being kept by the Province for expenditure generally on traffic control measures and road safety throughout the province.(1)

It is clear that there is no direct control over the financial operation of local traffic departments by the State. There was in 1932 a transfer of responsibility from the State to local authorities with a simultaneous assignment of certain incomes accruing from fines. Indirect control arises from the inability of local authorities to cover the whole of their traffic control expenditure by means of the assigned income, with consequent additional expenditure to be met from the general rate fund.

However, traffic control has become an essentially local problem and it is doubtful whether this function would ever be taken back by the State.

Most local authorities do not at present cover the whole of their expenditure on traffic control by income from fines, nor is there any deliberate attempt to do so. The recommendations of the Borckenhagen Committee, with regard particularly to the loss of licence revenues, will make necessary a still greater contribution from the rate funds of local authorities towards traffic control. Whatever indirect control exists now will be increased if the recommendations of the Borckenhagen Committee are adopted. Nevertheless, good reasons exist for leaving traffic problems in the hands of local authorities, and adjusting any financial problems which arise as a separate issue.

4. <u>Airports</u>: Under the Aviation Act 1962 the Minister has power to make regulations with regard to Civil Air Services, and it is in these regulations that control over municipal aerodromes is exercised. The control is exercised by the Department of Transport. If a local Authority establishes any aerodrome it must obtain a licence from the Secretary for Transport. The usual [illegible] ture is for the Inspector of Aerodromes to carry out an [illegible] tion and recommend to the

(1) Ibid. Para. 34.

Secretary for Transport that a licence be granted, subject to compliance with the Air Navigation Regulations 1950. The Department of Transport has compiled a set of standards which should be observed for civil aerodromes.

The main purpose of the Aviation Act is to control flying within the Republic, and municipalities come into the picture only insofar as aerodromes are concerned. Control by the Government is supervisory in order to ensure the maintenance of standards, designed mainly to ensure as high a degree of safety as possible. There is otherwise no direct control over the actual operation of aerodromes and local authorities may incur expenditure on the airfield and on services and raise income through landing fees, hanger rentals and other charges without further control by the State.

The fact that local authorities have built aerodromes and accepted financial responsibility therefor, has been the subject of argument with the Central Government for many years. These remarks do not apply to the State-owned airports such as Jan Smuts Airport and the airports at Durban and Capetown. The remarks do apply to (a) the large Intermediate airports at Port Elizabeth, Kimberley and Windhoek which are under municipal control, but where the State provides the technical services and provides the airways, and the municipality is responsible for administration and all other services, recoverable to varying degrees from landing fees and other charges.(b) Feeder aerodromes, which are run by local authorities, but because they form a link with the State air services, the Government <u>may</u> subsidise the initial levelling of aerodromes.(c) Small municipal aerodromes which are run and financed entirely by local authorities without any financial assistance from the State.

The United Municipal Executive has always held the view that the State should take over all aerodromes. In their original submission the U.M.E. compared air transport with the railways in that operations must be carried on on a large scale if the service is to be economic, there is heavy capital outlay, and unity of control throughout the entire country is desirable.(1)

In 1949 further representations were made that the Government should take over aerodromes or refund the net expenditure on aerodromes incurred by local authorities.(2)

(1) Memorandum on Financial Regulations 1944 prepared on behalf of the United Municipal Executive by the Institute of Municipal Treasurers and Accountants S.A. (Inc.). Page 39.
(2) Revised Memorandum on Financial Relations 1949, prepared by I.M.T.A. S.A. (Inc.) on behalf of the U.M.E. Page 80

Since 1949 the position has changed a great deal because the State has built and subsidised airports in the main centres.

In 1955 the United Municipal Executive made representations to the Government that airports should be owned and operated by the Government in all centres served by the South African Airways.(1) These representations were repeated to the Borckenhagen Committee.(2)

The Borckenhagen Committee dealt with this subject in its Fifth Interim report.(3) The Committee, after considering the losses being borne by local authorities on aerodromes, concluded that "the annual costs involved can hardly be regarded as a heavy burden upon their rates funds", and that "the conclusion is inescapable that in South Africa the Central Government is extremely generous in so far as expenditure on civil air services is concerned.(4) After concluding that airports and aerodromes should be operated by public authorities the Committee states that "the local community enjoys the major benefit from the availability of landing facilities in the neighbourhood."(5) The Committee recommended that with the exception of international airports (which should be the responsibility of the Government) airport and aerodrome services should be provided by local authorities, and that the policy by the Government in non-international airports (i.e. except Jan Smuts Airport) has been generous. The deficits incurred by municipalities are relatively small and it should be possible to eliminate these deficits by an increase in landing fees and/or by the imposition of an airport tax. The provision of airport and aerodrome services by a local authority should be regarded as being in the nature of a "trading department" and the local authority should not be required to incur a loss therein; on the other hand any moderate profit should not be viewed with disfavour.(6)

Control over local authorities by the State in aviation policy is not of great importance to local authorities. The

(1) Addendum to 1949 Revised Memorandum on Financial Relations 1955 (Prepared by I.M.T.A. S.A. (Inc.) on behalf of the U.M.E. Page 5.
(2) "Memorandum on Questionnaire regarding the functions of local Government 1957", prepared by United Municipal Executive. Page 26.
(3) Fifth Interim Report of the Committee of Enquiry into the Financial Relations between the Central Government, the Provinces and Local Authorities (G.P.S.-8889919 - 1962/3-700)
(4) Ibid. Page 37.
(5) Ibid. Page 38.
(6) Ibid. Recommendation V. Page 42.

State either itself provides airports or assists local authorities in providing the facilities necessary for operating the State's airways service. Although aerodromes have to operate within numerous laws and regulations, such controls do not involve local authorities in substantial losses. Where small aerodromes are operated, this is done entirely on a permissive basis, and there is no direct financial control by the State. There would be indirect control if the State, after a local authority had at a high capital cost established an aerodrome, imposed severe restrictions which greatly increased the maintenance costs of the aerodrome or restricted the local authority in deriving adequate revenues from landing fees. Many local authorities have incurred losses on aerodromes, but this arises voluntarily, often under pressure from local flying enthusiasts. Direct and indirect State control is not a major factor.

3. Water.

Although there is State control over the water resources of South Africa, there is no direct financial control over the water undertakings of local authorities. There are indirect financial effects arising from the fact that certain statutory bodies supply water to local authorities and fix tariffs for bulk supply. From this it will be clear that reference to financial control arising from the Water Act, 1956, need be only brief. Although there is control over the conservation, distribution and use of water, there is little financial control as the term has been understood so far. The sections of the Water Act 1956 which affect local authorities are summarised in Annexure 'A'.

Shortly after Union, the Irrigation and Conservation of Water Act No. 8 of 1912 was enacted to control water affairs; as the country passed from an agricultural to an industrial economy, the Act had to be amended considerably to conform to the changing circumstances. A Commission was appointed in 1950 under the Chairmanship of Mr. Justice C.G. Hall to enquire into the existing legislation, and its report is a valuable one.(1) A Bill was drafted, based on the Commission's recommendations, and after being considered by a Select Committee of Parliament in 1954 and 1955, became law in 1956 in the form of the Water Act No. 54 of 1956.

(1) Report of the Water Laws Enquiry Commission 1952.

This was a big step forward in water legislation and provided for national control over the use of water in the place of the strong rights of riparian owners which had previously existed. The 1956 Act provides for the granting of water rights in the public interest irrespective of whether or not the applicant for those rights is riparian to the river from which he proposes to draw.(1) Thus, local authorities and other public bodies can gain rights to draw water from rivers without being the riparian owner, although the procedure for application to the Water Courts established under the Act is by no means a simple one.(2)

One important change which was made in the Water Act 1956 was the basis of subsidy payable to local authorities in respect of conservation schemes. Under the 1912 Act any local authority could obtain a subsidy of up to one third of the capital cost of a conservation scheme and there was no "means test". Certificates of expenditure, in accordance with a prescribed procedure had to be submitted to a regional engineer of the Department of Water Affairs, and he authorised payment.

Under the 1956 Act the basis of subsidy is more strictly circumscribed. It may not exceed one third of the cost of the work and may not be granted without the recommendation of the Administrator of the Province concerned. The Administrator must satisfy himself that such local authority would not for financial reasons be able to construct the contemplated works unless it received a subsidy. Any subsidy over R60,000 has to receive the sanction of Parliament.

When the Water Bill was first drafted after the Hall Commission had made its recommendations, the United Municipal Executive received representations from certain local authorities which had embarked upon water schemes and which stood to receive no subsidy under the proposed legislation.(3)

The United Municipal Executive made representations to the Government not only with regard to the new basis of subsidy, but also with regard to the fact that water supply corporations and other supplying authorities would have power to levy water rates within the area of local authorities.(4)

No alterations were made in the legislation following these representations and the position today is that only

(1) See "Some Economic Aspects of Public Water Supply" by L.P. Draper (S.A. Treasurer - September 1959).
(2) See Chapter 4 of the Water Act 1956.
(3) The consulting engineer who planned Wellington's new water scheme in 1955 advised the Council that a subsidy of R70,000 could be expected; after the Water Act 1956 was passed, no subsidy was received. (See I.M.T.A. Conference Proceedings 1961. Page 246)
(4) See agenda of United Municipal Executive - March, 1956. Page 2.

local authorities with a small population would qualify for a subsidy from the Government. The formula for subsidy is based on a graph, in which the unit cost of a local authority's water undertaking (in cents per 1000 gallons) is plotted against the estimated European population 10 years after completion of the proposed scheme.(1) "A proposed water supply scheme of a local authority will qualify for a recommendation by the Administrator for a subsidy on its cost only if the estimated unit cost of the water to be supplied from the proposed scheme 10 years after its completion, exceeds the controlling unit cost as determined..... and provided the Administrator has after careful consideration of the general financial position of the local authority, satisfied himself that there are no specific circumstances by virtue of whose existence a subsidy could not be justified."(2)

Clearly, only the very small local authority with a small population would qualify for a subsidy, and the Government in the 1956 Act clearly placed the responsibility for urban water supply on local authorities. Financial assistance from 1956 onwards was to be given only to those communities which would face a heavy financial burden consequent upon a high unit cost. Whereas prior to 1956 all urban local authorities qualified for financial support from the Government, the position today is that the majority of local authorities operate their water supply undertakings without financial assistance from the Central Government.

The provision of an adequate piped water supply to its inhabitants is an important function of a local authority and the less favourable subsidy conditions promulgated in the Water Act 1956 had little effect, except in those cases where subsidies had been anticipated. Wherever there is close settlement of people in a community there is an obligation on the local authority to supply water to its inhabitants, and once a certain stage of growth has been reached, the financing of such undertakings is usually done by universal metering, coupled with the levying of tariff charges, or by way of a water rate on property, or by a combination of both methods. It is not an unreasonable requirement of the

(1) See Memorandum by Director of Water Affairs to the Four Provincial Administrators - 17th April, 1958. (United Municipal Executive Agenda - February, 1960).
(2) Ibid.

Water Act that only after these sources of income have been exploited, and only after it can be ascertained that the tariff charges or the additional taxation would impose an intolerable burden on the community, should the Administrator and the Minister of Water Affairs enter the picture for the purpose of rendering financial assistance. The demand for water is relatively inelastic and economic tarriffs are usually framed so that water undertakings operate at cost or at a profit.

Financial control over the water undertakings of local authorities comes more from the Provincial Councils than from the Central Government, inasmuch as the Administrators must approve the Water By-laws, including tariffs submitted by local authorities. Any decision by an Administrator not to approve a proposed tariff could effect the finances of a municipal water undertaking. Similarly, where local authorities purchase water in bulk from other bodies such as the Rand Water Board,(1) the tariff policies of such bodies would influence the financial standing of the water undertakings of the local authorities concerned. In the case of the regional water supply corporations in Natal the position is different, for these bodies have power to levy water rates and impose tariff charges on properties in urban areas.(2) These aspects of Provincial control are dealt with later. As far as the central government is concerned, the emphasis is more on the general control of water resources, rather than on financial control.

Prevention of pollution and the control of effluents form an important part of national legislation. In this sphere there is naturally indirect financial control over local authorities, inasmuch as the Government lays down standards of purification of effluents, and local authorities would be involved in additional capital expenditure on sewerage works in order to comply with the higher standards. This would normally be recoverable through the medium of increased sewerage tariffs. Another indirect effect of water legislation on local authorities would be favourable insofar as soil conservation is concerned, for the losses to local authorities through siltation of dams has been serious. Mr. L.W.A. Borain, Manager of the Lower South Coast Regional

(1) A body corporate established in 1903 for supplying water to the Witwatersrand and now established under consolidated legislation by the Rand Water Board Statutes (Private) Act No. 17 of 1950.

(2) Established by Water Supply Ordinance No. 21 of 1947.

Water Supply Corporation gives interesting details of these capital losses. For example, the Camperdown Dam built by the Durban Corporation, was reduced to half its capacity by silitation in 19 years.(1)

There is no direct financial control by the central government over local authorities in water affairs, and the different types of indirect financial control are incidental to the main purposes of legislation. These controls are manifestly in the national interest and any remote effect the controls might have on the water undertakings of local authorities would usually be surmountable by tariff adjustment.

4. Electricity.

There is little direct control over the electricity undertakings of local authorities by the State but there are various forms of indirect control. The electric undertakings of local authorities are in most cases trading undertakings, separate from the general rat Financial control by the Provinces, which will be covered in later chapters, takes the form of (a) the sanctioning of borrowing powers for electricity undertakings (b) the approval of electricity By-laws, including tariffs (c) the limitation, in certain cases, of the transfer of trading profits in relief of rates. Apart from these controls and the various forms of State control dealt with below, local authorities are relatively free to regulate the finances of their electricity undertakings as they deem fit.

Before dealing with the various forms of control enacted in the Electricity Act 1958, reference should be made to one other form of control, which will be dealt with separately in a later chapter, namely, control over the capital issues of local authorities. Electricity undertakings are usually the largest trading departments of local authorities and they rely heavily on loan finance for their capital requirements. In 1961/62 capital expenditure by local government electricity establishments on generation was R23,243,000, mostly by the larger local authorities, compared with R38,363,000 by the Electricity Supply Commission.(2)

(1) See "The Water Act and its relation to Local Authorities" by L.W.A. Borain (I.M.T.A. Conference Proceedings 1961, Page 237).
(2) Statistical Year Book 1965.

Inasmuch as the State controls the access of local authorities to the capital market, the financial position of a local electricity undertaking could be affected by the inability to gain access to the capital market at the time financially most favourable.

Turning now to control by the Government over electricity in South Africa, the Electricity Act 1958 replaced the former Electricity Act 1922, and provides comprehensively for control over the supply of electricity and the establishment of the Electricity Supply Commission. Of importance to local government is the fact that the act provides for the establishment of an Electricity Control Board which is the licensing and controlling authority for all electricity undertakings (including the Electricity Supply Commission's), other than municipal, in the Republic. The Act also provides for the establishment of an Electricity Supply Commission, a corporate body required to operate like a private concern, "free from parliamentary control and influence".[1] It is required to operate as far as is practical on the basis of neither profit nor loss. The Electricity Supply Commission is the largest single supplier of electricity in the Republic and together with other public supply undertakings (mainly the larger cities) produced 95% of all electricity produced in the Republic.[2]

Reference to the relevant sections of the Electricity Act 1958 summarised in Annexure 'A' will reveal how control over local authorities is experoised, yet the legislation itself gives but a glimpse of the real control exercised. Although legislative control is comprehensive in both the Act and in regulations promulgated under the Act, administrative control is also extensive.

Reference has already been made above to the fact that the electricity undertakings of local authorities do not need to be licenced by the Electricity Control Board. Only when a municipality desires to supply outside its area of jurisdiction is permission to supply necessary. However, in spite of this exemption from licensing, local authorities have over a long period had disputes with the Electricity Control Board and the Electricity Supply Commission with regard to controls imposed under the Act. These are dealt with separately below:

(a) <u>The right of supply within the boundaries of local authority</u>

The Electricity Act 1922 and subsequent amending acts at no time gave to local authorities the sole

(1) See Official Year Book of the Union of South Africa No. 30, 1960. Page 537.
(2) Statistical Year Book 1965 - Page M-59.

right to supply electricity within their areas. Other suppliers could also obtain permission to supply. On the Witwatersrand, for example, the former Victoria Falls and Transvaal Power Company as far back as 1910 obtained a licence to supply electricity to Reef towns. This licence was subsequently taken over by the Electricity Supply Commission with the result that the Commission had the right to supply within a municipal area as well as the municipality itself. In terms of the licence, the Commission is compelled to supply power to the gold mines, Government Departments and the Railway Administration, and municipalities have no power to interfere in the direct supply by the Commission to these bodies. The Commission is also compelled to sell in bulk to Reef local authorities, and also to industrial consumers whose demand for power exceeds 50 kilowatts, unless the Board considers the supply could more conveniently be made by a municipality. It is in this latter sphere that local authorities have made strong representations to the Electricity Control Board and to the Borckenhagen Committee to acquire the sole right of supply within their areas. The United Municipal Executive submitted memoranda to the Borckenhagen Committee, and a summary of the representations is given in the Fifth interim Report of the Committee.(1) Among the reasons given by the United Municipal Executive for wanting the sole right to supply was the benefit derived from diversity between domestic and industrial loads, and the higher unit costs arising from poor load factor in cases where the local authority supplies only a portion of its area. The Electricity Control Board does not accept the view that local authorities should have the sole right of supply to all consumers in their area of jurisdiction. Those industries which are supplied direct by the Electricity Supply Commission enjoy a certain amount of protection through Section 14 of the Electricity Act 1958, which compels the Commission to operate without profit or loss, and such protection would be lost through transfer to the municipalities whose profit on electricity is not similarly limited. The cost structure of industries should be kept as low as possible and profits on power for industries should be limited.(2)

The Borckenhagen Committee has made the following recommendations regarding the supply of electricity in Escom licence areas.

(1) Fifth Interim Report of the Committee of Enquiry into the Financial Relations between the Central Government, the Provinces and Local Authorities (G.P. S-8889919-1962/3) Pages 6-10.
(2) Ibid. Page 10-11.

57 (i) It appears to the Committee that the main task of meeting the country's requirements of electricity should be undertaken by Escom and that further expansion of municipal generating stations in areas which could be supplied by Escom should be discouraged. (Paragraphs 36 to 42).

(ii) With certain exceptions Escom should as far as possible confine its activities to that of producer and wholesaler of electric power leaving retail distribution to local authorities and similar bodies. (Paragraphs 43 to 48)

(iii) The proposal that the right of supply of electricity shall be determined automatically on the basis of municipal boundaries, original or subsequent, does not offer a proper solution to the problem of areas of supply. The Committee is driven to the conclusion that there must be a tribunal such as the Electricity Control Board before which all contending parties may appear and which is charged with the duty of making a determination in the public interest. (Paragraphs 17 and 55).

(iv) Local authorities should be allowed to apply for rights in an area granted to a licensee which subsequently becomes a part of the local authority's area of jurisdiction. (Paragraphs 18 to 21).

(v) Profits on power for industrial use should be limited but the Committee believes that the feature of profits made by local authorities in their trading departments can be exaggerated. (Paragraphs 49 and 50).

(vi) In all areas falling under a licence of Escom it should be regarded as the duty of Escom to afford protection to industrial consumers to the extent of Escom's applicable tariffs. (Paragraphs 51 and 52).

(vii) It is suggested that in any municipality which sets out to serve large industries, there should be a zoning of industrial areas so that industrialists for whom power costs are an important item can choose a site which is served by Escom without having to surrender the other advantages which the town has to offer. (Paragraphs 53 and 54).

(viii) The Committee wishes to emphasise that the greatest benefit for all can only be achieved by the closest co-operation and mutual understanding between local authorities and Escom and, in most cases, without recourse to the legal powers of the Electricity Control Board. (Paragraph 56).

(b) <u>The Supply of Electricity by Local Authorities to Rural Areas</u>: In terms of Section 40 of the Electricity Act 1958 a local authority must obtain permission from the Electricity Control Board to supply an area outside its boundaries. The Electricity Control Board grants its permission on the basis of forms which have to be completed by an urban local authority, and local authorities have criticised the control exercised by the Board over the conditions and tariffs contained in these forms.(1) Tariffs have to be approved by the Board, and surcharges on the normal municipal tariff have to be substantiated. The matter again came to the fore in 1965 when the Secretary for Commerce and Industries sent a memorandum to the Director of Local Government, Transvaal, in connection with the tariffs charges by local authorities to outside areas.(2) After setting out the principles on which the Electricity Control Board usually approves the tariffs of urban local authorities for outside areas, the Secretary for Commerce and Industries went on to suggest that the Board should in certain circumstances refuse to allow a surcharge, and even consider a discount for supplies outside a municipal area. The United Municipal Executive rejected entirely this view and has submitted to the Department of Commerce and Industries memoranda prepared by the Institute of Municipal Treasurers and Accountants S.A. (Inc.) and by the Association of Municipal Electricity Undertakings of Southern Africa.(3) Both of these memoranda justify the imposition of surcharges on local authorities on outside supplies and reject the view that the operation of an electricity undertaking to yield a profit as a contribution to the general revenue fund is in order within a local authority's own area but not outside it.

(c) <u>Scrutiny of extensions to municipal electricity undertakings by Electricity Supply Commission</u>: Section 39 of the Electricity Act 1958 provides that application must be made to the Administrator in cases where the extensions exceed 10% of generating capacity, and the Administrator refers the application to the Electricity Supply Commission. The Administrators of the four provinces must approve electricity By-laws, including tariffs, within local authority areas, and they sometimes refer applications by local autho-

(1) See memorandum on "Control of Electricity Supply to Rural Areas" prepared by the Institute of Municipal Treasurers and Accountants S.A. (Inc.) for the United Municipal Executive Ju[illegible]61.
(2) See United Municipal Executive Agenda - February, 1966. Page 32
(3) Ibid. See Annexures to agenda of United Municipal Executive.

rities for tariff increases and additional borrowing powers to the Electricity Supply Commission.

(d) The tariffs fixed by the Electricity Supply Commission for bulk supply to local authorities. Indirectly affecting the financial position of local authorities' electricity undertakings are the charges made by Escom to local authorities. Escom has the power summarily to increase its bulk tariffs, and local authorities have in the past complained that there is a considerable time-lag before they can pass on the increased cost to their consumers.

This has been remedied in the Transvaal by permitting local authorities to make an additional charge to consumers immediately, provided they submit the formal application for a tariff amendment within 3 months.[1]

Criticisms have also been levelled by local authorities through the United Municipal Executive, against the financial policies pursued by the Electricity Supply Commission, particularly with regard to the methods of financing large capital schemes of Escom from 1950 to 1960, and the substantial provision made for obsolescence.[2]

It is thus clear that direct financial control by the State occurs only when local authorities seek to supply electricity beyond their boundaries. Within their boundaries, there is no direct financial control by the State, but only an indirect financial impact on a local authority's electricity undertaking in cases where Escom has a licence to supply within the same area.

The financial control imposed as a consequence of the Administrator referring an application for capital extensions or tariff adjustments to Escom is not of great financial importance, as Escom acts in such a case as the technical adviser to the Provincial Administrations and this falls under the category of provincial financial control, to be considered in later chapters.

Similarly, the bulk tariff imposed by Escom on local authorities has an influence on the income and expenditure account of local electricity undertakings but this does not fall under the heading of financial control. The financial policies followed by Escom clearly determine the charges which

(1) See Section 83(1) bis of Local Government Ordinance 1939, inserted by Section 5 of Ordinance 33 of 1959.
(2) See Memorandum on the Electricity Supply Act 1922, United Municipal Executive Agenda - August 1955.

it [illegible] to its consumers, and this in turn determines the [illegible]ffs which local authorities would charge to their con[illegible]mers. However, the bulk purchase of electricity from Escom constitutes only a percentage of total electricity expenditure by local authorities. In the case of municipalities on the Witwatersrand outside Johannesburg which purchase all their electricity from Escom, bulk purchase of electricity constitutes 50 to 55% of total annual expenditure on electricity. Therefore, the expenditure pattern of local authority undertakings is not governed solely by the charges which Escom imposes. F[illegible]thermore, the majority of [illegible] electricity undertakings are operated at a profit; [illegible]ng statistics relating to eleven local authori[illegible] [illegible] Republic which supply electricity outside their [illegible]tes thir point.(1)

[illegible] thorities	Average Annual Contribution to Rate Fund as a % of Gross Electricity Revenue (1962 -1965)
	3 to 6.9%
	11.4%
	15.5%
	23.4%

The financ[illegible] impact on local authorities could be considerable if Escom were to follow imprudent financial policies, as a result of which they were forced to increase tariffs suddenly by a large percentage, after local authorities had fixed their tariffs in a particular financial year. Stability in a tariff structure and a sound pricing policy are more important than keeping prices of public utility undertakings low. In the United Kingdom the prices charged by the Central Electricity Board after nationalisation of the electricity industry were kept low for political reasons. Mr. R. Kelf-Cohen in his work on the nationalised industries says "Why electricity should be sold below cost is not clear....somebody must pay the difference betwe[illegible] economic cost and the social service; it is usually the taxpayer".(2) In so far as Escom is concerned, a conservative financial policy is pursued, on the basis of benevolent monopoly, [illegible]influenced by narrow political considerations, and its policy is to "keep it's tariffs as low as sound finance will justify."(3) Nevertheless, accountants have great power in the particular methods of cost allocations

(1) Johannesburg, Capetown, Durban, Pretoria, Bloemfontein, Port Elizabeth, East London, Pietermaritzburg, Benoni, Krugersdorp, Welkom. (See Memorandum on Supply of Electricity by local authorities outside their areas of jurisdiction - Institute of Municipal Treasurers and Accountants S.A. (Inc.) - December 1965).

(2) "Nationalisation in Britain: The End of a Dogma" by R. Kelf-Cohen (Page 189).

(3) See reply of Escom to United Municipal Executive Agenda for March 1956. Page 35, and "The development of the use of Electricity in South Africa"(officially contributed) S.A. Journal of Economics. December 1948.

they adopt to load the cities in favour of rural supply, and vice versa.

The financial control over the electricity undertakings of local authorities by the State through the Electricity Act 1958 is in most instances indirect and remote, and within the framework of this legislation local authorities are relatively unfettered in the generation, distribution and sale of electricity. Where controls are imposed, as illustrated above, they are in the public interest. No limitations are imposed by the State on the use of electricity or water profits, but certain limitations are imposed by the Provinces, a subject which will be covered in succeeding chapters.

CHAPTER 6.

CONTROL BY THE CENTRAL GOVERNMENT V. ABATTOIRS AND MARKETS.

1. Introduction.

Municipal Markets and Abattoirs have over a long period been established and maintained by local authorities in South Africa as public utility services for the benefit of local communities. In the operation of these services local authorities have been relatively free from State control and there is no direct control over the undertakings. There is, however, a great deal of indirect control both by the State and by quasi-State bodies such as the Livestock and Meat Industries Control Board, the Abattoir Commission and Marketing Control Boards under the Marketing Acts. Municipal markets and abattoirs are very important links in the whole distributive process from production to consumption and the indirect financial controls by the State have been of great significance to local authorities. Producers have generally felt that local authorities have tended to use their abattoirs and markets for financial gain, for the benefit of ratepayers and consumers; local authorities have constantly repudiated this, and contended that most controls introduced by the State favour the producers. It has been inevitable, therefore, that considerable disputes have arisen between the Central Government and local authorities and several commissions of enquiry have grappled with the problems of marketing meat and fresh produce, for abattoirs and markets are important links in the distributive chain.

This chapter deals only with central control; the various aspects of provincial control will be left for consideration in a later chapter. Fundamentally, the Provincial Councils have more control over local authorities than the State in the realm of abattoirs and markets. Under powers conferred by the South Africa Act 1909, the Provinces empower local authorities to operate abattoirs and markets. They have also gone further and imposed direct financial controls, such as limiting the profits which may be transferred in relief of rates, or even forbidding the transfer of any profits at all in relief of rates.(1) No such direct controls are imposed by the Central Government, but there are several forms of indirect control flowing from the establishment of control boards by the State which have had a profound influence on the finances of municipal abattoirs and markets. These will be dealt with separately under the headings of Abattoirs and Markets.

2. Abattoirs.

Prior to Union in 1910, the four colonies all had separate legislation granting powers to local authorities to establish abattoirs. The South Africa Act of 1909 gave power to the provinces to make ordinances relating to municipal institutions, and the four provinces separately passed ordinances granting local authorities power to establish and maintain abattoirs.(2) Furthermore, the Public Health Act No. 36 of 1919 gives to the Minister of Public Health the power to promulgate regulations for the establishment and maintenance of "slaughterhouses" (Section 115), and regulations were published in 1924 under which most responsibility for the maintenance of adequate health measures at abattoirs was delegated to local authorities.

The collapse of meat prices after the First World War 1914-1918 led to the building up of an export market and the payment of an export premium on meat. State intervention in the marketing of meat was intensified, and the Great Depression in 1929, plus a severe drought in 1932-3, accelerated government control. A board had been set up in 1932 to regulate the supply of animals to certain abattoirs.(3) This was replaced by the Livestock and Meat Industries Control Board which was created to stabilise and promote the

1) See details in Annexure B.(e.a.under Revenue Funds in Transvaal

1) See details in Annexure B.(e.a.under Revenue Funds in Transvaal

(2) For a clear exposition of the legislation in the four Provinces, see "Report of the Commission of Enquiry into Abattoir and Allied Facilities" 1964 (R.P. 48/1964) Pages 16/17.

(3) Act 29 of 1932.

meat industry. It was established by Act 48 of 1934, and this was the starting point of indirect financial control over the abattoirs of local authorities.

The importance attached by the Government to the export trade in meat gave rise to the erection of export abattoirs and cold storages by private enterprise, and the Government greatly encouraged the erection of cold storages throughout the Republic. Local authorities had continued to operate their abattoirs as municipal trading undertakings, and the areas of conflict between municipal policy and the policy of the Livestock and Meat Industries Control Board gradually increased. The Board began to take a greater interest in cold storages and slaughtering at municipal abattoirs.

In 1939 the Board sent a three-man delegation to Australia to investigate livestock production and marketing, and they reported, among other things, that the implementation of their recommendations was entirely dependent on the Livestock and Meat Industries Control Board "assuming responsibility for, and control of, all abattoir and cold storage facilities throughout the country."(1) A Bill was drafted in 1941 to give effect to the delegation's recommendations but as a result of representations by local authorities, the Government did not proceed with it. There continued to be uncertainty regarding the Government's policy on abattoirs, and this resulted in a reluctance on the part of local authorities to improve their abattoirs.

In 1944 the Government appointed a Committee to enquire into abattoir and cold storage facilities (McDonald Committee) and its report was published in 1946.(2) The Committee recommended, among other things, that a permanent representative controlling authority, which would be assisted by regional abattoir boards be created without delay. The powers recommended for this controlling authority were considerable and included the laying down of "a uniform system of accounting in abattoir and cold storage undertakings on the basis of the general principle that the undertakings must, as far as practicable, be conducted on a limited profit or non-profit basis".(3) The Committee also came to the conclusion that Act No. 48 of 1934 was "inadequate to meet the requirements of a long term policy relating to the provision of abattoir facilities and accordingly recommended that statutory provision

(1) Abattoir Policy and Finance by A.S. Aldis (I.M.T.A. SA (Inc.) Conference Proceedings 1962. Page 265)
(2) Report of the Abattoir & Cold Storage Committee(U.G.21-46)
(3) Ibid. Page 53.

be sought for placing abattoirs on the same footing as cold storage establishments in respect of construction, inspection and control."[1]

This report led to the belief among local authorities that the Government might assume control of abattoirs and the United Municipal Executive sought to obtain clarification from the Government on its policy. Although the McDonald Committee had favoured local autonomy, it was not clear what powers the new controlling authority would assume. In a comprehensive memorandum the United Municipal Executive stated:

"The question of expropriation of abattoirs has caused anxiety and misgiving to local authorities for a considerable number of years going back to the passage of the Livestock and Meat Industries Control Act (No. 48 of 1934) when it became apparent that there was a strong opinion among some Government officers which favoured expropriation by the Central Govnerment."[2] The United Municipal Executive favoured the preservation of local initiative, but was not against the creation of a body which would provide centralised direction.[3]

In 1950 the Marketing Act Commission confirmed the findings of the McDonald Commitee and the Minister of Agriculture on the 20th September, 1950, stated that municipal control of abattoirs was the policy of the Government, and that the Livestock and Meat Industries Control Board was the co-ordinating authority for abattoir and cold storage matters.[4] In this way the Minister avoided the appointment of a separate controlling authority and he appealed to local authorities to co-operate with the Livestock and Meat Industries Control Board in the planning of abattoirs. Although the Board enjoyed very considerable powers over the meat industry as a whole, it had no specific powers over municipal abattoirs.

As a result of the Minister's statement and the acceptance of local autonomy, local authorities co-operated with the Board in various ways regarding abattoir matters and after ten years the Board again emphasised to local authorities the benefits to be derived from co-operation with the Board in matters such as abattoir extensions and tariff adjustments.[5]

(1) Ibid. Page 31.
(2) "Memorandum on the proposed acquisition of Municipal Abattoirs and/or Produce Markets by the Government or other body" prepared by the I.M.T.A. S.A. (Inc.) on behalf of the United Municipal Executive 1947.
(3) Ibid. Page 13.
(4) Abattoir Policy and Finance by A.S. Aldis (I.M.T.A. S.A.(Inc.) Conference Proceedings 1962, Page 266.
(5) See "The Origin and Development of the Boards Abattoir and Cold Storage Policy" by the Lovestock and Meat Industries Control Board (Quoted in United Municipal Executive Agenda - February, 1960).

Nevertheless in one important sphere local authorities differed seriously with the Board, namely, over the methods adopted in the policy of regionalisation of abattoirs. There was no difference of opinion over the principle of regionalisation, which had as its object more efficient operation arising out of large-scale operations. There had indeed been a serious back-log in abattoir improvements and extensions by local authorities, because of the lack of clarity in State policy. The intensity with which the Board set about its policy of regionalisation was welcomed by all. Some local authorities were encouraged to build large new regional abattoirs, other local authorities were persuaded to close down their abattoirs. For example, the Springs municipal abattoir was declared a regional abattoir, and Brakpan and Nigel closed down their abattoirs in 1953. The Board pressed the Springs Town Council to build a new factory type regional abattoir costing R600,000, and gave guarantees that by adjusting tariffs and taking over all cold storage, there would be no losses on a regional abattoir. Experience in other centres, however, and the inability to obtain a clear undertaking from the Board to guarantee a minimum number of slaughter-stock per annum in order to cover the high capital charges on a new abattoir, forced the Town Council to abandon the project. The existing abattoir continued to be run as a regional abattoir on a satisfactory financial basis. Vereeniging, on the other hand accepted the guarantees of the Board and suffered heavy losses on the operation of a regional abattoir which it constructed. The Chairman of the Finance and General Purposes Committee of Vereeniging, Dr. J.H. van Eeden stated "Promises were made to us and we were encouraged in Vereeniging to build a really up-to-date modern abattoir with refrigeration chambers and with all the trimmings at a cost of R700,000..... and we went ahead realising that it would cost nothing because we were promised (a) that we would have a regional abattoir and (b) that we would have meat control. Today we have neither. What we do have is a fantastic headache, a headache which is costing the ratepayers of this town R40,000 a year, and Vereeniging has to subsidise today all meat that is slaughtered in the Vereeniging abattoir, whereas one-third of that meat is being consumed outside out area."(1) The President of the Institute of Municipal Treasurers and Accountants in his Presidential Address in 1961 after referring to the dissatisfaction of local authorities regarding losses on regional abattoirs said "it has been a mistake for a body such

(1) Proceedings of the I.M.T.A. S.A.(Inc.) Annual Conference 1961. Page 117.

as the Livestock and Meat Industries Control Board, subordinate as it is to the State, to attempt to carry out a major abattoir policy. In various parts of the country abattoirs are being subsidised heavily by the general rate fund".[1] After years of pressure from the Town Council of Vereeniging, the Government ultimately made good a portion of the losses incurred.

The Government appointed the De Villiers Commission in 1960, with wide terms of reference to enquire into abattoirs, and its report was published in 1964. It recommends the taking over of meat inspection services from the municipalities by the Government, the admission of private enterprise into the abattoir trade on a competitive basis, and the creation of a separate Abattoir Commission of three members to plan and control abattoirs. In dealing with the activities of the Livestock and Meat Industries Control Board as co-ordinating authority, the report states "the co-ordination of the abattoir trade is not properly the task of the Meat Control Board."[2] The report details the functions of and the powers which must be given to the proposed Abattoir Commission and states "the statutory powers of the Commission will provide for the closing down of abattoirs and the payment of compensation to the owners concerned".[3] Although previous Commissions had condemned the making of profits on municipal abattoirs, the de Villiers Commission found nothing objectionable in this.[4]

On the 19th January, 1966, the Abattoir Commission Bill 1966 was published in the Government Gazette, conferring very wide powers on the proposed Commission. This was followed by the Abattoir Commission Act 1967, to "Provide for the establishment of a commission to deal with and exercise control over all matters in connection with the siting, erection, registration, use, alteration, closing, management and conduct of, and the performance of services at abattoirs, to bring about the co-ordination and rationalisation of all matters relating to abattoirs and to provide for incidental matters.")

The Livestock and Meat Industries Control Board enjoys one important form of control over local authorities - all

(1) Ibid. Page 88.
(2) Report of the Commission of Enquiry into Abattoir and Allied Facilities 1964. R.P. 48/1964.
(3) Ibid. Paragraph 679.
(4) Ibid. Para. 676.

applications for abattoir tariff revision are referred by the Provincial Administrations to the Board for approval. This form of control has in the past been strict, for the Board, acting in the interests of meat producers, has closely investigated all tariff increases proposed by local authorities and has queried many items of expenditure, such as the departmental charges made by other municipal departments to abattoirs. The Board has made far-reaching requests to local authorities to submit financial data - for instance, to submit annual estimates to the Board before approval by the municipality if a large profit or a deficit is anticipated. The United Municipal Executive and the four Provincial Municipal Associations strongly opposed this.(1) The Board proposed in 1960 that a special committee be set up to examine applications for tariff increases and the United Municipal Executive also opposed this.(2)

Two important forms of financial control thus emerge.

Firstly, there is financial control arising from the appointment of an Abattoir Commission, with very wide powers regarding the location and operation of municipal abattoirs.

Secondly, there is financial control exercised by the Lovestock and Meat Industries Control Board which arises from the fact that the provincial administrations refer abattoir tariffs to this Board. The approval of By-laws and tariffs by the Provincial Administration is common to all Provinces; it has already been observed above how the Provinces similarly use the Electricity Supply Commission for advice on electricity matters. In the case of abattoir tariffs, however, the Livestock and Meat Industries Control Board has made far more detailed investigations into the abattoir accounts of local authorities. Both the Board and the Provinces thus have strong powers to influence the financial stability of municipal abattoir undertakings. Pressure on the Board from producers gives rise to greater control over tariffs than is the case with other municipal undertakings.

3 Markets.

There is no direct financial control over municipal markets by the State. The control over municipal markets was vested in the Provinces under the South African Act 1909. The market By-laws of local authorities have to be approved by the Provinces, but local authorities have been relatively

(1) United Municipal Executive Agenda and Minutes. February,1955.
(2) United Municipal Executive Minutes. February,1960. Page 13.

autonomous in the conduct of markets. The main restriction is on the use of market profits, but this aspect is covered under the sections dealing with provincial control, for it is the Provinces that have imposed these restrictions and not the State.

This fact, that local authorities were not subjected to detailed provincial control, led to a great deal of indirect control over municipal markets by the State under pressure from farmers, leading ultimately to the passing of the Marketing Act of 1937 and the introduction of the control board system for the marketing of agricultural produce, which had several important effects on municipal markets.

At the beginning of the century farming was mostly pastoral and on a subsistence basis, but the development of large urban common markets throughout the country lead to commercial farming which developed very rapidly after World War I. Production for the market instead of for direct or local consumption led to the establishment of large scale units. Price became a dominant factor, subject to the caprices of consumer demand. It became the complaint of farmers that the free competitive system operated detrimentally to the producer, and that some stability in the prise structure was necessary to keep up the supply of agricultural produce which the nation required. From voluntary co-operation in the control of supply, pressure on the legislators gradually built up and the Control Board system was introduced in 1937. "The Marketing Act of 1937 may well be looked upon by producers as their 'Magna Charta'. This Act, while it embodies the principle of the marketing of any particular product through a commodity board of control on which producers' representatives are in the majority, places the all-important question of price to the producer in the hands of the Government."(1)

The indirect controls over municipal markets have their origin unmistakeably in the strong suspicion held by farmers that municipal markets are run for the benefit of the urban ratepayer, and that market masters do not always do their best to ensure that the highest possible price is received for the producer. The methods of sale employed at municipal markets are very important, and the efficient conduct of auctions is vital to the entire system of price determination under the system of supply and demand of agricultural produce.(2)

(1) Report of the Reconstruction Committee of the Department of Agriculture 1944 (Page 28).
(2) For a good review of sales methods adopted see "Market Accounting and Sales Procedures" by M. Morris (S.A.Treasurer June, 1955)

The attitude of farmers is understandable for he consigns his produce to a distant market and because of the perishable nature of the produce, the price he receives depends on the railways, on agents and on the municipal market-master. His produce is sold by public auction, and after a period he receives a market advice note and a cheque which for the first time indicate what price his produce has realised.

Not long after the passage of the Marketing Act 1937 a commission was appointed in Transvaal to investigate the complaints of farmers, and this commission emphasised the feeling of the producers by referring to the evidence presented by the farming community regarding the desire for some kind of "unified guidance and supervision of municipal markets."(1)

However, the commission was in favour of leaving control in the hands of local authorities but it recommended the establishment of advisory committees to advise the Administrator on market affairs.

This was the beginning of several enquiries into the conduct of municipal markets, and in all cases these enquiries arose as a result of the dissatisfaction of producers. Middlemen and municipal markets were blamed for the instability of prices. Dr. A.S. Jacobs points out that most of the enquiries dealt with transport ;and marketing of fresh produce, but the distribution system was largely ignored, and it is noteworthy that "the whole reorganisation of the marketing system is intended to ensure a higher and more stable income for the producer. The interests of the consumer are of secondary importance."(2)

Municipal markets have been criticised by consumers as well as by producers. There is pressure from consumer organisations to grant better facilities to small and individual buyers who purchase on the markets. Many schemes have been introduced at municipal markets to enable the producer to sell direct to the consumer. Stalls have been provided for farmers on municipal markets, and the system of auction-sale has been designed to enable the small purchaser to bid as well as the wholesale purchaser. This has caused many problems for local authorities, because the provision of facilities for retail

(1) Report of the Transvaal Markets Commission 1939. (T.P. 1-1940. Para. 38).
(2) "Die bemarking van varsprodukte deur munisipale markte in die Unie van S.A." S.A. Journal of Economics. December 1960. Page 353. (Translation).

purchases has interfered with the smooth functioning of the wholesale market, which is the true function of a municipal market. As Mr. S.J. de Swardt correctly observes, "the produce market of a large city should be mainly a wholesale market, i.e. its whole set up and organisation should facilitate the expeditious handling of produce and should cater mainly for wholesale buyers."(1)

The appointment of various commissions to investigate the marketing of agricultural produce has never brought any finality to the problems faced by local authorities, and the indirect controls seem to increase after every succeeding commission has reported. In many ways this is more frustrating to local government than the direct control exercised, for instance, over Bantu affairs. Local authorities are legally autonomous in the operation of markets (with the exception as noted above) and they must either accept the multiplicity of indirect controls or agree to the take-over of markets by the central government. The United Municipal Executive has always strongly opposed any such take-over. The Reconstruction Committee 1944 recommended that the control and supervision of urban markets be transferred from the Provinces to the Central Government, and that the South Africa Act 1909 be amended.(2) In 1947 the Distributive Costs Commission recommended that a Division of the Department of Agriculture be established for directing municipal market policy, but if this did not affect the necessary co-ordination, then the matter was of sufficient urgency and national importance "to justify the drastic step of a complete transference of ownership, control and management from the local authorities to the Central Government."(3)

The report of the Municipal Markets Enquiry Committee provides a good example of the divided views regarding the control of municipal markets.(4) Nine members of the committee were in favour of the view that "municipal markets, including the financial aspects, should be entrusted entirely to the local authorities concerned."(5) Five members held the view that "only through the transfer of powers to the Central Government would it be possible to formulate a national policy and create machinery to build a sound, uniform and

(1) "Municipal Markets : Their Function and Future". S.A. Journal of Economics. June, 1948. Page 188.
(2) Op. Cit. Para. 178.
(3) Report of the Distributive Costs Commission(U.G.28-1947)P.241.
(4) U.G. 22/1953.
(5) Ibid. para. 76.

modern marketing system".[1]

A Committee of Enquiry was appointed in 1955 to investigate the operations of market agents at municipal markets and although this committee was not required to make any recommendations regarding the control over municipal markets, it did observe that local authorities should receive more guidance and advice in connection with market affairs from "outside authorities". These guiding authorities were to be created by the provincial authorities, for the committee thought "it would be preferable to do this, as it will not disturb the traditional ideas and practices in connection with the control over municipal markets."[2] In June, 1965, the Minister of Agricultural Economics and Marketing appointed yet another committee to investigate certain aspects of the marketing of fresh produce, but it has not yet reported.

Control over municipal markets by the State is not direct, but from the review of marketing given above, important aspects of control emerge. Firstly, the Control Boards established under the Marketing Act 1937 are not bound to use municipal markets for marketing citrus, decidious fruit, potatoes, bananas etc. They have power to market their respective produce in any way they deem fit, and the United Municipal Executive has on several occasions appealed to the Government to channel all produce through municipal markets.[3] The independence of control boards therefore indirectly affects the turnover of municipal markets. Secondly, there is control over the method of public auctions under the Public Auctions and Transactions in Livestock and Produce Act No. 22 of 1925, which determines certain methods according to which auctions must take place. This control is merely regulatory, but it does have an effect on the price received by the producer. As the commission received by local authorities is affected by price, there would be some effect on the finances of a municipal market, although it is remote and i[illegible]ct, and relatively unimportant from the point of view of f[illegible]ial control.

The first type of indirect control illustrated above is of importance to local authorities, for it is clear that

(1) Ibid. Para. 92.
(2) Report of the Committee of Enquiry into Market Agents. (G.P.S. 1413899 1956/7 - 1000) Para. 240.
(3) See, for instance the representations to the National Marketing Council, United Municipal Executive Agenda - February, 1957, also United Municipal Executive Agenda, February, 1965, which contains a memorandum of the Institute of Marketmasters for submission to the Minister of Agricultural Economics and Marketing, in which the bypassing of municipal markets by control boards is strongly criticised.

local authorities might embark upon large capital projects to improve markets, and then suffer from low turnovers as a result of State policy on marketing. Notwithstanding that consequent losses on market undertakings could be made good by increasing the commission on sales, applications for tariff increases are frequently opposed both by control boards and the Provinces.

CHAPTER 7.
CONTROL BY THE CENTRAL GOVERNMENT VI.
HOUSING, SLUMS AND COMMUNITY DEVELOPMENT.

1. Housing.

The provision of housing for the various racial groups in South Africa has always been the responsibility of the local authorities. The State's participation has been mainly in the field of finance, by making loans available to local authorities or by sharing the losses arising out of housing. There are, however, exceptions to this. The State itself in the immediate post war years undertook national housing schemes, and, when local authorities failed to take the necessary action with regard to resettlement schemes, the State itself acted. Initiative for housing at the present time lies mainly with local authorities, and therefore the Housing Act 1966 and the various financial and other controls contained therein operate only when a local authority embarks upon a housing scheme and borrows money from the State for this purpose.

Because of the pressure on local authorities to provide adequate housing for their inhabitants, there has virtually been no discretion and local authorities have been required to embark on housing schemes and borrow money from the State, irrespective of satisfactory financial arrangements. The rapidity of urbanisation in the Republic, and the considerable influx of Bantu to urban areas consequent upon industrialisation have given rise to many local problems in the field of housing. Few problems have caused so many representations to be made by local authorities to the Central Government for greater financial assistance. From the time that the United Municipal Executive was established in 1932, until today, the problem of housing has been foremost in negotiations with the Government, and more memoranda have been submitted to and more conferences held with the Government than on any other municipal subject.

Priot to 1920, public authorities played little part in providing housing. It was a period when private enterprise was expected to build houses, and public authorities were supposed to interfere in the profit-making activities of builders as little as possible. Two major events had a profound influence on this outlook, namely the 1914 - 1918 War and the influenza epedemic of 1918. Prices rose to such an extent after the war that the building of houses became unprofitable, and builders turned to more profitable ventures such as business premises. The influenza epedemic brought home to the authorities the extremely bad conditions under which the poorer Europeans and Non-Europeans were housed. Pressure was brought to bear on the Government to take action and in 1919 the Minister for Public Works appointed a Housing Committee to enquire into, among other housing matters, the advisability of giving financial assistance to local authorities to provide houses for the lower income groups.(1) The Committee duly reported in 1920 and its main recommendations were that housing was a matter for local authorities, and that the necessary funds should be provided by the Government by way of loans at cost, to be administered by a housing commission.(2) These recommendations were adopted, and the Housing Act 1920 was finally passed by parliament. This Act, with amendments, formed the pattern on which all the housing policy was based. The original Act was replaced by the Housing Act 1957 and this in turn was replaced by the Housing Act 1966; yet the first basic principle remains, that the responsibility for housing rests with local authorities, and that the State will assist by way of housing loans.

The Housing Act 1920 (a) provided for loans to local authorities at the prevailing rate of interest on Government loans, (b) gave local authorities increased powers to facilitate the construction of houses and (c) set up a Central Housing Board as an advisory body with limited powers. Local authorities still had to work through the Provinces in all financial matters.

Local authorities made considerable use of the financial assistance offered by the Government and from 1920 to 1940 the Government approved loans to local authorities totalling £7,124,899 which resulted in the construction of 17,974 dwellings (European 7,883 - Non-European 10,086).(3) However, it became apparent in the late nineteen twenties

(1) Government Gazette 1/8/1919 Notice No. 976.
(2) Report of the Housing Committee appointed by the Minister of Public Works. (U.G. 4-1920).
(3) "Financial Aspect of Housing by South African Local Authorities in Retrospect and Prospect" by F.E. Janvey. (I.M.T.A. Conference Proceedings 1946). Page 226.

that one of the main objectives of the Housing Act 1920 was not being achieved i.e. that if large numbers of new economic houses were built for the middle classes, the position of the poorer classes would automatically be solved. Overcrowding in the larger cities was increasing, and local authorities began making representations to the Government for greater financial assistance. The Government complained that local authorities were not taking up the amounts which the Government was setting aside annually for housing loans; local authorities replied that at the rate of interest the Government was charging for its loans, the lower income groups could not be housed without loss.[1]

There then followed many discussions between local authorities and the Government on the problems of housing losses. From 1930 onwards there was an influx of all races to urban areas because of industrial development, and the government in 1930 decided to subsidise housing for the poorer Europeans by making available loans at 3%, at a time when they were paying 5% for their money in the capital market; in 1934 they reduced the rate to 2%, but one of the conditions was that local authorities must lose the same amount as the Government. In other words both the Government and local authorities subsidised housing, inasmuch as sub-economic rentals had to be fixed for the poorer groups, and the resultant losses were shared between the Government and local authorities. Local authorities continued to press the State for an improvement in financial assistance and in 1936 the Government fixed the rate of interest on sub-economic loans at ¾% and the period of repayment at 40 years. An important aspect of the new scheme was its extension to Bantu housing; previous housing was limited to the European and Coloured populations. The items which could be charged against housing schemes were restricted, and rentals had to be fixed in such a way that local authorities would lose 2½% on any sub-economic schemes (i.e. the same as the Government, who also lost 2½% by advancing money at ¾%.)[2] At the same time the Government decided to assist with the housing of the aged poor by making loans available to local authorities at 1/20% per annum, virtually interest free, over a period of 40 years.

(1) In 1920 the rate was fixed at 4% and this was increased to 5% in 1922 and remained at that figure until 1933 when it reverted to 4%.
(2) For full details see Union Health Circular No. 4 of 1936 (23.3.36).

Local authorities were dissatisfied that they had to bear a loss of 2½%. Because the Government was anxious to proceed rapidly with slum elimination and rehousing it reduced the loss which local authorities were required to bear to 1¼%, that is, to half the loss borne by the Government.(1) From then onwards local authorities pressed on with sub-economic schemes on the more favourable financial terms, and from 1936 to 1944, 42,642 sub-economic houses were built of which 37,847 were for Non-Europeans and 4,795 for Europeans.(2)

The second world war considerably aggravated the housing problem in urban areas, and local authorities were faced with shortages of labour and materials, rising costs and a very considerable back-log in housing for the poorer classes. Local authorities advised the Government that their financial losses would be too great if this problem were to be tackled on the existing formula, because whereas the Government's losses on sub-economic housing were limited to 2½% local authorities were experiencing losses up to 3% and 4%, because the poorer classes simply could not pay higher rentals.

The Government therefore in 1944 agreed to an entirely new formula, known as the National Housing Formula.(3) Under this formula the Government laid down that local authorities could charge to a sub-economic scheme 10% of the capital cost (i.e. interest 3½%, redemption 1½%, renewals and maintenance 2½% and all other items 3%). The losses then resulting would be shared by the Government and local authorities, adjustable according to the magnitude of the rentals fixed by local authorities. The National Housing Formula was short-lived. Local authorities critisised the formula because they maintained their losses were greater, and theywere unable to increase rentals further. The Government cirticised the scheme because they said local authorities were lavishing money on unnecessary services instead of erecting houses. In 1949 the formula was abandoned, and in its place the Government restored the ¾% formula, with the exception that local authorities would not be required to bear any losses

(1) See Union Health Department Circular No. 14 of 1936 (4.11.36)
(2) "Financial Aspect of Housing". Op. Cit. Page 227.
(3) For full details see Union Department of Health Circular No. 5 of 1945 (25.1.45)

on sub-economic housing.[1] The assumption was that rentals could be fixed at a level which would eliminate any losses. Local authorities strongly refuted this assumption, and continuous representations were made on the lines that the sub-economic groups could not afford to pay higher rentals. In representations made by the Institute of Municipal Treasurers and Accountants S.A. (Inc.) to the Interdepartmental Committee appointed by the Government to enquire into the Housing shortage, it was pointed out that in a socio-economic survey undertaken by the South African Council for Scientific and Industrial Research in the Payneville Native township, Springs, only 40.4 per cent of the Native population came into the "economic" group, whereas 12.9% were in the sub-economic group and 46.7% in the "sub-sub-economic" group.[2] The memorandum concluded that if this survey was typical, either natives are not being paid for what their labour is worth or they are being wastefully employed, and, if this is so, then compulsion may justifiably be put upon employers to pay higher wages.[3]

From the time that the Government reverted to the ¾% formula in 1949, there was continual dispute between the United Municipal Executive and the Government. The agendas and minutes of the United Municipal Executive every year from 1949 onwards contain numerous references to housing, and between 1950 and 1960 the Institute prepared eight memoranda on various aspects of the housing problem for the United Municipal Executive, and there were several deputations to the Minister, as well as two major conferences between the National Housing Commission and the United Municipal Executive.

The primary reason for all this argument was a major change in the policy of the Government from 1949 onwards. Whereas prior to 1949 it had always been assumed that there must be losses on sub-economic housing which should be borne by the Government and local authorities, from 1949 onwards an entirely new policy emerged which questioned whether there would be any losses at all. The greatest exponent of this policy was the then Chairman of the National Housing and Planning Commission, the late Mr. W. B Ehrmann, who in reply to the numerous representations from local authorities, made it clear that the financial losses on housing could not continue

(1) National Housing Commission Circular No. 13 of 1949. (12.9.49)
(2) "Aspects of the Housing Problem". August 1953. Page 13.
(3) Ibid. Page 13.

on the prevailing scale, and that local authorities must not provide housing to a standard more than a person could afford. Drastic steps had to be taken to reduce the capital cost and standards of houses for the lower income groups.

Many local authorities achieved a great deal in reducing the capital cost of houses. They were assisted by an extensive programme of research conducted by the National Building Research Institute of the C.S.I.R. Furthermore, the Native Building Workers Act 1951 enabled a Bantu artisan class to be created which assisted considerably in reducing the cost of houses. In 1960 a senior official of the National Housing office was able to refer to the fact that whereas in 1946 three-roomed Bantu sub-economic houses were built by Johannesburg at Orlando West at a cost of £530 each, in 1960 four-roomed economic houses were being built for £190 each.[1]

It was clearly the policy of the National Housing Commission to reduce the heavy State losses on assisted housing. Mr. N.L. Hanson, a member of the Commission said in 1953 that Government losses excluding interest losses rose from £75,000 in 1945/46 to £1,000,000 in 1951/52 and that the reduction of capital costs was part of a plan towards economic housing. "As far as the Commission is concerned the accent is on economic housing."[2] The Commission had also by then introduced its Site and Service scheme whereby very rudimentary dwellings (one or two rooms) could be erected on a fully serviced site," the object being to get Bantu out of slum conditions and squatters camps as soon as possible, with the minimum use of housing funds. This programme of cost reduction was carried further to embrace the cost of services, for it was discovered that the objective of low cost Bantu housing through a reduction in the cost of houses was being defeated by the high cost of services to housing schemes. The National Housing office and the Department of Bantu Administration and development requested the National Building Research Institute to undertake a study of administration and running costs in Bantu townships and their report was published in 1964.[3]

(1) "Die Plek van Behuising in die Nasionale Ekonomie." deur J.P. van Vuuren (I.M.T.A. Annual Conference Proceedings 1960. Page 154)
(2) "Housing Policy in South Africa". Lecture to Transvaal Students Society - 25th March, 1953.
(3) C.S.I.R. Research Report No. 196 by P.J. Kieser. "The cost of administration, supervision and services in Urban Bantu Townships."

Simultaneous with the programme of cost reduction there arose a demand from various spheres in local government to place the burden of assisted housing on the shoulders of the employer of Bantu labour. From 1948 onwards the United Municipal Executive pressed this point.(1) In 1952 the Government passed the Native Services Levy Act under which employers pay 20c per Bantu employee, and from the proceeds local authorities are permitted to construct access services to Bantu townships, as well as rudimentary services within the townships. From the time the Native Services Levy was introduced, the Government set about reducing its advances for sub-economic housing and the following figures of loans advanced by the Government to local authorities for Bantu housing indicate the trend.(2)

Year.	Economic Loans.	Sub-economic Loans.	Houses constructed.
1951 - 1952	£ 647,928	£2,8[illegible]3,912	4,012
1958 - 1959	£10,170,080	£ 263,894	16,697

In spite of the continual disputes between local authorities and the Government on housing policy, the very bad post-war slums have been largely eliminated. In 1963 the Deputy Minister of Bantu Administration and Development stated that "while the problems of Bantu housing in the larger centres have virtually been overcome, there are still certain smaller municipalities which have not yet provided the necessary housing to cater for local needs."(3) The Minister also reiterated the Government's policy of developing the Bantu homelands (see above) to house the families of the urban Bantu workers, and therefore the future housing needs would not be so great and it might not even be necessary to extend urban townships.(4)

The Borckenhagen Committee made a thorough investigation into housing and reported in 1963.(5) The Committee completely endorsed the policy of the Government in trying to get away from assisted housing as far as possible, and considered that the developments in this direction particularly in respect of Bantu housing have been crowned with considerable success and have indicated that the firm stand of the National Housing

(1) See for example "Revised Memorandum on Financial Relations" (1949) Op. Cit. Page 28.
(2) Figures quoted by the Minister of Bantu Administration and Development in a paper "The Financing of Bantu Administration and Development in Urban Areas" (I.M.T.A. Conference Proceedings 1961).
(3) United Municipal Executive Minutes - February 1963. (Translation).
(4) Ibid.
(5) Seventh Interim Report of the Committee of Enquiry into the Financial Relations between the Central Government, the Provinces and Local Authorities, Part I. Housing.

Commission had been justified.(1) If financial assistance must be rendered to tenants of housing schemes, the Committee considered that the present system of sub-economic loans is as convenient a method as any, but as even economic housing must be regarded as a welfare service, the primary responsibility for public housing must fall to the Central Government.(2) Local authorities should not be required to provide the funds needed for what is in essence a welfare service.(3) However, local authorities must bear any losses which arise from inefficiency in housing administration or from a policy of fixing rentals at too low a level or from failure adequately to exploit all available sources of income (e.g. Bantu beer profits.)(4) The executive responsibility for the provision and administration of public housing should continue to be entrusted to local authorities.(5) Two other methods of assisting local authorities were recommended by the Committee, firstly an extention of the use of Native Services Levy Funds to embrace a greater range of services and amenities, even for housing, and secondly the use of Bantu beer profits for housing by local authorities who are not making use of this source of revenue at the moment.(6)

Turning now to the nature of central control, reference to the summary of the Housing Act 1966 set out in Annexure A will indicate the direct way in which local authorities are controlled financialy when money is borrowed from the State for housing purposes. Apart from the detailed provisions of the Act, there is a comprehensive Housing Code which must be observed by local authorities.(7) There is control over methods of advancing and repaying loans, the maximum cost of houses, the income of tenants and borrowers, the standards of housing, the acceptance of tenders and the details to be submitted when applying for loans.

In the sphere of indirect control, there is the general policy of the Government regarding housing, which has had a profound effect on the finances of local authorities as has been indicated in the review of housing affairs in previous paragraphs. If the Government lays down a policy of advancing

(1) Ibid. Para. 87.
(2) Ibid. Para. 146.
(3) Ibid. Para. 43.
(4) Ibid. Para. 55.
(5) Ibid. Para. 146.
(6) Ibid Paras. 103 and 146.
(7) This is a consolidation of numerous circulars and directives, issued by the National Housing Office in 1964. (144 pages).

loans at 6¾% or ¾%, it indirectly controls the financing of housing by local authorities, who have to finance their schemes and operate them within the framework of Government loans. The State's policy at present is to advance mostly economic loans at the prevailing rate of interest.(1) Local authorities are expected to fix rentals at a scale high enough to avoid losses on housing schemes, even for the poorer Bantu community. The view of the Government is that because of the reduction in capital costs and the introduction of the Native Services Levy, local authorities need not suffer losses. However, many local authorities do suffer losses on Bantu Housing, and these are made good either from Bantu Beer Profits or from the General Rate Fund.(2) Therefore, the policy of the Government is a very important method of indirect financial control over local authorities. The question then arises whether such method of indirect control is a satisfactory method of control. It raises the important point noted above in connection with health services, that the body in charge of the execution of the service should also be responsible for the financing thereof. If the Government advances the money and also bears a loss in the rate of interest it charges, should it not also control entirely the housing schemes (note, however, that subeconomic loans have virtually ceased). In the case of economic loans, the Government is not so concerned because it suffers no loss in the rate of interest it charges. The United Municipal Executive has on several occasions requested the Government to take over assisted housing completely because of the losses suffered by local authorities. However, the position today is different from what it was previously, and if losses are suffered by local authorities, they are expected to make these up in the various ways suggested above.

The most important form of control over local authorities therefore lies in the direct powers exercised by the Minister under the Housing Act 1966; once a local authority embarks on a housing scheme the very considerable restrictions imposed by the Act come into force. A comprehensive loan application form must be completed giving detailed information regarding cost of houses, rentals, cost of land

(1) 6¾% from October, 1966.
(2) See Seventh Interim Report of Borckenhagen Committee Part II. Op. Cit. Para. 168.

and many other details. If a loan is approved by the Commission, the funds then have to be allocated and when tenders are received they must be submitted with a recommendation to the Board. There is then strict control over the advances, and ultimately the full final financial details must be submitted. In addition the Minister has wide powers of expropriation and local authorities are also given these powers; power is also given to waive municipal and other regulations if these interfere with housing projects.

The strict control over public funds allocated to local authorities is unexceptionable, but the administrative control could be made more efficient. Similarly, the policy of providing only economic housing and paying tenants wages sufficient to meet economic rents is sound as a policy. Practically, however, there is a lag in wage increases and local authorities experience difficulties in increasing rentals.

2. Slums.

The Slums Act No. 53 of 1934 was passed in order to enable local authorities more effectively to deal with the menace to health arising from bad housing conditions. It was discovered that the procedure provided in the Public Health Act 1919 was too cumbrous, and long delays were encountered in taking slums cases through the Courts.

Under the Slums Act the Medical Officer of Health reports to the local authority when he discovers a nuisance which he thinks should be dealt with in terms of the Act. A nuisance is then deemed to exist, and the statutory procedure laid down must then be followed, such as serving notice on the owner, declaration of a slum by the Council, appeal, demolition, and expropriation.

The Slums Act 1934, as amended, is complementary to the Housing Act 1966. The Act was passed 14 years after the original Housing Act 1920, and thus machinery already existed to deal with any housing problem which arise as a result of removing persons from slum dwellings. However, there has arisen in local government today the wider concept of urban renewal, where whole areas in towns are acquired and renewed. The Slums Act 1934, the Housing Act 1966 and the Community Development Act 1966 are for that reason considered together in this chapter.

The complementary aspect of slum elimination and housing was pertinently described by Dr. E.H. Cluver in his commentary on the Slums Act in 1949.

"Slum elimination does not mean destruction of slum dwellings. It means primarily provision of houses for the excess population living in certain parts of our cities. It may later be possible to demolish buildings which are inherently unsatisfactory as to structure and size. But long before there is any demolition there must be erection of new houses. Unless this principle is kept firmly in mind by social reformers, they may do more harm than good by causing overcrowding in other parts of the city and by increasing the poverty, and hence under-nourishment, of the extruded population because of higher rentals."(1)

A local authority is charged in terms of the Slums Act 1934 with the responsibility for slum elimination and re-housing under Section 3, as follows:-

"It shall be the duty of the local authority to take all lawful, necessary and reasonably practical measures - (a) for preventing or remedying or causing to be prevented or remedied all nuisances in its district, and (b) for ensuring the provision of suitable housing generally and as far as circumstances permit for the inhabitants of its district."

Once a Medical Officer of Health has issued his report on a dwelling the local authority is bound to act.

While there is a great deal of direct State control over local authorities, once the statutory procedure of the Slums Act 1934 is set in motion the financial control is indirect.

Further, there are financial provisions relating to demolition. The Act provides clearly that the local authority shall not be liable for any compensation for dwellings which are declared slums, and that the owners are responsible for removing the slums. If they fail to do so, the local authority may execute the removal, and there are effective remedies laid down whereby the local authority may recover its expenses. Financial control in this case assists local authorities.

Secondly, local authorities are given power to acquire land the improvements on which have been declared a slum, and thereafter all the financial provisions of the Act relating to compensation come into play. The basis of compensation is laid down, together with the procedure to be followed in the case of voluntary acquisition and expropriation. These provisions boil down to the fact that local authorities must

(1) Medical & Health legislation in the Union of South Africa by E.H. Cluver. (Page 692).

pay what virtually amounts to the current market value of the land. There is thus State control over the price payable by a local authority, but as the acquisition of land is permissive and not obligatory, and as local authorities in acquiring land would in most cases be planning rehousing or urban renewal schemes, the recoupment of initial outlay should be envisaged. Financial control by the State in this case is therefore remote, and it is control over all parties involved and not only over local authorities.

3. Community Development.

The Central Government enjoys very considerable powers over local authorities in the sphere of community development. These powers flow from the Group Areas Act No. 36 of 1966 and the Community Development Act No. 3 of 1966. The important sections of these laws relating to control are summarised in Annexure A.

The original Group Areas Act was passed in 1950, and it was the culmination of a great many enactments which had previously been passed to restrict the acquisition of land by Asiatics. It represented a "serious attempt and one that is gradually reaching fruition, to bring about social separation between the various racial groups of our multiracial land without having recourse to the discriminatory principles of the historic Transvaal Asiatic legislation or indeed of the Asiatic Land Tenure Act of 1946."(1)

The main purpose of the legislation was to effect the social separation of different racial groups in urban areas and this was to be achieved by controlling the occupation and ownership of land in group areas. Once an area was proclaimed for one racial group, no person from another racial group could acquire immovable property there. The legislation was very controversial and has given rise to many actions before the courts. The original act was amended several times and a new consolidating act was promulgated in 1957 and again in 1966.

It became apparent after the Group Areas Act 1950 was passed that there would have to be machinery for implementing the change of ownership; matters such as compensation and the development of the group areas would have to be provided for. This development was originally linked closely to the Group Areas Act, but it later extended its scope. Consequently,

(1) Dr. T.E. Dönges, Minister of Finance, in foreword to "Handbook on the Group Areas Act" by F.P. Rousseau (1950).

present legislation does not use the old term Group Areas Development, but Community Development. The Community Development Act 1966 consolidates all the previous laws regarding public acquisition of group areas and the development of these.(1)

It will be clear from this account of the emergence of group areas, that local authorities are very much affected by all the legislation that has been passed. The original Group Areas Act 1950 was the subject of representations to the Government by the United Municipal Executive in respect of the far-reaching powers granted to the Minister with regard to local authorities, and similar representations have been made with regard to the several amendments which have been made to the original legislation. It is not necessary to recount all these representations by local authorities in the past; it will be more convenient to examine the controls prevalent in the Community Development Act 1966, and the views of local authorities on such controls. In terms of the Act, a Community Development Board is established with wide powers to develop affected areas and to carry out slum clearance schemes and urban renewal schemes, and for these purposes a Community Development Fund is established. The State President may, after consultation with the Administrators, and local authorities concerned, assign certain of the powers, functions and duties of the local authorities concerned to the Board. The Board is also exempted from certain local authority by-laws. The Board may, with the approval of the Minister and in consultation with the Minister of Finance and the Administrator of the province concerned enter into an agreement with any local authority whereby the Board's powers are delegated and assigned to the local authority. The Act lays down what assistance must be rendered to the Board by local authorities, and the provisions of town planning schemes and conditions of title to land may be modified. The Board also has control over the transfer of properties and the determination of values, and it has wide powers of expropriation. The Board is exempt from the payment of municipal rates on immovable property owned by it. The Minister has power to make regulations with regard to many matters.

While local authorities, through the United Municipal

(1) For an historical review of these developments see "Land: Its Ownership and Acquisition in South Africa" by T.H. van Reenen. Pages 328 to 330.

Executive, have in the past complained about the wide powers given to the Community Development Board, and the loss of local autonomy, strong central control seems to be accepted today. Nevertheless, the implementation of the Act and the development of affected areas is a considerable financial problem and many local authorities are reluctant to accept the delegation of powers from the Board until there is more clarity on the financing of development schemes. The Minister of Coloured Affairs appealed to local authorities in 1962 to accept delegation.(1) In a memorandum prepared in July, 1963, the Department of Community Development stated that it was anxious that more local authorities should accept delegated powers and the Board was prepared to make loan moneys available to local authorities. However, in a memorandum on this subject the Institute of Municipal Treasurers and Accountants concluded that the rehousing and shifting of sections of the population tends to be intrinsically costly, and that there existed a real need for abundant and relatively cheap funds to be made available to local authorities, whether for housing schemes as such or for rezoning or for urban renewal, for dealing with the problems of urban blight.(2) The Natal Municipal Association submitted a memorandum to the United Municipal Executive in February, 1966, in which it stated that as non-white areas are invariably sub-economic and as revenues are insufficient to cover the costs of administration, the task of assisting non-white communities to eventual self-government was beyond the financial capacity of local government and financial assistance from the Government during the development stages was essential.(3)

Administrative control by the State over the establishment of Group Areas and their subsequent development is direct, as is revealed in preceding paragraphs. With regard to financial control, this is direct when local authorities accept delegation, for they have then to operate under the strict financial provisions of the Act. Furthermore, they would have to keep such books, records and accounts as may be prescribed by regulation, and these books are subject to statutory audit, and the auditor must report to the Community Development Board.(4)

(1) See opening address to United Municipal Executive, February, 1962. (The Hon. P.W. Botha).
(2) Group Areas Development : Acceptance of Delegations by Local Authorities: January, 1964.
(3) "Financial Assistance to Local Authorities in regard to the implementation of Group Areas policies and the development of future Non-White local authority areas"(1966)
(4) Section 22(4).

There is indirect or latent control if a local authority develops a group area without financial assistance from the State, and has then to subsidise such development by contributions from the general rate fund. This is clearly a case of indirect financial control, because a local authority is still bound to carry out development schemes under the strict general controls imposed under the Act, and these controls would influence the income and expenditure of any development scheme.

There is also the indirect financial effect on the finances of a local authority if the Community Development Board purchases large areas which are exempt from rating, thus diminishing the tax base of the local authority.

CHAPTER 8.
CONTROL BY THE CENTRAL GOVERNMENT VII. MISCELLANEOUS ENACTMENTS.

1. Employees.

There is much State legislation which imposes controls over the personnel administration of local authorities, and the following statutes impose controls in one form or another:

1. The Industrial Conciliation Act No. 28 of 1956 (relating to the registration of employees' organisations and trade unions, and the settlement of disputes).
2. The Wage Act 1937 (relating to the determination of wages by the Wage Board.
3. The War Measures Continuation Act No. 29 of 1950 (relating to statutory cost-of-living allowances).
4. The Workmen's Compensation Act No. 29 of 1950 (relating to the payment of compensation for injury on duty).
5. The Unemployment Insurance Act No. 53 of 1946 (relating to the insurance of workers against the risk of loss of earnings through unemployment).
6. The Factories, Machinery and Building Work Act No. 22 of 1941 (relating to the control of factories and the conditions of service and safety of workers therein.