

HOUSING & HOSTELS - GENERAL

1994

~~MEMORANDUM~~ - REPORT.

Many Indians are homeless

Own Correspondent

DURBAN. — The Indian community in South Africa needs at least R2 billion to overcome the chronic backlog in housing, says Mr S V Naicker, acting chairman of the Ministers' Council in the House of Delegates.

In his New Year message, Mr

Naicker said there was a shortfall at present of almost 50 000 low-cost houses in Natal alone.

He called on the private sector to play a bigger role in supplying low-cost housing for Indians as the government did not have the resources.

3/1/94

MARIANNI MERTEN

HOUSING for farm workers is seriously underfunded and lacks a co-ordinated approach, says a National Land Committee report commissioned as a basis for a future rural housing policy.

The study, Housing for Farm Workers in SA, said that while R50m was needed to provide adequate rural housing, the Agriculture Department could allocate only R29m to white commercial farmers this year.

The department had started a housing loan scheme for farmers to provide workers' housing in 1969, but introduced subsidies in 1990 when farmers could not repay loans after the drought of the '80s. Twice as many subsidy ap-

Report criticises rural housing policy

Biden 4/1/94

plications as loan applications had been received after that because subsidies were seen as "free money", the report said.

About 5- to 6-million farm workers and their dependants rely on farm housing that is tied either to employment or rental of farm property.

According to Rural Foundation estimates, it cost between R18 000 to R45 000 — an average of R450/m² — to build a house.

This meant the Agriculture Department's subsidy of R350/m² was inadequate.

Various home ownership schemes countrywide are run

on individual farmers' initiatives, by corporate farms willing to spend between R40 000 and R60 000 a house and by the House of Representatives and regional services councils.

Organisations such as the National Housing Forum and the Rural Foundation have not yet proposed national or regional policies on housing for farm workers.

The SA Agricultural Union and the Agriculture Department have expressed different opinions on the subject.

The department wanted to see the responsibility shifted to a future housing depart-

ment, while the agricultural union believed housing was the joint responsibility of farmers and government and should be tied to employment.

The study found that some farmers were keen to move their labour off their properties to state-owned land to reduce the possibility of future land claims.

Rural housing was still under-researched. Conditions varied across SA.

The report suggest farm workers as well as migrant and seasonal workers be canvassed before any housing policy was drafted. It was important to encour-

age farm workers' economic autonomy and to provide the infrastructure such as clinics and schools to help alleviate rural unemployment.

Funding and access to housing off farms were vital.

"Blanket policies enforced by a central state may prove disastrous for local communities," the report said.

It suggested co-ordinating building subsidies with job creation schemes and public works to stimulate employment and rural development.

The granting of 100% subsidies was not financially feasible for 5- to 6-million people, the report concluded.

State housing subsidies could reach R17 500

GOVERNMENT and the National Housing Forum were involved in negotiations which could see state subsidies of up to R17 500 per unit granted for inner city housing projects, sources said yesterday.

The subsidy, which would be much higher than the expected R12 500 for low income earners, would save Johannesburg's Seven Buildings project. *BIDA*

Negotiators are also tying up other loose ends and exceptions to the rule, including the problem of subsidising building in areas with a difficult topography at the same rate as other regions. *61194*

However, in principle agreement has been reached on granting a R12 500 subsidy to people earning under R1 500 a month to buy homes costing up to R20 000.

Government started at a lower level in the negotiations, but pressure to provide people with the means

GRETA STEYN

to acquire more than just site-and-service accommodation led to a more generous amount than the initial R8 500 starting point. Site-and-service subsidies granted by the Independent Development Trust are R7 500. *(123)*

Subsidies will be granted for people earning up to R3 500 a month (a subsidy of R5 000 to purchase a home of up to R45 000). The Financial Mail reported yesterday the interim scheme would be administered by the National Housing Department under the direction of the new National Housing Board and the regional housing boards.

Housing Department and NHF spokesmen yesterday confirmed substantial progress had been made in the negotiations on subsidies, and expressed the hope that a conclusion could be reached before the end of the month.

HOUSING

Building on rock *Fin 7 11/94*

Agreement on a subsidy formula is a good start

Agreement has been reached between the Department of National Housing and National Housing Forum on an interim sliding scale for lower-income home subsidies.

The subsidy issue will lie at the heart of any new housing policy. These interim measures will gain important experience for any new government before it settles on a longer-term approach.

The agreement on subsidies between the

forum and government, reached behind closed doors on December 7, appears to favour the recommendations on subsidy amounts as suggested by the forum (*Property* November 19) *(123)* ~~(52)~~

The scheme sets out three levels of income earners and puts maximum values on the houses to be bought:

Those earning under R1 500 a month qualify for a subsidy of R12 500 to buy a

house worth up to R20 000;

From R1 501 to R2 000 — a subsidy of R9 500 for a home worth R25 000; and

From R2 001 to R2 500 — a R5 000 subsidy on a house worth R45 000.

The interim scheme will be administered by the Department of National Housing (see diagram) under the direction of the new National Housing Board (NHB) and regional housing boards. But several practical *cont.*

questions must still be dealt with.

For instance, do beneficiaries of Independent Development Trust and other site-and-service schemes qualify for subsidies and, if so, how much? Will banks and other financial institutions act as agents in distributing subsidies? How will individuals and groups get access to subsidies?

While response has been positive to the basic concept of National Housing Minister Louis Shill's proposed mortgage indemnity insurance scheme, which attempts to address the shortage of end-user finance, serious problems remain.

In the event of bond instalments not being paid, Shill's scheme offers cover to lenders only if nonpayment is caused by political upheaval. The Association of Mortgage Lenders, in particular, believes this does not go far enough.

Apparently, the banks are not prepared to accept a government proposal that they should take a first-loss risk in the order of 20% of the total mortgage bond portfolio. This means the banks would have to accept the first 20% of any given loss; if a bank lost R100 000, it could claim only R80 000 from government.

They also want insurance cover to extend to three other possible reasons for defaulting on bond payments:

- Temporary loss of income due to unemployment;
- Unforeseeable events which cannot be predicted by lenders; and
- Construction defects.

It is also not yet clear who will pay for the insurance cover; and how the scheme will apply to people who are not employed in the formal sector and to those who have already have mortgage bonds.

Like the NHB, each regional housing

board will have 18 members. So far only the four chairmen have been named. As with the formation of the NHB, government and the forum will each put up six names and then negotiate the remaining six for each region.

To direct their actions over the next three years of office, the boards have been given a comprehensive list of guidelines. These include:

- Allocations of subsidies should be made directly to end-users, "except in special circumstances." Until now local and provincial authorities have been allocated subsidies for development. These State authorities will now have to consult local communities and then compete with private developers to get access to State subsidies;
- Emphasis should be on applicants with the least capacity to pay for their own housing needs; and
- The capital cost of bulk and connector services should not be recovered through the sale of the stand and should, therefore, be excluded from the end-user subsidy. These costs must generally be paid by the State.

Responsibility for financial accounting is to rest with directors-general at national and regional level.

The board's vice-chairman is Billy Cobbett of the ANC. He believes "it is important that the housing sector comes to terms with the new constitution. As with local government, most power in the housing arena will go to the regions — and it is at this level that housing delivery must be organised. In the medium term, a provincial Minister is likely to have more influence in getting houses built than a national Minister. The boards are important, therefore, as kick-starters of housing throughout the country, until the new provincial legislatures have both the capacity and desire to deal with housing

directly — though they are not bound to."

How long will it take until the new provincial administrations are set up? Cobbett believes not long in the case of Natal and the Free State, because the boundaries will remain much as they are now, but in the Transvaal and Cape — to be split into four and three regions respectively — the process could take as long as 18 months. "A key role of the board will be to make sure that this process is not too disruptive to housing," says Cobbett.

Though a package must be put together to serve housing in the medium term, the interim subsidy scheme cannot be seen to compromise the elected National Assembly.

Cobbett believes that "institutional restructuring" might be necessary to make sure that when individuals receive subsidies they have matching finance. "The rationalisation of institutions and their respective roles is the single most important challenge facing the housing sector in the medium term."

As for how much money is in the National Housing Fund, the NHB has apparently asked for the information to be supplied to it for its next meeting.

The six working groups of the forum are set to reveal proposals on a medium-term national housing policy. The six areas of policy are: land & services; end-user finance; sector effectiveness; institutional restructuring; housing programmes (as part of national reconstruction and development); and hostels. Each group meets at a technical level first and then proposes policy options to the forum's co-ordinating committee. Once agreed, these options are negotiated by government and other key parties.

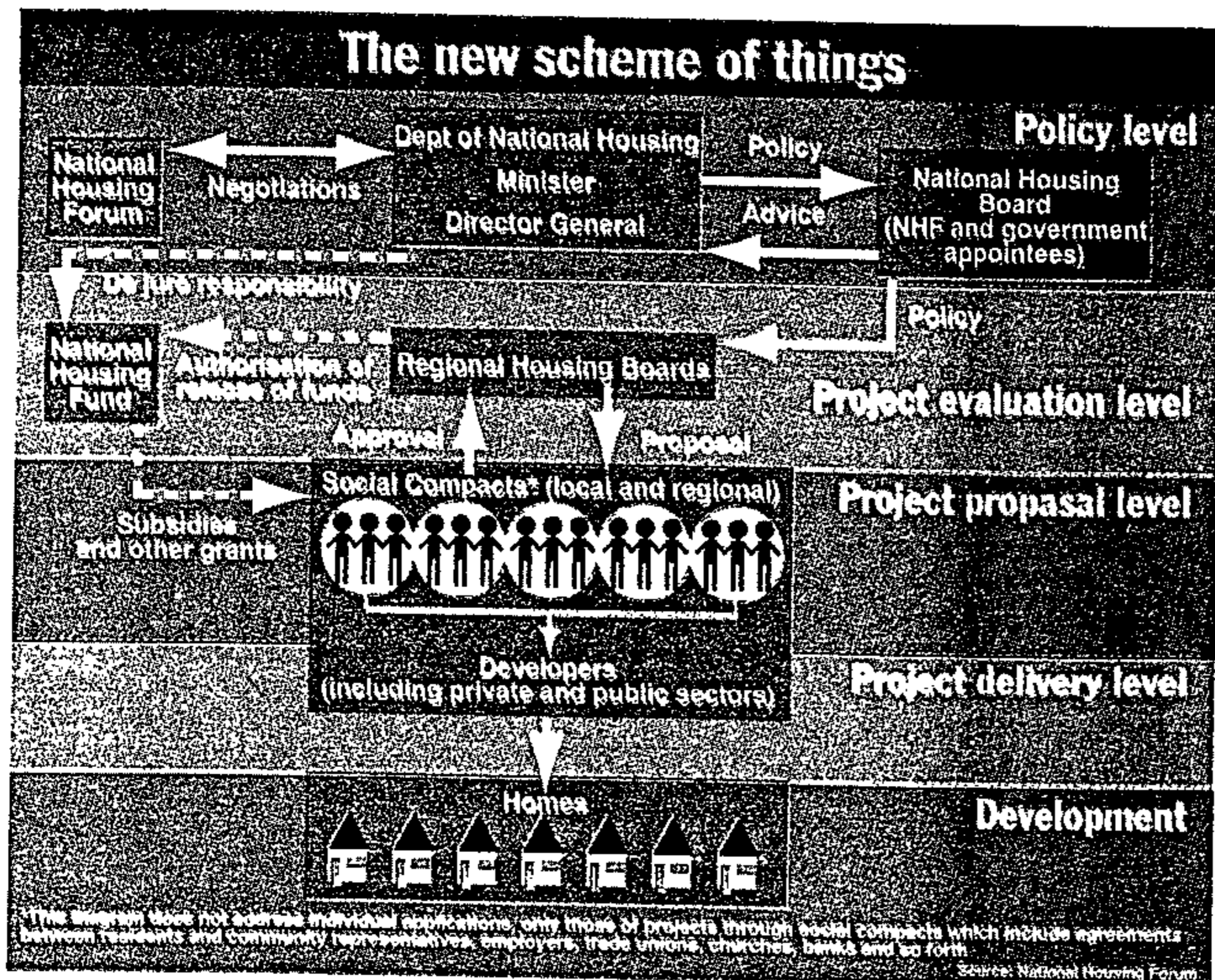
"Progress within the forum is encouraging," says chairman Eric Molobi. "In principle agreement has already been reached within the forum on an overall national strategy."

Until apartheid structures are phased out, and a national housing framework is established, the obvious danger is that fragmentation and confusion could add to the misery of the homeless.

Achievements so far are impressive, particularly in view of the political importance of the housing issue. The forum and government have done much to establish a practical framework despite a policy vacuum.

The agreements on subsidies, on the composition of housing boards and on the criteria for allocation of housing are causes for hope, not least because ideology has generally taken second place to practical consideration. They may well form the basis for a sensible, long-term national housing policy.

It is important to proceed with care. "Restructuring" of financial institutions, as advocated by the ANC, could well make it easier for poorer people to get finance for housing. But if the banks are pressured into making bad loans — in other words, to engage in bad business practice — the effect will be counterproductive and destructive to the economy as a whole.



Boost for low-income housing

Own Correspondent

JOHANNESBURG. — The government and the National Housing Forum are involved in negotiations which could see state subsidies of up to R17 500 per unit granted for inner city housing projects, sources said. The subsidy would be much higher than the expected R12 500 for low income earners.

Negotiators are tying up other loose ends and exceptions to the rule, includ-

ing the problem of subsidising building in areas with a difficult topography at the same rate as other regions.

However, agreement has been reached in principle on granting a R12 500 subsidy to people earning under R1 500 a month to buy homes costing up to R20 000.

The government was pressurised into adjusting its R8 500 bottom line to enable people with the means to acquire more than just site-and-service accommoda-

(123) tion. Site-and-service subsidies granted by the Independent Development Trust are R7 500. CT 7/11/94

Subsidies will be granted for people earning up to R3 500 a month (a subsidy of R5 000 to purchase a home of up to R45 000). The Financial Mail has reported that the scheme will be administered by the National Housing Department under the direction of the new National Housing Board and the regional housing boards.

THE National Housing Forum and the National Housing Department are negotiating an interim housing subsidy arrangement. For them, the problem of devising a suitable arrangement without compromising the incoming government of national unity is a complex one.

Whether negotiating interim subsidy arrangements or a national housing policy, there can be only one objective in mind: housing SA's poor as quickly and as efficiently as possible in an acceptable way. Will SA get this right?

If the experience of developing countries is anything to go by, it is not that easy. Research shows colonial regimes tended to see investment in housing for the poor as a waste of money, and the poor were, at best, ignored. With decolonisation, new governments became concerned about massive rates of urbanisation and the rapid growth of informal settlements on the urban periphery. They responded by implementing housing programmes aimed at replacing informal housing with higher-quality housing, mostly through demolitions and forced removals.

The realisation that more housing was being destroyed than was being constructed through these programmes led either to more ambitious (and unachievable) production targets or to the lowering of standards and the introduction of site and service schemes (sometimes coupled with a halt in the demolition of informal housing).

The limited impact (and high cost) of these interventions forced many governments to accept the enormous contribution the informal sector was making to national and urban economies in terms of job creation and the provision of inexpensive housing, labour, consumer goods and so on.

Internationally, informal housing is gradually becoming accepted as an important component of national housing stock. In situ upgrading of informal settlements and site and service delivery are now important aspects of housing policies.

In a sense, SA is now being confronted with the same difficult

SA no 'special case', When it comes to housing the poor

BIDAY 13/1/94

MIKE OELOFSE

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ing fiscal flows or through ham-fisted state intervention. What is needed is the establishment of an efficient housing sector, in which the effective demand for housing is expanded and the supply of housing is flexible enough to match demand. A vital contribution is to be made by an appropriate housing policy framework to guide all actors and to establish the ground rules for all.

Following international trends, government and others need to ensure that property rights are secured, that land markets are working, and that all elements of the building industry are working efficiently and competitively.

It would involve the creation of an enabling framework which would bring in the various actors required; the strengthening of (legitimate) local governments to enable them to facilitate the provision of basic services; the creation of the institutional capacity to provide credit to home buyers and self-builders; and, perhaps most importantly, the implementation of a sustainable housing subsidy package that will provide the assistance needed by poor households. An up-front lump sum subsidy seems most appropriate, the size of which would depend on the housing budget.

We also need to be setting up the appropriate institutional structures necessary to absorb existing informal housing into the broader housing market, and to integrate existing informal settlements into the broader urban fabric.

Multi-sectoral approaches to development and the democratisation of housing delivery are essential. This means widening the scope of delivery to mobilise the resources and participation of as many actors as possible (including the state, profit and non-profit developers, collectives and individual households). It also means including existing formal townships, themselves almost as neglected as informal settlements.

No one disputes the enormity of the task. At issue now, though, is the basic outline of an approach. All stakeholders would be wise to consider the alternatives very carefully.

□ Oelofse is Urban Foundation housing policy unit senior manager.

paternalism to control fiscal flow tightly by strictly matching the affordability levels of beneficiaries with the amount of state support received. Furthermore, it enforced private savings (under conditions of high employment) and leveraged these savings with public investment (given a budget surplus).

Would a new SA government be willing and able to control housing standards and enforce household savings as effectively? And would personal savings reach similar levels given high unemployment locally? Are we likely to experience a budgetary surplus?

Interestingly, despite Singapore's successes over 24 years, the costs of maintaining publicly owned stock have, however, led the government to construct housing almost solely for private purchase.

In SA the interim government of national unity will be confronted, on the one hand, with a wealth of international experience on which to draw. This experience tells a tale of caution and of the need to take tough, even unpopular, decisions. On the other hand, it will be faced with a wave of popular demands for acceptable housing for all.

The Urban Foundation argues, along with many other policymakers, that the housing crisis will not be resolved simply by redirect-

shutting out the private sector from the delivery process, since it was unable to compete with subsidised markets. For many households this meant that illegal housing in squatter settlements was the only option available. In Guatemala, it became a prescription for growing budgetary deficits, increased inflation and decreased availability of housing finance.

Another danger lies in the belief that state control over housing markets would allow for the more efficient and politically acceptable allocation of resources. In the former Eastern bloc this had several serious consequences, among them the drastic reduction of labour mobility, with workers being unable to move to new employment opportunities, for example, until they could be allocated new (very scarce) housing via bureaucratic channels.

The experience of Singapore is often cited as a successful case of massive state intervention in the housing market. In the early years of its state-driven housing programme it constructed an enormous amount of public rental housing stock, and did so within its budget constraints.

It managed to do this by using its home-grown brand of authoritarian

choices. With about 7-million to 8-million urban people living in informal circumstances, the formal housing backlog is enormous.

The popular argument that SA is a "special case" enabling it to deal with the housing crisis differently from the rest of the developing world (because of apartheid, or because we are wealthier, better organised, have more skills available, or whatever) is a hollow one.

The argument is based on the assumption that the housing crisis is basically one of misdirected fiscal flows. It implies that securing more resources from the fiscus (with a few prescribed investments thrown in) and tossing them into the housing pot would somehow yield rows of houses in their thousands for the poor.

The tremendous demand from the education and health sectors alone is likely to limit the budgetary allocation for housing. In addition, the international experience should caution us against adopting this simplistic approach. In eastern Europe and Latin America, the provision of overly generous housing subsidies to a relatively small number of households resulted in long waiting lists of hopeful beneficiaries who would never receive their promised assistance.

In Argentina, for example, it led to the drastic decline of the subsidised housing market, effectively

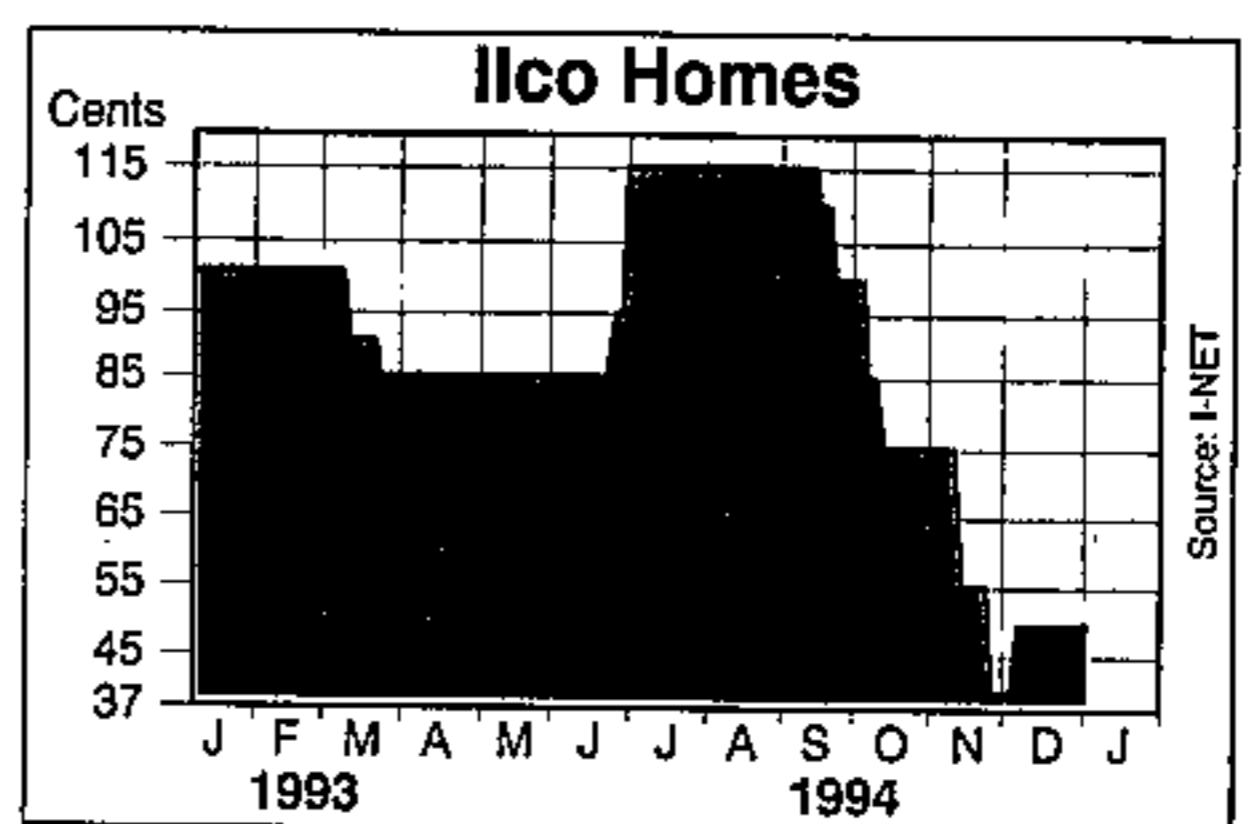
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ginally to R6,1m in financial 1993, turnover climbed 28%. No turnover figure is disclosed so minorities are clueless about margins. CE Jos Demmers says profit would have been substantially higher but for an "inexplicable" court decision against Ilco, the costs of which were taken into the 1993 accounts. He does not say what the court case involved, nor does he disclose how "substantially" the decision affected profit.

Demmers says the standard of living of South Africans has been drastically reduced over the past few years and consequently the affordability of buying houses looks bleak. "Only a drastic reduction in interest rates or an improved subsidy scheme can help the many prospective buyers to qualify in purchasing houses," he says.

No buyers have yet been found for Ilco's minifactories, business village and shopping centre (123)

Ilco remains heavily involved in developing proposals for tracts of land owned by diverse organisations. Demmers says there are positive signs that certain of these developments will materialise soon and could well increase earnings.



These prospects could be clouded by political uncertainty and unrest before April's general election, so Demmers finds it difficult to predict results for this year.

Granted, sooner or later a new housing policy must come into effect. But, as Demmers points out: "The period Ilco is now entering will be the most difficult and uncertain era encountered yet."

The share is inexpensive for the building & construction sector. It carries one of the lowest earnings multiples (2,5) and, at 40c, is only 23% of its 175c listing price. Aside from the results, low tradeability must discourage investment.

Kate Rushton

Fm 14/1194
ILCO HOMES

Little on offer (123)

Activities: Construction and marketing of mass housing.
Control: Directors 92%.
CE: A C Demmers.
Capital structure: 30,8m ords. Market capitalisation: R12,3m.
Share market: Price: 40c. Yields: 49,8% on earnings; p:e ratio, 2,0. 12-month high, 115c; low, 40c. Trading volume last quarter, nil shares.

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	17,8	15,3	25,0	29,9
LT debt (Rm)	nil	0,1	7,3	7,5
Debt:equity ratio	0,45	0,38	0,73	0,74
Shareholders' interest	0,64	0,56	0,55	0,55
Int & leasing cover .	2,4	1,9	2,2	2,0
Return on cap (%) ..	7,6	15,0	14,4	13,6
Turnover (% change) .	(19)	215	(23)	28
Pre-int profit (Rm) ...	4,5	10,9	11,6	12,4
Earnings (c)	8,5	17,0	20,2	19,9
Dividends (c)	7,5	7,5	7,5	nil
Tangible NAV (c)	122	132	145	164

Why did Ilco bother listing in 1987? There has been virtually no trade in the stock for 10 months (directors hold 92% directly and indirectly), earnings have been disappointing and the price stands 66% below NAV.
 While operating income decreased mar-

Footing the cheap housing bill

Special Correspondent

HIGH-RISK borrowers of home loans may have to pay bond rates two or three percent more than paid by "normal" borrowers over the next few years.

This is the belief of Richard Harman, assistant general manager of Board of Executors Merchant Bank.

In spite of the bad experiences of financial institutions in providing housing finance for the low income section of the population, he says they and the business community generally will have to find ways to provide homes for these people.

Government did not have the means to meet the enormous housing backlog on its own, he said.

The risks involved in providing mortgage finance to the poorer sections of society were commonly known and mainly centred on a high level of bad debts and the institutions' inability to repossess the bonded property due to political sensitivities.

The risk-reward relationship of lending to the lower income group was already apparent in the

interest rates that various institutions charge.

For example, the lowest rate currently available in the home loans market was the 14 percent charged by BOE Merchant Bank. But this rate was only possible because the bank targeted its home loans at the low risk, financially secure segment of the population.

In addition, the loans were large and administratively cost effective.

BOE was not the only lending institution to adopt rate differentials.

One of South Africa's largest commercial banks recently announced its prime or low risk borrowers could borrow at 14,25 percent, while normal or higher risk borrowers would be charged interest of about 15,25 percent.

This risk premium had widened from a previous differential of only 0,5 percent and was likely to increase to two or three percent over the next few years.

As this market became more financially competent and a better lending history unfolds, this risk premium could be expected to begin to narrow.

(123) AR4 15/1/94

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SQUATTING

Fm 14/1/94

Coming home to roost

National Housing Minister Louis Shill's attempt to buy government's way out of Durban's Cato Manor squatter crisis seems to have backfired after a disturbing twist.

In contrast to Cape Town City Council's tough line in evicting squatters from 276 homes in Tafelsig, those who illegally occupied 800 empty new houses at Cato Manor have been allowed to stay put by government. Now mobs have driven several Indian families out of neighbouring dwellings which were occupied legally before the invasion.

There are suggestions that this is a direct result of the Minister's allowing the squatters to stay but these are strongly denied by Shill. "Under awkward circumstances, bearing in mind the possible loss of life, the communities have undertaken to resolve the problem. We have not condoned the occupation by people not entitled to those properties," he claims.

There have been reports that police advised the threatened Indian families to move because they could not — or would not, for political reasons — protect them or their properties; and the House of Delegates (HoD), which built the houses, has now washed its hands of anything to do with Cato Manor.

The mob-driven evictions are a sequel to a series of events that began on November 1 (*Current Affairs* November 5) when shack-dwellers from the overcrowded black Chesterville township spilled over the N2 highway to Wiggins Road, Cato Manor — a stretch of largely vacant land of 6 km, laid waste by a succession of Group Areas expropriations, west of Durban.

An estimated 1 200 families are living illegally in the Cato Manor homes. After several unsuccessful attempts to persuade them to vacate, Shill agreed that they could stay until alternative homes are built for them — despite the fact that the houses had already been allocated to Indian families, some of whom have paid deposits.

The DP has lashed out at government by saying the latest development is a direct consequence of the dangerous precedent set when Shill effectively rewarded the squatters for their illegal occupation.

DP Natal Coast regional chairman Mike Ellis says: "While one has sympathy for the frustrations of the squatters, they should never have been allowed to stay on in the illegally occupied dwellings. Instead, alternative land on which to settle should have been provided (as it was in Cape Town). The message sent by allowing them to stay was that they could keep whatever they took and

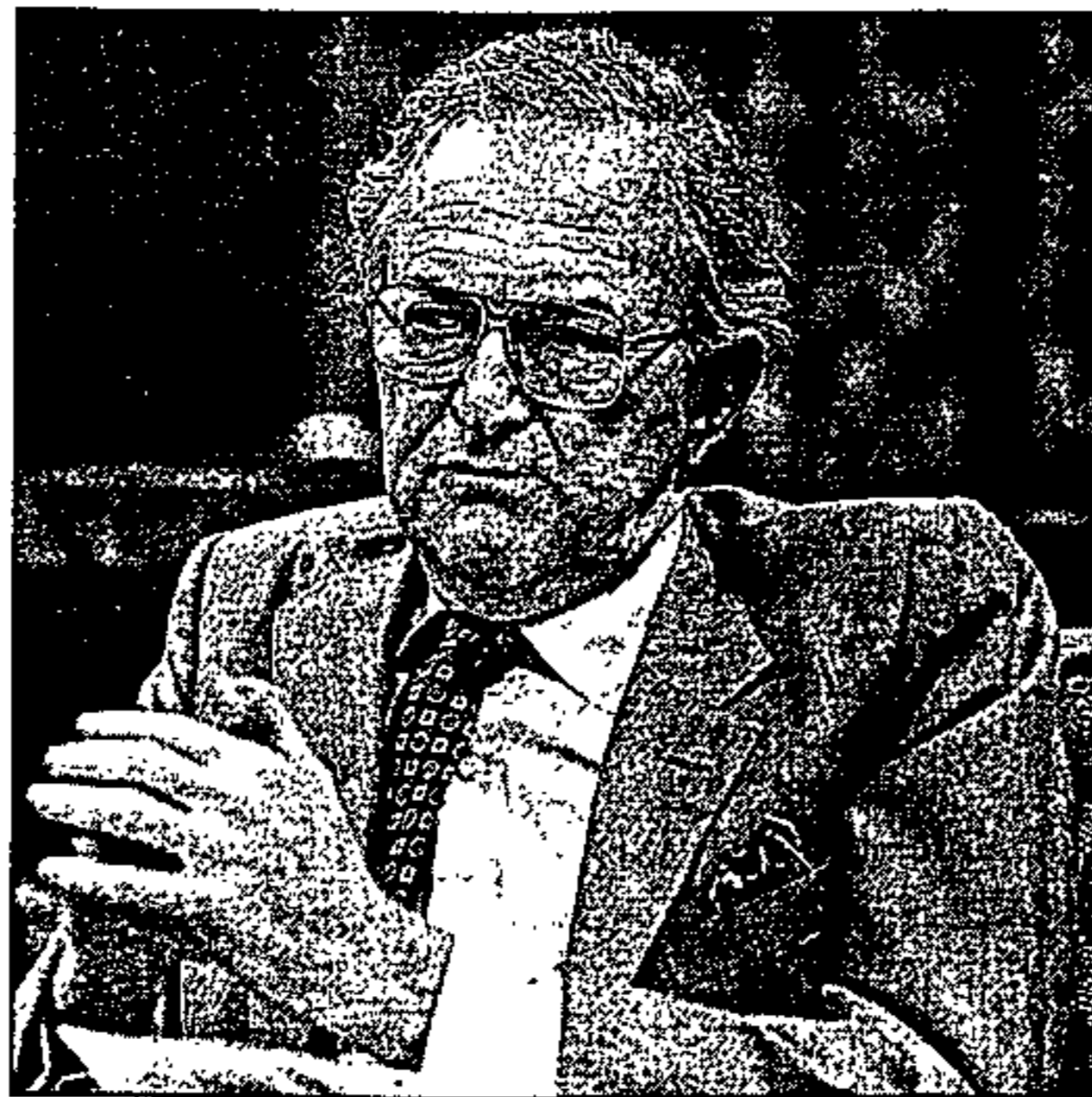
that is what they are doing."

Ellis adds, though, that he is equally alarmed at the alleged responses of the police and HoD to the latest evictions. "We are all entitled to the same protection before the law. If police say they cannot protect properties, or families living legitimately, at Wiggins, they are telling us that nobody is safe and the country is heading for anarchy."

He adds that the HoD's decision not to assist the families, on the grounds that it is no longer involved in the development, is equally worrying. "The fact is that, irrespective of its involvement, we are still living under the tricameral system and the Indian families being forced to flee their homes are constituents of the HoD. It is therefore obliged to assist them."

The HoD and police did not respond to calls from the *FM* on Monday and Tuesday but Shill defends both: "Though there have been reports of four cases of families being intimidated, there is only one on record to the knowledge of the police. I have it from the highest level in the police that immediate remedial action is being taken to prevent recurrences."

He adds: "Obviously, they cannot be in all places at all times. They will, however, respond immediately to anything of this nature. It is policy on our part to ensure people and their lawful possessions are protected



Shill ... "our policy to protect people"

and the HoD was due to meet on Tuesday to see what else it could do to make sure its Cato Manor community is protected."

The one positive aspect of the crisis is that it appears to have kickstarted large-scale housing development at Cato Manor. However, allowing the squatters to stay in the houses was always going to be risky — and it

represented a refusal to defend the principle of private property, without which other democratic freedoms are worthless. ■

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Risk premium on mortgages possible

BIDOM 17/11/94

DIFFERENTIAL home loan interest rates are on the cards. This could lead to high-risk home owners — often township residents — paying at least a percentage point more for their home loans in future.

All SA's major financial institutions have considered differentiating their interest rates on home loans to make them more risk-related. Most have delayed such a move because housing has become such a political and emotive issue. (S) (123)

SA Perm divisional manager Hugh MacLachlan said the Perm had gone the route of differential interest rates on home loans. "We make decisions on interest rates purely on the risk profile of the person, and this does not mean it is only township or squatter residents who pay higher rates. In certain circumstances, potential home owners may pay a rate which is more than a percentage point above the market home loan rate of 15,25%. We obviously cannot reveal how we determine the risk profile of applicants."

However, industry analysts said it was invariably potential home owners in black townships who were placed in the high-risk category because of the instability in these areas. Homes close to squatter camps could also fall into this bracket.

ROBYN CHALMERS

Absa, the biggest operator in the home loan market, had considered introducing a differential rate, but no decision had been taken. Mortgage loans assistant GM Barry Engelbrecht said there were practical aspects to such a move, including how banks assessed the risk of clients.

"Cognisance must be taken of the housing situation in SA. By the same token we must consider whether it is fair for a low-risk home owner to effectively compensate for the high-risk customer. We would like to see rates become more risk-related. Home loans are the only lending instrument where differential rates do not apply but it is a highly complex situation."

Engelbrecht said all the major banks gave concessions to low-risk customers who operated a cheque account and two other accounts with the bank.

A banking spokesman said civic organisations had already said mortgage rates were too high. "We believe that banks will charge a five- to six-point premium on high-risk clients in the long term. We would not consider implementing that at present as we believe there is a real threat

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Mortgages

BIDOM

17/11/94

From Page 1

of a backlash from the civics. Financial institutions collectively have around R8bn invested in the townships, of which one-third is in arrears, and we do not want to jeopardise this further. (S) (123)

JOHN DLUDLU reports that SA National Civic Organisation southern Transvaal deputy president Richard Mda-kane said yesterday civics objected to plans to introduce differential home loan

rates. "Our position is very clear — We want the financial institutions to assist us in increasing access to financial aid for all our people, especially the poor."

Representations would be made to try to block such a move. If these failed, "we will consider embarking on mass action to convince the banks not to go ahead with this discriminatory measure".

Mandela
call to ⁽¹²³⁾
end rent
boycotts
ARU 20/1/94

The Argus
Correspondent

JOHANNESBURG. — African National Congress president Nelson Mandela today called for a campaign to end the rent and service charge boycott in black townships.

Addressing a national summit on local government reform at the World Trade Centre in Kempton Park, Mr Mandela said, to applause from about 2 000 delegates, that the ANC supported the principle that people should pay for the services they received.

"Over the next 90 days we must put this principle into practice by carrying this campaign to all branches of political organisations, to all civic street committees and all local authorities," he said.

But Mr Mandela warned that communities could resort to payment boycotts again if reform was not visible.

He also warned the local government stakeholders at the meeting that if they did not establish legitimate structures, share local resources and upgrade township services, local government would continue to have the same problems as in the past.

Earlier, President De Klerk signed the Local Government Transitional Act, which will be published in the Government Gazette tomorrow and take immediate effect.

Police hunt

Optimism on housing sends M&R price aloft

ROBYN CHALMERS

MURRAY & Roberts (M&R) Holdings' share price has soared over the past seven months, buoyed by prospects of increased spending on housing and SA's infrastructural requirements.

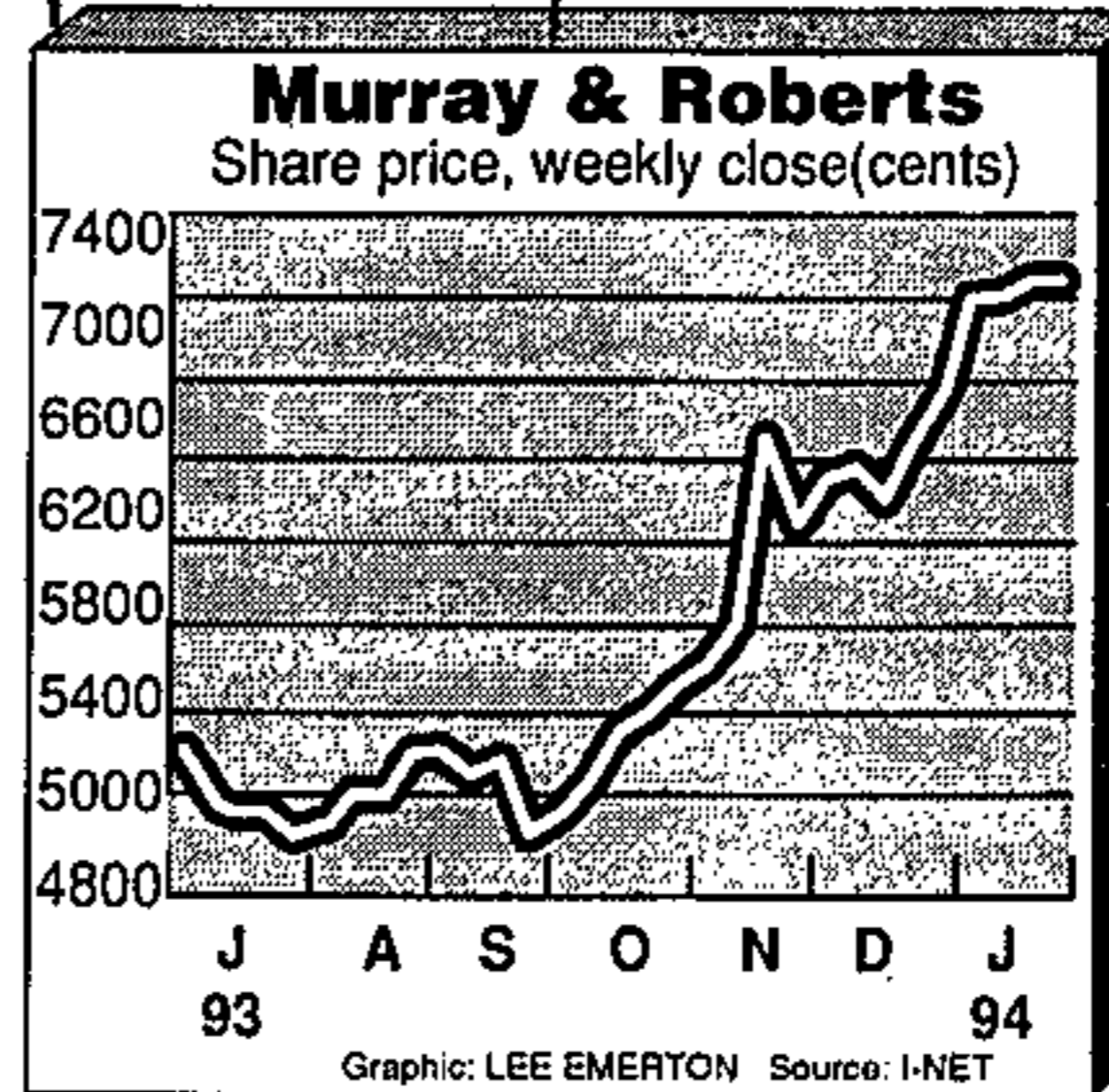
The share has risen steadily from its low of R42 in August last year, adding 2 950c to close at 7 150c yesterday. However, analysts said they did not expect the group to post substantially increased earnings for the year to June. (123)

"It will take some time before there is a marked rise in the number of fixed investment projects coming on stream, so M & R will not see the benefit of this before the next half-year results," said an analyst.

M & R CE David Brink said the organisation had a strong focus towards activities which enhanced the productive capacity of the economy. This included infrastructural development and the provision of industrial, commercial and residential shelter.

"The financial year to June 1994 is likely to be as great a challenge as were the 1992 and 1993 years. The group is budgeting to increase pre-tax operating earnings but will not enjoy the one-off tax break of 1993.

"This will probably mean a reduction of attributable earnings and consequently of



earnings per share," said Brink.

The company's core business includes construction — encompassing the supply and manufacture of building materials — engineering, properties and the manufacture and distribution of spare parts for the motor vehicle industry.

The group has had a long-term strategy to increase its holdings in the gross domestic fixed investment sector.

The group's price:earnings ratio stood at 13,37 yesterday, compared with comparable share Barlows' p/e of 10,19.

'End rent boycotts'

Star 211194

Mandela asks townships to pay up

123

BY JACQUELINE MYBURGH

ANC president Nelson Mandela yesterday called for an end to the 10-year township rent and service charge boycott that has left the country's local authorities with an arrears bill of R1,84 billion.

Mandela's public call, in front of about 2 000 delegates to the national summit on local government at the World Trade Centre, adds the seal to an agreement reached by the Local Government Negotiating Forum last December.

It is believed that by adding his voice to the agreement, Mandela will encourage residents to respond and resume payment immediately.

The calling off of the boycott was given added impetus when Mandela and President de Klerk signed an agreement marking the restoration of "legitimate" and non-racial local government in South Africa, shortly before noon.

Delegates to the summit were also asked to sign the agreement on finance, services and service rendering which commits them to the normalisation of local government.

A few minutes earlier, De Klerk had for the first time signed a law into existence in public. The Local Government Transition Act will be published in the Government Gazette today and takes effect immediately.

Mandela was enthusiastically applauded as he announced the launch of a campaign to end the rent and service charges boycott.

"We support the principle that people should pay for the services they receive," he said.

Over the next 90 days until April 20 — during which all local authorities will have to establish non-racial structures

FW, Mandela sign agreement marking of the establishment of non-racial local government in SA

— this principle had to be put into practice and local government education campaigns should explain to all communities what lies ahead, he said.

However, Mandela indicated that the boycott could be resuscitated if local authorities did not play ball.

"If the local government stakeholders gathered at this summit today do not pay attention to the other parts of the process, namely, establishing legitimate structures, sharing local resources and upgrading services, then local government will continue to suffer the same problems as in the past," he warned.

The township service payment boycott enjoyed the strongest support in the Transvaal townships.

Huge debts

It served as a tool for UDF-aligned civic associations to bring down black local authorities set up by the Government as part of the failed constitutional dispensation established in 1983/4.

The boycott not only led to a huge debt accumulating, but also to collapse of the black local authority system.

Speaking after Mandela, De Klerk suggested that certain white local authorities were in a position to contribute towards restoring neglected black municipal services.

He said the ending of the

boycott would help pay the debts currently facing townships and would have an enormous impact on local authorities' cash flow.

"But it is a matter of debate whether that will be enough to redress the legacy of the past. I do not think so," he said.

"Something more will be needed and I believe there are many local authorities which are in a position to make substantial contributions. For the sake of peace and stability I believe they should do so."

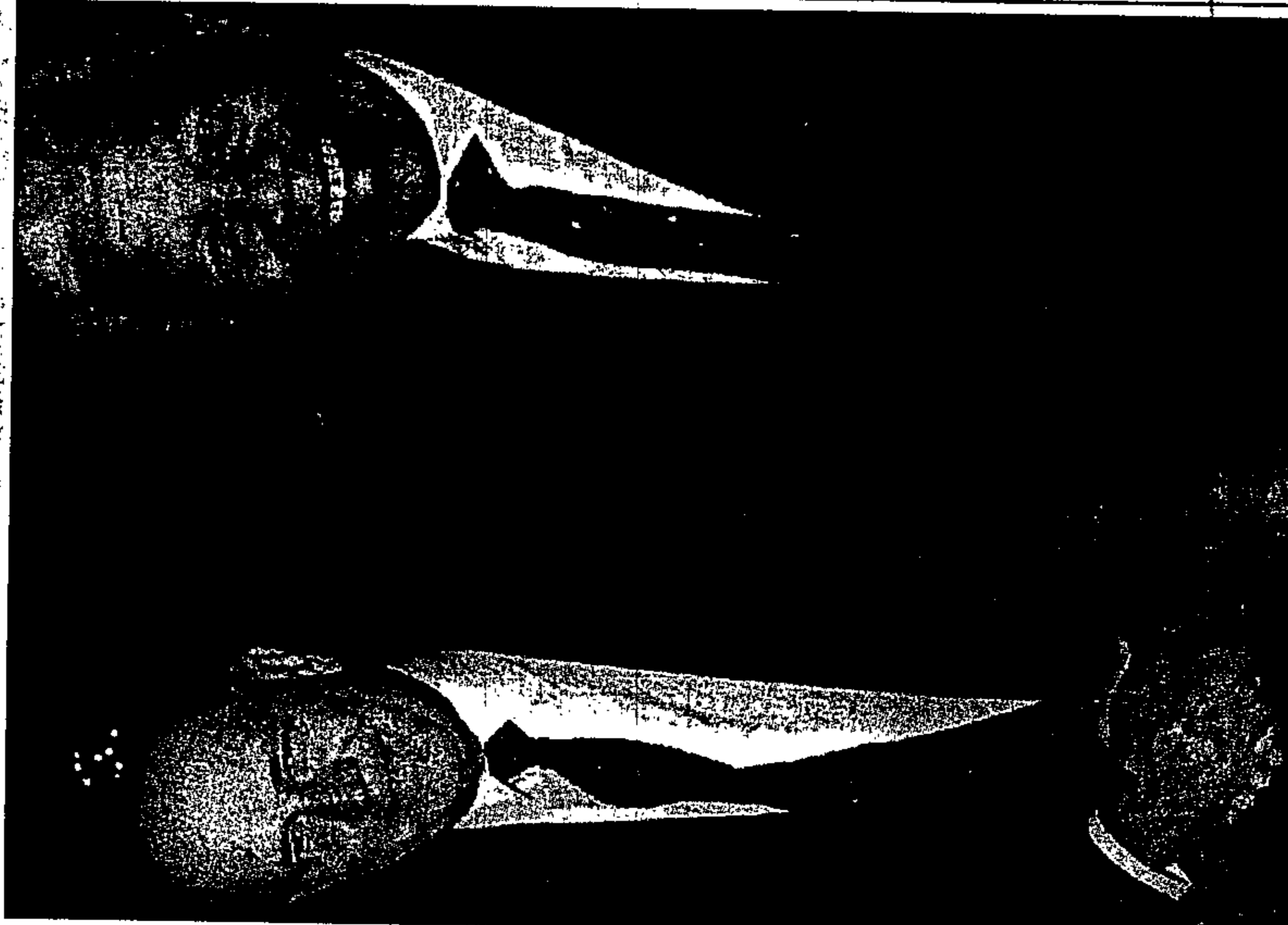
He said the primary responsibility for the provision of services was vested in local government, although financing, planning and implementation of some programmes would require regional and national support.

De Klerk said individual authorities would have to decide how they would handle the payment arrears affecting their areas — the Government did not have the authority to write off the total debt of R1,8 billion.

Responding to the ending of the payment boycott, Eskom welcomed the move and said local government had a tremendous challenge ahead of it in providing electricity and other services to communities.

Local Government Minister Tertius Delpoort warned that the provincial administrator could dissolve town councils and introduce alternative structures if they refused to accept change. He was apparently referring to CP-controlled authorities who have vowed to remain white.

ANC secretary-general Cyril Ramaphosa said his organisation would not tolerate a situation where racially based local government structures were maintained and minority groups controlled resources.



All smiles . . . President de Klerk and Nelson Mandela shake hands at the World Trade Centre after signing the Local Government Transition Act yesterday. PICTURE: AFP

FW wants whites to help pay debts

Mandela calls for an end to rent boycotts

BIDON 211194

(123)

ANC president Nelson Mandela yesterday called for an end to the decade-long rent and services payment boycotts that he said had been one of the most effective weapons against segregated local authorities.

The time had come for people to begin paying for services that would be provided by transitional local authorities.

"We support the principle that people should pay for the services they receive," he said to loud cheers from more than 1 500 delegates at the World Trade Centre national summit on local government.

President F W de Klerk warned the summit that government could not be expected to meet huge local authority debts, accumulated partly as a result of boycotts, and the new joint councils would have to find their own methods of dealing with the debt. Formerly all-white areas would be expected to make sizeable contributions to solving municipal financial problems, he suggested.

Mandela said that over the next three months the payment principle would be put into practice through campaigns conducted by township political organisations. Street committees, civic associations and other bodies would be involved in education campaigns to explain the changes that lay ahead.

Boycotts had been a justifiable way of opposing a system that unfairly distributed resources and propagated a culture of non-delivery of services. However, the enactment of the Local Government Transition Bill, as well as the agreement on finance, services and service rendering, had pro-

GAVIN DU VENAGE

vided a framework for democratic local government.

The poor and unemployed would not be penalised and would be able to apply for relief measures.

Mandela warned that ending boycotts depended on the establishment of democratic structures, development and the provision of services in townships.

De Klerk said local authorities would have to find their own solutions to the problems raised by the R1,8bn debt that had resulted from boycotts. While the end of boycotts would have "an immense impact on the cash flow of local authorities", it would not be enough to redress the legacy of the past.

Infrastructure was in a state of general decline and tremendous backlogs existed in many communities. It was important that local authorities with the means to do so assisted those without resources.

"Something more will be needed and I believe there are many local authorities that are in a position to make substantial contributions," De Klerk said.

Government would assist through inter-governmental transfers, but responsibility for debts would rest with municipalities.

Local Government Minister Tertius Delpoort said government could do nothing about the debts. It was up to local authorities to negotiate possible debt write-offs.

The summit was called by the Local Government Negotiating Forum to publicise the Local Government Transition Act — which became effective yesterday — as

□ To Page 2

Boycotts

BIDON 211194 □ From Page 1

well as Chapter 10 of the interim constitution, which deals with local government. It was attended by representatives of civic associations, trade unions and local authorities around the country.

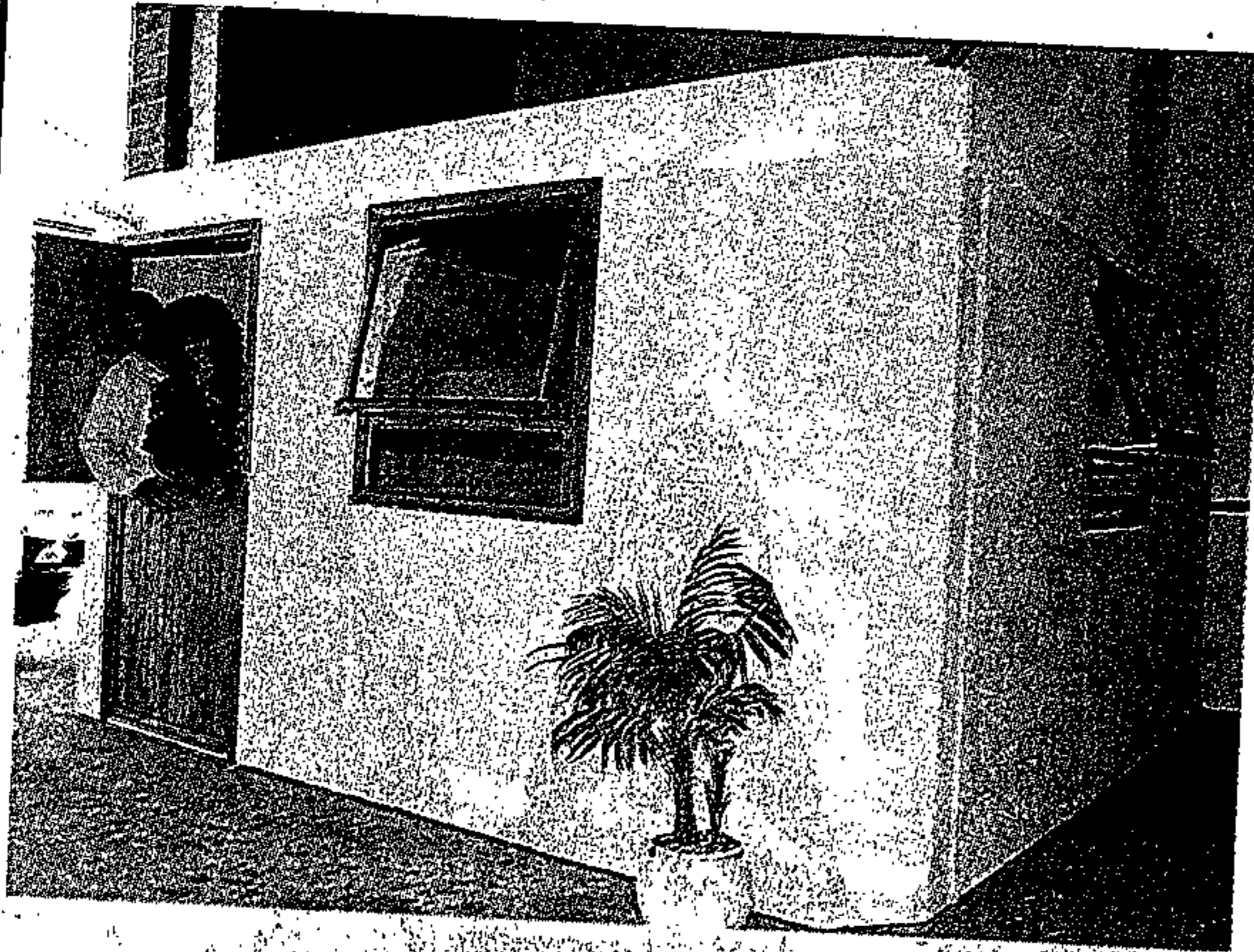
De Klerk signed the Act into effect during the summit, the first time that an Act of Parliament has been signed in public.

Its enactment gives local authorities 90 days to form negotiating forums that will

be the forerunners of nonracial local government. Councils and civic associations will form the forums, but if they fail to do so the Act gives provincial administrators the power to impose forums on areas.

Transitional councils should be functioning by midyear and local elections are tentatively scheduled for October.

● Picture: Page 3
● See Page 4



Picture: BRENTON GEACH, The Argus.

THE HOUSE THAT BART BUILT: Spectra Design director Bart Waagenaar and his wife, Vivienne, show off the glass fibre house on offer at R2 999, including tax.

Cape designer offers house in glass fibre for R2 999

Staff Reporter

A MONTAGU Gardens design company has come up with what it believes could be the answer to low-cost housing in the Western Cape.

Priced at R2 999, the basic 16 square metre glass fibre structure comes complete with two wooden-framed windows and a stable door.

"We saw all those people suffering in their tiny shacks in the squatter camps and thought we could provide something better," Spectra Design director Bart Waagenaar said.

A larger, 36 square metre structure, with two bedrooms, a bathroom and a kitchenette is also available, at just under R10 000.

Mr Waagenaar said glass fibre had the advantage of not corroding and required little, if any, maintenance.

The units are insulated and are fitted with a roof vent. They are expandable in any direction.

Mr Waagenaar said his product could be used as garages, holiday huts or garden sheds — apart from living quarters — and was guaranteed for two years.

● In his opening address to the Low Cost Housing Conference in Pretoria yesterday Minister for National Housing Louis Shill said: "We have it in our hands to undertake substantial national homebuilding programmes with all the ancillary benefits." (123)

ARG 26/1/94

R1bn house giveaway starts soon

KATHRYN STRACHAN

GOVERNMENT is set to launch its plan to give away nearly 400 000 houses in townships across the country.

The scheme applies only to houses worth less than R7 500.

If all the present tenants took up the offer, the value of the concession would total more than R1bn, National Housing Department spokesman Johan Oosthuizen said.

The start of the plan was signalled in a Press advertisement at the weekend announcing that people living in townships could apply to have their houses transferred to them free of charge.

More than 60 000 houses would be available for transfer in Soweto.

Oosthuizen said no further funds would

have to be made available because the houses had all been built long ago, and the repayments were no longer necessary.

Tenants could begin applying for transfers immediately, he said, and if there were no administrative complications, tenants could take over the ownership of their houses within weeks.

The plan, approved by the Cabinet last October, has been delayed by various technical problems. The initial plan to transfer ownership of houses has been extended to cover residential building plots, flats and other categories of home owners who have not yet fully repaid their housing debts to the state.

Too much planning could delay housing, Shill warns

BIDON 26/1/84
HOUSING Minister Louis Shill has warned against "over-processing" in building new structures and devising financing plans to combat the housing crisis, saying this could delay action in solving the crisis.

Addressing a low-cost housing conference near Johannesburg yesterday, he said the "legislating, planning, staffing and development" of a complex system would probably hold back housing for years.

He said a new subsidy and insurance scheme could provide an immediate answer to allocating funds through the recently established National Housing Board and regional housing boards from as early as next month, without waiting for the "ultimate financial structure".

(123)
Government would urge everyone to support its initiatives and would, in turn, do everything in its power to ensure that its proposed structures would conform with a broader framework.

Shill said details of a new housing endowment scheme, to replace the existing

GRETA STEYN

subsidy schemes, would be announced in the near future. Government policy would ensure the subsidy scheme — enhanced by private finance — would provide for a minimum standard of housing. It would be uniformly applied for all communities.

A large number of home owners could be expected to obtain mortgages once the banks could be satisfied that, as lenders, they did not face abnormal risks. Others would not qualify for any mortgage gearing and would depend solely on the subsidy for obtaining housing.

Sources said the NHF and government had agreed on a R12 500 subsidy for low-income earners — a move towards providing more than basic site-and-service housing which at present costs R7 500.

Shill was satisfied the financial needs of the housing sector could be met out of available resources and within budgetary and macroeconomic constraints.

New housing endowment plan

The Argus Correspondent

JOHANNESBURG. — A new, universal housing endowment scheme, as well as a plan to insure mortgage lenders against political risk, could be in place as early as next month, according to National Housing Minister Louis Shill.

Speaking at a conference on financing low cost housing, he said existing subsidy schemes would be replaced with a new housing endowment scheme evolved in conjunction with the National Housing Forum (NHF).

This subsidy would be applied on a uniform basis for all communities, and would provide for a minimum standard of housing.

NHF co-ordinating committee chairman Matthew Nell said the subsidies would be specifically di-

rected to end-users, whether they were buying into a housing project or making an individual purchase of an existing home.

Mr Shill said the subsidy would simply categorise borrowers by income and cost of improvements.

The government foresaw that certain of the lower categories would have to rely on the subsidy only, as they would not qualify for mortgage finance.

However, a large number of people in the market for low cost homes were expected to obtain mortgages if the banks could be satisfied that, as lenders, they did not face abnormal default risks arising from political and civil instability and consequent unemployment.

And, said Mr Shill, this was

precisely the function of the proposed mortgage indemnity insurance scheme.

It's aim would be to make the business risk of granting a mortgage loan over a formal house similar, regardless of race, income, geographic or economic location.

It was probable that a premium of less than 0,5 percent a year of the outstanding loan be charged, but a final figure would only be determined when the final terms of the policy were agreed with lenders.

However, it was envisaged that the premium be charged on all new mortgage loans, with a possible cap of around R100 000, when a borrower would be eligible but not obliged to take the insurance.

123 ARG 26/1/94

Stocks strategy now paying off

BY STEPHEN CRANSTON

A strategy of creating quality turnover is paying dividends for Stocks & Stocks.

Turnover rose just 2,7 percent to R630 million in the six months to October, but attributable earnings jumped 16 percent to R4,85 million.

The interim dividend has been lifted by 20 percent to 3c.

Group MD Bart Dorrestein says the tender market for construction projects has been very competitive, so more of the group's work has focused on its own developments.

Stocks is still expanding its interests in tourism by building a hotel at the Victoria & Alfred Waterfront, Cape Town, which it will own.

Stocks is also considering building a five-star hotel at

Sandton Square because of the huge shortage of five-star rooms in Johannesburg.

One of the drains on profitability last year was the roads division, which lost R13 million on two major projects. The losses have now been stemmed.

Stocks is SA's largest home builder. It recently launched the Homes for Africa project on the East Rand in which it uses jobless people to build their own houses, giving them new skills and ultimately making them employable.

At 155c, Stocks sits on a P/E ratio of seven. The share is trading at a 31 percent discount to net asset value of 224c. Given its range of activities, and its achievement of real earnings growth, the share looks underpriced.

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CONSTRUCTION INDUSTRY

Fm 28/1/94

Hoisted to new heights?

123

After years of declining activity — during which employment and the number of registered contractors shrunk by about a third in 10 years — the building industry finally looks poised for a recovery.

The latest indication that the sector is on the mend is to be found in the fourth quarter 1993 report by the Bureau for Economic Research (BER) which shows that both contractors and building professionals, such as quantity surveyors and architects, are more optimistic now than they've been for many years.

Workloads, they say, began to pick up in the last quarter and they expect that momentum to be sustained in the current quarter. Most optimistic are quantity surveyors — who are beginning to take on more staff — and residential building contractors.

Building Industries Federation (Bifsa) executive director Ian Robinson says builders were in an ebullient mood at the start of the new year. What caused the excitement, he notes, was the announcement by the national housing authorities that around 300 000 new houses a year could be built over the next five years.

“Government seems to be committed to this target, though it could be a while before the building industry gears itself up to produce houses at this rate. Consequently, we believe the programme should be stretched over seven to eight years rather than five.”

While housing will obviously be the prime focus of activity, Robinson believes the “multiplier” effect emanating from attempts to address the housing backlog will soon ripple through to other sectors of the industry.

With offices, shops and factories in adequate supply, private sector development is expected to remain sluggish (the Reserve Bank *Quarterly Bulletin* noted that fixed investment in nonresidential property declined by 19,8% in the third quarter last year). Robinson expects that most of the new work will come from the State's community upliftment programme which is likely to include the building of schools, hospitals, clinics and community centres.

A downside, though, for those who commission building work is that the improved demand for builders' services is likely to cause building costs to rise. The BER says it has already detected a weakening in the degree of tendering competition among contractors (see graph). In 1992 its building cost index increased by only 3,1%. The average increase for the first three quarters of last year was 5,3% with the fourth quarter increase at 6,4%.

The improved outlook is obviously good news for contractors. The BER expects them to use the decline in tendering competition to increase their margins. In addition, their order books have been lean for the past few years and they've built up considerable spare capacity which should allow them to expand quickly should the need arise.

However, it's possible that building material manufacturers have not been that forward-looking and they could find it hard to keep up with demand. For example,

Robinson estimates that building 300 000 houses a year will consume 5 700 t of putty annually. While he expects most material suppliers to be able to cope with the increased demand stemming from the accelerated building activity, there could be a few areas where critical shortages develop.

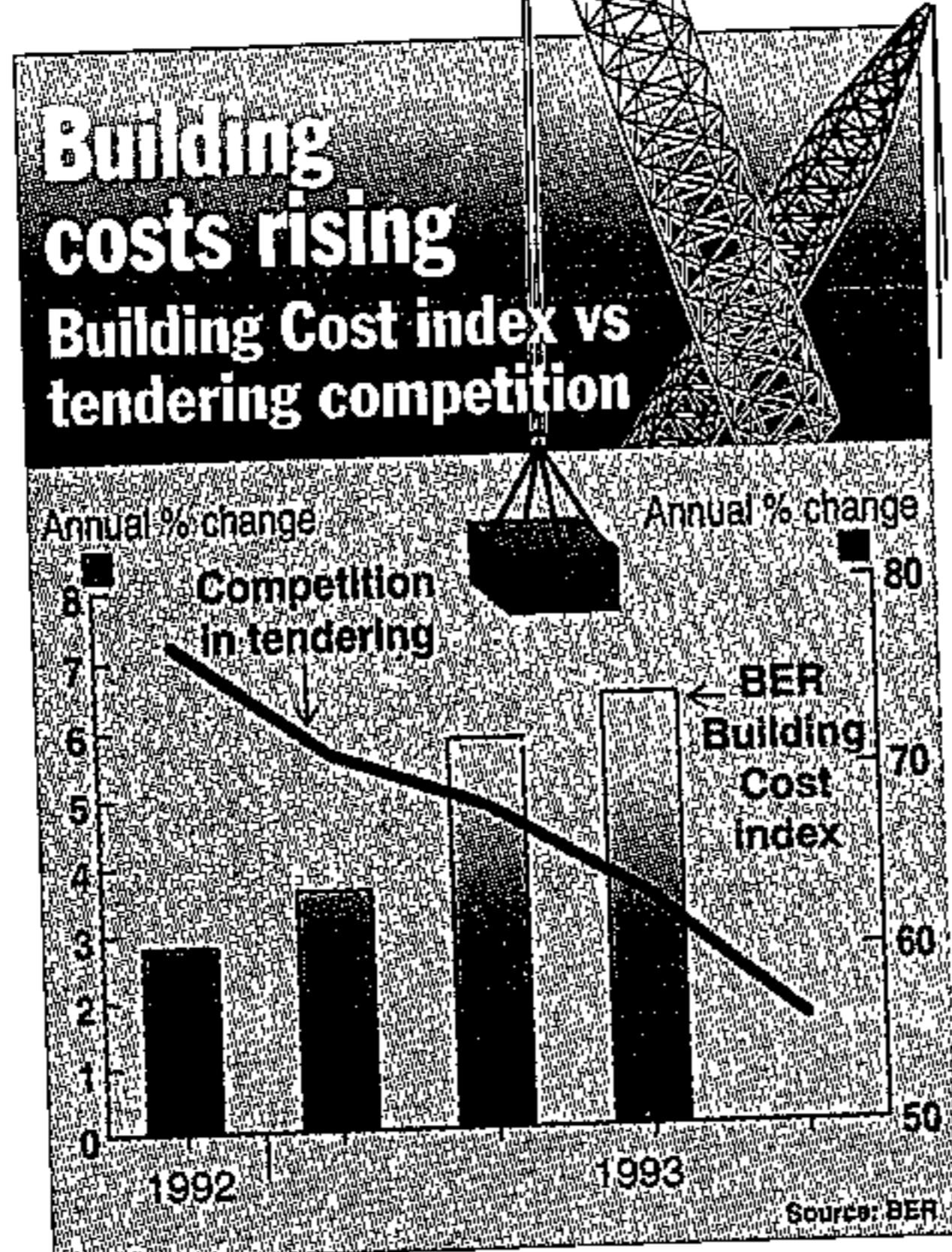
One obvious area where there could be problems is in finding sufficient skilled labour. The industry has contracted over the past few years and many skilled artisans

are working in other types of jobs.

A spokesman for the Clay Brick Association, Mike Wilkins, notes that in 1992 there were only 22 people enrolled for Bifsa's three-year apprentice training courses — a number which he regards as pitifully inadequate.

In addition, many Bifsa training centres are closed because of a lack of suitable applicants and proper commitment from the federation.

Robinson admits that the shortage of manpower is a growing concern. “We would need around 15 000 trained bricklayers in this country to meet the medium-term needs of the construction industry. No way do we



Strike hinders end to boycott

JOHANNESBURG. — The eagerly-awaited end to the 10-year-old rent boycott did not materialise in greater Soweto yesterday because residents who went to pay found the municipal offices deserted — the entire workforce was on a pay strike.

South African Municipal Workers' Union (SAMWU) members in Diepmeadow city council were in the third week of their strike while Soweto and Dobsonville workers began theirs yesterday.

Workers in the three councils were collectively owed about R25,4m through the councils' failure to implement increases promised over the past two years, according to SAMWU. (123)CT2/2/94

Witwatersrand Metropolitan Chamber chief executive Mr Vic Milne said that the money was available but an agreement to advance it had not been signed by all 18 parties in the chamber.

The few residents who answered the call to end the rent boycott yesterday found township administration offices closed.

Some residents, such as those who came to pay at the separate Eskom office in the Diepkloof administration premises, did not even know the boycott was over, indicating that the back-to-pay call had not been well-communicated in some areas.

focus on housing

Sowetan 8/2/94

SOUTH Africa has a housing and services crisis so severe that a Herculean task is required to solve it. And that is what the Reconstruction and Development Programme is all about.

We have worked for many months to determine what policies the Government of National Unity should adopt in May.

Unlike the other political parties, the ANC has come up with clear convincing answers.

There may be as many as three million families without decent housing at present, plus another 200 000 families requiring shelter each year.

Most homes are without water, sanitation and electricity.

Expectations are high. But the ANC, Cosatu, Sanco and the Mass Democratic Movement aim to address these shortcomings in a sustained way. At minimum, a million low-cost houses should be constructed in the first five years of RDP, and these will be specifically targeted at low-income households.

How do we aim to do this? First of all we must stress that the Government will not be alone in this endeavour. The private sector and civil society have important roles to play in expanding housing delivery and financing capacity.

Affordable housing

For the first time Government will allocate enough money from the budget — to reach a target of 5 percent by 1999 — so that the houses built will be affordable for ordinary people.

This should effectively address the housing crisis we have faced over the last few years.

It must be pointed out that interest rates shot up to high levels in the 1980s, causing many defaults on bonds (far more than any bond boycott). There was no protection when homeowners were retrenched and couldn't afford to pay their bonds. Finally, the Government and its agencies gave up building houses for blacks, leaving people in shacks and toilets-in-the-veld.

"The RDP endorses the principle that all South Africans have the right to a secure place to live in peace and dignity. Housing is a human right."

We say a house must provide protection from weather. It must be a durable structure and offer reasonable living space and privacy. A house must include sanitary facilities, storm water drainage, a household energy supply like electricity and convenient access to clean water.

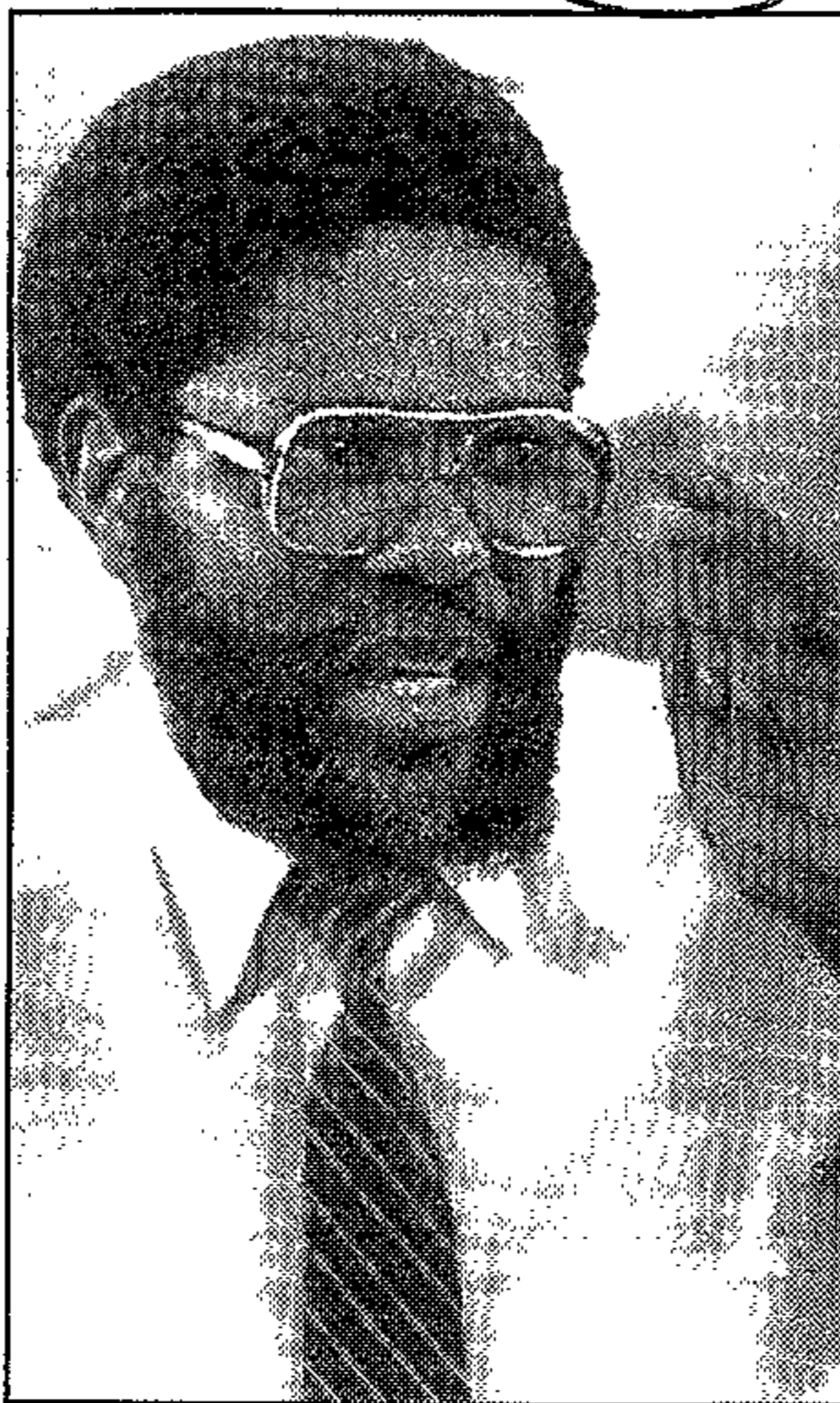
In addition, the new government must promote and facilitate women's access to housing and help to ensure that community design is important. The RDP will also ensure that women will never be discriminated against in getting ownership of a house.

Rural housing is also a priority. So is upgrading and integrating hostels into our communities.

But we do not believe the State alone has a monopoly on housing knowledge and implementation. Those of us active in community-

The Reconstruction and Development Programme endorses the principle that all South Africans have the right to live in peace and dignity. Housing is a human right. **Moses Mayekiso**, president of the South African National Civics Organisation, explains the strategy to achieve this:

123



Moses Mayekiso.

based organisations such as civics have a responsibility to help in planning, construction and other aspects of housing delivery. To do so we will also expect more training, skills upgrading and financial capacity from the new government.

Who will pay for all of this? First, the democratic government is committed to assuring that decent housing is affordable to all of us. This would be made possible through a government contribution called a "subsidy". The subsidy would be generous enough so that we are not left with simply shacks and toilets.

The incoming government will expand the budget allocation to housing subsidies. Within five years we will be spending 5 percent of the budget on housing which will help put us in line with international standards. This is about four times higher than what the NP has been spending. However, we must guard against those subsidies going to wealthier people who can afford to buy a house or speculators who want to make a quick buck.

Resources from financial institutions will be

“The new government must promote and facilitate women's access to housing and help to ensure that community design is important”

just as important. One way to finance the new housing is to get our pension funds channelled through a National Housing bank and invested in projects that would receive a market rate of return. And a guarantee fund would make sure these monies are not at risk.

In addition, housing loans from banks must become more readily available and banks will be prohibited from discriminating on the basis of race, gender or area. Once housing is affordable and residents are protected against defective construction, there should be no basis for further bond boycotts.

The RDP draws a close link between the provision of affordable housing and job creation. Our position is that housing must be constructed by small and medium entrepreneurs who abide by a code of conduct that protects the consumer. And building material must be secured from local companies and co-operatives, not just from the big monopoly companies. If big companies charge extremely high prices for building materials, then government will institute anti-trust laws. This aids the development of small business and opens doors for employment opportunities.

All of these provisions are the framework for a housing policy. In short, we have the beginnings of a brand new approach to community development. No more apartheid townships. The RDP offers a real chance to meet our basic housing and other needs and the building of a vibrant economy.

All South Africans — whatever our political affiliations — must join this process.

Call to enforce housing funding

B/Say 9/12/94

THEO RAWANA

PRESCRIBED investments, in which financial institutions would be forced to invest in low-cost housing, should be used to get this sector to enter into risk, Building Industries' Federation of SA (Bifsa) executive director Ian Robinson said yesterday.

Addressing the African Business Round Table (ABR) conference in Johannesburg, Robinson said it had become obvious these institutions, sitting on assets of about R700bn, "will accept nothing less than a 100% guarantee if they are going to once again invest in low-income housing in SA".

This was in spite of a great number of initiatives from a host of organisations that were trying to find a formula for risk reduction.

ABR is an Abidjan-based association of business leaders which, with a membership in 36 African countries, recently opened its doors to SA businessmen.

Its aim is to promote private enterprise, attract foreign trade and foster trade between African countries.

Robinson said Bifsa, with the help of the Fedsure Group and Investec Merchant Bank, had produced a working model to demonstrate the leverage that could be obtained using government funds to obtain private-sector financing.

"For some strange reason people are not interested in listening to our

message and listening to our thoughts.

"We fear that the real reason is politically motivated and that those who can offer solutions to this thorny problem are looking to make political expediency out of the political solutions.

"In our view, should the private sector not be able to enter into risk in the provision of finance for low-income housing, then the government has a simple solution and that is prescribed investment."

He said a small percentage of the R700bn assets should be allocated to housing to solve the housing problem.

The problem this would create for pensioners and potential pensioners was minor compared to the salvation this would present for the whole country.

Robinson also called on employers in the building industry to make immediate commitments for investment in basic adult education, and entrepreneurial and skills training, to enable the industry to cope with demands for housing.

"It is absolutely essential that the formal building industry joins hands with the informal industry to create alliances and joint ventures in order to achieve this potential programme," Robinson said.

Bank will ease housing backlog

THE Community Bank, to be launched in April, is expected to make inroads into the estimated 1,3-million housing shortage, but can not hope to eradicate the backlog, says MD Archie Hurst. (55)

Lack of financial institution funding has been one of the major obstacles to building low cost houses in black areas. More than one third of the R8bn invested by banks in affordable housing is estimated to be in arrears, making financial institutions reluctant to forward further finance without guarantees.

The formation of the Community Bank, which was allowed with the publication of the Mutual Banks Bill in Parliament late last year, followed a detailed investigation by the Community Banking Trust under the chairmanship of Ellen Khuzwayo.

The investigation was supported and assisted by the Council of SA Banks, whose leading members include Absa, Stanbic, First National Bank and Nedcor.

Although the bank was expected to bridge the gap between the formal banking sector and communities, Hurst told a banking conference last week its role should not be overstated. The bank's total advances were unlikely to exceed R3bn by the year 2000.

"This means that the bank cannot hope to satisfy the needs of millions of people who require access to the kind of banking services that will allow them to participate in property ownership," he said. (123)

The Commercial Bank would continue to investigate ways of becoming more active in the low cost housing sector, but government participation would be vital as well.

Industry sources estimated that R32,5bn would be needed if the housing backlog was to be eradicated immediately, taking an average unit cost of R25 000.

Hurst has said the bank would be launched with capitalisation of R200m, and would have two distinct arms — community banking and a Community Bank Foundation.

The foundation would initially be grant funded by overseas agencies to the tune of R4m.

It would be an independent entity assisting the bank by paving the way for the establishment of branches in community areas.

Start-up products would be aimed at low income communities in order to mobilise savings and provide housing finance to this sector of the population, said Hurst.

ANC plans to build a million houses

By ANTHONY JOHNSON
Political Correspondent

THE ANC planned to build one million houses over a period of five years, ANC leader Mr Nelson Mandela told an election rally in Cape Town yesterday.

"This plan includes building houses for the coloured community in the Western Cape," he told 6 000 cheering supporters in Retreat.

Emphasising his regional election campaign message that an ANC-led government would look after the needs of coloured

people, Mr Mandela said special attention would be given to the areas of jobs, housing, education, affirmative action, pensions, education standards, small business support and property rights.

Coloured people account for almost three fifths of Western Cape voters.

At the Retreat rally, which served as the highlight of the ANC's four-day election drive in the Peninsula, the ANC received the backing of a number of prominent personalities including boxer Derek Whiteboy, soccer star Duncan Crowie and beauty

queen Amy Kleyrhans.

Mr Mandela stressed the ANC's affirmative action programme did not apply only to African people but to all those who had suffered discrimination in the past — including coloured people.

The ANC would ensure that job creation and the assistance of small business enterprises in this region would be a priority.

Turning to housing, Mr Mandela said many Capetonians had been paying rent to the city council and divisional council for more than 30 years and now deserved to own

them.

He urged councils to negotiate with community representatives to transfer them.

Rumours that people would lose the top floor of their homes when the ANC came to power were false, he said.

Departing from his text, Mr Mandela said there were some people who believed they must be "given" their own land. "That will not happen. We will not give away any part of South Africa to any ethnic group, whether black or white," he said to extended applause.

Moving to the education arena, Mr Mandela again struck a responsive chord when he said the ANC would not allow education standards to be lowered.

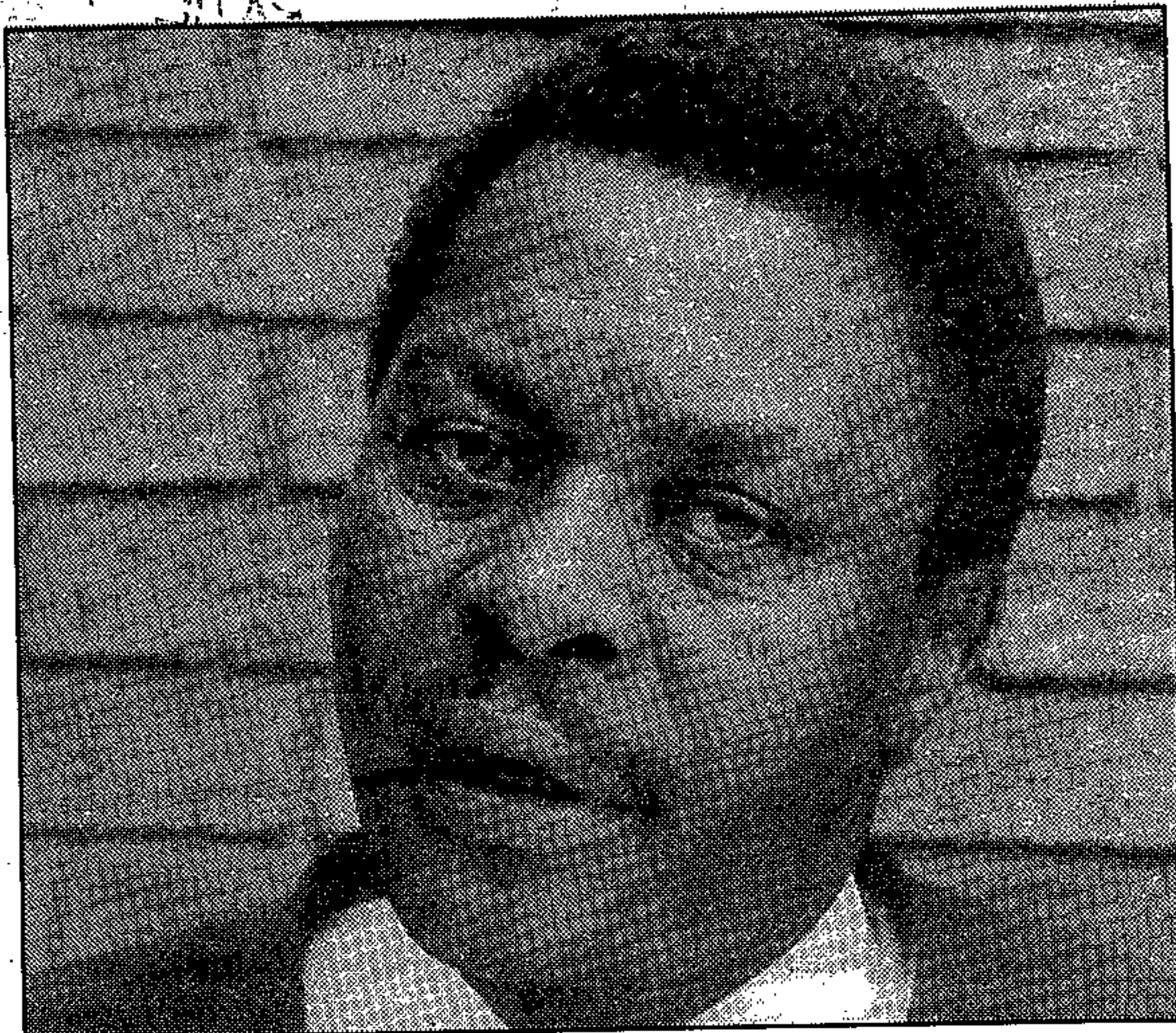
He promised to improve teacher salaries and teacher training schemes, double the number of text books, increase and modernise schools, provide a national bursary and loan scheme to students and extend pre-school education.

He said it was "madness" that teachers were being retrenched.

● Picture — Page 2

CT 14/2/94
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NEWS FEATURE *Housing bonanza*



Manas Shole

US to give R3,5 billion

Sowetan 15/2/94

■ AID PACKAGE *To encourage the creation and expansion of viable enterprises:*

By Joshua Raboroko

THE UNITED STATES PLANS to make available about R600 million dollars for the development of business and affordable and low-cost housing projects because opportunities here "are immense".

A company from the US has opened business in Sandton, and joined forces with black entrepreneurs to construct housing projects throughout South Africa.

In another development the US government has officially confirmed in Washington that it is preparing an aid package, about R300 million dollars, to assist South Africa's transition to a broader democracy.

Both funds will provide loans, grants, equity investments, technical assistance and training to encourage the creation and expansion of viable enterprises.

Affordable housing

The US company, known as Goin' Home Inc, whose trademark is Flexxon, will be developing affordable and low-cost housing projects in an attempt to reduce the backlog in South Africa.

The company has joined forces with Consteen Brickworks (Pty) Ltd of Lanseria near Johannesburg and it is expected the South African housing market will experience a boon as a result of the investment.

The first partnership deal clinched is with Soweto's manager of Medicos Haircare Products Manufacturer, Mr Manas Shole, who is also a property enthusiast. Shole says: "We strongly applaud the movement toward greater involvement by the US company in helping the disadvantaged communities.

"We will seek to identify and support the development of collaborative programmes to promote networking and the sharing of institutional capacity to alleviate the critical shortage of priority areas," he adds.

Consteen's co-ordinating manager, Mr Peter Bloom, says: "We want to respond to the growing need throughout the country for jobs, and support efforts to ensure that people at the low and middle levels of the society share the benefits of economic growth."

With the shortage of affordable homes at present and the ever increasing demand for

housing, the Flexxon building system is certainly leaping into the future to alleviate the plight with this unique concept.

The public relations officer of the South African Housing Trust, Mr Hennie Crowther, estimated that in 1992 the housing backlog in the urban areas of South Africa (excluding the independent homelands) was 1,8 million units.

The SAHT said that 550 houses, at an average price of R20 000 a house and stand, needed to be built every day to eradicate the backlog by 2020. This represented an investment of R11 million in low-cost housing each day.

Bloom says: "We believe this can best be successfully attained by increasing investments in micro-enterprises, village and neighbourhood lending facilities, and small and medium size businesses."

The company has brought investment to South Africa, and will be creating job opportunities for many unskilled workers.

The rate at which this will occur will depend on the decline in violence and the increase in political stability.

Bloom says: "The company is sensitive to the needs of job creation and they are therefore working very closely with trade unions, local civics to ensure harmony and communication between all parties throughout the projects.

"This new venture is intended to help create new black entrepreneurs throughout the country, and thus create a better business environment for the future," Bloom says.

Larger products

Shole says they will venture, not only for construction of houses, but also for the building of larger projects such as schools, hospitals, clinics, apartment buildings, hotels and recreational facilities.

Mr Brian Atwood, administrator of the US Agency for International Development Aid, said the package would include a major housing loan guarantee programme, assistance for electrification, health care, education and job creation, and an enterprise fund to mobilise capital to promote black business.

The enterprise fund would be capitalised with about 100 million dollars (R3,5 billion) of US taxpayers' money over the next five years.

M&R attracts foreign investors

BY STEPHEN CRANSTON

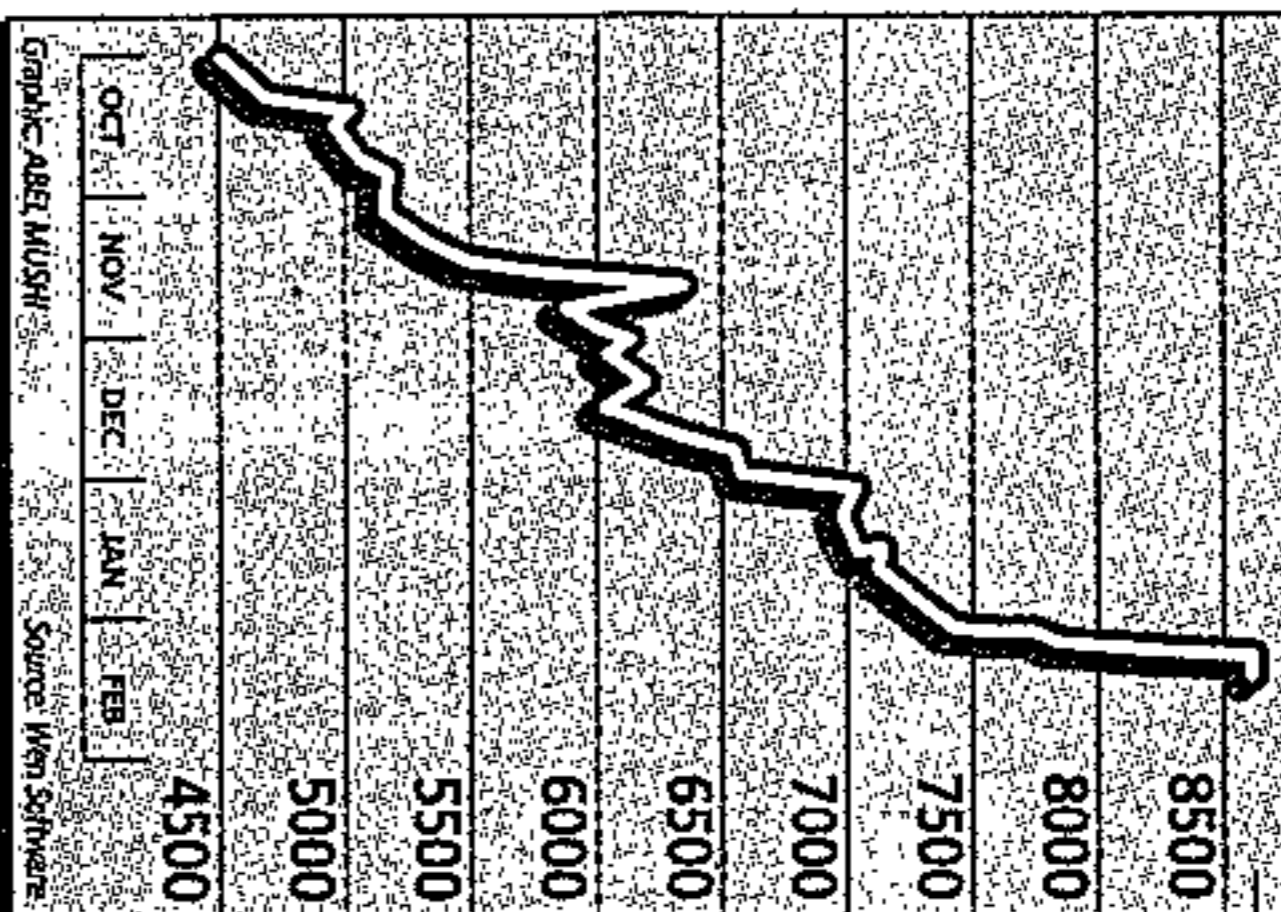
Murray & Roberts (M&R) has become a favourite of the international investor trying to cash in on the increased investment in housing and infrastructure expected after the election.

It has enabled the share price to double since late September to R86.

Johan Snyman, an analyst at stockbrokers Frankel Pollak Vinderine says the share is a kind of unit trust, giving the investor exposure to the building and construction market, to cement through Blue Circle, to engineering, property and even the automotive sector, the latter primarily through Firestone.

He says that even at its present price of R86, it sits on a P/E ratio of 16.2, which is below the more demanding

MURRAY & ROBERTS SHARE PRICE



ratings of the other two heavy industry giants, Amic on 19 and Barlow on 18.7.

Though no analyst would dare say it, it is also apparent that M&R's management is held in somewhat higher es-

teem than that of either Amic or Barlow. (123)

It is surprising that the departure of former CE Dave Brink, the architect of the present M&R, to Sankorp did not cause the share price to hiccup.

His successor Andre van der Colff built up M&R suppliers and services division into a major contributor and was well-received by the market.

In retrospect, it was a relief that M&R's attempt to acquire Dorbyl was unsuccessful.

That engineering group has had a poor track record recently and synergy with M&R's existing engineering interests was limited.

Fergusson Bros analyst Leslie-Anne Dry says the share price would not be justified solely by the short-term earnings prospects.

M&R will not enjoy the bene-

fit of the deferred tax credit it enjoyed last year, and Dry says earnings per share will fall from 531c to 500c in the year to June.

She says the price reflects expectations of a strong recovery in the economy in the year to June 1995 and beyond.

Other shares in the construction field have enjoyed strong re-ratings, but none are as tradeable as M&R, which has a market capitalisation far higher than, say, LTA or Grinaker.

M&R will show some improvement in results for the six months to December, to be announced next week.

The group reported earnings per share of 177c last year, before company tax was reduced from 48 percent to 40 percent.

This should now show an increase to about 200c a share.

Perm to sell off repossessed homes

CT 18/2/94 (123)

Own Correspondent

JOHANNESBURG. — The Perm and the newly formed National Property Forum have signed a landmark agreement aimed at selling off the Perm's properties in possession, valued at about R500m.

Mango Tshabangu, manager of MHF Properties, a Nedcor division, said yesterday the selling off of the Perm's properties in possession stemmed from the organisation's objective of promoting home ownership in disadvantaged areas.

The sale would also assist in reducing the Perm's bad debts. Perm divisional director Hugh Maclachlan has said the properties in possession showed an absolute growth of 12,7% during 1993, but the rate of increase was 74% down on the previous comparable period.

Market analysts said the move was considered another step towards tightening control within the Perm, thereby boosting Nedcor's bottom line. Nedcor inherited the Perm's comparatively large black client base and a high portfolio of loans to black clients when it acquired the Perm.

Forum chairman Ockert Fransch said the sale of the properties by estate agents within the forum would help normalise disadvantaged areas, as well as having a positive impact on communities.

"We expect other financial institutions such as Absa, Standard Bank and First National Bank to follow the same route, and have held tentative discussions with several organisations," he said.

"Not only will this agreement give an enormous boost to unprivileged areas, it will go a long way towards alleviating the severe housing shortage in these regions."

Fransch said the forum had been given an open mandate to sell all of the Perm's properties in possession. The forum was formed last year to create a unified body of largely black estate agents, and will be officially launched next month.

The Perm would furnish the forum's members with the net realisable values of the properties, and estate agents would use these figures as a basis for sales.

Tshabangu said MHF Properties had been formed last year as a separate unit to house all the Perm's properties in possession. Those within MHF amounted to 20% of the Perm's home loan book in the township, valued at R2,3bn.

"Some of these properties have been on the books since 1989, and the Perm has been losing considerable amounts. Although we realise the margins on sales will be thin, we believe it is important that housing in townships be promoted."

Four housing boards set up

PRETORIA — The Minister for National Housing, Mr Louis Shill, has appointed a regional housing board for each of the four provinces.

This, according to a statement issued by Mr Shill yesterday, places the execution of housing functions in the hands of fully representative localised regional structures.

Each regional board consists of 18 members.

(123) CT 19/2/94

COMMENTS

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HOUSEHOLD

NO

NUMBER

Regional boards bring cheap housing plan closer to fruition

Business Day 2/12/94

ROBYN CHALMERS

A FURTHER step towards getting government's long-awaited affordable housing initiatives off the ground was taken at the weekend with the appointment of regional housing boards for each of the four provinces.

Housing Minister Louis Shill said the execution of housing functions would be placed in the hands of "fully representative localised regional structures".

"All powers and duties of existing statutory housing boards and commissions will be transferred to the National Housing Board and the regional housing boards as from April 1 1994," said Shill.

Each regional board consisted of 18 members, who

represented local housing interests and were familiar with local needs and circumstances. On each of the boards, six members were nominated by government, six by the National Housing Forum and six were agreed on by both parties.

The regional boards would be responsible for implementing housing policy and developing regional policy within the framework of national policy.

The boards would consider applications for state housing grants and provide grant finance for housing projects.

Shill said the boards would also determine regional housing priorities and monitor rental guidelines on government's housing stock.

"The regional housing boards will ensure that

housing funds are utilised optimally through maximum gearing with private sector and community resources.

"Planning is under way to ensure that projects will be continued uninterrupted and funds reallocated equitably once additional regional housing boards are established under the new constitutional dispensation," he said. (123)

The regional boards complement the National Housing Board, which was officially constituted on December 13 last year under the chairmanship of Joop de Loor.

The task of the 18-member national board was to co-ordinate national housing policy and state spending in an effort to reduce SA's huge housing backlog, estimated at 1.4-million homes.

● Comment: Page 6

Sowetan 22/12/94

Housing forum shakes off apartheid

THE National Housing Forum's efforts to replace the separate development and amenities departments with a single body bore fruit yesterday with the first meeting of the Transvaal Regional Housing Board (123)

"There is really no reason to doubt our ability to provide housing now that all the funds and structures are under one roof," Minister of Housing and Public Works Mr Louis Shill said.

Speaking in Johannesburg at the inauguration of the new structure, he said the board's task would be "ex-

ceptionally difficult" because of the number of people needing housing.

Transvaal MEC for housing Mr John Mavuso said planned, orderly urbanisation required the immediate development of about 500 000 erven for backyard residents and homeless families in the PWV area.

The next step was to create similarly autonomous boards for each of Transvaal's sub-regions to ensure housing was "as close as possible to the man in the street," Shill said. — Sapa.

3 000 ways to provide cheaper housing

Star 22/2/94

(123)

When it comes to low-cost housing, the present standard of a house built in the middle of a stand and surrounded by open space is an option South Africa cannot afford.

Not only are there 2 000 to 3 000 cheaper solutions of providing the same size of house, but settlements based on the house-surrounded-by-open-space design perpetuate urban sprawl.

If South Africa's housing production target of an estimated 330 000 houses a year for the next decade were met by such schemes it would require 1 500 sq km of land, the equivalent of a 1 km-wide strip linking Cape Town to Pretoria along the N1 motorway.

At present costs, it would amount to between R8 billion and R9 billion, which is beyond conceivable Government and private-sector financial resources.

Focus on costs

These facts have been scientifically quantified during research into an integrated housing policy in South Africa being done by Dr Glen Mills, professor of architecture, and colleagues in the Department of Computational and Applied Mathematics at the University of the Witwatersrand.

Given the capital required to meet the total production target of 3,3 million houses in a decade, one part of their research has focused on cost as the principle factor determining the form of

low-cost houses. Obviously optimal expenditure of capital is required, but to determine this, the full range of house-design possibilities has to be known.

Mills and his colleagues adopted what is accepted as the average housing requirement in South Africa. This is for a house with a surface area of about 54 sq m with a kitchen, bathroom, living-dining room and two bedrooms, where it should also be possible to add a garage and/or more bedrooms. In other words, a house with eight rooms.

Based on this, they generated a complete set of theoretically built forms representing real house designs. Known as polyminoes, the designs are made up of eight equal squares — representing rooms in a house — arranged in all possible combinations, which in a basic sense are equivalent to house plans.

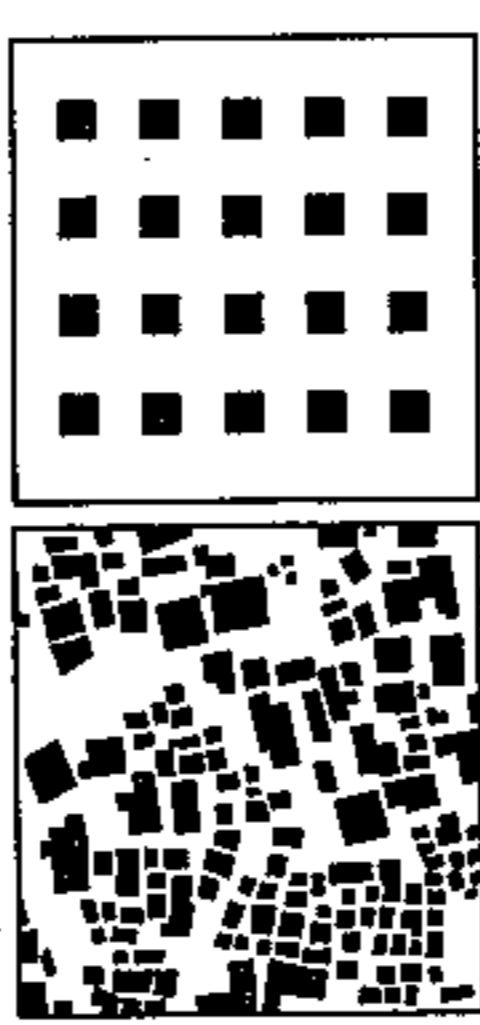
Polyminoes are convenient because they can be manipulated and organised very effectively by computer software.

The complete set consisted of a total of 369 "house plans". To complete the model, each polymino was placed in all possible positions on all possible types of stands, which generated a total of 6 580 land-use types.

One of these was the standard 4x2 house on its stand surrounded by a 3-m open space on all sides, which served as the reference standard.

Mills and his colleagues then costed each configuration using

Township norm
Form to space ratio 1:10
10% coverage



Informal settlement
Form to space ratio about 1:3
37% coverage



a complex formula, which allowed for variations including number of internal and external walls, shared walls with neighbours, land area relative to the 4x2 standard and service costs where, for example, a broad stand demanded more road and pipework than a narrow one.

Plot and services

Their costing was for a dwelling of brick and mortar construction, screed floor, a window in each room, a plumbed bathroom and kitchen, the latter with a stove, and a roof of corrugated iron or fibre construction.

Plot and services were costed together, the latter including a gravel road, water, electricity and sewerage.

The results showed that of the 6 580 hypothetically possible land-use types, between 2 000 and 3 000 were cheaper than the 4x2 house in the middle of its stand, which is currently in the vogue. This means there is exceptional scope for architectural

variety without incurring increased costs.

Building houses in the lower third of the cost range would lead to an overall cost saving of at least 6 percent, which for the 330 000 houses a year would mean a saving of between R480 million to R540 million a year.

One of the most striking problems with housing layout using the house-in-the-middle-of-the-garden standard is that it will generate urban sprawl on a scale that South Africa has not yet seen. This is a characteristic of townships, suburbia and, more recently site-and-service shacklands, Mills noted in a paper presented at the "Building Pathology '93" conference at Trinity College, Oxford.

"The feature of this landscape is that the proportion of housing to open space is roughly 1:10. This is in stark contrast to the proportion of 1:3 found in the Crossroads, Cape Town, informal settlement. While there are distinct problems with informal settlements, from the point of view of economy of layout, construction and user control they seem to be more agreeable than township design," Mills said.

He is convinced that the township in its present form is no longer suitable for housing the poor in South Africa. To continue to prescribe it would highlight its unacceptability on several levels:

- Politically it is symbolic of apartheid planning, where the state used it as a controlling mechanism.
- Socially, residents and outsiders alike experience it as a sterile, anti-social and dangerous environment
- Architecturally there is little scope to make a meaningful contribution to design effort
- Structurally it is spatially fragmented and segregated, leading to high infrastructural costs and a heightened potential for crime
- Economically, in terms of land use, built form and infrastructure, it is not optimal.

Science Writer Anita Allen reports on a new way of looking at the chronic shortage of homes

Single housing policy 'imminent'

(123) CT24/2/94

Municipal Reporter

AN announcement of a single new national housing policy applicable to all races was imminent, said housing and development consultant Mr Gerry Adlard.

He said yesterday that the new policy had been expected last week. It was almost certain that the policy would consist of a capital subsidy that would be the same for everybody, he said, adding that

the subsidy was likely to be R12 500.

Whether the scheme would apply to new developments only or be retrospective was still being negotiated between the Department of National Housing and the National Housing Forum, he added.

In October last year, housing minister Mr Louis Shill announced that those who wanted to buy their state-funded homes or serviced plots would get a capital subsidy of R7 500.

Mr Adlard said that in Cape Town it was usually possible to service a site (provide a drinkable water connection and access to a water-borne sewerage system) for R10 000.

Should the subsidy per family be R12 500 the remainder might have to be provided in building materials rather than cash. In this event, the Serviced Land Project (SLP) would ensure that centres were set up where these materials could be obtained, he said.

Scaw 'spent millions' on hostel security

SCAW Metals spent "several millions" to increase hostel security following last year's killing of 12 people at the company hostel, Scaw MD Tony Harris said yesterday.

He was reacting to allegations by the National Union of Metalworkers of SA (Numsa) which alleged that management had done nothing to improve security despite several attacks on the hostel in the past few months which have left nearly a dozen people dead.

On a tour of Scaw premises, Harris pointed out a 2km steel picket fence which replaced concrete fencing after the killings, additional security guards at designated points, patrolling armoured vehicles, security lights and barbed wire atop remaining concrete walls.

"We have done everything we can to reinforce security at the mine, even going to the

extent of adding internal fencing to protect workers," said Harris.

Twelve people — including 10 Scaw employees — were killed in a shooting incident at the company hostel last year.

A breakdown in negotiations between Numsa and management led to the union demanding the resignation of Harris, accusing him of "high-handedness".

Numsa last week threatened to take the "gross incompetence" of Scaw management to the TEC.

Harris reiterated that the hostel committee was having regular talks with management and the committee would grow following additional elections by hostel dwellers.

JACQUIE GOLDING

THE introduction of the interim constitution, particularly the restructuring of provincial and local government responsibilities, has the potential in the sphere of housing to create a vacuum, or worsen the crisis. There is a strong need for broad-based agreement on how housing is dealt with.

Another potential problem is that regional variations in revenue, population density, policy approaches and so on could result in significant differences in housing development. The ability to respond to regional differences is essential, yet differences should not undermine the effectiveness of the housing sector.

These problems will be avoided only if the opportunity to build consensus on key issues is embraced.

The National Housing Forum is focusing its efforts on two levels: interim interventions with immediate impact, and the formulation of medium- to long-term policy consistent with the interim constitution.

In terms of interim interventions, the forum has pursued the establishment of the National Hostels Coordinating Committee, which began addressing hostels upgrading in August 1993, and the interim arrangements for housing, legislated by Parliament in September 1993. An interim subsidy policy, being negotiated between the forum and government, will be in with the interim arrangements for housing to provide a framework for subsidies to all eligible low-income earners, it is hoped from April 1.

The establishment of the committee has allowed the forum and government jointly to oversee the government-sponsored hostels redevelopment programme. The committee is establishing regional hostels co-ordinating committees in the provinces to evaluate development proposals and administer funds. The committee presents a national basis for social compacts to be developed between hostel dwell-

SA must plan to avoid housing policy vacuum

By 28/2/94

ERIC MOLOBI

ers, communities and developers at local level. At negotiation level, the policy issues have been significantly depoliticised, while at ground level, hostels residents are seeing results.

Initial investigations by the housing forum confirmed the inadequacy of racially based institutional arrangements for housing. The forum, through negotiations with government, agreed to an interim institutional arrangement to address the housing backlog in the short term. This resulted in the interim arrangements for housing agreement last August.

The subsequent legislation is the first step in rationalising the housing sector to allocate state resources more efficiently, and achieve consistent policy-making. Racially based housing boards are replaced by a single National Housing Board and four regional housing boards. All state budgetary allocations will be consolidated in one structure.

The agreed housing goal is "to establish a sustainable housing process which enables all people to secure housing with secure tenure within a safe and healthy environment and in viable communities in a manner that makes a positive contribution to a

nonracial, non-sexist, democratic and integrated society, within the shortest possible timeframe" (123)

The agreement also provides for negotiating medium- and long-term policy. The National Housing Board, as a policy-implementing body, will operate within positions negotiated between government and the forum.

Thus, the interim arrangements for housing agreement provide for short-term delivery in an urgent attempt to address the escalating backlog. It provides immediate funding for low-cost housing. And, significantly, it promotes housing as a means of reconciliation, not conflict. The emphasis of identifying funding priorities is shifting away from the developer to the community. The agreement promotes a holistic approach.

The interim housing subsidy policy, to be administered by the national and regional boards, is under negotiation, and provides for a move away from a plethora of formulas to a single subsidy scheme. During the next six months, the

lating to end-user finance include poor borrower understanding and performance, inadequate access to credit facilities, and inappropriate credit instruments. Key to resolving end-user finance would be the establishment of risk intervention, recognition of and attention to consumer interests, accessibility to loans, and the mobilisation of available funds. The forum is working towards securing agreement by all parties within the next three months.

In addition to these three priorities, building consensus on an overall national housing strategy is critical. It is important to extend the housing debate to all interested parties and place housing properly in the broader economic and developmental framework. To do so, the forum is expanding its focus and interacting on macroeconomic and socioeconomic issues with national sectoral and regional development forums, as well as appropriate think tanks. Working groups are looking at macro- and microeconomic linkages relevant to the housing sector, and at the role of housing in reconstruction and development programmes.

A final component of the forum's approach is its commitment to capacity building. Defined as "the continuing process that increases the ability of individuals, communities, organisations and societies to achieve their objectives by being skilled and able to access, understand and use information, manage resources, negotiate and communicate effectively and ensure accountability", capacity building among community-based organisations is crucial.

In a year of momentous change, it is up to members of the housing forum to ensure that this change involves concerted efforts by the commercial, non-profit and public housing sectors to resolve the housing crisis, and to establish a process in which society participates in the development of its housing policy in the longer term.

Eric Molobi chairs the National Housing Forum.

Indemnity insurance 'imminent'

Govt unveils R90bn plan for housing

BiDay • 11/3/94

PRETORIA — Housing Minister Louis Shill yesterday unveiled a 10-year, R90bn housing plan aimed at eliminating SA's housing shortage and creating 1-million jobs.

The new housing policy, which was based on agreements with the national housing forum, would dramatically improve the delivery of housing in the short, medium and long term, he said.

The first stage was the implementation of a new capital grant scheme on March 15. The scheme allows for the payment of lump sum grants of up to R12 500 to new home owners who have total household monthly incomes of not more than R1 500.

This would enable the most impoverished families to buy stands and modest houses, he said. "The scheme targets the low-income sector and the maximum grants will be given where the need is greatest."

Households earning between R1 501 and R2 500 will be in line for grants of up to R9 500, while R5 000 will be available to households earning between R2 500 and R3 500 a month.

"We think we can stimulate delivery to such an extent that people will be surprised that housing is not an insurmountable problem."

Government expected to contribute about R2bn to the scheme this year and an average of R4bn a year over the next decade. This was in line with "the careful macroeconomic planning of the country's budgetary resources and the criteria of international agencies." The remaining R50bn would come from the private sector.

Shill said a mortgage indemnity insurance scheme was being finalised to "pave

ADRIAN HADLAND

the way for financial institutions to enter the low-income housing market".

Discussions on the government reinsurance scheme, including premium levels and extent of coverage, were nearing completion with the Association of Mortgage Lenders. The details of the reinsurance scheme could be announced within the next two weeks. (123)

It prevented banks taking on the risk of low-income housing and would "get them involved properly for the first time".

Shill said he expected the insurance sector to take over the reinsurance scheme from government, in due course.

"The whole process of end-user finance is now getting off the ground."

The grant scheme would replace all similar subsidy schemes, which would be phased out. This excluded the National Sales Campaign's capital discount scheme, which was intended to write off past debt.

The creation of a single housing department and the establishment of representative regional housing boards, which had already begun their duties, would greatly facilitate the scheme's implementation and success.

The Post Office had also been approached to help receive grant applications.

Shill said the final package had not been approved by the national housing forum as some "minor points" were outstanding.

These included the plan's transitional nature — Shill believed the scheme covered the short, medium and long term and to change it would risk "chaos" — and the use of the word "grant" while the forum

□ To Page 2

Housing plan BiDay 11/3/94 □ From Page 1

preferred "subsidy".

Shill said that with the main thrust of the plan completed, government believed it could wait no longer. "There is such a pressing socioeconomic need that we decided to go ahead and announce it now."

He said 120 to 200 jobs were created for

every R1m spent on housing. With estimated annual expenditure of between R7,5bn and R9bn, about 1-million jobs would be created. These jobs would be long-term as once the initial building had been completed, upgrading and improvements of older housing would be needed.

anced ● Harbour gives Windhoek deep-water ideas

R90 billion bid to beat housing crisis

Sowetan 11/3/94

Sowetan Correspondent

■ **A LONG WAY** The country's poor to benefit from new housing scheme:

THE Minister of Housing, Mr Louis Shill, last night announced a R90 billion bid to beat the housing shortage.

The Government and the National Housing Forum disclosed that a subsidy as well as a mortgage indemnity insurance scheme — together worth an average of about R9 billion a year — would “go a long way” towards eliminating the backlog of tens of thousands of houses, particularly for the country's poor, over the next 10 years.

The scheme, the Minister said, would provide a million permanent jobs.

The scheme has the backing of major banks and other financial institutions.

Details of their involvement will be disclosed within two weeks.

The Government, however, has committed itself to guaranteeing the mortgage scheme, based on the successful US Ginny-Mae and Fanny-Mae programmes, which it is finalising with the financial sector. (123)

The housing project means the end of the existing first-time homebuyers' programme and other family housing subsidy schemes. It is seen as one way of alleviating the squatting problem by assisting in the replacement of shacks with

permanent housing.

Describing the move as a “signal of change in Government attitudes”, Shill said: “The days of Government providing sites for shacks are over.”

A grant or subsidy — the Government favours the word “grant” while the NHF wants “subsidy” — to the value of R12 500 will be offered from March 15 to purchasers with a household monthly income of not more than R1 500, a R9 000 grant to those earning between R1 501 and R2 500, and R5 000 to those earning between R2 501 and R3 500.

'Power cut' could force rates up 60%

□ Municipal workers threaten mass action

CLIVE SAWYER
Municipal Reporter

A HUGE shock awaits ratepayers countrywide if income from electricity is taken away from municipalities — a move the SA Association of Municipal Employees says it will block with mass action.

The National Electrification Forum is investigating ending local government use of electricity to augment budgets and subsidise property rates.

The union said up to 15 000 workers would lose their jobs. This included electrical engineering and treasury staff.

Employees of rural municipalities would be particularly hard-hit.

ARG 1/3/94

Union president Hans Deetlefs said Saame had not yet resorted to mass action.

They would embark on a mass campaign if there was any attempt to implement the electricity plan and if anything was done to jeopardise present pension benefits.

Other local government bodies, including provincial municipal associations and employers' associations, would be asked to join the campaign to retain municipal control of electricity.

"The death knell will ring for local authorities if electricity is taken away from them.

"Big city councils will be reduced to little town commit-

tees lacking the financial muscle to deliver services to their communities, or those communities — ratepayers — will face rates hikes of about 60 percent."

In an apparent reference to the mainly blue-collar SA Municipal Workers Union, Mr Deetlefs said stayaways by other municipal unions would seem a "holiday" compared to his union's action.

He declined to expand on the type of mass action contemplated by the union.

"If electricity is taken away from municipalities the National Electrification Forum and the government will have to explain the results and the chaos to ratepayers," he said.

123

ROWAN OVERBORN

123

HOUSING MINISTER
Mr Louis Shill yesterday unveiled a 10-year, R90 billion housing plan he claims will eliminate South Africa's housing shortage and "kick-start" the economy by providing one million jobs.

But the announcement has sparked a major row with the National Housing Forum (NHF), which has been party to all negotiations and planning.

It last night accused Mr Shill of a "premature" announcement which, it said, placed in jeopardy months of negotiation and a solution for breaking the low-income housing logjam.

According to Mr Shill, the new housing policy, which

was based on "agreements" with NHF, would dramatically improve the delivery of housing in South Africa in the short-, medium- and long-term. The first stage of the plan was to implement a new capital grant scheme on March 15.

The scheme allows for the payment of lump sum grants to enable the most impoverished families to buy a stand and a modest house, he said.

The scheme, which forms part of a new joint housing policy for all South Africans, will be implemented on a sliding scale for households earning less than R3 500 a month.

Mr Shill said the new scheme replaces all existing family housing subsidy

schemes, including the First Time Home Buyers interest scheme, but except the extended benefits under the national sales campaign.

There are three categories:

- For households with a monthly income of not more than R1 500, a grant of R12 500 will be given.
- Households with a monthly income of between R1 501 and R2 500 will qualify for a grant or subsidy of R9 500
- Households with an income of between R2 501 and R3 500 will qualify for a grant of R5 000.

In a hard-hitting statement the NHF suggested that Mr Shill was using the announcement for party political purposes and said his "unilateral

Homes for poorest

and premature announcement of one part of a carefully negotiated national accord for breaking the low-income house logjam had put in jeopardy a resolution of the housing crises in the short-term.

The subsidy scheme in question, it said, was still under negotiation with the NHF and the Department of National Housing, and the announcement had pre-empted securing the agreement of the more than 20 parties of the NHF at its plenary session scheduled for March 14.

"This announcement was made in spite of explicit requests by the NHF and the National Housing Board that a public announcement be held over until the mortgage finance initiative and the ad-

ministrative arrangements were settled and final agreement on the package reached.

"The NHF, which has always sought to maintain housing above party political debate, is concerned that the potential to finalise and secure board-based acceptance from key players of this critical housing initiative has now been put at risk."

The NHF, which comprises among others the Association of Mortgage Lenders, the Life Offices Association, the Development Bank of South Africa, the Independent Development Trust, the Urban Foundation, political groupings and housing delivery organisations, said it would consider the impact of Mr Shill's announcement at a meeting of all its members on Thursday. If necessary a further statement will be issued. — Property Editor, Own Correspondent

CT 11/2/94

ANC slams Shill over housing disclosure

(123)

APC 1/3/94

AFRICAN National Congress secretary general Cyril Ramaphosa has called for the resignation of National Housing Minister Louis Shill for trying to hijack political benefit for the National Party government by announcing a multi-billion-rand housing programme.

Mr Ramaphosa made the call in a resolution submitted to the Transitional Executive Council in Cape Town today.

Quoting newspaper reports and producing the official media release, he said Mr Shill had arrogantly made an announcement on an as yet incomplete package negotiated by the multiparty National Housing Forum (NHF).

He is clearly taking the housing issue and making it a party political matter," he said.

Mr Ramaphosa told the council that when it was heard that Mr Shill was going to make the announcement, he was asked to wait and do so jointly with the NHF.

"They (NHF) say the announcement is premature and has the potential to put at risk everything they have done."

It was quite clear that by making the announcement Mr Shill was trying to imply that the NP government was solely responsible for the plan.

The R90 billion bid over 10 years to beat the housing shortage was announced by Mr Shill in Pretoria last night.

He said the plan incorporated a subsidy and a mortgage indemnity insurance scheme, and would "go a long way" towards eliminating the backlog of houses.

It would also provide a million permanent jobs.

The scheme had the backing of major banks and other financial institutions, and details of their involvement would be disclosed within two weeks.

The project meant the end of the first-time house-buyers' programme and other family housing subsidy schemes, and was seen as one way of easing the squatter problem by helping replace shacks with permanent housing.

He said: "It will enable even the poorest in the country to have a modest house." — Sapa.

Housing row: Shill ⁽¹²³⁾ faces round 2 in TEC _{ARG 2/3/94}

□ 'Premature' announcement angers ANC

TOS WENTZEL, Political Staff

A ROW over a government announcement of a 10-year R90 billion housing plan, which has been described as "premature", will continue next week when it will again be raised in the Transitional Executive Council.

The National Housing Forum, which has criticised the announcement by Minister of National Housing Louis Shill, will be at the meeting.

Mr Shill was denied the opportunity to state his case at yesterday's meeting of the TEC, which said he should wait until forum representatives were present.

The council also turned down an attempt by ANC representative Cyril Ramaphosa to condemn Mr Shill's move.

Mr Ramaphosa accused Mr Shill, who sat in silence, occasionally shaking his head, of being "arrogant".

In a statement later, Mr Shill said the government had not been premature in announcing the cash grant scheme to expedite the delivery of low-cost housing.

"If anything, we stand accused of allowing the National Housing Forum of delaying the process for too long," he said.

"The scheme had been negotiated with housing role players for approximately a year and it had been recommended by the fully representative National Housing

Board. Of the 18 members on the board, six were nominated by the government, six by the forum and six were agreed on between the parties.

"The NHF has, since its inception, delayed the discussions on the grant scheme.

"In March 1993 it declared December, nine months later, as target date for resolving the subsidy policy, but they did not even start discussions until September 1993 despite requests by the minister.

"It was then agreed between the Department of National Housing and the forum that the target date for finalising the subsidy policy would be November 1993.

"Through further delays documentation was only agreed upon by December 14, 1993."

Mr Shill said the National Housing Board recommended that he proceed with the scheme but the forum insisted on further changes and wanted to refer the matter to its plenary meeting on March 14.

The only conclusion that could be drawn from this was that the forum was using delaying tactics to obstruct the implementation of "this very valuable scheme".

The minister said that by frustrating the housing process rather than encouraging it, the forum appeared to have yielded completely to political influences whose sole purpose was to delay

the delivery of housing until after the election for political gain.

He said discussions with mortgage lenders were advanced and it would be "sad" if the forum should try to impede progress, as implied in its statement criticising his announcement.

He dismissed as "preposterous" the suggestion that the process be delayed until administrative arrangements had been approved by the forum.

The forum itself had admitted that it was not an implementation or policy-making body.

The Department of Local Government and National Housing was responsible for the administration of housing, not the forum.

The delays in making decisions further proved that the forum, due to the way it was structured, did not have the capacity to deal with matters speedily, Mr Shill said.

In an interview after the debate, Mr Shill said he would respond in similar vein at next week's meeting with the TEC.

Asked what he thought of not having been given an opportunity to speak at yesterday's meeting, he said it had "not been the most democratic experience I have ever had".

He added: "It seems to be a strange way to conduct a hearing where people are taking a very one-sided view of what is a very serious socio-economic issue."

(News by T Wentzel, 122 St George's Mall, Cape Town.)



JOVIAL: ANC president Nelson Mandela, right, shares a joke with Inkatha Freedom Party leader Mangosuthu Buthelezi during a joint media conference in Durban, after their day-long meeting yesterday. Chief Buthelezi agreed to a "provisional registration" of his party for the April election.

Shill's R90 billion plan is put on ice

Sowetan 21/3/94

Sapa and Joshua Raboroko

■ 'UNILATERAL DECISION'

Housing Minister under fire in TEC:

A HE Transitional Executive Council has resolved that the R90 billion housing plan announced by Housing Minister Mr Louis Shill should be suspended until the controversy about the matter has been settled.

The council could not agree on another resolution, which among other things asked for the minister's action to be condemned. Democratic Party negotiators said Shill should be allowed to explain his position before such a resolution could be accepted.

ANC secretary-general Mr Cyril Ramaphosa said the housing scheme was still under discussion at multiparty level within the housing forum.

Shill was summoned to appear before the TEC at its next sitting in Pretoria to answer questions from the council and the National Housing Forum.

(123)
The National Housing Forum is to meet tomorrow to discuss the impact of Shill's announcement. The forum said the announcement put in jeopardy months of negotiations between all 20 major stakeholders seeking to break the housing shortage in South Africa.

The minister said the new housing policy was based on agreements with the forum and would dramatically improve the delivery of housing in the short, medium and long term.

NHF spokesman Mr Ishmael Mkhabela said: "Minister Shill's unilateral decision and premature announcement of one part of a carefully negotiated national accord for breaking the low-income housing logjam has put in

jeopardy a long sought resolution of the housing crisis in the short term."

Mkhabela said the announcement of the interim subsidy arrangements which were still under negotiation between the parties, had pre-empted securing the agreement of the forum at its plenary session scheduled for March 14.

Parties had agreed that the interim subsidy scheme would be accompanied by an announcement of the proposed mortgage finance initiative, without which "housing" would be limited to the continued provision of serviced sites.

The ANC, the ANC-aligned SA National Civics Organisation and the NHF have said the Minister's announcement was unilateral and "blatant politicking"

ANC's sanger prompts TEC to suspend 'arrogant' Shill's

CAPE TOWN — The TEC yesterday temporarily suspended the R90bn housing plan unveiled on Monday by Louis Shill, and summoned the Housing Minister to appear before it.

He was permitted to say only three words, however. Asked whether he had issued a media statement, he replied: "Yes, I did."

The ANC slammed the plan as "unilateral and premature", with ANC TEC delegate Cyril Ramaphosa labelling Shill as "the most arrogant Minister that I have dealt with". He said Shill had defied the

TEC Act and was attempting to score cheap political points by announcing the plan, some of which was still under discussion by the National Housing Forum.

While some Ministers had been willing to negotiate issues that would be the hands of a future government, Shill had arrogantly gone out his way to defy the Act, despite being asked not to make the announcement by TEC members.

"This Minister has done his country a disservice and he should go," Ramaphosa said, proposing a resolution that called for the suspension of any action in connection

TIM COHEN

with the plan, except Shill's resignation.

He opposed Shill explaining why the statement was issued, saying members of the housing forum should be present for this. However, he demanded that Shill's actions be condemned.

Government delegate Dawie de Villiers argued that it would be premature to pass a resolution condemning Shill without hearing his side of the story, saying he was under the impression that this was the reason why Shill had been summoned.

21/3/94

After lengthy debate, the council decided to drop from its resolution the clause condemning Shill, but supported his and the forum's presence at the TEC's meeting next week to discuss the issue.

The resolution was passed without the support of the ANC, the SACP and the Venda government.

ROBYN CHALMERS reports that in an interview last night, Shill said the plan's suspension had no real significance, as the it was due to be implemented only on March 15.

"The housing scheme has not been with-

Housing

21/3/94 From Page 1

lay the housing process."

Shill said the forum had been guilty of delaying discussions on the subsidy scheme since its inception. It had "completely yielded to political influences whose sole purpose was to hold back the delivery of houses until after the election" (123). National Housing Forum coordinating committee chairman Matthew Neil said Shill had placed the housing negotiation process in jeopardy. Sanco joined the ANC in calling for

Shill's resignation. Its national publicity secretary, Mike Toole, said Shill had damaged the process of achieving consensus and delayed the delivery of housing.

WILSON ZWANE reports that Sanco southern Transvaal president Kgabisi Mosunkutu said Shill was "trying to canvass (for votes) for the NP" through the use of public funds.

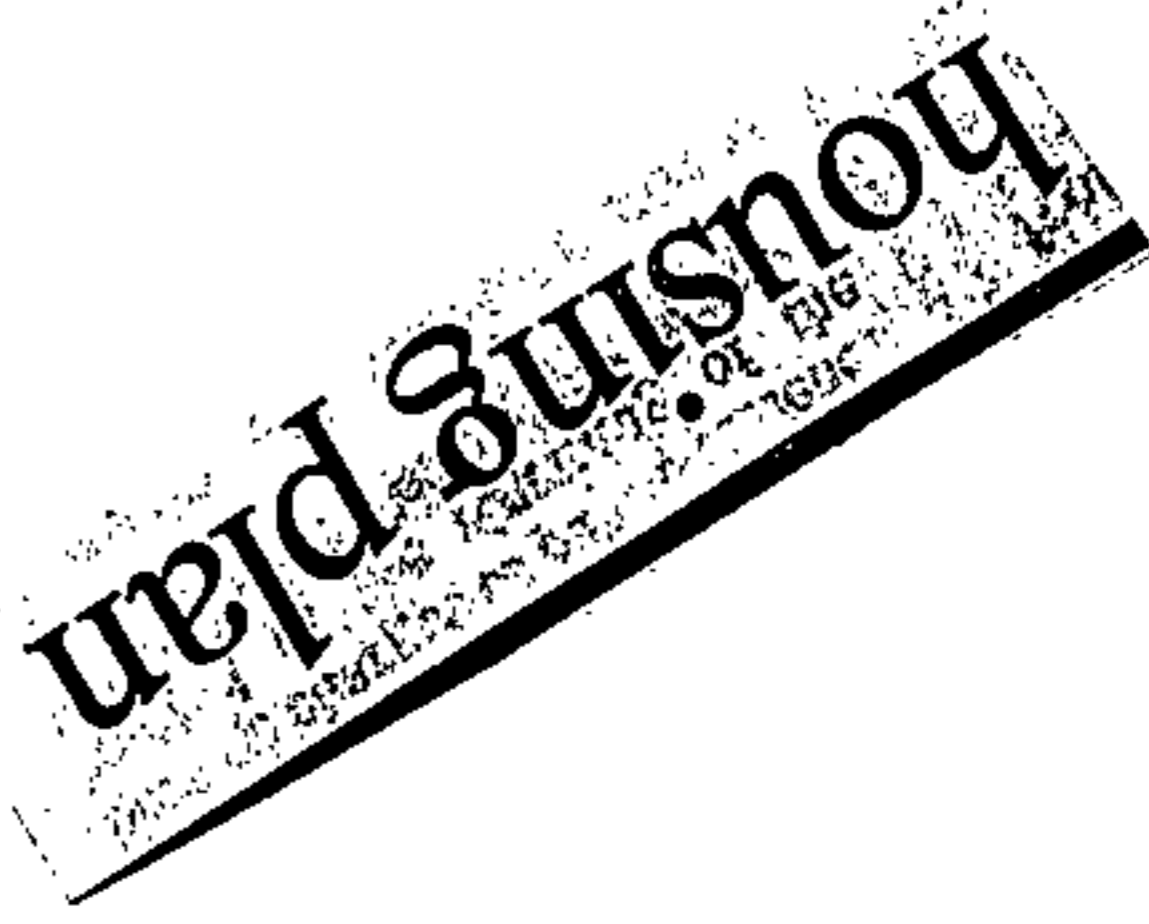
Report by T. Cohen, R. Chalmers and W. Zwane, TML, 11 Otago Rd, Jhb.

See Page 8

To Page 2

drawn. I am more than happy to meet the National Housing Forum next Tuesday where I will lay out the reasons for moving ahead with the plan. However, the decision to proceed with the scheme and when to announce it remains the responsibility of the Minister.

"At no stage was the forum excluded from discussions. We met last Friday to try to come to a final agreement on an announcement, but once this was not forthcoming, we decided we could no longer de-



Shill lashes out at TEC

CT 2/3/94 (123)

By MAGGIE ROWLEY
and Political Staff.

EMBATTLED Minister of National Housing Mr Louis Shill last night lashed out at the Transitional Executive Council, saying if the treatment meted out to him yesterday "was an example of democracy in the new South Africa, then God help us all".

An angry and emotional Mr Shill said in an interview he received a message as he stepped off the plane from Johannesburg requesting his presence at the TEC.

"I rushed there and they asked me one question, namely: Did I issue the following statement? They then ruled that I did not have the right to say another word and continued to accuse me of arrogance, provocative actions, unilateral behaviour and so on.

"They did not give me a chance to respond. The result was a chaotic meeting. ANC secretary-general Mr Cyril Ramaphosa accuses me of arrogance but if anything is arrogant it was his behaviour at the TEC."

Mr Shill was yesterday summoned to the TEC after his announcement of a 10-year R90-billion housing plan was denounced by the ANC as "provocative", "unilateral" and "premature".

However, he said when he arrived at the TEC meeting at the old President's Council building, he was only permitted to confirm that he had indeed made the announcement.

A showdown between Mr Shill and the TEC over the issue will now take place on Tuesday next week, when he and the National Housing Forum (NHF) appear before it.

Mr Ramaphosa yesterday lambasted Mr Shill, calling him "the most arrogant minister I have dealt with".

Mr Ramaphosa said Mr Shill had defied the TEC Act by not consulting it on matters that fell under its jurisdiction and was attempting to score cheap political points by announcing the plan, which was still being discussed by the NHF.

Mr Ramaphosa said he himself had sent a message with the Minister of Constitutional Development, Mr Roelf Meyer, to Mr Shill asking him to postpone the announcement, but he arrogantly rejected the request.

When Mr Shill eventually appeared before the TEC, Mr Ramaphosa opposed his attempt to explain why the statement was issued. He wanted members of the NHF to be present.

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From page 1

After a lengthy debate the TEC decided to drop from its resolution the clause calling for Mr Shill's action to be condemned but called on him and the NHF to be present at the council's meeting next week. The plan itself was put on hold. (123)

As the row between the Minister and the NHF deepened, both parties accused the other of delaying tactics and political expediency. CT 2/3/94

Mr Shill said last night he "could not wait any longer for academics to debate issues when people on the ground are suffering and need homes — just so they can say at the end of the day that the present government was unable to deliver housing".

"The delays on the NHF side have just gone on and on," he said. "We have not been able to use last year's budgetary allocation which is heartbreaking."

"Quite frankly I am fed up but I am not backing down. I am not tired of housing yet and I am determined there will be no further delays."

Mr Shill's accusations were in turn fiercely denied by the NHF.

Mr Matthew Nel, chairperson of the co-ordinating committee, said the forum, on which many political interests as well as business and housing delivery organisations were represented, had gone out of its way to elevate the housing issue above party political interests in order to achieve national consensus.

He said Mr Shill had "started applying his mind to proposals agreed on by the technical committees and of which he had not been party to beforehand and then making alterations and amendments which had to be re-submitted to the NHF plenary sessions".

The NHF was opposed to piecemeal release of the plan and had felt that disclosure of details should await finalisation of the whole package after March 14.

Local govt debts to ⁽¹²³⁾ be ditched

CT 4/3/94

Municipal Reporter

DEBTS owed by residents to black local authorities before January 20 this year are to be written off, Local Government Minister Dr Tertius Delport announced yesterday.

In his keynote address to the annual meeting of the United Municipal Executive — a body on which all the provincial local government associations are represented — he said any other step would be futile.

"We need a clean slate," Dr Delport said.

He was unable to even estimate how much was owed by residents, because in many cases records were "not up to date and generally in a state of chaos". Some debts had legally fallen away with time. In other cases charges had never been legitimately proclaimed so they could not be recovered.

Fortunately, debts owed by black local authorities (BLAs) to other bodies "can be almost fully addressed" during this financial year, he said. The government had already provided R158 million to discharge BLA debt. Yet the debt total was rising continually, so residents would have to pay from this year onwards.

The total debt at present was R256m.

Previously, R419m in government grants for development projects had been written off.

Some debts will be carried forward to new local authorities. These include R51m in loans for infrastructure (roads and pipes) from the Development Bank.

● Proclamations of towns as "volkstaat towns", and threats to officials that they must subject themselves to the authority of a citizens' council (burger-raad) or resign by a certain date, had no legal force, Dr Delport said.

Putting sandbags and razor-wire around municipal buildings (as has been done in Akasia, near Pretoria) did not break the law, he said. Yet he warned that if legal processes were disrupted, he would not hesitate to advise the president and cabinet "to use all means at the State's disposal to restore order".

Professor Ben van den Berg of the Transvaal Municipal Association said his organisation was not behind these (sandbag and wire) actions and had publicly distanced itself from them.

Responding to Dr Delport's remarks that resistance to change at local level had intensified as it became apparent that the volkstaat idea may not be attainable, Professor Van Der Berg said his association had not yet come to that realisation.

It was irresponsible to issue threats as the minister had done, or even to refer to what could happen in terms of the law.

"We know what is in the law," he said.

State to write off debts

(123)



CLEAN SLATE ...
Dr Tertius Delport

25 4/3/94
DEBTS owed by residents to black local authorities before January 20 this year are to be written off, Local Government Minister Dr Tertius Delport announced yesterday.

Addressing the United Municipal Executive — a body on which all the provincial local government associations are represented — he said any other step would be futile.

"We need a clean slate," he said.

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● Report — Page 4

Outcry over electricity

123

CT 4/3/94

By PETER DENNEHY

THERE was an uproar at the United Municipal Executive (UME) annual meeting yesterday over the prospect of municipalities losing their role in supplying electricity.

Hundreds of millions of rands are at stake. In Cape Town alone a surplus of R70,5 million from the electricity undertaking, or 10% of all the tariff money that comes in to the electricity department, is being used in the present financial year to augment property rates.

"At the moment, we are losing the battle

(to remain electricity providers)," Mr Iain Davidson, chairman of Johannesburg's management committee, said. He said the UME, which consists of the various provincial local government associations, could not continue to discuss the future of electricity without discussing the future of local government.

The meeting resolved yesterday that a bushveld "think-tank" (bosberaad) would be held in the Free State next week at which the UME will draw up its own document on the future of the electricity supply industry.

ANC promises million homes

CT 4/3/94

(123)

JOHANNESBURG. — A million houses would be built by an ANC administration in the first five years after taking office, with R50 billion spent over 10 years to wipe out the housing backlog.

This was stated by the ANC yesterday when it presented its national housing policy.

Housing the homeless would be one of the most critical challenges facing a new government and would be given priority, the ANC said.

"Government must take the responsibility in directing the management of the available financial, manpower and material resources in order to translate (all South Africans' right to housing) into actual homes."

The ANC aimed eventually to

Projects 'made impossible'

Staff Reporter

EFFECTIVE implementation of housing projects has been rendered "impossible" by the lack of "broad-based consensus" on key policies, the National Housing Forum (NHF) said last night.

The forum said there would be "no compromise" on consensus.

Their statement follows National

Housing Minister Mr Louis Shill's "premature" announcement of a R90-billion housing package this week.

The NHF said he was trying to make political capital out of the country's housing shortage.

Mr Shill could not be reached for comment last night.

chieve an annual rate of building 350 000 houses, in addition to the initial million houses.

A single national housing department would be set up and greatly increased funds would be committed to the housing programme, rising to five percent of the budget within five years.

Private financial institutions would be challenged to match the

state contribution of R50bn over 10 years.

The ANC said it would give preference to labour-intensive schemes to put the jobless back to work and in "alloting contracts to small contractors and suppliers in order to redress past discrimination in favour of big business and white entrepreneurs". — Sapa

JOINT RULE

Fm 4/3/94
Another foot

National Housing Minister Louis Shill seems to have a knack for deliberately putting his foot in it. With controversy still simmering over his handling of the Cato Manor squatter issue, the Minister this week appears to have jumped the gun by unilaterally announcing a R90bn housing plan — based on agreements with the multiparty National Housing Forum — to wipe out the housing shortage over 10 years and create 1m jobs in the process (see *Property*). (123)

No doubt the plan has its merits. However, the ANC, whose general election manifesto is based on a similar pledge, is predictably outraged by this cheeky vote-catching gambit — from a government whose policy until not so long ago enforced a blanket ban on the building of any houses for blacks outside the homelands.

In a proposal to the Transitional Executive Council in Cape Town on Tuesday, ANC secretary-general Cyril Ramaphosa called for Shill's resignation for trying to hijack the forum's plan for party political benefit. Shill sees it as his prerogative as a Minister.

According to Ramaphosa, Shill had arrogantly gone ahead and made the announcement, even though the package negotiated with the forum was incomplete and, despite having been asked, to hold back and do so jointly with it.

The forum has called Shill's announcement unilateral and premature, pointing out that it deals with only one part of the carefully negotiated national accord for dealing

CURRENT AFFAIRS

with the crisis in low-income housing, and that it puts at risk all that has been achieved.

Ramaphosa charges that Shill is "abusing his position as a Minister by using a package negotiated at a multiparty forum to boost the fortunes of the NP . . . It is the most arrogant, the cheapest shot Mr Shill could take on an issue like this. Housing is a national issue and has to be handled on a multiparty level," he told the council, arguing that the matter affected its task of levelling the political playing field. *Fm 4/3/94*

"We have had enormous problems with this Minister," Ramaphosa continued, reminding the council that when the Housing Board was established, Shill had pointedly stated that as the Minister in charge, he would not be dictated to. It was, and is, an unfortunate attitude, given that it is out of kilter with the spirit of joint governance between Cabinet and the TEC during the transition. (123)

"This Minister must be brought to book. He should be brought before the council, along with the forum, to explain his actions," said Ramaphosa.

"I would like to say that this government is on its way out, and that Ministers should not make announcements on issues that affect all our people without first making sure at multiparty level that there is agreement."

Shill, said Ramaphosa, was threatening the tenuous balance which the council was trying to establish in the transition. He added that while there were good relations on a multiparty basis with other Ministers — like Dawie de Villiers, Derek Keys and Pik Botha — Shill had done the country a disservice and had to go.

The debate was curtailed until Shill had been given the opportunity to state his case before the council.

At the same council session Ramaphosa also claimed that between 500 and 1 000 people were being trained and armed in northern Natal's Umfolozi area every fortnight, assisted by white conservative farmers; and that the area was awash with guns.

Clearly alluding to Inkatha's Chief Mangosuthu Buthelezi (who was due to meet ANC president Nelson Mandela the next day), he charged that the only intention could be to support the stated objective of certain parties that there would be no election in the territory.

"The activities clearly show something is afoot in preparing a number of people who are fully armed, probably to launch an attack on people going to vote," said Ramaphosa, quoting from a letter received from a local chief in December. "It demonstrates the problems we will face in Natal." ■

MASS HOUSING
Pm 4/13/94
Looking for solutions

Brace yourself for a R4,5bn housing allocation in the August Budget — up around R1,5bn on the previous year. The new National Housing Board (NHB) seems determined to meet the ANC's objective of providing 300 000 houses a year to address the backlog.

(123)
The NHB's Monty Narsoo, speaking on expectations for the housing allocation in this year's Budget, said R4,5bn had been tentatively set as a target — though he admitted there might be pressure from other State departments, notably health and social welfare, to have it reduced.

"We believe that a figure of that order is sustainable. Malaysia, for example, spends more than that on housing. However, there is a debate going on within the ANC over whether it is affordable given the other demands on the Treasury," says Narsoo.

More significantly, implicit in the housing policy the NHB is drawing up is a shift in emphasis from a site-and-service solution to the housing problem towards instituting a mass housing construction programme similar to that of the Sixties, which saw the erection of a sprawling mass of 51/B match-box houses in townships.

"Some people are just not going to accept being plonked in the veld with a serviced site and a toilet," says Narsoo. "An ANC government is likely to implement some kind of formal house building programme."

That might please the building industry, which could do with the work, but economists tend to reject the notion that you can solve the housing crises merely by throwing money at it. People have to be able to afford a house — which means holding down a job in a growing economy — before they can be provided with one, they argue.

This week the Minister of Housing Louis Shill announced a new housing subsidy scheme for would-be homeowners based on a sliding scale related to income. The subsidy scheme is effective from March 15. Underpinning it is the principle: the more a person earns, the less subsidy he or she is entitled to. For example, a person earning below R1 500 a month would qualify for the maximum subsidy of R12 500. Those earning R1 501-

PROPERTY

Pm 4/13/94
R2 500 would be entitled to a subsidy of R9 500 and those earning R2 501-R3 500 would qualify for the minimum R5 000 subsidy. The intention is that the subsidy would allow beneficiaries to secure housing loans which would enable them to acquire better homes of their choice. Alternatively, it could be used by shack dwellers to build more permanent homes. It will be backed by a mortgage indemnity insurance scheme currently being negotiated with the financial institutions. This should encourage them to advance housing loans to those who qualify.

While the NHB and government have agreed to the subsidy amounts, there is still apparently considerable division over the implementation of a coherent housing subsidy policy. Issues that still have to be clarified include:

- What happens where a group of people intend occupying a property. Do they all qualify for the subsidy or does only one occupant qualify?;
- How does it affect people in rented accommodation?; and
- Will hostel dwellers qualify — even though they might want to use the subsidy to build a house in a rural area?

It is intended that the new subsidy policy will replace all existing subsidy schemes. Those who have already qualified for a previous subsidy — such as the Independent Development Trust's R7 500 capital subsidy — will be entitled to an additional once-off top-up subsidy of R5 500. Details of this subsidy will be made known later.

(123)
The new subsidy policy excludes the capital discount scheme on existing housing stock. In addition, the first-time home buyers interest subsidy scheme will be terminated for new applicants and phased out for existing beneficiaries. ■

Shilly-shally in

DP slams Nats and ANC: 'Using people

DAVID BREIER

Weekend Argus Political Staff

THE government and the African National Congress are using the housing crisis for their own ends, says Democratic Party chairman Ken Andrew.

Mr Andrew took part in the Transitional Executive Council meeting in Cape Town which turned into a shambles when Minister of National Housing Louis Shill was given a roasting by the ANC's Cyril Ramaphosa, without Mr Shill being allowed to state his case.

Both the government and the ANC happened to choose this week to make rival announcements promising to spend billions of rands on new housing, and both flayed each other over their political tactics.

Within two days of hammering Mr Shill for "prematurely" announcing a R90 billion housing subsidy package, the ANC presented its own housing policy promising R50 billion to be spent over 10 years, including a million houses in the first five years.

The ANC appeared to be piqued over Mr Shill's earlier announcement which had stolen the ANC's thunder.

The NP, on the other hand, have made maximum capital out of the row which happens to fit perfectly into the Nat campaign theme that the NP are the "builders" while the ANC are the "breakers" who burn down houses and retard housing.

Both sides have accused each other of delaying the mass provision of houses by playing politics.

Mr Andrew, sitting on the sidelines at the TEC, told Weekend Argus afterwards: "The ANC and NP have always been completely unscrupulous in using people and issues to promote their own political organisations even if it has harmed the country in the process. I have little doubt this is another of those cases".

Mr Andrew said the ANC and the government were politicising everything in the run-up to next month's elections.

He said the NP had a long history of using ministers to make crucial announcements before elections and before parliamentary no-confidence debates to grab the headlines — and now the ANC was doing the same.

Early this week Mr Shill announced a 10-year plan to spend R90 billion on housing subsidies for the poor. He was immediately accused by the 19-member National Housing Forum of jeopardising months of negotiations by making a premature announcement.

Mr Ramaphosa gave Mr Shill a roasting in the TEC, calling him the most "arrogant" minister he had ever

■ The ANC and the Nationalists have both been accused of playing a cynical game to score pre-election points over plans for mass housing.

met inasmuch as he made the announcement prematurely, to gain political advantage for the NP before the elections.

Mr Shill in turn accused the ANC of dominating the National Housing Forum to prevent the use of government housing funds before the election in order to gain advantage for themselves in the elections.

The NP propaganda machine immediately leapt into action with the NP's chief spokesman Marthinus van Schalkwyk issuing a statement saying the ANC had been unmasked.

"While the ANC pretend to be concerned with the plight of needy people, they are actually robbing black and brown South Africans of the chance to own a home by blocking government plans for house-building.

"In this way the ANC hopes to generate grievances against the government about the lack of housing, while it is the ANC themselves who are directly responsible," Mr van Schalkwyk said.

The next day the ANC, with the help of full-page newspaper advertisements, launched its own housing campaign, promising a million houses within five years and state contributions of R50 billion within 10 years, to wipe out the housing-backlog for blacks.

Meanwhile President F W de Klerk got in his own jab at the ANC. Speaking on the campaign-trail in Pietermaritzburg, Mr De Klerk said ANC elements in the NHF had held up the housing subsidy for months, robbing people of their chance of obtaining houses.

"The objective of this delay was to ensure that nothing will happen for the benefit of people before the election. That, I think, is scandalous," Mr De Klerk said.

He added that the ANC did not want the present government to make any progress and "that is why we said we are going to announce this".

Meanwhile back at the NHF, the forum issued yet another statement stating it would continue to finalise a national housing accord to include State subsidies as well as an initiative to make mortgage finance available to lower-income families.

Both Mr Shill and the NHF are to appear before the TEC next week to state their cases.

(News by D Breier, 122 St George's Mall, Cape Town)

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On
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for their own organisations' benefit?
123
HOUSING

Cleaning the slate applies to all — DP

Municipal Reporter (123) ARG 5/3/94

LOCAL government debts should be dealt with equitably, says the Democratic Party.

In terms of an agreement on finance and services signed on January 20, debts totalling more than R200 million owed by black local authorities are to be written off by the state.

DP local government spokesman Jasper Walsh said the need to write off debts stemmed from the combined effects of government maladministration and political action.

"The underlying cause is the NP government's failed apartheid policy."

Atlantis was also an apartheid creation where economically deprived people had incurred local authority debts, said Mr. Walsh.

"The burden of some cannot be addressed without considering others."

If (Minister of Local Government) Tertius Delpont wants to wipe the slate clean now, he will have to deal equitably with all.

(News by C. Sawyer, 122 St George's Mall, Cape Town)

Warning of housing time lag

THE ANC's stated policy aim of building 1-million houses over the next five years is readily attainable, but there will be a considerable time lag before full momentum is reached, says National Housing Board chairman Joop de Loor. 7/13/94

In an interview at the weekend, De Loor warned that large-scale housing delivery would take 12 to 18 months to get off the ground. There were many administrative and structural arrangements which needed to be formalised before the proposed subsidy scheme could be put into practice.

"It is estimated that 50% to 60% of SA's population could qualify for housing subsidies. We need to put agents in urban and rural areas around SA to facilitate the process.

"Once these have been set up, on-line computer systems must be installed to avoid duplication and reduce fraud. Communities will be

ROBYN CHALMERS

consulted on decisions about low-cost housing projects. Priorities in terms of service levels and structures required have to be outlined." 8/10

De Loor said he expected rental accommodation to play a larger role in the provision of housing. It was estimated that 15% to 30% of the population would prefer to rent homes rather than buy. (123)

A further five regional housing boards would have to be added to the existing four once the four provinces were divided into nine.

"We estimate that between R2bn and R3bn will be made available from central government in the 1994/95 financial year. Once the mortgage indemnity scheme is finalised, more than R12bn could be leveraged from the private sector and international capital inflows."

TEC orders Shill to suspend housing plan

(123) ARK 9/13/94

THE political storm following National Housing Minister Louis Shill's announcement of a R90 billion housing project rumbled on yesterday, with the Transitional Executive Council and Mr Shill sniping at one another.

The TEC resolved to call on "all government ministers and senior officials to earnestly comply with the provisions of the TEC Act and not to initiate substantial policy changes or actions that impact on the elections in any way".

The resolution directed Mr Shill "to suspend any actions" he had intended in terms of the housing scheme, he announced on February 28.

Government delegate to the TEC, Constitutional Development Minister Roelf Meyer, opposed the measure.

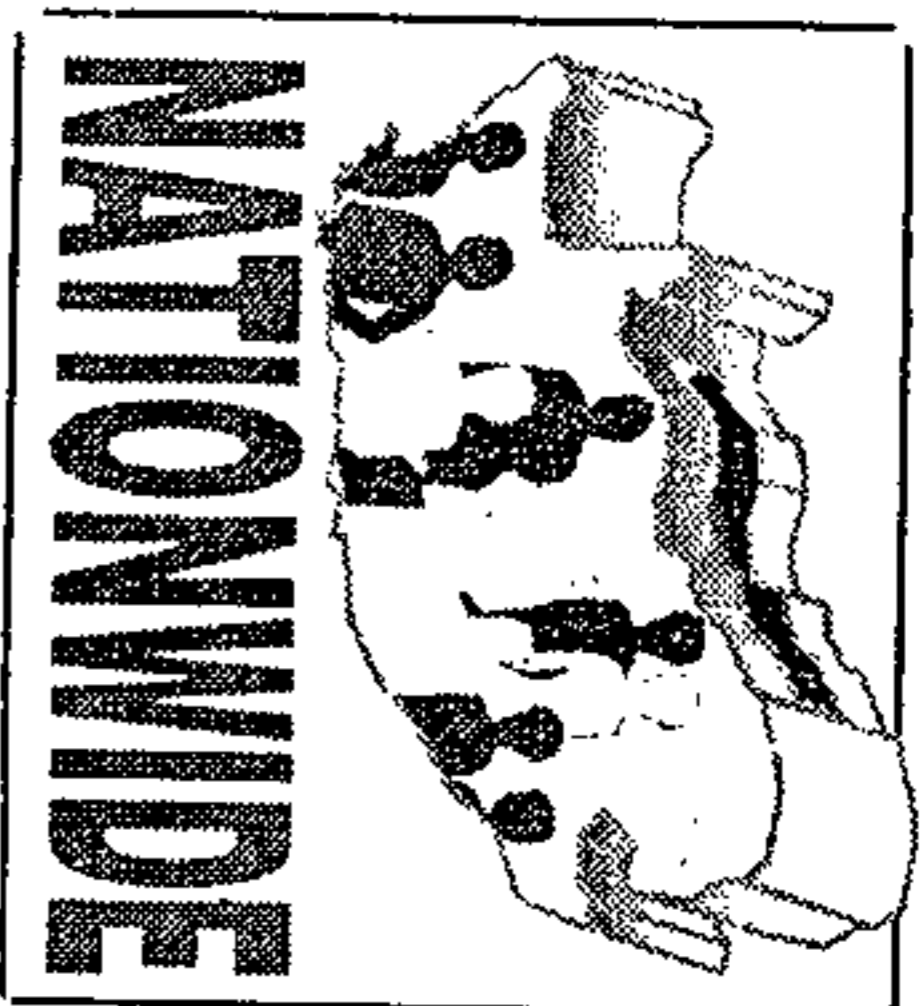
The TEC said that the govern-

ment and National Party were "guilty of flouting sections of the TEC Act" and resolved "to direct the NP government to stop forthwith with abusing its position in order to gain advantage in the electoral process".

But Mr Shill announced afterwards that he would defy the TEC directive. A spokesman for his office said last night that the minister's decision was based on legal advice. He added that Mr Shill, who earlier had threatened court action against the TEC, would consider what steps to take.

Mr Shill said last night: "The council's directive to provisionally or otherwise suspend any actions to be taken in terms of the scheme is of no force and effect, and the government is under no obligation to comply with the directive".

● Three South African Air Force



Mirage fighters flew past as African National Congress president Nelson Mandela arrived at Rabali Stadium at Ntshole in Vanda for a rally to mark International Women's Day.

About 100 000 ANC supporters asked Mr Mandela questions on ANC policy.

● One week after its secretive registration for next month's election, the African Moderate Congress (AMC) has lost its leader, Peter Magwaza, who registered the party early last week, refusing to give journalists his name.

The AMC discovered on Monday that he was still a senior member of the Inkatha Freedom Party in the Transvaal, and forced his resignation.

● The Kimberley offices of the ANC were evacuated and the surrounding area cordoned off when an anonymous caller claimed there was a bomb in the building. Police said the offices were searched, but a bomb was not found.

● The Transvaal Agricultural Union's threat to stop food production if political parties did not keep their hands off farmland was irresponsible, the ANC said yesterday. Rightwing farmers were "cutting off their noses to spite their faces."

The union did not represent all farmers in South Africa and its intolerant attitude could only lead to complications rather than solutions to the country's problems.

● The Congress of South African Trade Unions (Cosatu) has called on

workers throughout the country to join voter education programmes at their places of employment tomorrow. The programmes would not disrupt work as they would be held during lunch breaks.

● Minister of Law and Order Herinus Kriel was too busy fighting his election campaign to attend to his job, Democratic Party MP for Houghton Tony Leon, who is second on the DP's national list, yesterday told an audience of 46 people, which included several peace monitors and journalists, in King William's Town's library hall.

He said the law and order budget had quadrupled since 1989, but that violent crime had got worse.

When this issue and the safety of policemen were raised, "Mr Kriel just sits back and laughs and has a cigarette. We could paper the road from Pretoria to Cape Town with the legislative and budgetary measures that have been taken, but they are all useless because the will to implement them has gone."

● South Africa should sell off its London embassy, South Africa House, to raise funds for socio-economic development, Mr Leon told about 200 people at a DP meeting in the East London City Hall. He said the government should review the country's assets overseas.

● Political parties may change their candidates' lists until next Wednesday, the Transitional Executive Council decided last night. But parties registered to contest next month's election are to hand their candidates' lists to the Independent Electoral Commission by 4.30 pm today.

● The TEC last night revised the National Peacekeeping Force (NPKF) salary structure following a strike last week. It was agreed that a NPKF member seconded from the statutory armies would retain his salary and benefits from his force. This would be paid by his force of origin.

(Compiled by H Robertson, 122 St George's Mall, Cape Town)

TEC slams NP's action

By Donwald Pressly
Political Staff

Sawetam 9/13/94
THE Transitional Executive Council last night passed a resolution deploring the National Party's unilateral announcement of a R90-billion housing subsidy plan without the agreement of the National Housing Forum.

The council voted by 15 to 3 to deplore Minister of Housing Mr Louis Shill's flouting the forum's instructions and slammed the NP for abusing its position as government for party political gain. (123)

The council also reaffirmed its decision to suspend the package, which provides for housing subsidies for the lower income groups, until it was jointly agreed upon by the forum and the Government.

Taking issue with Shill during a three-hour debate, African National Congress representative Mr Cyril Ramaphosa produced an NP pamphlet which he said had emanated from the office of a senior housing department official on the same day as Shill's announcement last week.

The pamphlet, which mirrored the details of the package, laid claim to the NP providing the goods while other political parties merely made promises, Ramaphosa said.

Defiant Minister refuses to comply

TEC orders Shill to halt homes project

BIDAY 9/3/94

PRETORIA — The Transitional Executive Council yesterday ordered Housing Minister Louis Shill to halt government's controversial multi-billion-rand housing subsidy scheme, and accused government of abusing its position for electoral gain.

The TEC condemned Shill for his unilateral implementation of the project.

The 20-member body agreed that the project would go ahead only with the approval of all stakeholders, particularly the National Housing Forum.

However, a defiant Shill said the TEC's decision to suspend the scheme provisionally "is of no force and effect and government is under no obligation to comply with the direction".

The three-hour debate was punctuated by bitter personal asides, particularly between Shill and ANC chief negotiator Cyril Ramaphosa.

Shill continued to stand his ground, saying the TEC had no jurisdiction to stop the scheme or criticise him personally.

"You can have as much hot air going around the room as you like, but you are not in a position to condemn," he said.

TEC members objected to his comment which he then changed to say he meant it was warm in the room.

The resolution was proposed by TEC co-chairman Pravin Gordhan and amended by Ramaphosa. It was opposed by government, the NP and Ciskei.

Rejecting the resolution "in the strongest possible terms", government chief negotiator Roelf Meyer warned that a dangerous precedent might have been set.

DAVID GREYBE

The TEC could end up spending most of its time questioning the motives of participants in the election. (123)

Ramaphosa accused Shill of acting to benefit the NP in the election. He said that, on the day of Shill's announcement, the NP had released an election pamphlet containing details of the scheme. Shill said it had been "pure coincidence" that the NP advertising campaign was launched at the same time as his announcement.

He said no government could allow itself to be dictated to by stealth. (RDP)

"We don't need a Minister to ride roughshod over others," Ramaphosa said, repeating that Shill was an "arrogant man" who had almost scuppered the R90bn housing plan. "The NP is seriously indicted for trying to hijack the housing scheme."

The National Housing Forum was still "keen to see the process continue", said chairman Eric Molobi. It wanted a multi-party solution to SA's housing problem.

The forum would hold a plenary session on March 14, when it hoped to announce a completed housing scheme jointly with Shill.

DP TEC member Colin Eglin said he was "staggered" to have heard Shill say that he did not know the political implications of his unilateral actions. In fact, Shill had turned the issue into a political one.

After a lengthy debate, the TEC scrapped most of the rest of its agenda, including the new SA flag. These matters will be discussed next week.

Report by D Greybe, TML, 11 Diagonal St, Jhb.

WHAT proportion of national resources should be devoted to a housing strategy? And what role should the state play in its formulation and implementation?

These are critical questions which need to be considered together because a national housing strategy implies some centralised setting of objectives and an examination of available resources and constraints.

In a market system, neither the availability of resources nor constraints can be measured definitively, their being the function, often, of indeterminate price variations. Because of the importance of price variations to the dissemination of information, any centralised setting of objectives has to exclude the fixing of prices. That, by definition, would be self-defeating.

This is another way of saying that, in a market economy, government strategising cannot and should not be all encompassing. The state may plan, but its plans have to take account of the private sector's independent plans. At best, the state can influence private sector plans through its actions, the incentives it provides and by creating a climate conducive to business confidence.

The De Loor task group noted that despite rapid population growth during the 1980s and the increase in the urbanisation rate, investment in housing amounted to less than 3% of GDP. This is compared with 3.9% in Thailand, 7.4% in Tunisia, 4.5% in Turkey, 8.5% in Malaysia, 3.6% in Brazil and 4.5% in Korea.

More important, however, than these comparisons is the measure of absolute domestic need. In 1990, the urban housing shortage was nearly 1.3-million units (see graph). The graph also shows what needs to be done by the end of the decade to keep the 1990 shortage from increasing (a minimum requirement), or to eliminate the 1990 shortage.

For the shortage to be kept unchanged, 183 000 units would have to be built each year for 10 years. For the shortage to be eliminated, the figure rises to 311 800. These figures

State has a strong but tempered role to play in housing

RONNIE BETHLEHEM

Editorial

compare with the fewer than 30 000 units built in the past year. This deficit means construction levels greater than those indicated would have to be achieved for either of the objectives to be realised.

At R20 000 a unit on average (this would cater for a mixture of formal and informal homes, including the provision of site and service), 183 000 units is equivalent to R3,66bn and 311 800 units to R6,236bn. These represent 2.9% and 4.9% respectively of the projected total expenditure of the central government for fiscal year 1993/4, and 1% and 1.7% respectively of projected 1993/4 GDP.

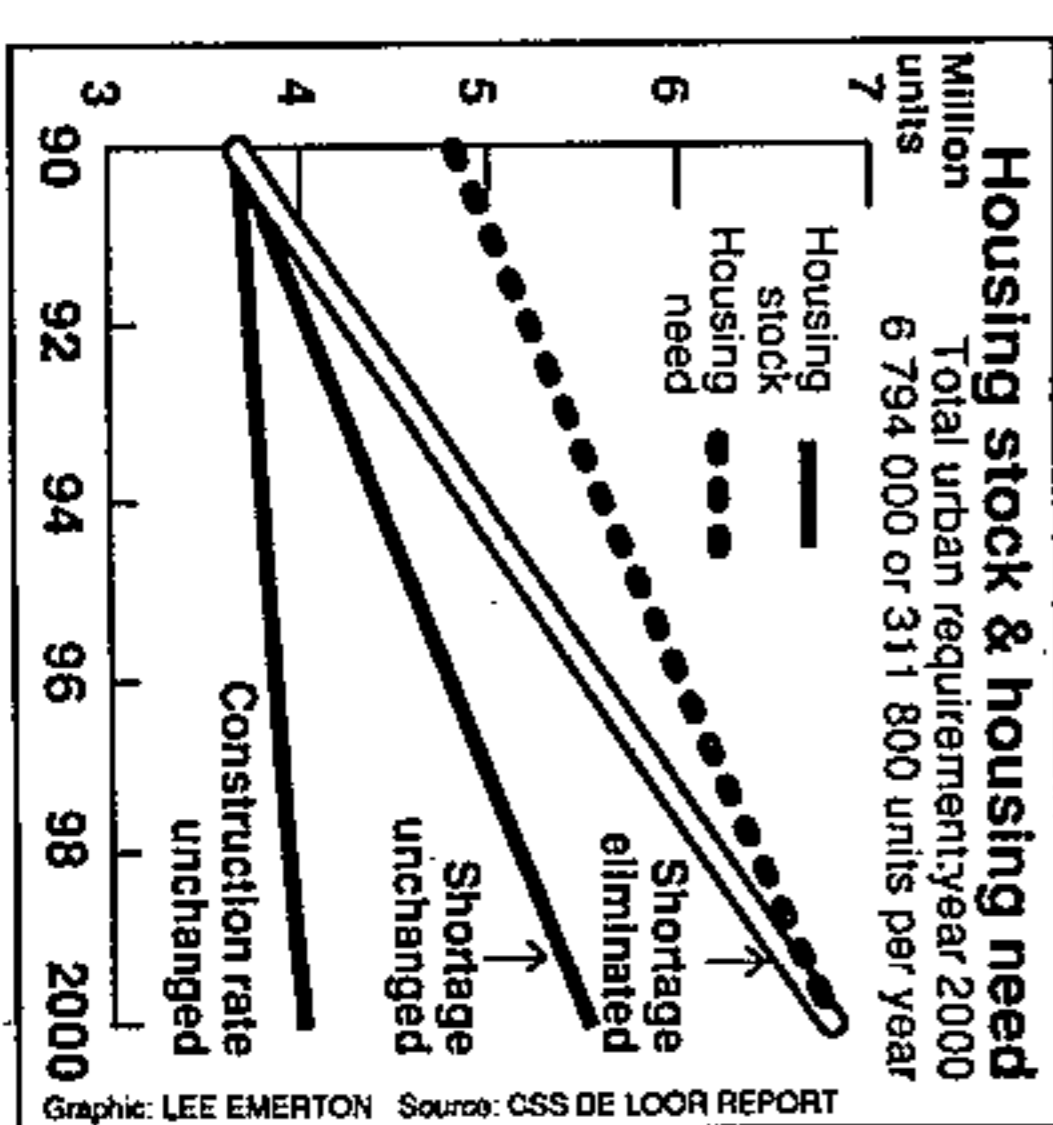
These figures suggest a major house building strategy could be undertaken without serious disruption to the economy. Especially relevant is the extent of spare capacity available. However, increasing spending on housing might mean having to divert spending from other areas. The net effect on job creation and on GDP growth might therefore be diluted.

Two dimensions of the state's role need to be considered: the commissioning of the construction of houses and their ultimate financing. Although it may be for the state to formulate the strategy, this, in an open system, must be the product of consultation with the private sector,

the trade unions and affected communities. It necessitates collaboration between government, the National Economic Forum and the Housing Minister Louis Shill's 'unilateral and premature' announcement of the government's housing plan particularly regrettable. Once, however, a strategy has been agreed on, it will be for the government to lead in its implementation.

There are circumstances, though, where a case can be made for direct state involvement in the actual delivery mechanisms of a housebuilding programme. These relate to cut-

(123)



backs in defence spending and other areas likely to involve strong resistance by important vested interests.

One way around the problem would be to include them in the housebuilding programme. Were a reconstructed SADF to be drawn into the provision of housing infrastructure there need be no retrenchment of Permanent Force personnel. A National Youth Corps, designed to take jobless youngsters off the streets into socially gainful employment, could serve the twin objectives of housebuilding and employment creation at the heart of a national housing strategy.

Beyond this, the state's role is to provide for subsidisation and the securitisation of debt. This means the absorption of debt into the financial sector's asset structure. How that is done will be crucial. One way would be for private sector institutions to get involved directly in financing housing loans — the present situation. The disadvantage is the greater risk. Another way would be for the state to issue special housing bonds to provide funds.

A third way would be to establish a national housing bank whose purpose would be to purchase low-cost housing debt. The bulk of its funds could come from issuing loan stock to other financial institutions in much the

same way as a development bank might raise loan capital. This would link the resources of insurance companies and pension funds directly to reconstruction and development.

Were the loan stocks to be guaranteed by government, they would acquire a risk rating similar to those of other public corporations. In time, more of the business of the financing of low cost housing would be taken over by deposit taking institutions operating in the mortgage market in the ordinary pursuit of profit.

Given a need to mobilise public support and cohesiveness behind the projected government of national unity, the management of a national housing strategy could take on a special role. Publicity could be given to the strategy, and in particular to its targets and the measures to be applied to achieve them. The targets, however, would have to be realistic, so that achievements above target could be publicised with pride while those below target could be used to generate pressure for improvement. Public awards could be made to firms or individuals making outstanding contributions.

Housing bonds could carry prizes in the same way as bonus bonds did in the 1980s. Again, the purpose would be to attract public attention to, and support for, the strategy.

If the government of national unity is to manage populist pressures which could otherwise threaten monetary and fiscal discipline, it will have to show its policies have had a favourable effect on both real GDP growth and net job creation. It is likely to be assisted by favourable cyclical economic developments.

However, the matter cannot be left there. The government will need to capitalise on the goodwill it attracts. A well-focused national housing strategy, balanced in terms of macroeconomic realities and given the right kind of public exposure, could play an important part in its doing so.

This is the last of a three-part series, adapted from a paper delivered recently to an AIC conference. Bethlehem is group economist of a leading finance house. These views are his own.

Rubber bullets fired after De Klerk rally

By *Tim Cohen*
TIM COHEN

MESSINA — Police fired rubber bullets on ANC and PAC supporters yesterday following an NP rally addressed by President F.W. de Klerk.

A police spokesman said police had opened fire after stones were thrown at them. No one had been injured.

The shooting occurred shortly after the presidential motorcade had passed a toy-toting crowd at the entrance to a stadium in Messina.

It sparked an immediate outburst from ANC election co-ordinator Abraham Luruli, who was monitoring the crowd.

"We object to this action by the police. It is just because De Klerk was speaking here that they started shooting," he said.

Police officer in charge Maj Edward Chllers said at least two stones had been thrown. Two of his officers had been hit, one on the chest and one on the shoulder.

De Klerk said afterwards that he had been informed ANC supporters had also damaged an NP supporter's car. Opening fire had been a security decision. He said Nelson Mandela's calls for a halt to election intimidation were not being heeded.

Report by T. Cohen, TML, 11 Diagonal St., Jhb.

Housing forum may support Shill's plan

By *David Greybe*
DAVID GREYBE

THE National Housing Forum could give its backing to Housing Minister Louis Shill's R90bn housing scheme as early as Monday despite the row which led to the TEC demanding it be suspended.

Forum chairman Eric Molobi yesterday confirmed delegates would consider all aspects of the scheme at a plenary session on Monday.

"If the forum agrees to the scheme the process must be ratified with the National Housing Board, which will then advise the Minister to implement it," Molobi said.

A forum invitation to Shill to attend the plenary still stood, he said. The forum had originally planned to announce the scheme jointly with Shill immediately after its ratification by the plenary.

Shill said yesterday he had not yet received the invitation but if he did he would consider it.

"I would talk with the devil himself if it sorted out SA's housing problems," Shill said. However, he first wanted to see the agenda.

Molobi said as far as the forum was concerned Tuesday's row at the TEC should not

hamper the forum's relations with Shill.

He said the plenary would discuss the three broad areas of the scheme, certain aspects of which had already been agreed to by the various stakeholders: state subsidies as announced by Shill in February; private sector participation, mainly in the form of mortgage lending; and structural implementation of the scheme to ensure the bias of apartheid regulations was not repeated.

Shill reiterated that the TEC directive ordering him to suspend the scheme "until... the matter is resolved in the National Housing Forum" was illegal and government was under no obligation to comply with it.

Shill claimed the ANC had undue influence within the forum, which appeared to be putting obstacles in the way of agreements so that the next government could claim credit later on. He said five of the six forum nominees to the National Housing Board were ANC-aligned.

Report by D. Greybe, TML, 11 Diagonal St., Jhb.

Comment: Page 14

Business Day, Thursday, March 10 1994

Shill defies TEC order to freeze housing plan

(123)
By ANTHONY JOHNSON
Political Correspondent

HOUSING Minister Mr Louis Shill yesterday brushed aside a TEC order to freeze a R90-billion housing subsidy scheme, saying the directive was "of no force or effect".

As the row over the plan continued he issued a statement that the objectives of the TEC had no bearing on the housing scheme, which was a "normal function" of his department.

A resolution passed by the TEC this

week — with opposition from the government, the NP and Ciskei — directed Mr Shill "to suspend any actions" he had intended in the housing scheme he announced on February 28.

Mr Shill insisted yesterday that his department's sole objective was to enable people to obtain adequate housing. He denied any political motives and said he hoped his department would be allowed to continue providing housing without political interference.

CT 10/3/94

A man willing to play it tough

Reg Rumney

(123)

SINCE accepting the housing portfolio in President FW de Klerk's outgoing cabinet in 1993, Housing Minister Louis Shill has twice shown a willingness to fly in the face of the newfound atmosphere of negotiation.

That Shill should so readily put the country's housing programme in jeopardy, for what is seen as party political gain and he insists is the urgency of the housing crisis, should come as no surprise to those who know the staunch Nat who became the first Jewish cabinet minister since the NP took power in 1948.

Shill is best known for having established the successful Sage group — within which is one of South Africa's biggest home-building companies — after being one of the driving forces behind the founding of Liberty Life.

Glossed over has been his long-standing support for the NP and an innate conservatism that made it possible for him to endorse the pace of reform programme under former state president PW Botha.

Shill was also chairman of Sage when he successfully took the *Financial Mail* to court to stop it publishing the contents of tapes obtained from illegal bugging of company members, and which were thought to contain material personally damaging to Sage executives.

Shill took up the housing portfolio in April 1993, and late last year attracted condemnation from the ANC and the middle-of-the-road Urban Foundation for introducing an unexpected extension of the state subsidy scheme that was seen as a cynical move to buy votes, particularly in Indian and coloured areas. The move, which was slated to involve giving residents of state-owned houses more than R2-billion to buy their homes, was seen as a government show of power in bypassing the National Housing Forum.

WM 11-17/3/94

EFFORTS by National Housing Minister Louis Shill to claim credit on behalf of the government for agreements reached at the National Housing Forum, may soon prove a huge embarrassment for his party.

Instructed by the Transitional Executive Council this week not to proceed with implementing a R90-billion housing scheme, a defiant Shill insisted the TEC had no legal right to stop him from forging ahead.

Legal opinion, however, indicates that Shill will have no option but to succumb to TEC demands and that he will be forced to publicly retract his announcement.

Ironically, Shill seems to be fighting a battle for a cause that will, for legis-

Shill may yet eat humble pie

Housing Minister Louis Shill's defiance of the TEC over a housing scheme could backfire on the National Party, reports **Chris Louw**

(123)

tical reasons, not get off the ground until after the elections. By then the ANC will dominate the new government.

Constitutional expert Professor Kader Asmal said this week Shill's announcement of the government's "new policy" to provide houses to the poor, was the sort of action that was feared when negotiations started. "This has always been a nightmare: what will the government announce between now and the elections?"

That was precisely why the TEC was instituted: to see state funds were not used to the advantage of any particular political party.

Asmal said it was clear Shill was "offensively destroying the whole (National) Housing Forum. If Shill is allowed to get away with this, then all the forums are so much mystification. The forums are supposed to be the prelude to consensual decision-making."

The TEC is empowered to instruct

ery of housing in the short, medium and longer term".

The plan was not supposed to be announced before March 14, when final agreements on critical components of the overall accord were supposed to be reached.

Indications are that Shill announced the housing plans prematurely in order to pre-empt the introduction of the ANC's housing policy at the beginning of March. Where Shill's announcement received prominent display in newspapers, the ANC's plans were hardly mentioned.

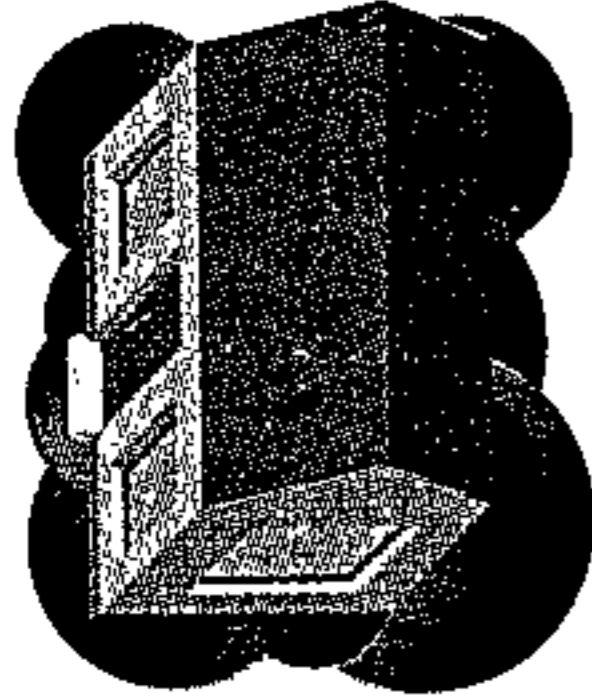
Ordered by the TEC to explain his actions this week, Shill maintained that decision-making remained with his office. "It is in fact the law of the country." WMI-17/3/94

HOUSING

Shaky foundations

Full 11/3/94

Defusing the housing crisis will need more than money



Civilised societies agree that providing basic sustenance and shelter is a fundamental objective well worth striving for.

Some might quibble with the definition of SA, situated at the tip of a raw and rough

continent, as a "civilised society." Nevertheless, if it ever seriously attempted to adhere to the noble precepts of providing food, clothing and shelter for all, it failed dismally.

Just take one measurement — housing. Accurate statistics are hard to come by but the general consensus is that the State provided around 30 000 housing units for people of all race groups last year. When one considers that the backlog — and here one must remember that whites are generally adequately housed — is between 1,4m and 3m units (depending on whether or not you count wood and iron shacks as houses), then the State continues to fail.

That's why Housing Minister Louis Shill's R90bn plan (or the housing plan of the TEC or ANC, call it what you will) to provide thousands of homes to South Africans of all race groups over the next 10 years, is important.

For the first time there has been an attempt to develop a coherent and standardised housing subsidy policy, that uses income level as its sole qualifying criterion and is absolutely nonracial in its application.

Broadly, the plan involves government's committing R4bn for 10 years to a housing fund, from which subsidies will be paid out to would-be homeowners. The subsidy level depends on the monthly income of the applicant. Those earning R1 500 and less qualify for R12 500; those earning R1 501-R2 500 are entitled to R9 500; and those with incomes of R2 501-R3 500 are eligible for R5 000. Those with incomes above R3 500 are excluded.

The intention is that would-be homeowners will apply to the fund for a subsidy and will then build a home using black small contractors, thus stimulating employment. The nominal cost of a serviced stand will be included in the subsidy amount. Alternatively, an owner could upgrade a dwelling; or use the subsidy as a cash deposit on a more elaborate home and gear themselves with a building society or bank for the balance of the purchase price. This is from where the additional



Bethlehem

R50bn of Shill's package is intended to come.

(123)
The plan was thrashed out after months of discussion between the National Housing Forum, a policy-making body representing a broad range of nongovernment housing interest groups, and Shill's Housing Department. Though the finer details of how and to whom the subsidy will be applied have not yet been agreed, the scheme was approved by the National Housing Board. This is a statutory advisory body comprising members of the forum, government and a number of nominees appointed by both parties.

From what we've seen of it, the plan seems simple and straightforward. Where it becomes controversial is that Shill's colleagues in the forum allege that he jumped the gun on making the announcement. They say they asked him to delay going public on it until mid-March when some of the finer — but important — administrative details would have been tied up.

That he went ahead and released the details regardless, they say, was a cheap political shot intended to score points for the NP in the general election campaign.

Shill retorts that he was frustrated by the interminable delays in working with the forum, that the details of the subsidy scheme were all but sewn up, and as Minister it is his prerogative to make announcements when and where he chooses.

What must be remembered, though, is that this is an election year. And housing is always an emotive issue — especially for the disadvantaged. The ballot box is a powerful tool for newly enfranchised people.

The ANC's difficulty is that it has gone public with its promise of housing for all. The proletariat is expecting it to deliver on that promise after the election — hence its chagrin at Shill appropriating the latest housing initiative for himself and the NP.

Nevertheless, the spectacle of the TEC throwing its toys out the cot and calling for Shill's head over the subsidy issue was unseemly — even if it were merely playing to the gallery. Housing is too important an issue to trivialise like this. Given the legacy of past neglect, any new housing initiative is to be welcome. And the quicker it gets off the ground, the better.

However, stripped of its hy-

perbole and telephone digit numbers, Shill's bold new housing plan starts to look more and more flawed. Cynics might even say that it's unachievable — at least in the short term. But the danger of announcements of this kind is that they tend to raise expectations — no matter from what quarter they come.

At bottom the problem is one of housing delivery. It's all very well to set subsidy levels. That's the easy part. It's putting the administrative procedures and mechanisms into place that will translate cash grants into houses on the ground that is the difficulty.

Ask the NP government. It was not so much the lack of funds (last year the Treasury committed about R3bn in the form of various housing allocations) as general red tape and the bureaucratic nightmare of the "own affairs" system that stalled government's previous housing efforts in bringing suitable land to the market.

Not much of this has changed. True, the forum does have specialist working groups

looking into such issues as land and services provision, inefficiencies in the delivery system, end-user finance and how to bring the lending institutions into the system.

But the truth of the matter is that, despite Shill's grand announcement, not much more in the provision of housing can be expected this calendar year than in any previous year. Even the ANC acknowledges this. Its Merg report almost discounted 1994, but set forecasts for housing production at around 100 000 units in 1995, building up to about 300 000 only at the turn of the century because of the recognised structural impediments in the economy.

The Building Industries Federation of SA has done its own research into the industry's capacity problems. It also believes a target of about 100 000 additional houses is achievable next year, building up to about 300 000 three years later — two years before Merg's forecast — and sustaining that level annually thereafter.

Federation CE Ian Robinson has identified building material shortages, distribution problems, the lack of human resources and manpower training and the log jam in the provision of land as some of the obstacles likely to prevent more ambitious targets being met. "The delivery process and mechanisms have to be in place before we can turn on the tap," he says.

An even bigger stumbling block involves co-opting private-sector lending institutions



Shill

into supporting the plan. Shill is counting on the private sector to provide at least half the R90bn he is looking for over the next 10 years. But the banks have been badly burnt in the past by bond boycotts and the high risk profile of certain categories of mortgage borrowers.

Predictably, their response has been to invoke policies such as "red-lining" — the practice of identifying certain high-risk areas in which they are not prepared to lend in any circumstances. The fears and anxieties flowing from the risks associated with lending in these markets have to be assuaged before they will readily commit their funds. Some progress has been made in discussions between them and the forum on issues such as a loan guarantee scheme and risk reinsurance. But, unfortunately, these issues remain among the detail of the subsidy scheme as yet unresolved.

"Setting the actual subsidy levels was no big deal," says Matthew Nell, chairman of the co-ordinating committee of the forum. "It's getting people to buy into the scheme and not look only to their sectoral interests — that is the problem."

He says the first hurdle was agreement on the subsidy levels. The next, which is still being attended to, is setting up the administrative arrangements and policy which will facilitate actual housing projects on the ground.

Of course there are those who say borrowers who have become accustomed to a boycott-prone society are not easily weaned from their wicked ways. But Piet Liebenberg, CE of the Council of Southern African Bankers and the banks' representative in negotiations with the forum, believes this is a cynical view. He points out there are plenty of lower-income borrowers who regularly meet their bond instalments.

"We have made good progress on this issue. We believe if it can be finalised on the basis of our suggestions, then we would be happy to lend once again. If we can provide our depositors with some security against the political risk of boycotts and defaults, then we believe we can get back into these markets. We would like to put our money where our mouths are."

Again, it might have something to do with the political season we are in, but the ANC has gone as far as to indicate that housing is a basic right for all. In the section dealing with housing in its economic Reconstruction & Development Programme it notes that access to a proper house is a fundamental human right.

But a house cannot be a right, because a right has to be enforceable. The problem with designating things a "basic human right" is that the list tends to grow. It's the right to a job, sustenance and shelter today; tomorrow it's also the right to a motor car, colour TV sets and a telephone.

One can argue about the priorities, too. Sure, housing is important, but are jobs perhaps not more important? There are many in this country who feel that the priorities

should be re-ordered and jobs put at the top of the list. Certainly in post-war Germany and Japan, this was the approach adopted. The argument that house building itself creates millions of jobs doesn't hold much water either. These are merely transient jobs, not sustainable ones that flow from investment in productive enterprise (123)

Economist Ronnie Bethlehem calls this neo-classical economic thinking. It's fine for a fully employed and developed economy such as Germany and Japan, he says, but in a developing country like SA where there are structural impediments to growth and balance of payments constraints, it has to be contrasted with a more Keynesian approach.

"In a country like SA — where there is mass unemployment along with fiscal and balance of payments constraints — the State has to assume a more interventionist role. In this respect housing could be an important stimulus in putting people back to work and helping the economy grow.

"While the neo-classical arguments are strictly correct, one of the reasons why SA has been getting a very poor return on human capital development and fixed capital formation could be because its people are so

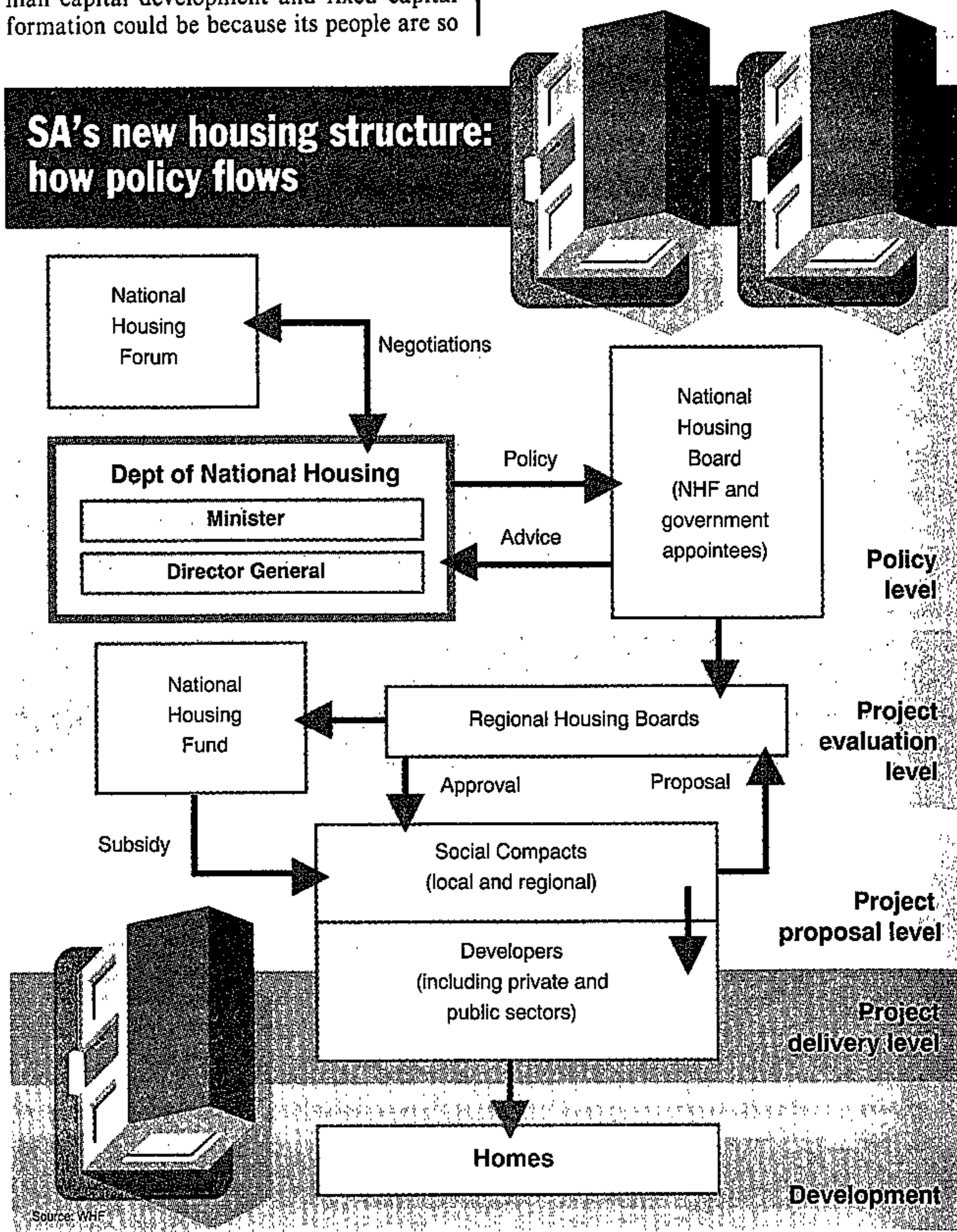
poorly housed. In this respect one has to see what contribution additional spending on housing can make, in a synergistic way, to improving the situation."

Still, R4bn a year — around 4% of the national Budget — is a lot to spend on housing, especially when there are so many other demands on the Treasury. It might be cheaper to change the focus of attention towards curbing the population growth.

In the new SA one can expect the allocation of national resources — especially into such areas as health, education and social welfare — to be highly politicised. Restraint will have to be exercised — otherwise the deficit before borrowing, already high, could balloon out of all proportion with dire consequences for us all.

The unfortunate aspect of Shill's announcement, apart from any alleged unsavoury attempt to gain political mileage in advance of the election, is that it emphasised the amount to be spent. By implication, the only thing that needs to be done with the housing problem is to throw money at it. If only it were that simple. ■

SA's new housing structure: how policy flows



Louis lets off steam in the TEC chamber *S. Hines 13/3/94* as housing feud boils

CYRIL RAMAPHOSA

RAMAPHOSA REFUSES TO BEND AS OPINIONS CLASH

By RAY HARTLEY
Political Reporter

TAKE an impatient trade unionist turned politician, a businessman with a short fuse turned cabinet minister and the red-hot spice of electioneering — and mix them liberally in the Transitional Executive Council pressure-cooker.

The result: ANC secretary general Cyril Ramaphosa and Housing Minister Louis Shill at each other's throats for three hours in the TEC this week about the National Party's election claims over housing.

It all began two weeks ago, when Mr Shill was hauled before the TEC in Cape Town and given a few seconds to make a public confession to his premature announcement of a R90-billion housing scheme.

Then came the humiliating political lesson from Mr Ramaphosa, who berated the smarting minister for having announced the scheme against the advice of the multi-party National Housing Forum, which had devised it.

By this week, when he was finally allowed to defend himself, Mr Shill had worked up a fair head of steam. Armed with hundreds of pages of documentation

and surrounded by lawyers and ministry men, he let loose.

The law had not been followed because he had been given no chance to respond to allegations "especially by Mr Ramaphosa" at the Cape Town meeting.

"I am advised that the council's direction to provisionally suspend any actions to be taken in terms of the scheme is of no force and effect and that the government is under no obligation to comply therewith," he said defiantly.

By NORMAN WEST
Political Reporter

TUESDAY is "D-day" for the implementation of the controversial R90-billion housing plan and at tomorrow's meeting of the National Housing Forum it will have to decide for or against it, Housing Minister Louis Shill has said.

Yesterday he vowed once again that obstruction to the implementation

Furthermore, he thundered, the scheme had no bearing on the objects of the TEC.

He delivered a 49-page "summary" of his defence. On page 11 he responded to Mr Ramaphosa's "vitriolic and distasteful attack" with a challenge.

The secretary general's attitude reflected "a serious deterioration in the status and credibility of this council, and I think he owes the council and I an apology", he said, eyeing Mr Ramaphosa.

Shill vows to take legal action

of the scheme by either the NHF or the TEC after tomorrow "will be met by legal action".

"The matter has serious legal implications and it is the duty of my department to protect our mission of providing housing in the best legal way we can — and we intend doing just that," Mr Shill said.

He reiterated that the government was "not under any obligation to com-

ply with the TEC directive". The TEC cannot dictate to the government," he said.

However, Mr Shill's interpretation of the legal counsel he relied on about the powers of the TEC contrasts with that of TEC legal opinion.

The matter can still come before the Independent Electoral Court, which acts in disputes between the TEC and the government.

Holding up a copy of a National Party election pamphlet promising a R12 500 subsidy to homebuyers, which "surfaced" on the same day as Minister Shill's announcement, Mr Ramaphosa launched into his response.

"This is the greatest disgrace in this country," he said. "Minister Shill is arrogant. There will be no apology."

The NP was abusing government resources to bolster its election campaign, and had cynically made the housing announcement the day before the ANC was scheduled to launch its own housing election campaign, he said.

By the time the unrepentant secretary general had finished, Mr Shill had visibly reddened. "If it does nothing, the government is no good. If it does something, it is terrible," he bellowed.

Mr Ramaphosa intervened several times during the minister's second defence with comments such as "you're on your way out" and "what does the minister mean by hot air".

When the two adversaries finally fell silent, the TEC passed a resolution suspending the housing scheme until multi-party agreement had been struck. Mr Ramaphosa smiled ever so slightly, while Minister Shill packed up his documents and left the chamber.



Shill housing plan could get all-clear today

B/Day

14/3/95

DAVID GREYBE

THE National Housing Forum could give its backing to Housing Minister Louis Shill's R90bn housing scheme as early as today, despite the row which led to the Transitional Executive Council demanding the scheme be suspended.

Forum chairman Eric Molobi confirmed yesterday that a forum plenary session was going ahead today, and delegates would consider all aspects of the multi-package housing scheme.

"If the forum agrees to the scheme the process must be ratified by the National

Housing Board, which will then advise the Minister to implement it," Molobi said.

A forum invitation to Shill to attend the plenary still stood, he said. The forum had originally planned to announce the scheme jointly with Shill immediately after its ratification by the plenary.

Shill said yesterday he had not yet received the invitation, but if he did he would consider it. However, he first wanted to see the agenda for the meeting.

Molobi said as far as the forum was concerned Tuesday's row should not hamper future relations between it and Shill.

He said the plenary would discuss the three broad areas of the scheme, certain aspects of which had already been agreed to by the different stakeholders. (123)

These were the state subsidies announced unilaterally by Shill at the end of February; private sector participation, mainly in the form of mortgage lending; and structural implementation of the

To Page 2

Shill

B/Day

14/3/94

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scheme to ensure the biases of apartheid rule were not repeated. (123)

Shill reiterated that the TEC order that he suspend implementation of the scheme "until ... the matter is resolved in the forum" was illegal and government was under no obligation to comply with it.

The TEC had no legal right to issue the order under the section of the TEC Act used to call him before the multiparty body, whose job it was to level the political playing field in the run-up to the election.

The TEC also had no right under the TEC Act to condemn an individual, Shill

said, referring to the TEC resolution which deplored his "provocative action" in unilaterally announcing part of the scheme.

The TEC also ordered the NP government immediately to "stop abusing its position" for electoral gain.

Shill claimed the TEC was trying "very hard" to become the government of the day: "If so, heaven help us."

He further claimed the ANC had undue influence within the forum, which appeared to be putting obstacles in the way of agreements so that the new government could claim credit later on.

Private sector cash wanted for housing

JOHANNESBURG. — The National Housing Forum says the housing crisis can be resolved only if public sector funds are matched by the private sector.

(123) ARG 15/3/94
The forum said after meeting in Johannesburg yesterday a comprehensive package of intervention on housing subsidies and finance was essential.

Such a package should include interim subsidies for rental and ownership in rural and urban areas, mortgage-based and non-mortgage-based finance for those who could afford it from sources other than banks, and a comprehensive education and consumer protection programme.

The forum said it would call for a national housing summit as soon as the other elements of a comprehensive national housing plan were in place, to gain national consensus.

It suggested the matter be referred to the National Housing Board for comment before it was finally announced. — Sapa.

(News by S. Denny, 141 Commissioner Street, Johannesburg.)

Shill's 10-year scenario 'premature'

Forum backs govt housing subsidy plan

Biday 15/3/94

THE National Housing Forum yesterday gave the green light for the first nonracial subsidy scheme, immediately unlocking government finance for housing.

The announcement marked a calming in the tempestuous relationship between Housing Minister Louis Shill and the forum. Shill raised the forum's ire by announcing the scheme at the beginning of the month, before it could be endorsed by the forum's plenary meeting yesterday.

But at a news conference after the plenary, forum spokesmen emphasised the negotiating body had stopped short of endorsing Shill's 10-year scenario. Shill said R90bn in private and public finance could be spent over a decade.

Co-ordinating committee chairman Matthew Nell said it was premature to talk about a 10-year programme. The package being devised by the forum would be evaluated by the next government.

Forum chairman Eric Molobi, asked if the announcement marked the end of the dispute with Shill, said: "For the time being our problems are over."

The forum said a comprehensive housing package would consist of three key aspects: subsidy policies, loan finance for those who could afford it, and a programme for education and consumer protection. As a first element of the package,

GRETA STEYN

the forum approved the implementation of interim subsidies for ownership. (123)

According to Shill's announcement, subsidies would be based on income, up to a maximum grant of R12 500 to new home owners earning monthly incomes of not more than R1 500. Nell said some projects qualifying for subsidies could come on stream almost immediately.

The forum would also "proceed with urgency" to finalise a mortgage indemnity insurance scheme to unlock private finance. Without the scheme, banks are not expected to come on board.

The forum's statement said the housing crisis could be resolved only if the release of public sector funds was matched by private sector investment in housing.

Nell said the insurance scheme would be finalised, hopefully next month, once "a range of technical issues" had been resolved. Shill said at earlier this month he expected the insurance sector to take over the scheme from government.

The forum said a summit would be called on national housing as soon as other elements of a comprehensive housing plan were in place.

Shill was not at yesterday's news conference, despite an invitation to attend.

Housing forum to go ahead

THE National Housing Forum agreed at an all-member meeting yesterday to continue negotiating a housing accord.

The meeting outlined key issues which needed to be resolved before housing delivery could take place.

This followed Housing Minister Louis Shill's announcement of a R90bn housing package earlier this week, widely criticised as premature and jeopardising negotiations with the forum.

The forum said the proposal for a mortgage finance initiative — integral to achieving housing delivery on the ground — had been discussed at a second meeting. "Without it, key member constituencies of the forum will not be able to commit themselves to the interim subsidy proposal."

Forum vice-chairman Ishmael Mkhabela said there were five main points which remained unresolved:

ROBYN CHALMERS

- Interim subsidy arrangements, including administrative arrangements;
- An initiative which would make mortgage finance available to lower-income families; 4/3/94
- Strategies for consumer protection and education; (123)
- An initiative to build the capacity of alternative home loan institutions; and
- Mechanisms for the provision of rental accommodation.

The forum said it believed the only way to implement a housing accord successfully was to have broad-based consensus.

"As evidenced by government's current inability to spend its housing budget, the absence of such broad-based consensus on key policies makes effective project implementation impossible."

Housing scheme will create 1-m jobs

DAVID YUTAR
Staff Reporter

Details released of controversial subsidy plan for low-income homes

THE new multi-billion-rand housing subsidy scheme approved by the National Housing Forum will create between 1,3 million and 1,8 million new jobs, according to the Department of Housing and Public Works.

Over 10 years the scheme is expected to provide an annual subsidy of R3 billion, which will be matched by a R66 billion annual subsidy by the private sector, a spokesman said.

Details had yet to be finalised. These included the specifics of a mortgage indemnity insurance scheme.

It is hoped to build between 35 000 and 390 000 low-income units during the next decade to cope with an expected annual population growth of 200 000.

The scheme was initially shrouded in controversy after it was alleged that the department had ignored a Transitional Executive Council instruction to suspend it.

Ministerial liaison officer

Pieter du Plessis said the scheme would create 80 new jobs directly and 120 indirectly for every R1 million of expenditure.

It makes state subsidies available for low-cost housing, setting an upper limit of R65 000.

The subsidy will be in the form of a lump sum payable to the new homeowner at the time of taking transfer of the property.

It replaces all existing family housing subsidy schemes and will terminate the First Time Home Buyer's Interest scheme with ef-

fect from a date to be announced.

It provides for three categories of subsidies according to the income bracket of the purchaser.

● A maximum subsidy of R12 500 for new homeowners with monthly household incomes of not more than R1 500.

● A subsidy of up to R9 500 for purchasers with a monthly household income of between R1 501 and R2 500.

● A subsidy of up to R5 000 for those with monthly household incomes between R2 501 and R3 500.

123
1994

The scheme also extends earlier subsidies for the acquisition of serviced sites, enabling beneficiaries to obtain additional finance towards building a house.

Mr Du Plessis said this would alleviate the shack-dweller problem by making it easier for squatters to build permanent houses.

He said that as well as creating new jobs, the scheme would also "create home affordability" in the low-income sector and that the private sector had indicated its willingness to take part in its implementation.

Anger over NP housing plan claims

PRETORIA. — The National Housing Forum and the Democratic Party have slammed as "opportunistic and misleading" a National Party advert referring to the breakthrough in low-cost housing, published in a Johannesburg newspaper yesterday.

The NHF said last night that the advert falsely presents the plan that the NHF developed and

had approved at its plenary meeting on March 14.

Housing Minister Mr Louis Shill yesterday unveiled plans for the immediate implementation of the R90bn subsidy scheme.

The NHF had endorsed the scheme on Monday after a bitter dispute revolving around Mr Shill's unilateral announcement of the plan last month. The scheme unveiled by Mr

Shill promises 150 000 homes and more than 500 000 jobs during its first year of operation. A total of 250 000 homes could be constructed during year two of the housing scheme, and 390 000 houses could be delivered by 2000.

The NHF said the advert was "not related to the NHF proposals and does not appear to have any basis in fact".

CT 18/3/94
(123)

"We have taken strong exception to the misleading, opportunistic and dishonest claim of the NP in the advert," the DP said in a statement, issued by its representative on the NHF, Ms Judith Briggs.

"The NP and Minister Louis Shill must desist forthwith from using housing as a political football" — Own Correspondent, Political Staff, Business Staff

Serviced Land Project warns of con artists

By MAGGIE ROWLEY
Property Editor

(123)

CT 18/3/94

COMPLAINTS that con artists have been trying to sell serviced plots in projects being developed by the Serviced Land Project (SLP) have been received by the organisation.

SLP's Gerry Adlard said they had received complaints from two different sources claiming they had been told they could have their names put on an SLP waiting list for a fee.

"It must be clearly understood that there are no waiting lists for SLP projects.

"In addition no payment will be required to apply for a site in any SLP project.

"Any person who claims to sell any kind of rights to sites or waiting lists in the SLP is acting falsely and should be reported to the Police and to the SLP Project Co-ordinator."

Adlard said that no individual in the SLP would have the right to allocate sites.

"The rules for site allocation in each project will be agreed upon by the Residents' Development Committee and the public authority in consultation with the community as a whole, and the site allocation will then be administered by a Site Allocation Committee in terms of these rules."

The SLP aims to provide serviced sites for about 36 000 families over the next five years.

Adlard said most if not all of the recipients of these sites would qualify for the new subsidies as announced under the National Housing Policy in the past couple of weeks. Allocation of sites in at least two projects would get under way in the next couple of weeks, according to Adlard.

Shill launches scheme to beat homes backlog

BIDU ROBYN CHALMERS 18/3/94

PRETORIA — Housing Minister Louis Shill yesterday unveiled plans for the immediate implementation of the R90bn subsidy scheme, saying 150 000 homes and more than 500 000 jobs would be created during its first year of operation. (123)

The National Housing Forum endorsed the scheme on Monday after a bitter dispute revolving around Shill's unilateral announcement of the plan last month.

Shill said he was not at loggerheads with the forum, and described their relationship as "the bond between Siamese twins with independent minds". The plan's implementation had been negotiated with the forum.

A total of 250 000 homes could be constructed during year two of the housing scheme, and 390 000 houses could be delivered by 2000.

An average 338 000 units a year would be built over 10 years, which Shill said would eradicate SA's 1,4-million homes backlog and cater for new market entrants.

Shill said a two-room house could be built with the subsidy at the lowest end of the scale. Government was, therefore, not providing just site and service schemes which would exacerbate SA's squatter problem, estimated at 5-million people.

Shill said housing construction created 122 jobs for every R1m invested. A similar investment created 36 jobs in the textile industry, 32 in the food sector and 26 in the chemical industry.

"An annual investment of R9bn will create 1,8-million jobs a year and boost not only the floundering construction industry but help fuel the economy as a whole."

He said the mortgage indemnity scheme (MIS) under negotiation with the banking sector was close to being finalised, but the subsidy scheme could go ahead before consensus on the scheme was reached.

"The subsidy scheme is aimed mainly at the large percentage of SA's population earning less than R1 500 a month. As such, they are unlikely to be affected by the MIS."

A forum document said a separate company would be formed to house the MIS, subject to the willingness of the govern-

□ To Page 2

Shill

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□ From Page 1

ment to underwrite bankers' risk. Repossessed properties could be transferred to a subsidiary of the MIS and put on the market for resale. (123)

Shill said SA's housing environment had been restructured in order to facilitate the delivery of homes. This included the formation of a single housing ministry, closer liaison with community-based organisations and the redevelopment of 181 state

managed hostels.

"All the necessary resources are available in SA and the government is ready to set in motion a process of significant housing expansion on the basis of affordability, in partnership with local and community structures."

There was a possibility that the subsidy scheme could be extended in the future, but no formal decision had been made.

Radical intervention imperative

New housing is way short

Star 19/3/94

123

STATISTICS have revealed that South Africa's housing shortage of 1,4 million does not look set to improve in the near future, **MEG WILSON** reports.

THE number of housing units built in the past year totalled less than 35 000 — in a country where the shortage of dwellings is estimated at 1,4 million.

According to the latest building statistics survey from the Central Statistical Service (CSS), there were just 25 861 houses built in 1993 (27 634 in 1992).

Also built were 6 884 townhouses and 1 590 flats.

The actual value of residential building increased — 21,6 percent in the case of houses, and 57,4 percent for flats and townhouses.

This, coupled with the fact that fewer than 11 000 of the houses built were under 81 sq m — the measure used by the CSS to indicate low-cost units — shows that housing delivery is

still badly skewed away from where the need is greatest.

An analysis of the CSS figures for building plans passed indicates just how little the situation is likely to improve without radical intervention to make housing funds readily accessible to end-users.

The number of plans passed for houses last year was 36 473 (35 772 in 1992), for townhouses 12 753 (9 012) and for flats 2 809 (3 308).

Of the house plans passed, more than 18 000 were for whites, about 9 000 for blacks, 7 000 for coloured people and 2 500 for Asians.

Far less than half, around 15 000, were for houses under 81 sq m.

Some of these plans may never see the light of day. CSS figures reveal that work has begun on only 23 638 of the houses approved, 8 658 of the townhouses and 1 175 of the flats.

And even if all the planned units get built, the total number of housing units resulting from a year's work would be around 68 000.

A wider distribution of building activity will probably also be necessary if the country is going

to meet its real housing needs.

The figures reveal that, of the houses built last year, most were in areas surrounding the 22 principal municipalities.

Flat-building was fairly evenly spread between the major urban areas, their outskirts and "other urban areas", while the distribution of townhouses was weighted towards the major municipalities and their surrounds.

The highest number of houses was built in the Witwatersrand area (5 457), with Cape Town (5 069), Pretoria (2 522) and Port Elizabeth (1 804) following.

The figures show that a large number of the flats and townhouses were also built in the Witwatersrand (3 238). The next highest number was built in Bloemfontein (770), with Cape Town (697), Pretoria (645) and Port Elizabeth (179) also showing growth.

House plans passed totalled 8 159 for the Witwatersrand; 6 271 for Cape Town; 3 560 for Pretoria; 2 409 for Durban and 1 949 for Port Elizabeth.

Plans for flats and townhouses totalled 4 232 for the Witwatersrand; 2 034 in Durban; 1 549 in Pretoria; 1 321 in Bloemfontein and 1 311 in Cape Town.

Top doctor fears hospitals will get even less funding

21/3/94
R/Doy

KATHRYN STRACHAN

STAFF and funding shortages in state hospitals were set to increase as the emphasis shifted from tertiary to primary health care, sources said last week.

These issues were highlighted by last week's protest by medical interns against regularly having to work 120-hour weeks.

A Johannesburg hospital superintendent said interns' claims were accurate, but they were not the only group that had to work gruelling hours. All staff were overstretched, especially registrars, who often had to work for three days at a time in the trauma units.

Interns' concern that their long hours compromised patient care was legitimate. Doctors became overtired, their judgment decreased and the standard of patient care fell. "How effective is a doctor in his 120th hour?" he asked.

But there was no simple solution.

While the demands on hospitals increased, resources stayed the same. The superintendent believed that as the emphasis in SA's health system moved from tertiary care to primary care, hospitals would be allocated even fewer resources in the future.

Wits Centre for Health Policy researcher Dr Jane Doherty said the shift towards primary health care would put pressure on hospitals, which would have to compete harder for resources. But proposals to decentralise academic hospitals and free them to implement plans to raise their revenue and make them more effective could be the answer to their financial problems.

Plans would include improving conditions and offering incentives to lure doctors from private practice, as well as attracting private patients, who would pay medical aid rates. Allowing hospitals to manage this

extra revenue themselves instead of sending it back to central provincial coffers would encourage them to be more innovative. "Most hospitals labour under difficult bureaucracy, and changing the management structure would make them more effective," she said.

Other developing countries which had switched from tertiary to primary-based care had either cut hospital budgets or slowed their growth.

But Doherty believed the ANC had a commitment to improving working conditions and salaries in hospitals as a way of strengthening the public health sector.

As the primary health care network was developed it would gradually take the load off hospitals.

Primary health care could meet about 90% of people's needs, but because it was now underfunded and hence of poor quality, these patients had to be served by hospitals.

NP flayed for hogging housing credit

ROBYN CHALMERS

THE Urban Foundation has flayed the NP for its handling of the housing issue, saying the public has been misled about the facts of the R90bn housing subsidy scheme announced recently.

The foundation, a leading player in the National Housing Forum, said the NP had misdirected the public through an advertisement published in the Sowetan last week. "The NP is seeking to benefit from the considerable time and effort put into the forum's deliberations by members of the forum."

"The housing plan, as represented in the advert, claims that R90bn will be spent on housing over the next 10 years. The 1993/94 budget was the last budget over which the NP had control. In that budget there was no attempt to indicate that the NP had in mind a 10-year plan on housing."

The Urban Foundation said the most important aspect of the agreement was the fact that it was jointly developed by all the key actors in the housing sector.

"To ensure that the agreement has every chance of success, it is critical that in the run-up to the election, no one party tries to claim it as its own."

The DP and the forum have labelled the advertisement opportunistic and misleading. The scheme, announced unilaterally by Housing Minister Louis Shill last month, was endorsed by the forum last week.

At a news conference last week, Shill distanced himself from the advertisement. He said he was not aware of the advertisement before it was published and acknowledged that it could be construed as misleading. However, the advertisement was a "once-off mistake that will not be repeated", he said.

Government was not at loggerheads with the forum, particularly as the success of the housing scheme depended on the participation of all the major players in the industry, Shill said.

Hijacking of vehicles on the Reef shoots up

NYLSTROOM — The hijacking of vehicles

STEPHANE BOTHMA

Survivor describes ordeal | R10.5m education

NP 'misled' public on housing scheme

(123)

JOHANNESBURG. — The Urban Foundation has flayed the National Party for its handling of the housing issue, saying the public has been misled about the facts of the R90 billion housing subsidy scheme announced recently.

The foundation, a leading player in the National Housing Forum, said in a statement the NP had misdirect-

ed the public through an advertisement published in the Sowetan last week. "The NP is seeking to benefit from the considerable time and effort put into the forum's deliberations by members of the forum."

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CT 21/3/94

CT 21/3/94

X Housing plan 'not Star 2/13/94 NP's idea'

■ STAFF REPORTER

The Urban Foundation has strongly criticised the National Party for hijacking a housing plan drawn up by the National Housing Forum.

The Government is not part of the forum (123). Housing Minister Louis Shill recently announced National Party plans to spend R90 billion on a 10-year housing project.

In a statement yesterday, the Urban Foundation — a member of the National Housing Forum — said the NP was using the work of the multiparty forum for party-political purposes.

Jointly developed

The media was also accused of "missing the point" by continuously referring to the "Minister's housing plan".

"The Urban Foundation strongly believes that the most important aspect of the agreement is the fact that it was jointly developed by all the key actors in the housing sector."

The Government had decided at an early stage not to be one of these actors and had not become a member of the National Housing Forum.

The 1993/94 housing budget was the last budget over which the NP had control, and it had not indicated that the party had in mind a 10-year plan for housing, the statement said.

DEVELOPMENT is not about the delivery of goods to a passive citizenry. It is about active involvement and growing empowerment," according to the ANC alliance's reconstruction and development programme. "Development is a people-driven process," it concludes.

But this will require dramatic changes from the present system in which development is driven by unaccountable and undemocratic agencies, while people are passive recipients who are told "take what we give you or get nothing".

The result of the present system is tracts of houses with cracks big enough to put a fist through or in need of new roofs, which has led to bond boycotts, or toilets built and abandoned in the veld because no one wants to live there.

Misnamed government agencies like the Independent Development Trust, the SA Housing Trust and the Development Bank of Southern Africa channel funds to developers and homeland agencies with hardly a word to the people who must live in the houses or use the facilities being built. No wonder that developers think they can get away with anything and that shoddy building, incompetence and corruption are rife.

Four years ago, the De Loor commission — a group of white men appointed by the NP government to report on development — admitted that "needs and priorities were determined for, and not with, the communities" and that "a substantial part of development assistance does not benefit the poor". Since then, some individuals in these agencies have tried to change, but they are having difficulties because their own institutions are trapped by their apartheid heritage.

SA National Civic Organisation (Sanco) affiliates repeatedly complained about the parastatal development agencies and called on Sanco to act. So late last year Sanco an-

The people shall determine their housing strategy

B. De V. 23/12/94

MOSES MAYERIKISO and LECHESA TSENOLI

nounced the setting up of a broad-based commission to look at those agencies. At about the same time, Development Bank chairman and IDT CE Wiseman Nkulu said "there is very little discussion of the roles and functions of development institutions". The IDT and Development Bank have been generously co-operating with our commission.

Before establishing this commission, Sanco had already been playing an active democratising role. Sanco is one of the five ANC alliance/mass democratic movement groups drafting the reconstruction and development programme. Lechesa Tsenoli has been co-chairman of the Local Government Negotiating Forum.

The programme and the forum have emphasised the need to give more power and resources to democratically accountable local bodies. And it is obvious that the state is not the major player in development — local people are.

It became clear to us that the problem is not just the development agencies themselves, but the entire approach to development and to development finance. When the commission began work this year, it was named the Commission on Develop-

ment Finance and is now looking at the whole funding process.

The commission will represent the views of ordinary people who want a say in where and how their house is built. It will offer an alternative view, presented in the hope of generating a public and open debate on what sort of development agencies we need after April 27.

Sanco and the commissioner's researchers ("inquirers", as Business Day called them in its Comment on March 11) are talking to the agencies and, more important, to people on the ground who have dealt with these agencies.

Although the state will provide or channel most development funds, there are thousands of other agencies — non-government organisations, foundations, foreign government and charities — which will provide smaller but significant amounts of money and which have experience working on the ground. We recently invited them to tell us about their work and comment on their experiences and needs, and

many are doing so.

A review of development finance must lead to a review of the agencies, and this is called for in the reconstruction and development programme. All existing "development" agencies are products, in one form or another, of apartheid. The Development Bank was created to implement apartheid. The IDT was formed to carry out what should have been government functions, such as school building, where the state had lost legitimacy — it was a failed attempt by a white government to retain some control.

On the other side, foreign donors are channelling R1,5bn a year in ways specifically designed to prevent government monitoring. Initially this was a way of bypassing the apartheid government and undermining apartheid by funding NGOs.

Thus, all the present development agencies, whether progressive or not, are irrational and undemocratic products of apartheid. All are battling to carve out a place for themselves in the new era. Are any of them appropriate for the new SA?

Action is urgently required. A new Development Bank board of directors must be appointed before June

30, and that should not be done before key decisions are taken about this largest of the agencies.

Urgency is also needed because developers, development agencies, provincial authorities and apartheid institutions like the House of Delegates and House of Representatives are queuing at the trough, putting forward their pet projects for urgent approval before April 27 — without consideration of what people on the ground want.

We need new mechanisms to promote an alternative people-driven development strategy. In particular, this means we need new ways to support communities.

The commission is also looking at ways to support communities to allow them to take an active role and control development in their areas. The reconstruction programme says that "historically oppressed communities should get the resources they need to participate meaningfully".

This means that, as in many countries of the world, central and local government will need to subsidise community groups, at least initially. The result, however, should be fewer cracked houses — saving more money than the community subsidy costs — and more happy residents.

People-driven development, as called for in the programme, means that communities themselves will set their priorities and organise their own development projects. There will be many ways to do this — through community forums, development trusts, non-profit companies, housing associations, and so on.

Of course, government must set national guidelines to ensure that women and the poorest are not left out again, and to ensure that all regions benefit from development funds. After that however, communities decide. The era of unelected and self-appointed agencies deciding for people is over.

□ **Mayerikiso is past president of Sanco and chairman of the Commission on Development Finance; Tsenoli is Sanco president.**

HM 2513194

thereafter any of the building industry or consumer organisations supporting the code. Ultimately the committee could be called upon to adjudicate in disputes. (32/13)

ELECTRICAL INSTALLATIONS

Plugging the gap

Legislation passed nearly 18 months ago, transferring responsibility for the safety of electrical installations from the supplier and contractor to the user (*Property* September 10), has once again been delayed.

The new regulation — The Electrical Installations Regulations 1992 promulgated by the Department of Manpower — was to have taken effect in January. However, confusion among estate agents, the legal profession, financial institutions and municipalities has delayed its implementation to this month.

The significance of the regulation is that, strictly speaking, it prohibits the transfer of a property without a "certificate of compliance" showing that the electrical installation has been tested as safe by an accredited person (accredited with the department). But because of the apparent confusion among estate agents over whether the regulation applied to sales before January, or only transfers, in many cases they didn't notify sellers or buyers of the new regulation. Certificates of compliance on a domestic dwelling can cost as much as R500.

One prominent estate agent says: "There's been a lot of confusion in the industry. For example, it is not certain who bears responsibility for the certificate — is it the seller or the buyer? The regulation says what has to be done but doesn't specify whose responsibility it is."

The department merely notes that this kind of detail must be sorted out through negotiations between interested parties. "We are not going to be prescriptive on every interpretation," a spokesman says.

However, an agreement concluded recently between the department and players in the property industry — including Sapo, some municipalities, the Association of Mortgage Lenders, Law Society and Institute of Estate Agents — now expressly exempts users (buyers or lessees) of properties transferred (as opposed to sold) before March 1 from obtaining a certificate.

At the end of the day the issue could well be little more than a storm in a teacup. Says a department spokesman: "The deeds office is not insisting on a certificate before passing transfer, nor are the municipalities."

In addition, the department doesn't seem to have sufficient manpower to police the regulations. It's already indicating that it might be prepared to demonstrate some flexibility in applying the cut-off date for compliance.

Says a spokesman: "The regulation is clearly intended to shift the responsibility for safety to the user from the supplier and contractor, who, in the past, didn't ensure

adequate safety checks or liaise with users. A certificate of compliance could come to have the same status as a TV or dog licence — an inspector can walk in at any time and ask for one — though he's unlikely to because of our manpower problems." Still, he stresses that the safety check is in the user's interest.

The "privatised" system of accreditation appears to be working well. Electrical Contractors' Association regional director Lucas Bowls confirms members are increasingly seeking accreditation. "Hundreds of them have attended our seminars and are now aware of the responsibilities facing accredited members. They need to realise that the layman is now approaching them to obtain a professional service."

He stresses, however, that the electrical contractor who signs the certificate of compliance is ultimately liable for the safety of the installation and could face stiff penalties which include suspension, imprisonment and further criminal and civil liability, if anything goes wrong.

Of course, the final sanction of good or bad workmanship rests with the consumer. Says Bowls: "Before appointing a contractor, consumers should ascertain whether the person is registered with the Electrical Contractors' Board and an accredited contractor with the Department of Manpower." He says the association guarantees the work done by its members up to the value of R10 000. ■

PROPERTY RATES

The chicken or the egg?

Who should pay property rates when local government is democratised this year and how should the rate be calculated? Will property owners in upmarket suburbs and businesses be milked to help finance the upliftment of neglected black areas?

While these are just some of the issues facing local government negotiators, they are fundamental to a successful transition to integrated, nonracial municipalities.

Though not directly linked to local government reform, the fiasco last year over Cape Town's new valuation role, which saw property rates shoot up by over 100% in some cases, was a warning of just how sensitive the issue can be. An unprecedented outcry among white ratepayers eventually forced the council to support a court action to have the role scrapped.

Now a new rates crisis is looming in the Cape. Once again, the way it is handled has far reaching implications for the smooth introduction of nonracial local authorities in the region. A new Cape provincial property valuation ordinance is due to come into effect on July 1. It compels local authorities to compile valuation roles based on market values of land and improvements. The valuations must be updated every four years and the process may not take longer than 18 months.

Independent property consultant Peter Meakin says that apart from other flaws, the new ordinance possibly contravenes the interim constitution. He says the constitution's guarantee of personal privacy as a fundamental right means municipal valuers will not be able to insist on entering either business premises or private dwellings to do a proper valuation of improvements as stipulated in the law.

Further, he maintains that charging rates on improvements could infringe the constitution's guarantee against discrimination on any grounds. This is because improvements are investments and no different in principle from shares or antiques or other investments which are not taxed simply on the basis of ownership. In other words, argues Meakin, investors in dwellings or business premises will be discriminated against.

But apart from possibly contravening the constitution, rating improvements is expensive as well as being an obstacle to property development. In terms of the new ordinance municipalities must value improvements even if they decide not to levy rates on them which means the exercise could be a waste of time and money. Even where rates are levied on improvements, the revenue as a percentage of the cost of valuation and collection is generally unjustified.

In Cape Town, for example, Meakin says a composite rating system of 10:1 would raise R336m in land rates and R64m in rates from improvements. But the estimated collection cost of rates from improvements would be R14,4m compared to only R4,8m for land.

He says land in Cape Town could be valued within 18 months, but council officials have indicated that if each property has to be inspected individually to value improvements as well, at least seven years would be needed based on current staffing levels.

The creation of single nonracial municipalities also raises the issue of what criteria should be used for valuing property. Will township properties be rated and if so what values will be placed on improvements such as a wood and iron lean-to accommodating backyard squatters? For the sake of equity, says Meakin, these issues need to be resolved.

He believes the logical answer is to rate land only because it represents a system based on values created by the community and not on the basis of how hard individuals work or how much they invest in their properties. The land value is determined strictly on locational advantages or disadvantages which, in turn, dictate the owner's ability to pay on the basis of his or her ability to afford to buy the property.

Meakin says the rating of land only will also serve to encourage development — which should create additional jobs — as owners begin to realise the higher cost of holding vacant land as opposed to the current system whereby they are penalised for developing their properties. ■

BUILDING CODES

FM 25/3/94

Trying to please all parties

123

Homebuilders will come under increasing pressure to play fair if a new code for house construction drawn up recently by the Harmful Business Practices Committee is anything to go by.

The code has the blessing of a number of industry and consumer bodies bent on cleaning up the industry's image and safeguarding consumers. Says the Master Builders' Association's Deon Crous: "The code is an excellent start, though we would like to see greater minimum requirements. The public is increasingly losing money and being left with inferior workmanship."

But if homebuilders' responsibilities are detailed in great length, so too are those of the consumer. Rules of fair play apply equally to consumers, developers, contractors and subcontractors and relate to the sale of land, construction, alterations and related services, including the arrangement and provision of finance.

Says committee chairman Louise Tager: "Education is by far the most desirable and potentially the most effective instrument of consumer protection. Consumers as well as business people are often uncertain as to their rights and obligations."

Building Industries Federation executive director Ian Robinson says the code will become increasingly vital to any successful housing initiative: "A fundamental requirement of mortgage lenders will be recourse against defects. Insurers will increasingly try to sift out poor workmanship."

The code reminds developers that they need to have suitable technical qualifications, knowledge and practical experience to ensure that projects are carried out in a workmanlike and economical way. Alternatively, they need to employ someone who has these skills. Their purpose must be to satisfy their clients or fellow contractors.

Developers are also expected to operate sound business ventures, particularly by maintaining adequate financial resources to meet their legal obligations. Here, the developer must provide the consumer with full specifications, including the total cost of the contract. Land costs must be shown separately.

Lawyers for Human Rights housing rights unit director Brian Leveson says low-cost housing is particularly susceptible to poor quality controls and builders who go insolvent before completing the job. "Around R10m has been lost through this in the past five years in the Johannesburg area alone. And while we wouldn't want to undermine the role of the small builder, we would like to see money being held in trust at least until the land is registered in the homeowner's name."



Tager ... educating consumers to protect themselves

Where improvements are concerned, the code advises that the developer shouldn't start construction until the relevant property has been registered in the consumer's name. And where construction is to be financed by a loan secured by a mortgage bond, the bond must generally be registered before construction begins.

The consumer, for his part, must make sure he understands the terms of the contract and the specifications of any proposed construction. He's obliged to stick to his part of the deal by being co-operative and not causing any undue delays. Consumers are advised to inspect the construction site regularly to monitor progress and to seek legal advice before signing any documents. They are also warned to check specifications for differences between show houses and the construction contract they're paying for.

There's also a stern warning to the consumer to make sure the developer is allowed to sell or transfer the property in question or to build on the site. "In particular, consumers should take care not to make advance payments for work not done," the code cautions.

It specifies that media advertisements should be clear and honest and no misleading sales techniques or advertising should be used to "bolster the attractiveness of the offer." There's a duty on the developer to explain the contractual terms to the consumer. The uncertain consumer can also rely on an unconditional two-day cooling-off period that's supposed to include prompt repayment of any money paid.

The code frowns on the developer who unreasonably denies liability for the actions or representations of agents and employees, provided that the agent has acted within his mandate and the employee within the scope of his employment. For the developer who provides building specifications as well as the land, there's an added responsibility for ensuring that the house design accommodates adverse soil conditions. There's also a warning to developers who substitute inferior quality materials for those agreed in the contract.

Of course, a well-drafted contract would eliminate the need for many of these recommendations. So the code details a comprehensive checklist for parties concluding a contract. Some of the points to be observed are:

- The contract must be reduced to writing;
- A signed quotation should only be acceptable for minor works;
- The consumer must be given a copy of the signed contract;
- Price, payment procedures and conditions of payment must be stipulated;
- A commencement date and practical completion date must be included;
- Provision must be made for dispute settlement;
- The contract should contain extension of time provisions and arrangements for the payment of interim interest;
- The area of the stand should be stipulated in m² along with an accurate description of the land, and;
- The contract should contain suspensive conditions.

An interesting directive warns against the use of Latin expressions, legalese and confusing technical terms. Consumers are advised to retain 10% of the contract price until the contract is completed and to specify who's responsible for latent and patent defects. Parties are also told to apportion additional interim interest to the party who causes the delay. Further, it bars the developer from obtaining a general power of attorney from the consumer and stipulates that consumers who take occupation prior to final completion don't prejudice any of their legal rights.

Of course, some might say that statutory and common law provisions should more than adequately protect the interests of both consumers and homebuilders in the event of any dispute.

But Tager says: "It is possible that conduct which is contractually agreed upon and not in conflict with the law, may still amount to an unacceptable business practice."

The intention is for the code to be self-regulatory. Aggrieved consumers should first complain to the contractor/developer,

ROBYN CHALMERS

THE National Hostels' Co-ordinating Committee has unveiled its plans for a R325,5m upgrading of state-owned hostels.

The committee was set up last July by the Housing Department and National Housing Forum, and R325,5m was allocated to the hostel upgrading initiative.

The committee's interim policy document, which was adopted last week, stated that local negotiating groups should be set up before final decisions were made about upgrading SA's 181 hostels over the next few years. These groups would include representatives of hostel residents, surrounding communities and public authorities.

Hostels could be converted for family ownership or redeveloped for rental pur-

Committee unveils R325m hostels plan

poses. "Rental can accommodate single persons or families, but ownership will be restricted to accommodate families in accordance with the housing subsidy scheme," the document states. (123)

Ownership standards would be set by the subsidy scheme, whereby residents earning less than R1 500 a month would qualify for R12 500. Applications for conversions costing more than the housing subsidy would be considered only if the applicant had the additional funds.

Rental standards would be sparse to

□ To Page 2

Hostels

ensure that government could convert as many hostels as possible. A maximum of four occupants to a 15m² room was cited.

All hostels would have electric lights, a plug point in each room, hot water, concrete screed floor, plastered and painted walls, and basic civil services.

"Redevelopment proposals must ensure that residents acquire the skills necessary in order to participate in the ongoing management of the proposed complex."

No redevelopment application would be

considered if it meant displacing residents. Alternative accommodation had to be found before funds would be allocated.

All projects would have to promote humane living conditions; embody a development orientation in terms of empowerment; participation and promoting economic development; promote social integration within hostels, and between hostels and adjacent communities; and initiate local institutions and administrative procedures to maintain improvements.

□ From Page 1

Banks braced for black home loans

BY ANTHA DUIGAN

With the impending flood of housing loan applications for township residents, most financial institutions are gearing up their bond divisions to cope.

Although none of the banks are prepared to discuss the Minister of Housing's R90 billion scheme, describing it as a political hot potato, once the issue is resolved a lot more staff will be needed to deal with the thousands of expected loan applications.

Ideally, the staff will be made up of blacks who know and understand the needs and aspirations of the applicants, can speak the same language and at the same time know how mortgages work.

How many people of this calibre are already working for the banks?

FNB's home loans division is working on strategies to cater for small to medium-sized home loans.

Senior home loans manager Andre Latre has two black managers busy planning and drawing up educational structures to make people aware of implications and responsibilities of home ownership.

They and their staff are working on planning strategies and designing educational literature describing what home ownership is all about, outlining the pitfalls and setting out how salary-earners must manage their money in order to meet their bond payments.

They are keen to ensure that expectations are not raised unnecessarily.

While FNB already has branches in a number of areas, including Vosloorus, Daveyton and Soweto, there are no mortgage departments in the branches yet.

Standard Bank has just announced the launch of its E-Bank, which will start trading later this year.

E-Bank will cater essentially for basic banking needs such as savings, transaction accounts and home loan finance.

Standard has no branches in the townships at the moment because of the violence.

But E-bank will be opening branches in many areas previously inaccessible to Standard Bank.

According to Denzil Busse, deputy managing director of Standard, E-bank is named for easy electronic, everyone and exciting.

It is expected that about 15 branches will be opening in the PWV area at the end of the year.

They will not necessarily be located in townships, but throughout urban areas in general.

They will cater for clients needing a high level of transactions.

The branches will be staffed by personnel to be recruited and trained between now and

the opening.

The staff appointed will reflect the needs of the branches.

Training of blacks to handle black housing loans will take high priority.

Absa's national manager for mortgage liaison, Kenthy Pietju, says his department is working around the clock on strategies for black mortgages.

"We have a bond education column in the Alexandra Times in which we are trying to disseminate the information."

He agrees that it is important for black people to deal with these applications. He has two people reporting to him, but declines to name them.

The Fidelity Bank (formerly the Eastern Province Bank) has a niche section for business professionals.

According to Ian Austin, the human resources manager, the company is colour-blind, but low-cost mortgages fall outside its business.

Down-home solutions offered on low-cost housing

123 CT. 4/4/94

WITH the delivery of affordable housing no doubt going to more than just a buzz word come the elections, the recently released study on low cost housing options by the Development Action Group is to be welcomed.

According to the DAG study, the cost of developing well-located, higher density housing is not significantly different to that of developing peripheral, low density housing.

DAG, a funded, non-profit service organisation which assists marginalised communities in the Western Cape, has developed a four part housing package, which includes a series of low cost housing designs that evolved through a participatory research project conducted by the DAG Housing Focus Group.

DAG embarked on the housing design options project in 1992 to contribute to the expansion of the pool of real housing choices for low-income communities.

The package, consists of among other things an



Property Perspectives

by MAGGIE ROWLEY

assessment of alternative building systems for low income housing which compares a wide range of alternative building systems with conventional building technology with regard to cost effectiveness, suitability for labour based construction and environmental performance.

The designs presented illustrate a number of innovative cost saving options that not only reduce the cost of housing to the individual but also attempt to maximise choice.

In all 19 house types were designed and costed at

market rates based on conditions in the Western Cape last year. The costing was done for individual units as if they were free standing. However, as DAG points out the majority of types were designed as semi-detached units or row housing which would reduce the costs significantly.

The house types can be divided into four conceptual categories, namely completed units, shell units, add-on units and transitional units which could be developed to provide a model for emergency housing that can be converted for other uses.

Prices of the units vary from around R18 000 to R55 800 and DAG points out that the reality remains that it will be extremely difficult for low income households to afford the options presented and costed in this research.

The present housing subsidy proposal specifies that households earning less than R3 500 a month can get a housing subsidy of R12 500. Taking into account the cost of land and ser-

vices, this amount would not be enough to give these households access to even the cheapest of the design options presented here.

However this publication makes an extremely valuable contribution in that it provides a benchmark for realistic cost assessment of housing projects in the lower income segment of the market.

DAG sees the project at the start of a process aimed at further reducing costs and increasing the range of design options available to poorer communities.

As DAG points out these tasks cannot be accomplished by any one party. Combined efforts of government, financial institutions, consultants, contracts, non-government organisations and communities are needed.

This is a challenge facing everyone involved in and concerned about provision of shelter for the poor and the spin-off effects it will have for the country as a whole.

MPs get eviction notices

DURBAN. — Houses are not as safe as they used to be if you are an MP who hasn't made it on to the National Assembly election list of any party.

MPs who were provided with houses in Cape Town for R120 a month while Parliament sat, have been given eviction notices.

Present MPs who are on party lists will keep their homes until

the election — but will have to move out if not elected.

Those affected are living in three specially created parliamentary "villages": Acacia Park for House of Assembly MPs, Pelican Park for House of Delegates MPs and Labonia Park for House of Representatives MPs.

It is understood that Acacia Park will probably be kept for

MPs, but the other two villages are likely to be sold off.

Their sale is expected to more than recover the costs of their creation.

Among the MPs who will miss having Table Mountain in their back yards are members of the Conservative Party who have not joined the Freedom Front, and those belonging to Inkatha.

CT 7/4/94

(123)

(3474)

Decrease in move to white suburbs

CT 8/7/74 (123)

THE number of black people buying property in formerly white areas since the repeal of the Group Areas Act had been negligible compared to the number who moved in while the act was in force, reported the latest Race Relations survey.

Professor Louise Tager of the Law Review Project said in the report that it would be years before significant desegregation of residential areas took place as few blacks could afford to move into formerly white areas.

The survey cited Johannesburg estate agents who said sales to black people had been "very low" recently, while agents in Cape Town and Bloemfontein said sales to blacks in formerly white areas had declined since the act was repealed. One company said that 70% of accommodation on its books was on instruction from property owners "strictly for whites only", as white tenants had put pressure on landlords to stop blacks moving into their blocks.

Moved back

In addition, blacks were unable to sell township houses. They were also reluctant to sever existing social and family networks by moving to white areas, and a number of disillusioned black people had sold their properties and moved back to the townships. African buyers had settled in areas close to existing townships.

In the Cape Peninsula coloured people had moved into Kenwyn, Lansdowne, Ottery, Plumstead, Rondebosch East, Southfield and Wetton.

The survey cited evidence to suggest that the influx of black people into Hillbrow had contributed to the breaking down of racism.

Illegal land occupation 'could be big problem'

CLIVE SAWYER

Municipal Reporter

ARC 8/4/94

INVASION of land by the poor and homeless will be a thorny problem for all levels of government after the election, says the Urban Foundation.

"The immediate challenge after elections will be to diminish uncertainties about land and to channel popular energy (so that) land invasion does not take place."

If affordable urban land is not provided on the scale needed, it will be seized by individuals and communities, the foundation said.

"Settlements that arise from land invasion pose tough practical demands on public authorities who will have to provide services and resources."

Servicing unplanned settlements was more difficult than dealing with planned developments.

The foundation said the public sector would not cope on its own in trying to prevent land invasion.

"Delivery of land will require the involvement and mobilisation of all resources, private and public."

A study of international experience of land invasion showed it tended to happen in times of political change.

"Invasion movements have been as small as 50 households or as extensive as 200 000 people, the size of a group in Santiago, Chile, which invaded an area near the airport on one evening in 1956."

Invasions tended to be organised, with careful attention paid to timing.

"Invasion often coincides with visits by high-profile foreign dignitaries, or on nights before weekends and during festivals and holidays.

"Election campaigns are often associated with invasions."

Political motives and strategies varied widely.

Some invasion leaders tried to justify their actions in terms of the policies of their governments.

In Latin America, land targeted for invasion tended to be publicly and not privately owned.

"Normally, it is low-value vacant municipal land, some distance from the city centre, or vulnerable to hazards like landslides or flooding."

ANC probe 'continuing'

BILLY PADDOCK

ANC Women's League president Winnie Mandela and alleged irregularities in the party's social welfare division were still under investigation by "top members of the national working committee", ANC spokesman Ronnie Mamoepa said yesterday.

His comment follows reports in the Daily Dispatch that the commission report on the investigation found that Mandela had been discovered counting piles of US dollars and cheques after a visit to the US.

It was claimed that the secret report found that Mandela had defrauded her own party to the tune of hundreds of thousands of rands. Mamoepa acknowledged that the report "is authentic but it is a report of an incomplete investigation, only preliminary, and therefore it is wrong to accuse people".

Report by B Paddock, TML, 11 Diagonal St, Jhb.

SANCO



Sanco president Lechesa Tsenoli outlines the organisation's development report at a news briefing in Johannesburg yesterday.

Picture: SALLY SHORKEND

Sanco wants 5% of GDP pumped into housing

B. Dey 12/4/94

THE SA National Civic Organisation (Sanco) wants the next government to pump not less than 5% of GDP into housing, mainstay of the ANC's reconstruction and development programme.

The organisation proposes increasing the housing subsidy from R12 500, proposed by the National Housing Forum for families earning not more than R1 500 a month, to R17 500.

In a report on the re-vamping of the handling of development funds and projects, released yesterday, Sanco's commission on development finance says the R12 500 subsidy, which has the blessing of Housing Minister Louis Shill, "is not large enough to provide houses to the poorest and uses only half the money available".

It says: "The R12 500 is only sufficient to pay for a

WILSON ZWANE

plot, services, a toilet and a few building materials. It is felt that the maximum subsidy should be raised to R17 500." ~~(23)~~

The report says the housing subsidies should be allocated from the budget "to reach the goal of not less than 5% of the GDP" by the end of the fifth and last year of the reconstruction and development programme. (23)

It calls also for the establishment of a retail bank, which it says will finance two-thirds of the houses to be built over the next five years. The other one-third will be financed by private banks. The proposed retail bank will have a project finance arm, which will receive subsidies from government. These will be used to assess and approve projects.

"It would be expected to

take more risks than private banks, but it would still be expected to operate prudently and not approve projects on purely political grounds".

The document calls also for the establishment of a single reconstruction office at local, regional and national levels, as well as a single reconstruction bank, which will lend mainly to government, to community-based development organisations and people who could "not obtain normal bank credit". Ministers should head the reconstruction offices.

The report says public utilities and local governments will not be allowed to issue competing bonds, so that the lowest possible interest rate could be obtained for the reconstruction bond.

Joseph Hanlon, principal researcher of Sanco's report titled "Making people-

driven development work", said there would be no need to force insurance houses and pension funds over the next two or three years to invest a percentage of their assets in the reconstruction bonds.

But former Sanco president Moses Mayekiso said the pension funds and insurance houses would be expected in the long term to invest a sizeable chunk of their assets in the reconstruction bonds.

Report by W Zwane, TML, 11 Diagonal St, Jhb.

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SA Housing Trust to set up special bank

THE SA Housing Trust has accepted the challenge, thrown at it by the SA National Civic Organisation (Sanco), that it be instrumental in the setting up of a retail housing bank. (123)

Sanco said the proposed retail housing bank would be expected to take more risks than private banks, and would finance two-thirds of the houses to be built over the next five years.

The organisation said in a report, titled Making People-Driven Development Work, that the trust was favoured as a basis for the proposed bank because of its experience in low-cost housing, dealing with community and small black builders, project lending and progress payments, as well as retail lending.

Trust MD Wally Conradie said his organisation was "pleased" to have been recognised by Sanco for "our achievements and abilities as well as confirming certain areas of current shortcomings".

He said the trust and its subsidiary, Khayalethu Home Loans, had the "will" to achieve its objective of delivering houses.

Sanco said the trust had a corps of experienced project managers.

"It has wholesale finance experience, has more than R200m in cash and is sitting on government guarantees which would allow it to raise a further R500m.

"This would allow it to begin immediately to grant bonds up to the value of the R12 500 interim subsidy (proposed by the National Housing Forum for families earning not more than R1 500 a month)."

B Day 13/4/94
WILSON ZWANE

The new retail housing bank would start with the SA Housing Trust's own funds and those it had a right to raise, plus the interim subsidy. Later, funds would come from the reconstruction bonds and whatever wholesale finance system was established, Sanco said.

Sanco is inviting SA bank representatives to join it at a workshop in New York at which the focus will be on the importance of sound relationships between banks and communities.

Sanco official Mzwanele Mayekiso said the workshop, arranged by New York-based pressure group Interfaith Centre on Corporate Responsibility and hosted by, among others, Chemical and J P Morgan banks, would take place within a few weeks.

Mayekiso said the purpose of the workshop was to familiarise Sanco and SA banks with mechanisms which US banks were using to combat "redlining", or prejudice by banks against certain areas.

He said, given continuing negotiations between his organisation and banks on greater involvement with community organisations, the workshop would "serve as a learning experience ... that good relationships between banks and community organisations do not hamper business".

Invitations had been sent to Absa, SA Perm, FNB, Standard and the Community Bank. The workshop would be followed up by other projects in SA, funded by the US banks.

● Comment: Page 12

COMPANIES

Masonite withstands tough conditions

B. Daw 13/4/94
MUNGO SOGGOT

A STRONG performance from its manufacturing and forestry divisions had shielded building materials manufacturer Masonite from tough market conditions, chairman Alan Wilson said in the company's annual report.

But "the much talked-about improvement in building activity" driven by SA's housing backlog had failed to materialise last year, and would have to wait for the installation of the next government.

Between 250 000 and 300 000 houses a year would have to be built to eliminate the backlog, against the recent annual average of only 30 000 houses.

"The achievement of a democratically elected government of national unity which can start to address the violence and begin to reduce the housing and schooling backlogs will bring about improved results for the company," Wilson added.

The company, which is controlled by US group Masonite Corporation, lifted earnings 86% to 99c a share in the year to December 1993, on turnover ahead 14% at R137,1m.

Masonite's traditional export markets — including Germany, Holland and Belgium — had been hit by the global recession.

Prices had fallen in these markets in the face of competition from eastern Europe and Scandinavia.

"This competitive position prevailed in the newly developed Pacific Rim markets, although we were able to increase volumes by opening up new markets such as China," Wilson added.

Wilson said Masonite's Estcourt factory had not been affected the violence in Natal, although eight off-duty workers had lost their lives.

Divisional manufacturing manager Mike Slater said the mill had returned to full hardboard capacity in May 1993.

FM 15/4/94
MASS HOUSING
No quick fix

The new national housing subsidy scheme was introduced with much fanfare in March. More than a month has passed and no-one has received a subsidy under the scheme. National Housing Forum officials now say the first subsidies are likely to be processed in June. (123)

Procedures are in place enabling project developers to apply for subsidies but none has been approved by the regional housing boards.

It is of more concern that policies and procedures for granting subsidies to individuals must still be thrashed out. One problem is that much work remains to be done on phasing out existing subsidy schemes or working out how to blend them with new ones.

But the forum and its negotiating partners are said to be close to finalising a mortgage indemnity scheme protecting against risks associated with lending on low-income schemes. An announcement is apparently imminent.

As a result of the delays, forum sources say problems will not be sorted out before June. So their most optimistic estimate of the number of houses that will be provided under the scheme this year is 50 000 — not many more than were provided last year under the old system.

Though the forum was expected to slowly build up to its target of providing 300 000 new homes a year, the problems are more entrenched than it appeared at first.

It's possible that the forum's structure and the work it has done will have to be reviewed

FM 15/4/94
by the interim government after April 27.

That will almost certainly mean that the structure and possibly functions of the forum will change under the new administration. The new Housing Minister might also push for a new Housing Act to replace the one drawn up and agreed to by all parties in 1993. (123)

"Some inherent contradictions in the forum's structure will need to be addressed after April," says a forum official. "For example, it comprises six representatives of government, six of the main political groupings and non-governmental organisations and a similar number drawn from the business community and interest groups. Current-government representatives are not likely to represent the post-election government and some who now represent political groups will be in government. Government-appointed representatives who now chair regional housing boards will probably be appointees of the former government."

The Housing Minister has the authority under the existing Act to reconstitute regional housing boards but the structural problems will still have to be rectified. There has been speculation that the forum could become an advisory body and no longer be involved in formulating housing policy.

The framework of a national housing policy and the subsidy scheme developed constitute an encouraging beginning but one should not be too optimistic about prospects for delivering houses in the short term, considering the tough task of sweeping aside years of apartheid legislation and institutions.

Says a National Housing Forum official: "The process is likely to stumble along for a while before it all comes together." ■

AT FIRST glance, the target number of low-cost houses mentioned in the ANC reconstruction and development programme and reinforced regularly in ANC election campaign speeches seems impressively ambitious. In fact, if the interim government does succeed in building the 1-million units to be built over five years called for in the plan, it will fall short of dealing with the problem by a considerable margin.

Most experts agree that the immediate need is for 1.5-million to 2-million dwellings. Delivery of 300 000 to 400 000 units each year for eight to 10 years is needed to eliminate the backlog and keep pace with population growth. Nevertheless, if 200 000 houses a year can be delivered over this period, it will be a tenfold improvement over the current position.

There are many factors that militate against scale housing delivery, the most obvious of which are lack of end-user finance, and violence. These factors alone have brought what work was taking place to a virtual standstill.

Houses were burned down, construction sites became no-go areas and the financial institutions put a cap on lending.

Since the private sector all but withdrew from the market, the government, quasi-government organisations, political parties and non-governmental organisations have devoted much of their time to strategy and programme development.

The formation of the National Housing Board late last year means that the next government could take office with a national housing policy in place. If it has the will and the capacity to curb violence and is able to meet its manifesto promises of funding for housing, it will have dealt with the most virulent obstacles to meeting housing needs.

Unfortunately, that will not be enough. There are other impediments — among which are the sup-

Miles of red tape impede efforts to provide housing

Biday 14/4/94

JOHN WEAVER

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ply of materials and skills, the availability of suitable and affordable land, the capacity of the legal system to register ownership and bureaucratic regulations — which will slow down or block the rapid provision of acceptable shelter.

This problem is felt most severely in our cities which, generally speaking, are regulated according to the first world standards that applied under apartheid. But the changed nature of city demographics, which now more correctly reflect the country's population profile, calls for an urgent review of standards.

It may appear heretical, but immediate attention needs to be given to regulations which, certainly in Johannesburg, impede inner-city development and reintegration.

For example, why should a developer of high density, affordable housing be loaded with the costs of public open space when that cost should be borne by the municipality? The present endowment requirements are more consistent with affluent western cities than with Johannesburg.

While there is no suggestion that we should reduce open spaces to allow overcrowding and slum conditions to develop, a more realistic view on the amount and quality of

public open space our cities can justify could make provision for many more housing units.

Similarly, the regulations governing on-site residential parking in Johannesburg do not always conform to the requirements of those who are now making the city their home. Many of the new developments are designed for poorer people who choose to live in the city to be closer to their places of employment. They will be less likely to own cars, and will either walk or take public transport to work.

While adequate space must obviously be made available in our cities for business and residential parking, the amount provided should be determined more by the demands of the people and less by the blanket policies of the regulators.

A significant component in the cost of inner-city redevelopment is rezoning from non-residential to residential usage. If a building is standing empty — as many are in Johannesburg — and could be converted to residential use, rezoning should be processed at no cost and with a minimum of bureaucratic interference.

Of particular importance is the question of bulk applied to each building. If the zoning is changed from commercial to residential, the bulk should not be lost to the developer, who should be permitted to transfer it elsewhere in the same functional area of the city. By the same token, the valuations for rates on buildings converted for residential use should be reduced and rates themselves decreased on a sliding scale for higher densities.

Sectional title is the legal mechanism most often used to give title and ownership in high density residential buildings, but the procedures of the opening and establishment of the register are complex and time-consuming — they take as long as four to six months. The process of sectionalising must be simplified and expedited.

As developers based in the city, we have found some of the staff in the Johannesburg City Council to be advanced in their approach to housing. But no matter how much the staff wish to accommodate development and reintegration needs, they are frequently stifled by outmoded and unnecessary regulations.

The way to confront the housing backlog and succeed in the cities is for councils to adopt a new role.

Rather than seeing themselves as regulators of city standards, local government politicians should transform their councils to become active role players in the development process.

Our success in recent years has been founded on the devolution of decision-making and authority to the project management level. Perhaps there is a lesson here that city councils could adopt.

They could form teams of inner-city "hit squads" comprising energetic council employees with relevant training and experience. Each team should be given objectives to be achieved within set timeframes. Tasks could include keeping business in the city, motivating upgrades of existing buildings to residential status or creating public facilities such as schools, crèches and public areas to cope with the flow of people into the cities. These teams could be given budgets and the authority to act within a less regulated environment. They would report to the bu-

reaucracy on progress, but would be empowered to make their initiatives happen.

It may appear unrealistic to expect a group of civil servants to become so vigorously entrepreneurial, but they would not have to act alone. There are alliances they could form with non-governmental organisa-

tions, private sector organisations and other municipal and government departments. Professional consultants could be appointed to assist them. The community could, in fact, be involved through joint ventures and housing associations and it would be in the interests of the private sector to help.

People suitable to form these teams exist in the municipalities. Their ability to perform in this manner is constrained by red tape and time-consuming bureaucratic procedures. Given the freedom to operate and the goals to achieve, they could make a massive and vital contribution to solving one of the country's most intractable problems.

□ Weaver is NewHco Transvaal CEO.

Housing: Move to draw in insurers

(123) DT 15/4/94

Own Correspondent

JOHANNESBURG. — Securitisation, aimed at drawing insurance companies into the housing market, would be introduced to SA when the mortgage indemnity scheme (MIS) was released, Housing Minister Louis Shill said yesterday.

Shill told a National Association of Home Builders breakfast that the MIS was close to being finalised and, barring "political influences", should be released by next week.

Shill did not expand on the securitisation issue, but banking sources said it would allow banks and building societies to sell off large blocks of bonds to other financiers, mostly insurance companies.

"One of the most important aspects of securitisation is that it would draw insurance companies, the main gatherers of finance in SA, into the low cost housing market," they said.

However, sources at the National Housing Forum, which held a caucus meeting yesterday to discuss the MIS and other issues, said securitisation had never been afforded a high priority.

"The principle of securitisation is acceptable to the forum and is being looked into by a working group. A detailed proposal on the concept will be issued once these deliberations are completed," said a forum spokesman.

Perm subsidiary MHF Properties MD Dennis Creighton said most industry players agreed that securitisation was an important element of the MIS, but it had never been raised by Shill as a fundamental issue.

"Securitisation is a long-term issue as there are certain market mechanisms which need to be put in place before it can take off. It is generally agreed there is sufficient liquidity in the market to cope with the short-term demands of housing without securitisation," he said.

"However, once the housing initiatives take off in the longer term there will be a strong case for securitisation. Ultimately, it will mean parcels of mortgages will be put together and sold as a paper investment to attract long-term capital."

A forum statement released last month said the MIS would cover the risk of financial loss experienced by a financial institution as a result of abnormal circumstances and foreclosure on a property.

"The MIS will be a separate company with sufficient start-up capital, with a government undertaking to maintain the capital at a sufficient level. The MIS is subject to final confirmation of the government's willingness to underwrite the risk and, where necessary, its conformity to legislation."

Mortgage indemnity scheme welcomed

■ BUSINESS STAFF

Star 19/4/94

Sanlam has welcomed the announcement by Minister of Housing Louis Shill that a mortgage indemnity scheme (MIS) with state guarantees will be launched to encourage financial institutions to provide funds for low-cost housing.

Institutions have a name for such a scheme: securitisation. It means that a bank or building society offers another financial institution a collection of mortgages, for which the former has already granted individual loans, as security for a loan which it can use as desired.

Kobus Louw, senior portfolio manager at Sanlam's head office, says the industry is awaiting further details of the scheme with great interest.

Sanlam would, under certain conditions, be very interested in participating in it because it could entail giving further effect to its policy of corporate social responsibility.

"Our conditions are

that the loans should be at market-related interest rates with acceptable security for the policy-owner funds employed", he says.

Sanlam already has experience of securitisation and has already invested large amounts in this manner.

Most of these have been for low-cost housing projects. One was undertaken in conjunction with the independent development trust.

This particular scheme ensures a plot owner of a small loan to build a temporary home which the owner can enlarge or upgrade when he has more money.

In this way individual house ownership is also promoted.

Louw says Sanlam and other life offices have for years been discussing with other institutions and the authorities possible structures for the provision of capital to alleviate the housing crisis.

"The authorities should, inter alia, provide a legislative structure to promote securitisation."

By MAGGIE ROWLEY
Deputy Business Editor

Warning on housing delivery

HOME builders should dismiss any notions about delivering 300 000 units a year, says Harry Touzel of the CSIR's division of building technology.

Writing in Rode's latest Report on the SA Property Market, Touzel says ambitious goals are set when housing policies and strategies are based on the size of the housing crisis — currently estimated at 1.3 million units in SA.

However, he argues, housing policies or strategies should not be approached primarily from a needs perspective as the effective demand for housing had to be a key consideration.

The effective demand represents the number or value of houses which consumers not only desire but can pay for and as such is a function of not only income levels and the price of housing, money and other goods but also factors such as population growth, changes in household income and the rate

of household formation.

Touzel says their analysis of potential effective demand for housing shows that rather than the 1.3 million units, effective demand in SA is more in the order of between 300 000 and 575 000 houses.

About 56% of the housing units needed in SA are by households earning less than R1 000 a month. Of these, 28% in turn are for housing costing less than R10 000 which implies no more than a fully serviced site. The other 28% is for housing units of no more than R19 000 allowing for a rudimentary house consisting of two rooms with in-house ser-

CT 720/4/194 (123)

vice. The total potential effective demand without any subsidisation is estimated at about R29.6bn, he said. About R7bn or 24% of this is accounted for by households earning less than R1 000. The 28% of households able to afford a unit of less than R10 000 account for about R2bn and the 28% that can afford housing of up to R19 000 account for R5bn of the effective demand.

He points out that while the highest number of units are needed by low-income households for the lowest standard of housing possible, the highest

potential effective demand is mainly by higher-income households for fewer units but of a higher standard.

"The effect of the envisaged subsidies would be to increase the potential effective demand to R42.5bn with the increase corresponding to the R13bn needed in subsidisation."

The high level of subsidisation required, he says, is virtually impossible in the short term and is therefore more realistic to expect the shortage to be addressed over a period of 10 to 15 years. This however would still imply an outlay of about R1bn

in subsidies alone per year.

Touzel argues that any strategy that makes more than 75% of all South Africans eligible for subsidisations such as making households earning less than R3 500 a month eligible for a housing subsidy should be regarded with scepticism.

"Internationally the experience in Third World and developing countries indicate that the housing problem cannot be that easily solved and that state policies don't always meet with the desired success."

As such, he says, while the country's need for more efficient and increased spending on housing was apparent, it would be unwise to expect SA to differ from other developing countries.

"The private building sector should therefore not have undue expectations about increased markets nor should the poor and destitute pin their hopes on promises based on this type of scenario," he concludes.

Profits at

Millions in SA lack safe water

JOHANNESBURG. — About 10 million South Africans do not have access to safe drinking water and nearly 18 million lacked adequate sanitation, according to a Water Research Commission statement released yesterday.

(123) (S) ET 21/4/94
The commission opened a two-day workshop in Pretoria yesterday in a bid to co-ordinate research efforts and attempts by more than 100 organisations to provide safe water and sanitation to those in need. (S)

WRC research manager Mr Charles Chapman said representatives from government, local and regional authorities as well as communities, researchers and engineers had been invited to attend the workshop.

A co-ordination committee would be set up to manage research.

Mr Chapman said the committee would be an important mechanism to distribute guidelines and decide on project funding. — Sapa

Shill shifted scales in favour of homes drive

Bibey 2/14/94

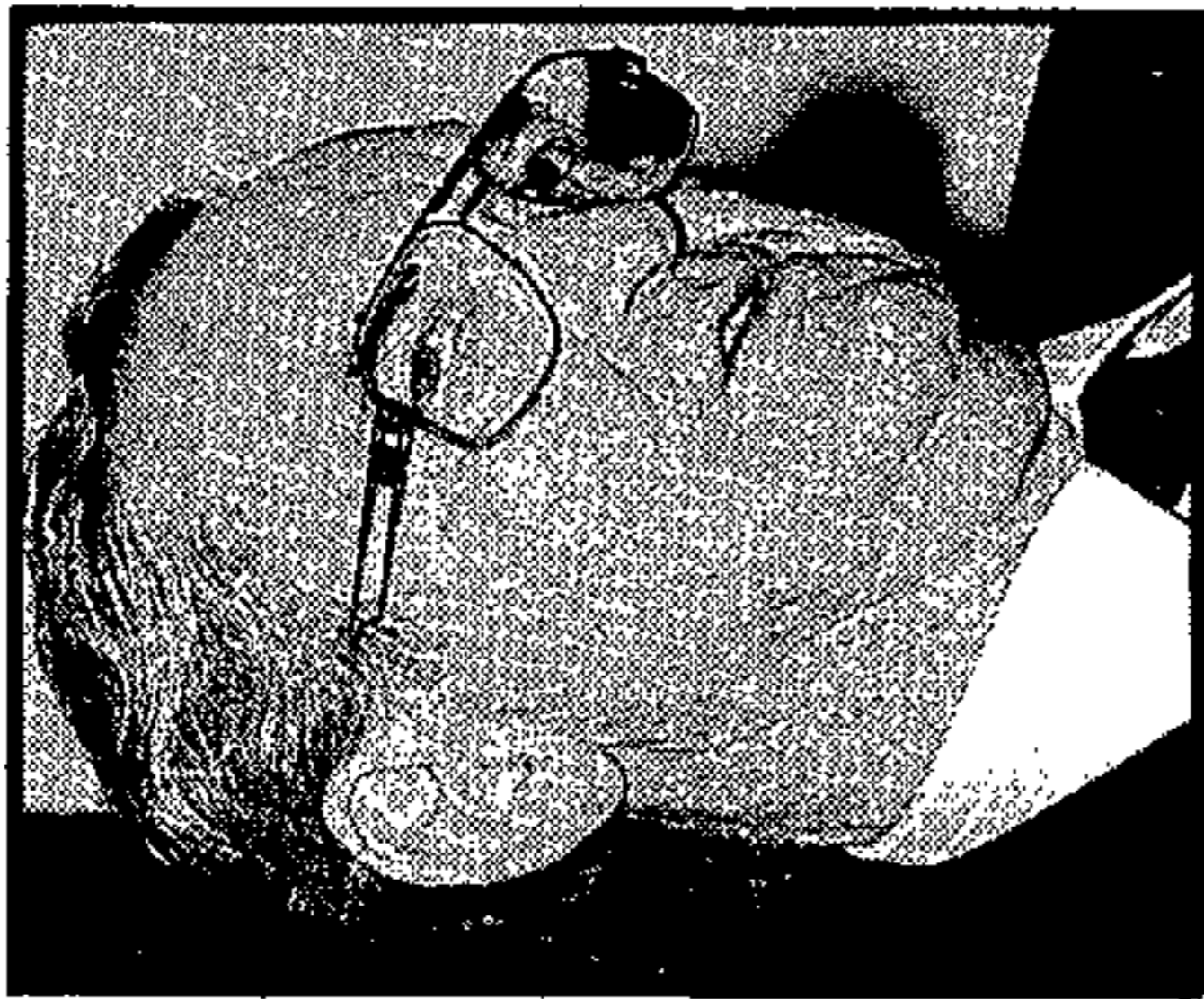
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HOUSING Minister Louis Shill has less than a month left in office, and while the government is claiming his controversial reign has been an unqualified success, there are those who disagree.

Shill was appointed National Housing and Public Works Minister in April last year, the fourth Housing Minister in two years. He was given the job of turning the chaotic housing sector into a co-ordinated, efficient proposition which addressed one of SA's most pressing needs — housing delivery.

His was a daunting task. When Shill took over the reins, there were 14 different housing departments, none of which was doing much in the way of housing delivery and each of which had its own housing policy. In addition, he would have to deal with the political aspirations of the many bodies involved in housing.

To his credit, Shill has made progress over the past 12 months. Together with the National Housing Forum, he has given the future government a solid base on which to move forward. The diverse housing departments were officially fused into a single entity at the beginning of this month, a subsidy scheme is in place, a national housing policy is being forged and an interim policy on the upgrading of state-owned hostels has been agreed upon.



□ SHILL

In addition, the structures necessary for the delivery of housing are now in place in the form of the National Housing Board and the four regional housing boards. Five more regional boards will be created after the election, in line with SA's nine new regions.

However, the forum had already discussed and made significant progress with former Housing Minister Sam de Beer on many of these issues before Shill came into office. Indeed, some would say that Shill's depart-

ment hindered the forward momentum of these initiatives far more than it facilitated them.

And when one wades through the political rhetoric to examine what has actually been achieved in terms of delivering homes on the ground and addressing the needs of 85% of SA's destitute, there is an alarming gap between what is being claimed and what has actually been done.

At present, much emphasis is being placed on Shill's baby, the mortgage indemnity scheme, and the focus on this project has become such that the real housing needs of SA have been dangerously obscured.

Firstly, sources close to the forum claim the scheme is still months away from being finalised. Even if an announcement on the "completed" scheme is made this week — a strong possibility — they say it will take months to get off the ground.

Secondly, and more importantly, it will address only a small segment of the population. A study undertaken by the BMI Building Research Unit shows that 89% of SA's blacks earn less than R2 000 a month and can afford homes costing a maximum of R28 000, including the government's

subsidy. "The mortgage indemnity scheme will apply to those households with an income of more than R3 000 a month. This relates to between 20% and 25% of the total population, and no more than 5% of black households," says the study.

While the scheme is considered vital to coaxing the formal banking sector back into the low-cost housing market, it will not solve SA's daunting housing problem. Industry spokesmen believe only a mass housing programme based on a welfare or rental approach will do that.

And therein lies the rub. SA's unhoused masses will not benefit from it and many in the industry believe the subsidy scheme is inadequate. Martin van Zyl, who sits on the housing forum and is deputy director of the National Association of Home Builders, is sceptical about what can be done with R12 500 — the subsidy available to those earning less than R1 500 a month.

"This subsidy will allow a prospective homeowner to buy a serviced site. Banks will not get involved at this level, even with the scheme in place, and we are getting an increasing number of reports that the major construction companies do not wish to get involved in this market. They believe it is still too risky."

Without the support of the banks

and the construction companies at the lower, most needy end of the industry, the hard work done by the forum and Shill is significantly diminished.

Shill has attracted harsh criticism for his poor political skills and lack of transparency. That Shill was set on a collision course with the ANC and the forum is undisputed. He wished to have a significant effect on the housing environment in as short a time as possible. On the other hand, the ANC and the forum would garner far more political benefit by stepping up housing initiatives only after the April elections.

Much damage was caused by the enmity between Shill and the forum which resulted in unnecessary delays. But ironically, it was these well-documented clashes which may have been Shill's greatest achievement.

If nothing else, he has drawn the attention of the nation to SA's critical housing situation and assisted in pushing housing to the top of the ANC's agenda.

Bets are being placed on ANC local government chief Thozamile Botha as the next Housing Minister. If appointed, his task is an awesome one, but with the new government's strong emphasis on housing and the right structures in place, housing could well get the boost it needs.

LETTERS

ANC 'to spend R12bn on housing over five years'

B. Dey 29/4/94

AN ANC-led government would spend R12,5bn over five years on building 1-million new houses, the organisation said in a paper on the possible costs of its reconstruction and development programme (RDP).

The figure included existing spending on housing, and appeared low because it assumed substantial private sector financing would be raised.

(123)
"Drawing upon National Housing Forum (NHF) income distribution data, our housing experts agree that an appropriate housing subsidy system would result in an average amount of R12 500 per unit mobilised from the financial markets, with the result that all South Africans should be able to afford a decent housing unit (costing roughly R25 000)," the paper said.

But the assumption on private finance depended on the ability to put into place a guarantee scheme for banks, housing forum sources said yesterday.

A mortgage indemnity scheme would be designed to cover any risk of financial loss arising from banks being unable to sell properties in possession due to "an abnormal environment".

But the sources said mortgage-based finance would apply only to the 20% of those needing homes who earned a high enough income to qualify.

The development and restructuring of special institutions would be of major importance in providing finance for "unbankable" people.

The reconstruction plan had proposed the creation of a housing bank, and the SA

GRETA STEYN

National Civic Organisation had suggested that the SA Housing Trust be used as a vehicle to implement the suggestion. It is understood that top ANC policymakers on housing are considering the proposal on the civics, as it could be implemented quickly.

The creation of national and regional housing boards, which replaced the apartheid housing structures on 1 April, was an interim measure and would be reviewed once a new government was in place, sources said.

The composition of the housing boards, which included political parties, would probably first come up for review. A new Housing Act would have to be written, especially as anomalies had been found in the legislation passed to enable the scrapping of the old-style structures.

The emergence of strong provincial governments could place a question mark over policies decided on by the housing forum, and the interaction between provincial administrations and the regional housing boards would be one of the immediate issues to be dealt with after the elections.

A policy framework would still be drawn up, but the challenge would be to do it in a way that accommodated regional perspectives.

Other issues included extending the subsidy scheme to deal with sharing of ownership, rental, and the position of the hostels. Some key interventions in land were also necessary.

Mass housing construction 'unlikely this year'

By MAGGIE ROWLEY
Property Editor

CONSTRUCTION of low income housing on a major scale was unlikely to start this year, according to Ian Robinson, executive director the Building Industries Federation of South Africa (Bifsa).

In an interview Robinson said that from the election turnout it would appear that the housing backlog was much larger than the previously estimated 1.3 million units.

"However, we are still hopeful the country will be able to deliver 100 000 homes during 1995 building

up to 300 000 or 350 000 a year by 1998."

Robinson said that while much ground work had been done, before a housing programme of any major scale could get off the ground certain things needed to be set up or finalised. These included:

● The formation of regional housing boards in the five new constitutional areas to implement housing policy. Four regional housing boards have been set up already in the four provinces but these might have to be reconstituted; and

● A mortgage indemnity scheme to safeguard financial institutions as well as a construction defect liability insurance scheme.

In addition, he said, the current subsidy scheme was seen as grossly inadequate to help mass housing needs: "At the most it will encourage site and service schemes which absorb R8 000 to R9 000 of the one-off capital subsidy.

"What we are now looking at is a bigger thrust in the provision of state-rental stock which will require higher subsidies.

"This will be the focus of the new government and the National Housing Forum," he said.

Robinson said that the portfolio of housing and local government was likely to be separated.

"There is no indication at this stage who the new minister of housing will be. Most of the ANC's people in housing might go the local government route.

"So it is possible we may have a new minister of housing who does not have a background in the field which might not be a bad thing."

(123) of 4/5/94

2,5-million without homes

TWO-and-a-half-million people will face the post-apartheid SA without homes, even though low-cost housing has been considered a priority for many years, Alexander Forbes products and services division manager Martin Doughty says. *B. Day*

Writing in the latest issue of Alexander Forbes Quarterly, Doughty said the next government would have to deal with the backlog and the needs of new people, and face the problem of inner-city decay.

The downward spiral in inner cities of severe overcrowding, high crime, social and racial tension, diminishing property values and degrading community facilities was "approaching ghetto proportions".

The National Housing Department and National Housing Forum would be responsible for a cohesive national and regional housing policy. Although research had been done and the delivery structure was being finalised, the department's targets were unlikely to be met before 1995.

A housing programme would be financed with money raised by a housing bank. A guarantee fund would be established to protect private sector funds from risk and help banks to re-evaluate the risk

CHARLOTTE MATHEWS

factor in providing bonds for low-cost housing. Plans for a mortgage indemnity scheme were also well advanced.

Pension and provident funds would be expected to contribute by funding market-related guaranteed housing bonds.

Doughty said action by the private sector was encouraging. *(123)*

An Inner City Housing Upgrading Trust had been launched by the Central Johannesburg Partnership in 1992. The business sector, community and city council had combined resources and set up task groups in key areas. *415194*

For company housing schemes to work, they had to do more than provide paper guarantees to enable applicants to get 100% bonds. Companies needed proper housing policies. They had to educate employees and help applicants to make the right decisions.

"Run efficiently, a company housing scheme can become an asset. Run half-heartedly, it is in danger of becoming a liability," Doughty said.

House and building costs set to rocket

S Times (C. Metro)

15/5/94

By FRED ROFFEY

BUILDING costs could rise by as much as 25 percent within the next year, warns the Building Industries Federation of South Africa (Bifsa).

It points out that the expected surge in low-cost housing following the election will put pressure on the building industry's limited resources.

Estate agents say this gives potential house buyers a golden opportunity to invest in a home at the bottom of a building industry price cycle.

As it is, prices are already climbing, says banking group Absa.

It estimates that the average price of a medium-sized house in South Africa last year was about R150 800 — 9,5 percent higher than in 1992 — while the average

price of a small house was R115 000, or 9,6 percent higher.

Large houses averaged R202 800, or 5,7 percent ahead of the previous year.

These figures apply to existing properties, and Absa says house prices are expected to rise three percent this year.

This means that potential home buyers — particularly first-time buyers — may consider building their own homes, so creating a demand for new developments and influencing prices there.

Whichever way you look at it, it makes sense to consider buying a home now, instead of waiting for prices to rise further.

(123)

Scheme ready, says Shill

PRETORIA — The Mortgage Indemnity Scheme (MIS) was ready to get off the ground, outgoing Housing Minister Louis Shill said last night. *Biday*

Looking relaxed, Shill said no announcement would be made before he left office on Wednesday, but it was imperative that the scheme got going.

Shill and the National Housing Forum have been negotiating with banks for several months to formalise a mechanism to encourage banks back into the area of affordable housing.

"The banks are ready to invest in an MIS company, and except for a few minor points we have agreed on the scheme with the forum," he said.

ROBYN CHALMERS

"I have few regrets about my term of office and believe there are important structures in place which can help the speedy delivery of homes." *015194*

Shill said he would be taking a few weeks' holiday before becoming non-executive chairman of Sag. *(58) (123)*

He would remain an unofficial consultant to the Housing Department and would be available to officials if needed.

Sources believe ANC local government spokesman Thozamile Botha could be Shill's successor. His colleague Billy Cobdett is tipped to become Deputy Housing Minister. *176*

COMPANIES

Perm's housing back in the black

STimes (Buss)

REPAYMENTS on more than 90% of the 80 000 housing loans worth R2,3-billion granted by the Perm in black townships are up to date.

That is evidence enough for Nedcor chief executive Richard Laubscher to believe in the growth potential of that lending area.

Nedcor results for the six months to March, announced this week, show attributable earnings up 16% at R271-million.

The three commercial banking operations — Nedbank, Perm and Nedfin — contributed 81% of the income. Syfrets and UAL showed good growth.

Mr Laubscher says group provisions for bad debt were reduced by 14% to R103-million, partly because of overprovisions in previous years, especially by the Perm, where asset growth was deliberately restricted because of sociopolitical considerations.

The number of properties in possession has fallen sharply this year as the Perm's lending regains momentum. Repossessed houses are fully provided for. An additional special provision of R169-million was also made in previous years.

Mr Laubscher believes Nedfin Bank can improve now that it has fleet rent management under control — an area

he estimates has lost Nedfin R40-million in the past few years.

At its best, Nedfin could bring "a couple of billion rands" extra to the balance sheet. Other banks have scored from falling interest rates because they have large hire-purchase books written at fixed rates when borrowing was more expensive.

Nedcor's expenses rose by 13% to slightly more than R1-billion against total income of R1,62-billion before provisions. Mr Laubscher says rationalisation of services, such as human resources, marketing and information technology, into single units has taken place.

In line with tax planning, Nedcor will probably bring to account from the next financial year onwards some of the profits made on project finance deals.

Mr Laubscher says that so far their net effect on income has been nil. But the deals are big and profits will be good.

Nedcor did not undertake an ordinary rights issue recently to raise capital but preferred to issue R272-million through a debenture issue.

Mr Laubscher says an ordinary rights issue boosts interest income,

but dilutes earnings a share. Nedcor's route has a negative effect on interest income, but there is no dilution at the earnings a share level.

Nedcor is capitalised at 9,4% of risk-weighted assets, well above the statutory requirement.

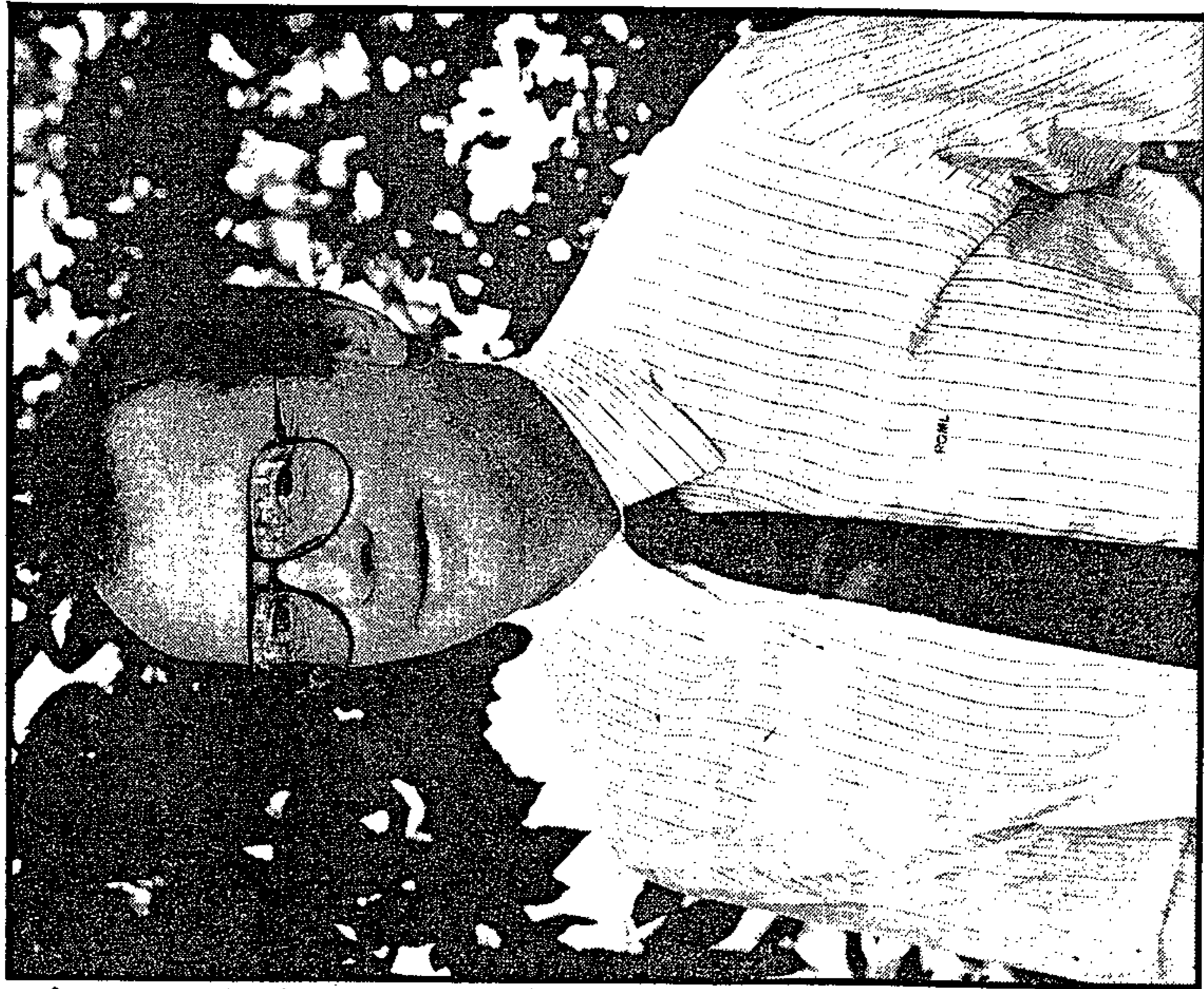
Nedcor believes it is well positioned to cope with the future. Mr Laubscher says the Perm has paid its school fees ahead of the new political dispensation and is best equipped to meet the challenges of granting housing loans.

Much business has been on hold until after the elections and Mr Laubscher pleads that Nedcor be judged on its performance over the full year. He says all indicators point to reduced interest rates. "If what I read in the papers about the reversal of capital flow is true, rates should come down within a few weeks."

Nedcor's capitalisation issue instead of dividend in the previous year led to a dilution in earnings-a-share growth to 15%, or 139c. The interim dividend was lifted 16% to 29c.

Nedcor shares were R31 before the results and R31,50 after.

Mr Laubscher this week presented his first news conference as group chief executive after Chris Liebenberg's retirement. He said it was international protocol for commentators to be nice to the new boy for the first three sessions.



RICHARD LAUBSCHER . . . the Perm has paid its dues in the housing market

R1,9bn on investment active

proposals for deregulation last week but said it favoured

Retail bank to fund housing

B/Day
WILSON ZWANE

A RETAIL housing bank, which would finance about 670 000 houses over the next five years, would be established within six months, former SA National Civic Organisation (Sanco) president Moses Mayekiso said yesterday. *1315194*

Sanco was holding discussions with the SA Housing Trust, which would be used as a shell for the bank. The bank's "top priority" clients would be community-based development organisations with sound financial histories, a recent report by Sanco's commission on development finance said. *(123)*

Mayekiso said Sanco would lobby government to introduce legislation to force banks to disclose, among other things, demographic information on housing loans including sex, income levels and the location and value of the property being financed.

The "disclosure burden" on banks might help the sector acquire information "with which to plan and structure banking operations to address the goals of the reconstruction and development programme".

Slovo outlines plans for new portfolio

B/Day 1315194

NEW Housing Minister Joe Slovo spelt out preliminary but ambitious plans for his portfolio yesterday, including the establishment of a national housing bank and the implementation of a mortgage indemnity scheme. *(123)*

An upbeat Slovo expressed support for agreements already achieved by the National Housing Forum, and endorsed the concept of the provision of housing as a kick-start for the economy.

Slovo said priority had to be given to the poor, who had been ignored largely in the past and had to be brought into the mainstream of policy.

He stressed all major players would need to be engaged, especially the private sector, which had a "seminal" role to play.

Slovo mooted the idea of a housing summit to gain wide involvement and establish a logic to the provision of housing, which had been somewhat "constipated".

The provision of housing could be a major generator of jobs, but for this to happen there had to be a great degree of market certainty to release the "latent energy" in the sector.

The idea of a national housing bank had to be realised, although the details needed to be planned with care.

Slovo said one of his major tasks would be to develop a good relationship with the provincial housing administrations.

The ANC's reconstruction and development programme specified that 1-million

TIM COHEN

"housing units" should be built within five years, which Slovo said was realisable although it might not be possible to build 370 000 houses in the first year.

Slovo said he was "over the moon" about his portfolio.

"We have been talking liberation, but this will be the beginning of making liberation... There is so much goodwill, I think there is a very good chance we can make a breakthrough."

GERALD REILLY reports that a million new houses by the end of the century is possible provided adequate funds are available for training workers, according to Building Industries' Federation of SA CE Ian Robinson.

Commenting on an ANC paper on the costs of the RDP, Robinson said 100 000 houses could be built next year, 200 000 in 1996 and, by 1998, 300 000 a year.

The success in training workers would determine the speed with which houses could be delivered. Bifsa was currently spending R20m a year on training, and this would have to be greatly increased.

Training was being carried out at Bifsa training colleges but it would be necessary to introduce on-site training schemes if the enormous challenge of putting up a million houses by 2 000 was to be met.

Robinson said expanded training would be costly and government would have to get involved in the funding.

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Slovo pledge on bond indemnity

Immediate launch for housing plan

B/Day 16/5/94

DAVID GREYBE

CAPE TOWN — Housing Minister Joe Slovo said yesterday a national housing subsidy scheme negotiated under the previous government would be launched immediately. (123)

Slovo also confirmed that his department intended going ahead with the establishment of a mortgage indemnity scheme and a national housing bank.

He said the success of the huge tasks depended on the next 100 days, at the end of which the foundation "to get us going" should have been laid.

The indemnity scheme would provide "some backup" to lending institutions which incurred losses, while the housing bank would "co-ordinate financial resources which become available".

Slovo said one of the biggest problems facing his department was to reverse the trend which saw business "opting out of the lower end of the housing market".

The subsidy scheme provided for subsidies of up to R12 500 for people who earned less than R1 500 a month. People who earned between R1 500 and R2 500 qualified for a subsidy of R9 500, and those who earned between R2 500 and R3 500 qualified for R5 000.

Slovo said his first job would be to find out what was happening in the department at an administrative and organisational level. He would spend the next two weeks meeting various stakeholders, such as the National Housing Forum. "We will have to work out a new housing policy and strategy, while at the same time facilitating the housing delivery rate in the short term."

He was fully aware of the scale of the housing problem: a 1,5-million backlog of lower-income houses, plus an annual demand of 198 000 new ones. "If we are going to meet the backlog and annual demand we need to build 370 200 houses annually. That means that once we get going, 1 500 units will have to be built each working day."

The ANC's reconstruction and development programme has set a target of 1-million lower-income housing units in the next five years.

Meanwhile, parties are expected to meet this week to finalise their senators. Parliament resumes on Friday when the Senate will choose a president — its equivalent of the Speaker of the National Assembly. Free State NP leader Kobie Coetsee is said to be frontrunner for the post.

President Nelson Mandela is scheduled to address a joint sitting of the National Assembly and the Senate next Monday, when he is expected to outline government's priorities. In line with parliamentary practice in SA, an open debate on Mandela's speech — expected to last for three days — will follow.

The Constituent Assembly — comprising the National Assembly and the Senate — is also expected to meet for the first time next Monday to choose a chairman and vice-chairman. ANC secretary-general Cyril Ramaphosa has been mooted for the post of chairman.

The parliamentary session is expected to last until July 1. June 22 has been earmarked as Budget day.

300 000 houses a year is target

TOS WENTZEL
Political Staff

(123)

ARG 16/5/94
THE new government is set to draw the private sector into a bold housing programme aimed at providing more than 300 000 units a year.

The private sector is to be given some guarantees against the uncertainties of involvement in the lower end of the market.

Giving details of the bold plan today, Minister of Housing Joe Slovo said a disturbing trend had been the way business had opted out of this lower end.

"The private sector will have to give some 'safety net' for non-economic risks plaguing the market ... rent and bond boycotts and other unstable conditions."

Details were still being worked out, Mr Slovo said.

He would be meeting various housing interest groups — including the national housing forum, civics organisations such as the SA National Civics Organisation, the trade union movement Cosatu and business interests.

A strategy was required to ensure short-term alleviation of the housing problem.

At present, there was a 1,5 million backlog of lower-income housing plus an annual increase of 198 000.

The ANC's reconstruction and development plan had set a target of one million units in the next five years.

Mr Slovo said this meant 370 200 houses a year or about 1 400 units every working day.

"This is perhaps one of the biggest challenges of my life, but I believe it can be done".

Mr Slovo said his department would continue the national housing subsidy scheme negotiated under the previous government.

There would also be a mortgage indemnity scheme and a national housing bank.

The indemnity scheme would provide some back-up to lending institutions which had had losses in the past.

A housing bank would co-ordinate financial resources which became available.

Lower income earners — up to R1 500 a month — were eligible for subsidies of up to R12 500, while people who earned between R1 500 and R2 500 a month qualified for a subsidy of R9 500.

Those earning between R2 500 and R3 500 qualified for a R5 000 subsidy.

Govt. launches housing schemes

CT16/5/94 (123)

Subsidy deal 'immediate'

Political Staff

MINISTER of Housing Mr Joe Slovo said yesterday a national housing subsidy scheme negotiated under the previous government would be launched immediately.

Mr Slovo also confirmed that his department intended going ahead with the establishment of a mortgage indemnity scheme and a national housing bank.

He said the success of the huge task ahead depended on the next 100 days, at the end of which the foundation "to get us going" should have been laid.

The indemnity scheme would provide "some back-up" to lending institutions which incurred losses, while the housing bank would "co-ordinate financial resources which become available".

Mr Slovo said one of the biggest problems his department had to overcome was to reverse the trend which saw business "spilling out of the lower end of the housing market".

The subsidy scheme provided for subsidies of up to R12 500, for which lower income group members who earned up to R1 500 a month were eligible.

People who earned between R1 500 and R2 500 qualified for a subsidy of R9 500, and those who earned between

R2 500 and R3 500 qualified for a R5 000 subsidy.

Mr Slovo said his first job in his new office in Pretoria would be to find out what was happening in the department at an administrative and organisational level.

He would spend most of the next two weeks meeting various stakeholders, such as the national housing forum and its various elements, including business, trade union and civic organisations.

"We will have to work out a new housing policy and strategy, while at the same time facilitate the housing delivery rate in the short-term," Mr Slovo said.

He was fully aware of the scale of the housing problem: A 1.5-million backlog of lower income houses plus an annual demand of 198 000 new ones.

Reconstruction

"If we are going to meet the backlog and annual demand we need to build 370 200 houses annually. That means that once we get going, 1 500 units will have to be built each working day," he said.

The ANC's Reconstruction and Development Programme has set a target of one million lower-income housing units in the next five years.

Mr Slovo described the job as "perhaps the greatest challenge of my life".



PENALTY! Manchester United's Denis Irwin is up-ended by Chelsea's Eddie Newton (on ground) a yard inside the penalty area during their FA Cup Final match at Wembley in London on Saturday. The resulting penalty, slotted home by Eric Cantona, put United one goal ahead. They won the match 4-0, thereby taking the League and Cup double.

Picture: AP

Target is more than 300 000 homes a year

Bold housing plan to involve business

Star 17/13/94

■ OWN CORRESPONDENT

Cape Town — The Government is set to draw the private business sector into a bold housing programme aimed at providing more than 300 000 houses a year.

The private sector is to be given some guarantees against the uncertainties of involvement in the lower end of the housing market.

Giving details of the bold new plan in an interview yesterday, Minister of Housing Joe Slovo said a disturbing

PRIVATE sector should be given 'safety net' to encourage finance for lower end of market

trend had been the way business had opted out of this lower end of the market.

"The private sector will have to be given some 'safety net' for non-economic risks the market has been plagued with. These are

rent and bond boycotts and other unstable conditions." (123)

Slovo said he would be meeting various housing interest groups, including the National Housing Forum, civic organisations such as the SA National Civic Organisation, the trade union movement Cosatu and business interests.

A strategy would be worked out in conjunction with plans to facilitate the swift delivery of housing in the short term. At present there was a 1,5 million backlog

of lower-income houses and an annual demand of 198 000 new ones.

The ANC's Reconstruction and Development Programme has set a target of a million lower-income housing units in the next five years.

"This is perhaps one of the biggest challenges of my life but I believe it can be done," said Slovo.

He said his department would continue the national housing subsidy scheme negotiated under the previous government.

Housing subsidy scheme on hold

Municipal Reporter

THE Cape Town City Council will not be able to implement Mr Joe Slovo's new R12 500-or-less housing subsidy scheme immediately, housing committee chairman Mr Neil Ross said yesterday.

A major housing meeting is to be held in the Civic Centre next Thursday afternoon (May 26).

"We have had preliminary discussions where grave concerns were raised about the price of land and the cost of services such as water-borne sewerage, water and electricity," Mr Ross said.

The ability of local councils to carry the cost of developing infrastructure on a large scale around the expected new houses was "extremely debatable".

Also, to expect someone earning under R1 500 a month to be able to raise a loan of over R18 000 was "expecting a lot", but he would not say it could not be done.

Mr Ross said he understood no cash would be handed out in the new subsidy scheme.

A developer or development agency would embark on a subsidised scheme and eventually hand over serviced land to an individual who would then use that as collateral to get a private sector loan.

The council's director of project management services Mr Hansie Smit said there would be no problem with continuing existing projects under the old subsidy scheme, but new projects would start with the new scheme.

CT 17/5/94

Slovo hires Cobbett, fires Koch

Star 18/5/94

■ BY SHIRLEY WOODGATE

Minister of Housing Joe Slovo has replaced Director-General of Housing Louis Koch with the vice-chairman of the National Housing Forum, William "Billy" Cobbett. (123)

Slovo said Koch would act as the department's executive officer until the position of Cobbett, the ANC's representative on housing policy, was confirmed.

The Minister said Cobbett would, in the interim, advise him on housing matters.

Incoming Public Service Association manager Casper van Rensburg said directors-general were political appointees who operated on a contract basis and it was common practice internationally for new Ministers to review their positions.

PSA chief Hans Olivier said directors-general were excluded from membership because they were politically appointed and regarded as employers.

Van Rensburg expected no large-scale staff dismissals. Slovo assured permanent civil servants in the housing department that their jobs were safe.

PROPERTY

Building costs have risen only 5%, Absa survey finds

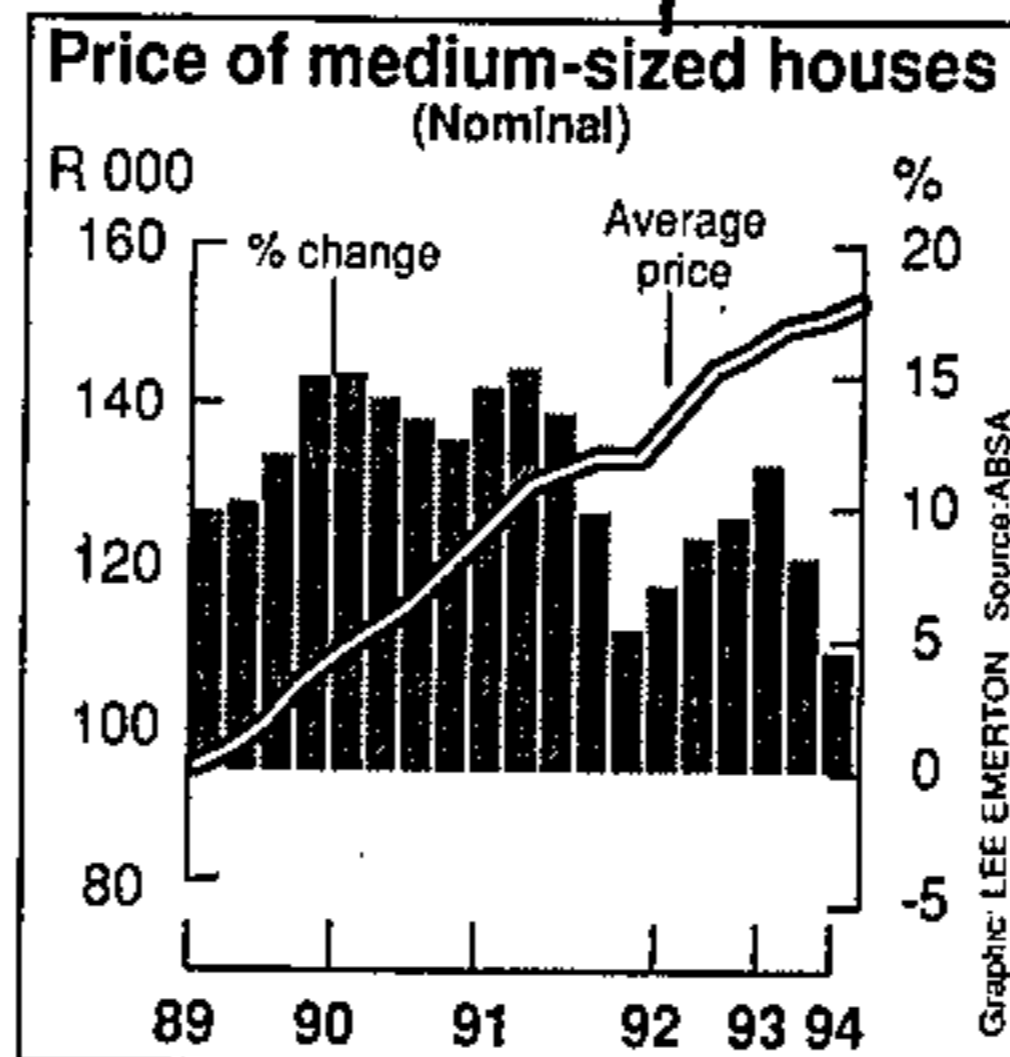
Reports by
ROBYN CHALMERS

ABSA's latest housing survey for the first quarter of this year shows building costs were only 5% higher than in the same quarter last year, indicating that conditions in the construction industry are still tight.

The survey says the increase was the smallest in building costs recorded since the end of 1985. The rate of increase in building costs declined from 14,4% in the first quarter of 1993 to 7,1% in the fourth quarter.

The downward trend in building cost increases since the beginning of 1993 was reflected in the price difference between new and existing houses. This slowed to 12,4% in the first quarter — the lowest level since the end of 1989.

The average price of medium-sized houses in SA recorded an annualised increase of only 2,8%, compared with



the fourth quarter of 1993. This was in line with Absa's previous predictions, which said the house market was expected to be relatively quiet during the first few months of 1994.

The survey said the increase in the prices of medium-sized homes slowed in the past two quarters, while building and land area trends in respect of new housing again showed a

downtrend trend.

"This is a clear indication of the impact of the current political climate on the housing market."

The group altered its prediction that there would be an improvement in conditions after the election, saying it believed a noticeable upturn in the market would only be seen from the third 1994 quarter. (123)

The devastating effect of violence on house prices was emphasised in the survey's regional overview. House prices in the strife-torn East Rand and Natal decreased by an average 1,7% and increased only 0,1% respectively.

On the possibility of a mortgage rate cut, the report said: "The M3 money supply growth accelerated sharply in recent months and is currently above the upper guideline of 9% as fixed by the Reserve Bank.

"This, together with the country's deteriorating foreign reserves, militates against a cut in the Bank rate."

Solution for hostels soon

Own Correspondent

JOHANNESBURG. — PWV MEC for Housing and Local Government Mr Dan Mofokeng said yesterday his government would soon unveil a reconstruction plan to deal with long-standing enmity between hostel and township residents. (123)

He said there were calls for the demolition of hostels, which

many township residents regarded as monuments to violence.

However, his government wanted to "humanise" the hostels by reversing the "old thinking" which turned them into military-style barracks and no-go areas.

He said all role players would take part in the process to address the hostel issue. A "solution" to the problem, which would be "amicable and accept-

able to all", would be announced within weeks.

18/5/94
Asked whether police patrols would be stepped up at hostels on the East Rand, MEC for Safety and Security Mrs Jessie Duarte said a mechanism for a police take-over from the SA National Defence Force, which was "still in control" in the region, had yet to be worked out.

Slovo to replace director-general

(123)

CT 18/5/94

PRETORIA. — Director-general of Housing Mr Louis Koch will be replaced by Mr Billy Cobbett, the office of Minister of National Housing Mr Joe Slovo announced yesterday.

A statement by the Ministry of National Housing said: "The appointments of directors-general in the civil service are made on a contract basis and are not constitutionally protected."

It said Mr Slovo and Mr Koch had reached mutual agreement on Mr Koch's position.

"Mr Koch will act as the executive officer of the department until Mr Cobbett, who has represented the ANC on housing policy and is currently vice-chairman of the National Housing Board, is confirmed as director-general of the department."

While administrative arrangements are being finalised, Mr Cobbett will advise Mr Slovo on housing matters. — Sapa

Self-help plan could ease housing crunch

TOM HOOD

THE only way to meet the country's backlog of 1.5 million houses is to extend the self-help building programme which provided homes for 20 000 lower-income families in the Cape over 10 years.

This is the belief of John Hopkins, deputy director of housing in the Cape Provincial Administration.

"We need to mobilise the masses and constructively channel our resources effec-

tively into housing development," he said today at a three-day international masonry and paving convention in Sandton.

The first international conference of its kind to be held in Africa was attended by over 200 delegates with seven international speakers from America, Colombia, Slovakia, Holland, UK and France taking part.

The theme of the conference centred on the construction in-

dustry and the latest information about new products and building technology.

"We seriously need to obtain the support and involvement of our local communities in order to address the housing question," said Mr Hopkins.

"This community-based concept which has been developed in South Africa is widely recognised by the International Association of Housing Science as a pioneer model for developing countries."

The model successfully combines indigenous building methods with modern technology.

"From Sandton to Soweto, this flexible self-help model can be adapted to suit the housing needs of different communities," he said.

In his address to the well attended conference he stressed the success that self-help housing has had over the past 10 years with over 20 000 families successfully completing their own homes.

(23) ART 18/5/94

Housing subsidy plan nearly ready

Biday 2015/94

ROBYN CHALMERS

THE new Housing Department and the National Housing Forum are close to finalising "top-up" subsidies to give millions of SA's destitute people speedy access to homes on existing private sector and government-owned serviced sites. (123)

The initiative could mean the number of low-cost homes built this year will increase significantly from the estimated 50 000.

Forum co-ordinating committee chairman Matthew Nel said the forum was re-evaluating priorities and negotiating a package of subsidies, one of which was the top-up or consolidation subsidy.

This would be a top-up for people who had received funding from former state housing projects and the Independent Development Trust's schemes.

Industry sources said once agreement on the subsidy was reached, funding would be made available to low-income earners to build shelter, injecting hundreds of millions of rands into the economy.

The amount of funding available in terms of the consolidation subsidy had not

yet been finalised. It would, however, be less than the interim subsidy of R12 500 announced by former Housing Minister Louis Shill earlier this year.

National Housing Department figures showed that since 1986, 720 000 households had received serviced sites through state housing assistance, including 95 000 developed by the Independent Development Trust.

Many of the sites were occupied by squatters. A department spokesman said adequate permanent houses had not been erected on most of the sites because of a lack of affordable end-user finance and streamlined subsidy schemes.

About 90 000 sites around SA serviced by government departments and the private sector were standing vacant. These so-called "sterilised" sites had never been put on to the market because affordable home finance had not been forthcoming. Nel said the forum was looking at ways of rectify-

To Page 2

Housing

Biday 2015/94

From Page 1

ing the situation.

The bulk of the sites, both occupied and vacant, were in black townships on the outskirts of major city centres in the PWV, Natal and Cape. (123)

The figures could be higher as data on land availability was generally poor and the figures were estimates.

SA Housing Trust development division GM Francois van den Berg said the organisation had about 12 000 vacant serviced sites around the country available for immediate development, over and above the state figure.

"Regional housing boards have set a May 31 deadline for the first round of applications for state subsidy assistance. All the mechanisms are in place, and the first awards should start coming through by the middle of July."

A forum discussion report on financing of housing said a significant lead time would be needed before the required 300 000 units a year could be built.

The report estimated only about 50 000 homes would be built during the 1994/5 fiscal year. The figure would gradually rise until 305 000 units were reached in 2001/2 — at a cost of R5bn a year.

Boost to housing subsidies

JOHANNESBURG. — The new housing department and the National Housing Forum are close to finalising "top-up" subsidies to give millions of SA's destitute people speedy access to homes on existing private sector and government-owned serviced sites.

(123)
The initiative could mean the number of low-cost homes built

this year will increase significantly from the estimated 50 000.

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from former state housing projects and the Independent Development Trust's schemes.

SA Housing Trust development division general manger Mr Francois van den Berg said the organisation had about 12 000 vacant serviced sites around the country available for immediate development, over and above the state figure. CT 20/5/94

Slovo woos business

JOHANNESBURG. — Housing Minister Mr. Joe Slovo said yesterday his ministry was offering incentives to the private sector, which had a crucial role in the ANC's programme to build a million houses in the next five years.

In the four days he had been in office, his ministry had had consultations with "virtually the whole sector of the industrial, financial and construction field in the housing sector", he said, on the SATV's Agenda programme. (123) CT 20/5/94

"We are at the moment discussing a mortgage indemnity scheme that will protect private investors from non-commercial risks backed by the government," he said.

The creation of a "wholesale" national housing bank was also under discussion.

"Fundamentally, we cannot address the housing question without an effective partnership between the state, the private sector and the communities," he said. — Sapa

Sowetan 20/5/94

Architect and housing consultant **Chris J Lobban** argues that the new Government's housing policy is bound to fail and points out its flaws:

IF THE AIM of the new Government housing policy as it stands is to ensure that everyone should at least have a permanent, secure home with access to essential services, it is bound to fail.

The policy is based on the provision of grants to individuals qualified by a means test.

There are three levels of award:

- For those earning less than R1 500pm — R12 500;
- For those earning R1 501-R2 500pm — R9 500; and
- For those earning R2 501-R3 500pm — R5 000.

Given that the vast majority of homeless fall into the first category it is clear that the grant of R12 500 is the major plank of the Government's present housing policy.

It is vital to make it absolutely clear that R12 500 will not pay for a home. Most people do not know much about construction costs and this is especially true among those most in need of homes.

It is unfair to mislead the public about what grants can achieve.

The policy actually depends for its success on the individual who receives a grant obtaining further finance to pay for his dwelling.

There may be some argument between "experts" about what constitutes a "proper home" and what it costs to develop, but few would dispute that the R12 500 will meet only up to 40 percent of the cost of a modest dwelling.

The major problem is that almost all of those earning less than R1 500 per month will be unable to acquire the necessary additional finance. For a start, up to 50 percent may remain either unemployed or without a regular source of income for some time to come and in consequence without hope of acquiring additional finance.

For the rest, even if the State provides guarantees (a process fraught with bureaucratic difficulties and unlikely to be attractive to building societies or banks), the conditions required by lending institutions for a home loan would disqualify the greater majority.

Such conditions include:

- A good credit rating;
- A good employment record; and
- Regular income.

Economic policy will encourage entrepreneurship as a way of creating new jobs. Many of those who become self-employed will not find it easy to satisfy these conditions.

As constituted the policy depends upon others, unspecified, to carry the cost of development since only in exceptional circumstances does it envisage providing financial assistance for this crucial part of the process.

Many developers and builders have been forced into liquidation or to withdraw from the low cost housing market and will be reluctant on the basis of this policy to re-enter it, especially



Chris J Lobban

since the risks involved are little reduced.

Without these companies and their capacity to carry development costs, who will provide the necessary development capital beyond the amount of the approval grant?

If Government is to keep its promise to provide homes it must accept the truth that recent administrations have evaded: A programme of state funded housing must be a significant part of an effective housing policy for South Africa.

Separate delivery from occupation

If housing is required urgently, the policy must separate delivery from occupation. In other words the first priority is to ensure that homes are built, the second priority is to arrange for their occupation by those who most need them. To make the first priority dependent upon the second is a fatal mistake when speed is essential.

Because most of those who need a home cannot afford to buy one; for them renting may be the only possibility. Renting may include an option to purchase — a form of tenure which might be attractive to many and well worth investigating.

Housing for rent can be developed in such a way as to incorporate all the features of sensible planning and management envisaged by the National Housing Forum. State-funded housing projects for rent can be built with continuity and speed providing value for money.

In the bad old days vast numbers of houses (which could only be rented) were constructed

Too often in South Africa and elsewhere in the world unimaginative, over-large, state-funded residential development has produced soulless housing estates

in wrongly located, badly planned townships without employment opportunities, proper services, shops or facilities.

These townships have given renting a bad name. The right kind of community participation in the development and management of new residential projects could rehabilitate the concept of rented accommodation as an essential part of the housing policy.

Too often in South Africa and elsewhere in the world unimaginative, over-large, state-funded residential development has produced soulless housing estates where a depressing physical and social environment stultifies the creation of community spirit.

Great care should be taken to ensure that state funded housing plays a positive role in the development of healthy, economically active communities where it should provide only one of a number of ways in which people secure their home — from tenancy to full ownership.

The resources of the relatively well organized established contractors can be harnessed to greatest advantage in large housing programmes funded by the state.

Contract conditions can require these contractors to use local labour and sub-contractors and to provide training within an envelope of professional experienced management which ensures efficiency, where costs can be contained because no development risks are involved and because continuity of work and payment are assured.

Government expenditure on this kind of housing development can be more readily organised and controlled, produce results rapidly, provide a real improvement in the nation's housing stock and, by stimulating the construction industry, quickly create much needed employment.

Despite the calls for patience already being made by Government, the homeless millions will become restless unless they can see concrete evidence that the policy is working and that real houses are being built throughout SA.

Matchbox houses the new policy

'Where will money come from?'

(123) ARG 21/5/94

DAVID BREIER

Weekend Argus Political Staff

THOUSANDS of tiny 24 sq m brick houses may soon replace the tin shanties sprawling over the Cape Flats.

This could be the most visible effect of the new government's subsidy scheme which forms part of the package in which minister Joe Slovo aims to build 370 000 houses a year.

But before even such tiny matchbox houses start mushrooming on the Flats, Cape Town City Council housing committee chairman Neil Ross wants to know where the money will come from.

"We are able to build 24 sq m houses — God knows that's very small — with sewerage, water (but not hot) and electricity, including the land, for about

■ Tiny matchbox brick houses instead of tin shanties — that's the likely result of the new government's housing subsidy policy.

R30 000," Mr Ross said. This included R9 500 for the plot and R4 500 for services.

But the new State subsidy scheme provides for a maximum subsidy of R12 500 for families earning up to R1 500 a month with a sliding scale going down to a R5 000 subsidy for those earning up to R3 500 a month.

Even the maximum subsidy does not cover the cost of land and services — let alone the structure itself.

Mr Ross asked how people earning less than R1 500 monthly would raise the remaining R17 500 to build a solid brick house. "If we are looking at building more pondoks with site and service then that is not a housing policy as far as I am concerned,"

Mr Ross said.

The new housing policy will also make provision for a mortgage indemnity scheme to ensure lending institutions receive their money back if borrowers fail to meet their repayments.

But Mr Ross said it would be expecting a lot for someone earning under R1 500 to raise a loan of about R17 500, although it could be done, he added.

More details of the new policy are to be spelt out at a conference in Cape Town on Thursday organised by the Western Cape branch of the Institute for Housing of Southern Africa at which the National Housing Forum and the Department of National Housing will release details of the subsidy scheme.

Concern over Govt housing bond plan

Star 21/5/94

CAPE TOWN — Concern is growing that a new government plan to guarantee bond repayments on home loans for low-cost housing will encourage mass bond defaults — at taxpayers' expense.

Finishing touches are being put to the new mortgage indemnity scheme which is due to be announced in detail within weeks. It forms part of the ambitious new government plan under Housing Minister Joe Slovo to build 370 000 houses a year for the poor — including a subsidy scheme.

Sources close to the Na-

tional Housing Forum (NHF), which negotiated the housing deal, said it would be up to new government housing structures to clamp down on new borrowers and ensure they did not exploit the scheme by defaulting on repayments, on the assumption that the ANC-majority Government would bail them out.

The NHF sources said that under the scheme the Government would take

A NEW mortgage indemnity scheme might encourage thousands of new homeowners to default on their bond repayments as the Government will guarantee that the banks get their money back, writes DAVID BREIER.

over the "dirty work" from the banks to repossess homes and find alternative accommodation if borrowers did not pay their bonds.

The indemnity scheme will be aimed at giving the

ernment. Under the new scheme, the Government will guarantee the banks get their money back if borrowers default on their payments (123)

But it is still not clear where the money to guarantee bond repayments will come from. National Housing Board sources said the most desirable solution was a compromise in which the indemnity scheme was jointly financed by a premium on

home loans and by the Government — in other words, the taxpayer.

A premium on home loans could also hit conventional homeowners who did not benefit from the indemnity scheme.

The mortgage indemnity scheme will not be operated directly by the Government but will be under a new housing company, possibly a parastatal, the NHF sources said.

But there is great scepticism as to whether the Government would have the political will to repossess homes of black borrowers who fail to pay their bonds.

They believe borrowers under the indemnity scheme will test the new Government to the utmost by continuing with bond boycotts on the assumption that the ANC lacks the will to evict them.

Slovo was not available for comment, but his pre-

decessor, former Housing Minister Louis Shill, said he believed that low-cost homeowners who had received a government housing subsidy of up to R12 500 would be the last to default on their bonds as they risked losing the value of their subsidies if their property was repossessed.

"As soon as a person has equity, the banks regard him as a good client," Shill said. The subsidy scheme would give many with no chance of breaking into the property market the equity to do so, he added.

'Housey-housey' queries, but bingo says Slovo

BRUCE CAMERON

SOUTH Africa's top financiers trundled through the Pretoria offices of Minister of Housing Joe Slovo to find out how is going to finance and build 300 000 houses a year.

The delegations included the newly formed umbrella business organisation Business South Africa, the Council of South African Banks, the Mortgage Lenders Association, the Life Offices Association and various building associations.

No statements were issued after the meetings but it is un-

derstood the meetings were friendly with Mr Slovo telling the delegations he wanted to establish contact.

He also told them that he was committed to the proposed scheme of massive subsidy payments to help people who could not afford to build homes and also to the mortgage indemnity scheme which were negotiated in the National Housing Forum before the elections.

The thorny issue of prescribed investments being placed on the financial institutions, particularly the assur-

ance companies, was apparently not raised.

Spokesmen for the various delegations said Mr Slovo appeared intent on getting co-op-

eration rather than dragging business into the assisting in the enormous housing plans.

There are concerns in the banking section about guaran-

tees being given to financial institutions lending money for housing in the lower sector of the market.

They want to see a return to the rule of law first where they can follow normal legal processes to take possession of properties where owners are in default.

They are also concerned that the indemnity scheme could continue the current boycott and non-payment psychology in the townships, forcing the upper end of the market to subsidise the lower end creating major market distortions.

ART 21/5/74

er, his wife and a neighbour prepare the day's lunch.

Families move in at Blackheath to ease tension at Tambo Sqaure

PIETER MALAN
Weekend Argus Reporter

ARC 2/5/94 (123)

TWO of the three families which erected shacks on Tambo Square — a former buffer zone between the townships of Guguletu and Manenberg — have been moved to an informal settlement in Blackheath, helping to defuse the crisis.

A potentially explosive situation evolved earlier this week when the three families moved on to the land which was developed for informal housing and awarded to the Tambo Square Civic Organisation in 1990.

Coloured squatters threatened to build another 50 shacks on plots already allocated to black families now squatting in KTC.

In a deal brokered between two of the families by Cape Provincial Administration deputy director Gerrit Erasmus yesterday, two of the three families agreed to move to a new site in Blackheath.

The third squatter, Kathleen Koopman, decided to move back to the Manenberg backyard where she previously squatted, because her two children went to a Manenberg school.

"Everyone involved agreed that it would be in the best interests of all to move their shacks off Tambo Square," said Mr Erasmus.

Members of the Manenberg People's Association, alleged, however, that regional police services minister Patrick McKenzie promised one of the squatters, Marinda Nero, a

house at a meeting on Wednesday.

Manenberg People's Association spokesman Ismail Simpson said Mrs Nero had been promised a proper house "within 24 hours", because she had two very ill children.

The association also agreed to prevent other squatters from moving onto the vacant plots at that meeting.

Mr McKenzie was in Johannesburg and could not be reached for comment.

Mr Simpson said it did not make sense to move Mrs Nero from one shack to another.

Her 20-year-old son, Anzio, said his mother agreed to the Blackheath move rather than to the house she was promised, because she just wanted to "get the whole thing over."

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EXPO 94

SUNDAY
22 MAY

SOUTH AFRICA

Concern over defaulters in low-cost homes scheme

(123) ARG 2/5/94

Weekend Argus Political Staff

CONCERN is growing that the plan to guarantee bond repayments on home loans for low-cost housing will encourage mass bond defaults — at taxpayers' expense.

Finishing touches are being put to the new mortgage indemnity scheme, which is due to be announced in detail within weeks.

It forms part of the ambitious new government plan under Housing Minister Joe Slovo to build 370 000 houses a year for the poor — including a subsidy scheme.

Sources close to the National Housing Forum (NHF), which negotiated the housing deal, said it would be up to government housing structures to clamp down on new borrowers and ensure they did not exploit the scheme by defaulting on repayments on the assumption that the ANC-majority government would bail them out.

The NHF sources said under the scheme the government would take over the "dirty work" from the banks to repossess homes and find alternative accommodation if borrowers did not pay their bonds.

The indemnity scheme will be aimed at giving the lending institutions confidence to re-enter the low-cost, mainly black, housing market after they burnt their fingers when many black borrowers engaged in bond boycotts under the previous government.

Under the new scheme the government will guarantee that banks are repaid if borrowers default.

It is still not clear where the money to guar-

antee bond repayments will come from. National Housing Board sources said the most desirable solution was a compromise in which the indemnity scheme was jointly financed by a premium on home loans and by the government — in other words, the taxpayer.

A premium on home loans could also hit conventional home owners who did not benefit from the indemnity scheme — amounting to an additional tax.

The mortgage indemnity scheme will not be operated directly by the government, but will be under a new housing company, possibly a parastatal, the NHF sources said.

But there is great scepticism in Cape housing circles that the ANC-dominated government would have the political will to repossess homes of black borrowers who failed to pay their bonds.

They believe borrowers under the indemnity scheme will test the new government to the utmost by continuing with bond boycotts on the assumption that the ANC lacks the will to evict them.

Cape Town housing authorities doubt that Mr Slovo, the SA Communist Party chairman, would crack down on borrowers who failed to pay their bonds.

Mr Slovo was not available for comment, but his predecessor, former housing minister Louis Shill, said he believed that low-cost home owners who had received a government housing subsidy of up to R12 500 would be the last to default, as they risked losing the value of their subsidies if their property was repossessed.

Proud Slovo ready to rise to the challenge

S1 Times

22/5/94

By BRONWEN JONES

THE biggest thing Mr Joe Slovo has ever built is a sandcastle. Now, as Minister of Housing, he's moving on to grander schemes as he aims to oversee the construction of several million houses.

Asked why he got the job, he's embarrassed, but jokes: "Maybe because I've got a pretty face."

Drawing on a short, slim cigar, his tone turns serious: "I took what I was asked to do. I feel honoured that I've been chosen for this. Housing is the most important element in the socio-economic development of a country."

He explains that for every R1-million invested in housing, 120 jobs are created — five times better than the employment benefit of investing in, for example, textiles.

Housing creates a consumer market for electrical goods and there is accompanying development of roads and water systems. "It has a multiplier effect in a way no other sector has," says Mr Slovo.

He spent his first week as minister talking to the country's captains of industry, the Council for Construction in South Africa and all the bankers and mortgage lenders.

He told them new housing must form viable communities in places where there is easy access to jobs, health care, education and social amenities.

He says each householder needs a permanent residential structure, secure tenure, privacy, protection against the elements,



HONOURED . . . SA's new Minister of Housing, Joe Slovo

potable water, adequate sanitary facilities and waste disposal and electricity.

His priority is affordable housing for the very poor, with the government's subsidy scheme aimed at people who earn R2 500 a month or less. Provision will also be made for the homeless and jobless by the creation of rental housing stock.

Unemployed people's ability to pay rent depends on a still-to-be designed system of social welfare that will provide the basic mini-

mums of life. Mr Slovo says: "The whole reconstruction and development programme will have to be co-ordinated with housing as a key element."

Big ideas are difficult to carry out without skilled people and Mr Slovo is angry about the current level of builder training.

He says: "The Building Industries Federation of South Africa is only producing about 500 people a year."

He will immediately raise the R20-million annual training bud-

get, which comes from a levy on employers, to R200-million.

Mr Slovo says 10 000 men and women must be trained in building skills in the next two to three years. To do this, the R1,6-billion housing budget must be increased, and probably the employers' levy too. (123)

In the past five years, the annual average was 23 991 new houses built. Mr Slovo is looking at 370 000 houses a year.

He estimates that at the end of the first year of the new government, there will be 100 000 new houses; the next year double that, and in three years, up to the 370 000 average.

Included in housing strategies is a plan to increase the population density in some areas. While tower blocks are unlikely, new dwellings will include three to five-storey blocks of flats.

In the coming months, the housing ministry will put together financial and other infrastructures needed to start building.

The mortgage indemnity scheme is expected to end businesses' reluctance to invest in housing, and banks are collaborating to form the National Housing Bank.

The minister predicts training will start to produce enough labour for a visible thrust to the housing programme in about six months.

Mr Slovo is hugely proud of his portfolio and the new government. He says: "For 50 years I've been involved in the struggle for political and economic liberation. Now the challenge is to deliver up that liberation."

Fresh impetus to housing effort

123

CT 23/5/94

Own Correspondent

JOHANNESBURG. — Major players in the housing sector will give fresh impetus to alleviating the housing crisis today when they sign a statement of intent pledging to work together.

But the building and construction industry has reacted with scepticism to PWV premier Mr Tokyo Sexwale's undertaking last week to deliver 150 000 low-cost homes in the region next year.

Sources said the government, the National Housing Forum and the Association of Mortgage Lenders had agreed on the statement of intent on Friday. It would guide them in the delivery of houses and would spell out steps to expedite housing delivery.

Also, National Housing Forum spokesman Mr Khehla Shubane said that while the organisation favoured the subsidy scheme negotiated with former Housing Minister Mr Louis Shill, problems still to be solved included ways to deliver the subsidies and bring old subsidies into line with new ones.

Bankers have raised concerns at a meeting between them and Housing Minister Mr Joe Slovo last week about having to finance shabbily built low-cost houses.

Regarding Mr Sexwale's undertaking, business and construction sector spokesmen said it was impossible to deliver 150 000 units next year given the low level of industry skills and lack of affordable housing finance.

'Superhuman'

BMI Building Research Unit managing director Mr Lewellyn Lewis estimated that, at most, between 60 000 and 70 000 low-cost homes could be built in the PWV region during 1995.

Econometrix economist Mr Tony Twine said even if Mr Sexwale had referred to basic shelter and high density flats, it would take a "superhuman" effort to deliver 150 000 homes.

Building Industries Federation of SA executive director Mr Ian Robinson said the erosion of the workforce meant the industry could not provide the skilled manpower needed to cope.

Scepticism over building target

Key players agree to focus housing drive

Biday 23/5/94

MAJOR players in the housing sector will try today to give fresh impetus to alleviating the housing crisis when they sign a joint statement of intent pledging to work together.

But the building and construction industry has reacted with scepticism to PWV Premier Tokyo Sexwale's undertaking at the opening of the PWV legislature on Thursday to deliver 150 000 low-cost homes next year in the area.

Sources said government, the National Housing Forum and the Association of Mortgage Lenders had agreed on a statement of intent which would guide their involvement in the delivery of houses.

The sources said the statement, hammered out on Friday, would be made known to the public today. The statement would, among other things, spell out steps to expedite housing delivery.

In another development, National Housing Forum spokesman Khehla Shubane said while the organisation favoured the subsidy scheme negotiated with former Housing Minister Louis Shill, there were still loose ends which had to be tied up speedily.

These included administrative mechanisms to deliver the subsidies and bring old subsidies into line with new ones. The new subsidy scheme provides for subsidies of up to R12 500 for people who earn less than R1 500 a month. People who earn between R1 500 and R2 500 qualify for a subsidy of R9 500 and those who earn between R2 500 and R3 500 qualify for R5 000.

Shubane said a way had to be found to

WILSON ZWANE and
ROBYN CHALMERS

"top up" the R7 500 subsidies which many people had received from the Independent Development Trust in the past. "We are saying there should be equitable distribution of state money," he said.

Meanwhile, the banking industry has raised concerns about having to finance shabbily built low-cost houses. Sources in the industry said the concerns were raised at a meeting between bankers and Housing Minister Joe Slovo last week.

Slovo could not be reached for comment, but the ANC's reconstruction and development programme — a cornerstone of government's policy — calls for laws setting standards for housing construction.

Commenting on Sexwale's undertaking, business and construction sector spokesmen said it was not possible to deliver 150 000 units next year given the low level of industry skills and lack of affordable housing finance.

BMI Building Research Unit MD Lewelyn Lewis estimated that, at most, between 60 000 and 70 000 low-cost homes could be built in the PWV region during 1995.

"The Department of Housing is aiming to build 50 000 units nationally this year, and this could conceivably increase to 125 000 in 1995 with a target of 350 000 reached in 1999.

"Nationally, the former Housing Department managed to build 15 000 units in 1992 and about 17 000 last year. It is virtually impossible to gear up to 150 000 homes

To Page 2

Housing

From Page 1

next year in the PWV area alone."

Lewis said the only method of circumventing the lack of affordable housing finance was through the establishment of a national housing bank, together with a mortgage indemnity scheme, to lend funds at lower interest rates.

Econometrix economist Tony Twine said 51 homes would have to be built an hour — almost one house a minute — in order to achieve Sexwale's targeted figure. Twine said even if Sexwale had been referring to basic shelter and high density flats, it would take a "superhuman" effort to deliver 150 000 homes.

Building Industries Federation of SA

(Bifsa) executive director Ian Robinson said the erosion of the workforce over the past few years meant the industry could not provide the skilled manpower needed to cope with higher activity levels.

"There will have to be a massive increase in the amount of money spent annually on training, and an increase in skilled manpower levels simply cannot happen overnight," said Robinson.

SA Federation of Civil Engineering Contractors executive director Willie Vance said recently construction companies would be hard pressed to deal with significantly higher activity levels.

National Housing Forum plan to go public

GOVERNMENT and the 19-member National Housing Forum will unveil a plan this afternoon which will spell out steps to expedite housing delivery. 2515194

The plan, hatched at a National Housing Forum meeting on Friday, was supposed to have been made public on Monday.

It is understood the decision to make it public was taken yesterday after the necessary endorsement by role players in the housing sector. (123)

Asked about the apparent ignorance on the part of some members of the forum about the plan, the organisation's Johan-

Wilson Zwane

nesburg head office said the document did not necessarily have to be endorsed by members individually.

The forum, as an umbrella body, could endorse it on behalf of its members.

Members of the forum include the Urban Foundation, Kagiso Trust, the Association of Mortgage Lenders, the SA Housing Trust, the Independent Development Trust, the Development Bank of SA and the SA National Civic Organisation. Government is not a member of the forum.

Housing plan is ^{Sowetan} joint task

NATIONAL Housing Minister Joe Slovo and National Housing Forum chairman Eric Molobi yesterday announced a comprehensive joint programme to address the housing crisis in the short term. 26/5/94

In a joint statement, they expressed confidence that the programme would lead to realising key initiatives such as mortgage indemnity, a housing bank and subsidies.

Special attention will also be given to developing proposals for a State-subsidised rental programme, and a comprehensive policy dealing with the housing needs of rural communities. (123)

Meanwhile a plan for about 140 000 Free State people to buy their State-owned houses for R7 500 less than book value has been presented to the region's housing chief by the National Housing Department.

The proposal, received by Free State Executive Council Housing Minister Vax Mayekiso, aims to give mainly black residents a first-time opportunity to buy their homes.

The houses are currently rented from the local authority.

— Sapa.

Boycotts threaten *Star* targets, *26/5/94* says Slovo

Cape Town — Continuing widespread boycotts over mortgage bonds could destroy the chances of meeting housing targets outlined in the Reconstruction and Development Programme.

Minister of Housing Joe Slovo, speaking in the debate on President Mandela's Opening of Parliament speech, said yesterday that housing in South Africa had reached a stalemate. (123)

Large areas had been "red-lined" by financial institutions, and there had been a "virtual lockout" by the private sector.

His department aimed to end the war between the community, State and private sector.

He had instructed his department to look into ways of speeding up the identification and transfer of rental housing stock. Some 65 000 homes in Greater Soweto would soon be transferred to current tenants.

1 million units

The RDP has obliged the Government of National Unity to deliver 1 million housing units for the duration of its time in power.

Over the past five years the "utterly miserable" average of 25 000 housing units had been delivered annually.

In order to deal with the backlog of 1.5 million units, plus an annual increase of about 200 000 households, the country would have to produce 300 000 housing units a year, said Slovo.

To change the dream into reality, substantial changes were required, he added.

The most substantial change would be that his department would facilitate the delivery, not of housing units that reduced the majority of the population to an undifferentiated mass, but homes that brought about social liberty, stability and freedom, he said. — Sapa.

► Slovo strikes deal
with forum — Page 11

Slovo strikes deal with forum

Star 26/5/94

■ BY JO-ANNE COLLINGE

National Housing Minister Joe Slovo has struck a deal with the National Housing Forum (NHF) to negotiate on a wide range of policy issues.

Nine joint technical

committees, comprising officials of the Department of Housing and the NHF, have been set up.

In a joint statement, Slovo and NHF chairman Eric Molobi said their job would be to "work together to reach technical

agreements on policy proposals". (123)

These agreements would then be fed into the National Housing Board for review and the Minister "having received advice from the NHB, will take a final decision...".

New plan to speed up housing

(123)
CT 26/5/94

By MAGGIE ROWLEY
Property Editor

A COMPREHENSIVE joint programme to speed up the planned mass delivery of affordable housing has been announced by Minister of Housing Mr Joe Slovo and the National Housing Forum (NHF).

In a joint statement NHF chairperson Mr Eric Molobi and Mr Slovo said nine joint technical committees were being set up to address the most important outstanding policy issues which were constraining the housing sector.

These committees, on which representatives of both the NHF and the Department of National Housing will sit, will work to finalise as soon as possible key initiatives such as the Mortgage Indemnity Scheme, the proposed National Housing Bank aimed at facilitating access to home loans for low income families and the completed set of housing subsidy programmes.

According to the statement, the short-term priority is reaching agreement on an overall national housing strategy and the finalisation of an institutional framework for housing, including certain essential short-term measures relating to the regional housing boards.

Attention is also to be given to developing proposals for a state-subsidised rental housing programme and

a comprehensive policy dealing with the housing needs of rural communities. The joint technical committees will also consider issues such as the department's national housing budget — to be announced next month — including the best way to deal with the very substantial funds tied up on projects already approved by the previous administration.

"This programme will rationalise and focus resources within the Department of National Housing and the NHF to ensure that policies and initiatives necessary to promote effective housing delivery across the country will be in place in the short-term."

In an interview Mr Molobi said the NHF would accompany Mr Slovo today when he meets the nine regional housing ministers.

"We and the business community have had very good discussions with the minister and are confident we are now going to see things happening at a pace unseen in this country's history."

Ultimate aim

"The minister has told us we will have to set a strict programme with six weekly goals which will be made public and we are all going to have to keep to that very strict pace."

He said while the ultimate aim was to deliver 300 000 affordable housing units a year this would not be possible in 1994. "But the ground work to meet this goal will be done," he said.

'Housing war must end to break logjam'

DAVID GREYBE and WILSON ZWANE

CAPE TOWN — Housing Minister Joe Slovo said yesterday the cornerstone of his department's policy would be to end the undeclared war between communities, the state and the private sector, to break the housing stalemate. *Biday*

"Without these three working closely together, each recognising their roles and their responsibilities, there will be no housing boom," Slovo warned in Parliament.

He said continuation of widespread bond boycotts could destroy the possibility of meeting housing targets in the reconstruction and development programme.

He sincerely believed the new government's approach to housing would remove the need for rent boycotts. *26/5/94*

The reverse side was the "virtual lock-out by the private sector", which had resulted in extremely low levels of housing production. "Entire areas of the country are virtually red-lined, with no investment flowing in." *(123)*

However, Slovo was confident these two obstacles would be removed.

His statement coincided with an announcement by his department and the National Housing Forum of a comprehensive joint programme to address the housing crisis in the short term.

Slovo and his top officials will hold a crucial meeting today with provincial housing ministers to reach a common understanding of the constraints in the housing sector, and to agree on housing targets.

Slovo said: "The partnership and relationship we seek to create at a national level will be meaningless unless it is replicated as local partnerships in hundreds of local communities." His department aimed to place communities at the centre of renewed housing activity.

Two areas previously neglected were receiving urgent attention:

- The provision of appropriate housing for the poor, and the establishment of housing associations and co-operatives and
- The question of rural housing, including workers within the commercial agricultural sector.

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Housing

Biday 26/5/94 □ From Page 1

Slovo said he had instructed his department to seek ways of speeding up and completing the transfer of certain categories of rental housing stock. *(23)*

Slovo and forum chairman Eric Molobi said they were confident their joint programme "would lead to the finalisation of such key initiatives as the mortgage indemnity scheme, the proposed national housing bank and the completed set of housing subsidy programmes". These issues would receive high priority.

The programme entails the establishment of nine joint technical committees which will address a series of agreed policy priorities, comprising "the issues constraining the housing sector today".

Representatives from both the Housing Department and the forum would work together to reach technical agreements on

policy proposals.

The committees will further consider issues such as the national housing budget, "including the best way to deal with the very substantial funds tied up on projects already approved by the previous own affairs and provincial administrations".

The joint programme would also rationalise and focus resources within the department and forum, in order to ensure that the policies and initiatives necessary to promote effective housing delivery across the country "will be in place in the short term", Slovo and Molobi said.

Slovo said for every R1m invested in housing, 80 jobs could be expected to be created directly, and 120 indirectly.

He said in future he would not refer to "housing units" as the previous government had, but "homes".

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Housing target *Friday 27/5/94* 'overambitious'

DAVID GREYBE

CAPE TOWN — At most, 80 000 new homes would be built in the next year, a senior Housing Department source said yesterday after a meeting between Housing Minister Joe Slovo and the nine provincial housing ministers.

If some provinces continued to insist on setting "unrealistic" targets, the entire housing budget for the first year would be used up by one or two provinces, he said.

Unfortunately some provincial officials at the meeting had reiterated unattainable short- and medium-term targets, the source said.

PWV premier Tokyo Sexwale's claim that 150 000 homes would be built in the coming year in his province alone was "just not possible".

Representatives of the National Housing Forum, the National Housing Board and the SA National Civic Organisation (Sanco) attended the meeting. Participants agreed it had laid the basis for a sound working relationship between central government and the provinces.

KwaZulu Housing Minister Peter Miller said: "Slovo has set the tone for what will really be excellent co-operation between the centre and the regions."

He said the KwaZulu/Natal provincial government had committed itself "to deliver 250 000 homes in the next five years" as its contribution to the national target of 1-million.

Provincial participants at the meeting agreed that provincial housing boards were needed as a priority, and that they had to be assigned specific powers by cen-

tral government.

Slovo said the relevant legislation would "happen very soon". (23)

He confirmed he was still finalising a budget formula to determine what each province would get from central government.

Eastern Cape housing minister Max Mamase said central government would provide an estimated 95% of provincial housing budgets.

Mamase said the meeting had agreed that demography, per capita income, the average number of people in each household and the number of seats in the provincial government would determine budget allocations.

Participants had agreed on the need for "a direct relationship between the provinces and the national ministry of housing so that there are no areas of conflict".

Reuter reports that Western Cape housing minister Gerald Morkel told a housing forum in Cape Town that government would not be able to fulfill its election promises and build 1-million houses over the next five years because of a lack of funds.

He said the policy would cost five times the projected amount.

Morkel, who attended the meeting, said he had told Slovo that politicians should not make promises that could not be fulfilled.

"The minister is quite frank. He said the only house he ever built... was a sandcastle on the beach."

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Business Report

Slovo meets provincial housing MECs

Property Editor

THE MINISTER of National Housing, Joe Slovo, and senior members of the Department of National Housing met newly appointed MECs for housing in each of the nine provinces yesterday.

The meeting was also attended by representatives of the National Housing Forum, the National Housing Board and the SA National Civic Organisation.

According to a statement issued by the minister, the meeting was held to discuss problems and constraints of the housing sector and to outline approaches currently being developed to address these issues on a sustainable and systematic basis.

"All parties agreed on the need for close co-operation and co-ordination of housing activities and initiatives.

"It was agreed that the establishment of a sound relationship between the national and provincial tiers, both at political and administrative level, would serve common interests and ensure effective co-ordination."

Regular monthly meetings between the role-players both at ministerial and chief executive officers' level are to be held.

8% govt spending hike likely

By BARRY STREEK

GOVERNMENT spending would rise by 8% to total R125bn in the June 22 budget, the Director-General of the South African Chamber of Business (Sacob), Raymond Parsons, predicted yesterday.

He also said in an address to the Tygerberg Chamber of Commerce and Industry in Cape Town: "According to the financial guidelines which have already been published it is unlikely that the 1994/5 budget on June 22 will contain radical fiscal changes."

Parson forecast total government would rise by 12% to R102bn and the deficit before borrowing would be R23bn, about 6,2% of the GDP.

His predictions were based on three assumptions, a GDP growth rate of about 3%, no major tax

changes and the implementation of the Reconstruction Development Programme mainly by way of restructuring expenditures in 1994/5 and possibly through the issue of reconstruction bonds.

"The financing of the RDP must bear an integrated and realistic relationship to the budget and fiscal policy."

Parson said it was important that provinces had to be prepared to take greater responsibility for their own economic development and exploit their competitive advantages, if only to enlarge their tax base.

It had to be accepted that the new Fiscal and Financial Commission (FFC), which would facilitate the complicated process of dividing the national revenue cake in an equitable fashion.

"We must accept that the FFC is going to play a crucial role in fiscal

policy design, management, co-ordination and discipline and that those who serve on the FFC will need to be experts as well as possess the inherent wisdom of Solomon."

Parsons added that the climate of reconciliation and nation-building which had accompanied the election and its outcome could in itself be helpful to the key decisions that have to be taken about economic strategy and policy.

The twin deficits on the budget and on the capital account of the balance of payments would have to be successfully managed by the government.

There was evidence that the capital outflow had slowed down in the two weeks since the election, but South Africa was not yet out of the woods regarding the drain on its foreign reserves.

CT 27/5/94

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Elizabeth Austin, 50, got 150 days (R300) and London art gallery for offering 1

Little cash for housing

CT 27/5/94 (123)

By PETER DENNEHY

THE problems facing the government's new housing subsidy scheme were highlighted yesterday at an Institute of Housing seminar attended by over 600 people in the Civic Centre.

Western Cape housing minister Mr Gerald Morkel set the tone of the seminar by warning the delegates from the entire housing spectrum, in his opening address, not to expect too much.

"I have just come from a meeting with (housing minister Mr) Joe Slovo. I don't want to worry you, but I don't think that all the promises are about to be realised. We don't have too much money."

At this stage, the new policy contained no tangible incentives for developers to address the lower end of the market, where 65% of the need was situated, he said. According to a 1992 De Loor report, 31% of people needing houses earned under R7 500 a year, and another 34% were still under R14 000 a year.

Mr Johan de Ridder, a consultant to the National Housing Forum, said he believed financial institutions which did not now lend money to anyone who earned under R3 500 a month, could be brought down to participate in the market at the R1 500 a month household income level, if their risks were insured.

This should bring another 50 000 to 60 000 housing bonds into the market.

Mr De Ridder said 30 000 new formal houses had been "delivered" throughout the country last year. The industry did not have the capacity yet to even double this output, let alone reach the object of a million houses in five years.

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Housing 'mission impossible'

(123) ARG 27/5/94

□ R17,6-b costs too high

CLIVE SAWYER, Political Correspondent

WESTERN Cape housing minister Gerald Morkel says the new national housing policy sets impossible goals because it will cost R17,6 billion to implement.

And key elements of the government's housing subsidy scheme have drawn withering criticism.

The new housing policy, with its goal of a million houses in the next five years, will cost R17,6 billion to implement, says the National Housing Forum.

Mr Morkel said election promises had raised expectations which could not be met.

The African National Congress had said its entire reconstruction and development programme, for all spheres of life, would cost R39 billion. There were later claims it would cost R80 billion.

"It will cost R17,6 billion for housing alone," he said.

"Politicians should not go on platforms and make promises they cannot keep.

"I do not think we are going to meet the need, especially at the lower end of the market which includes 65 percent of people."

The Western Cape had a housing backlog of about 200 000 houses. In the next five years, 40 000 houses a year would have to be built.

"I am not saying we can; I am saying we have to. It is already almost June and we shall be lucky to build 20 000 this year."

Nationally, only R1 billion was available for housing.

Mr Morkel was one of nine provincial housing ministers to meet national housing minister Joe Slovo yesterday.

Describing the meeting as amicable, Mr Morkel said he had asked that maximum control of housing be devolved to provincial level.

He was worried by a statement at the meeting with Mr Slovo that the government was to review some housing projects in the Western Cape because funds had been allocated under the former dispensation.

Cape Town City Council housing chairman Neil Ross said the new housing subsidy scheme was a "recipe for disaster for local authorities".

Private sector developers would be "frightened away" because they would have to bear capital costs and be paid out only when deeds of sale were registered. Administration costs of the scheme would be exorbitant.

But he said Mr Morkel was wrong to blame Mr Slovo for raising expectations about housing. The housing subsidy scheme was the same as the one prematurely released by former housing minister Louis Shill before the election.

● Brickbats shakes foundations — page 15.



GIVE HIM A HAND! Moments after a meeting with PAC leader Clarence Makwetu, President Mandela charms a group of primary school pupils.

President makes time to make children's day

MICHAEL MORRIS
Political Correspondent

SHRIEKS of delight filtered across the Tuynhuys gardens today as President Mandela brushed aside a busy schedule to greet an excited huddle of schoolchildren at the Government Avenue gates of the presidential complex.

The children had spotted him as he emerged on the Tuynhuys steps with Pan Africanist Congress leader Clarence Makwetu for a photocall and press briefing.

Once the questions were over, Mr Mandela — with Mr Makwetu in tow — made his way to the yearning little faces peering through the grille gate across the garden.

As the excitement level grew, the President had to apply his own brand of crowd control.

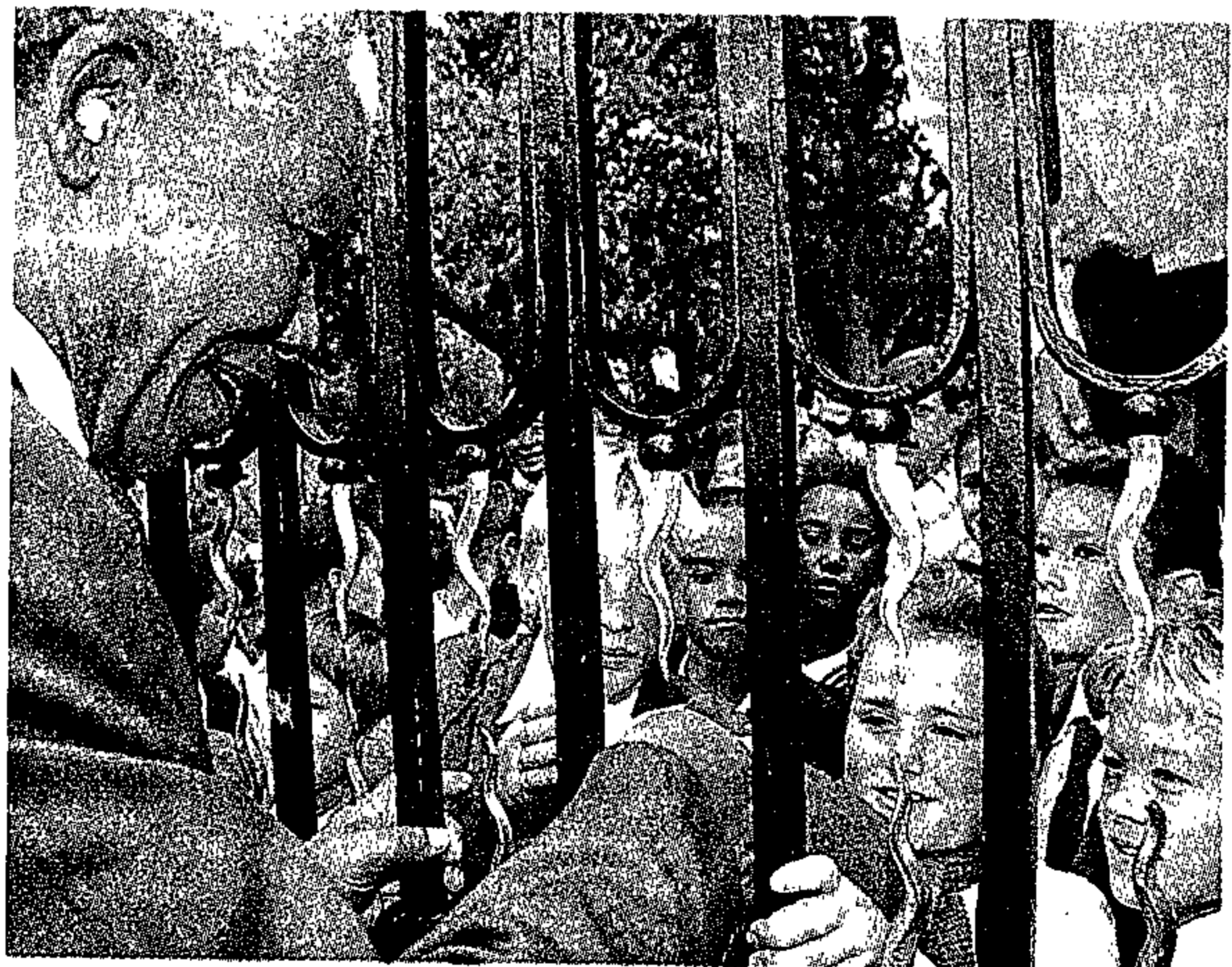
"Now," he told them, "if I shake your hand, then you move to the back and let others come forward. Can we agree on that?"

"Yes!" they shrieked.

Then the handshakes began. "Don't worry," he told them as he reached awkwardly through the spiked gate, "I'm going to shake all your hands."

And he did, declaring repeatedly: "I love all of you."

The children, from Wolraad Woltemade primary and Wynberg primary and some from a school for the deaf, were on a museum outing.



KwaZulu land trust probe to report in two weeks

Political Staff

THE cabinet committee set up to look into the transfer of Zulu land to the Ingonyama Trust would report in two weeks time, Derek Hanekom, minister of land affairs, said.

Inkatha Freedom Party members have insisted that there that was nothing sinister

in transferring the land to the Zulu monarch in trust.

The central government initially held the land in trust but with the scrapping of the 1913 and 1936 Lands Acts, passed the trust to the KwaZulu government three years ago.

The KwaZulu Government was in the process of formally handing over control of the

land to the tribes living on the land, but simply ran out of time. Days before the new constitution came into being on April 27, the KwaZulu Legislative Assembly placed the land with the Zulu monarch to hold in trust for the people living on it.

At the first meeting of the cabinet, ministers decided to

set up a cabinet committee to probe this. It consisted of Mr Hanekom, Kadar Asmal, Roelf Meyer and Ben Ngubane.

Their task was to investigate, report and make recommendations on the background, reasons for and implications of the Ingonyama Trust Act.

The committee met yesterday for the first time.

Brickbats shake foundations of

CLIVE SAWYER
Political Correspondent

GET developers to propose a workable housing subsidy scheme or face national upheaval.

This was the view of building industry consultant Brian Johnson, one of 700 representatives of Western Cape developers, civic associations and local authorities who attended a briefing yesterday on the new national housing subsidy plan.

His criticism followed that of provincial Minister of Housing Gerald Morkel, who in his opening address at the briefing cast doubt on election promises about millions of houses being built in the next five years.

Though describing his meeting with national housing minister Joe Slovo as amicable, Mr Morkel made it plain he thought the plan unworkable because of its cost.

Opening the briefing with a speech in which he outlined the need to make every person in the Western Cape a homeowner, he said he was not there to answer questions about the national housing subsidy scheme.

Ironically, the scheme which drew so much flak at the briefing was the same as that unveiled by previous Minister of Housing Louis Shill.

Mr Shill's disclosure of the scheme, which was negotiated by the 19 parties in the National Housing Forum, provoked a storm when election opponents slammed his an-

(123) ARS. 27/5/94
nouncement as premature.

Mr Morkel left it to Johan de Ridder of the National Housing Forum and Nigel Mandy of the national Department of Housing to explain the subsidy scheme.

Key elements are the establishment of a national housing bank, to make small loans to low-income would-be homeowners, and a mortgage indemnity scheme aimed at encouraging financial institutions to back housing developments.

Mr De Ridder said it was possible agreement with financial institutions on the mortgage indemnity scheme would be reached in the next three months.

The scheme will offer subsidies of up to R12 500 to people earning less than R1 500 a month.

People earning R1 501 to R2 500 a month will get subsidies of R9 500, and those earning R2 501 to R3 500 monthly will get R5 000.

All income, including salary, retirement or disability benefits and various other sources will be taken into account when deciding whether someone is eligible.

The subsidy will be given for the purchase of a wide range of housing, from new free-standing houses to upgraded serviced sites.

The scheme overtakes all previous State family housing subsidy schemes.

Guidelines have been set for developers who want to qualify for the subsidy. Every application for approval of a housing project must involve

an organisation which represents the interests of a community.

Official documentation refers to such an organisation as a "community-based partner".

All business and civic stakeholders with a legitimate interest should be involved in the development.

Land proposed for a housing project should have easy access to employment centres, education and health care facilities.

It must be serviced by existing bulk services, have access to transport facilities, and promote spatial integration of cities.

The briefing was told "massive housing projects outside urban areas are no longer acceptable to the government".

For applications to be approved, local authorities must undertake to supply at its cost all bulk and connector services. The cost of this may not be included in the purchase price of the house.

In a question session of more than an hour, there was little positive response to the scheme.

Mr Johnson said meeting the housing backlog in the Western Cape would require the setting up of more than 40 new major housing companies.

He said there would be an administrative overload on developments done in terms of the scheme which would add thousands of rands to the cost of each house.

Among defects in the scheme were the mortgage

indemnity scheme, defective construction warranty, and consumer protection clauses.

"Let us get developers to put up a scheme which will actually work before we have a national riot," he said, to

applause.

Mr De Ridder said the scheme was not ideal and would have to be rectified in the process of implementation.

"The government has not

(123) ARS. 27/5/94
said it is the alpha and the omega — there are many issues flagged for amendment," Mr De Ridder said. The government was willing to listen if there were major deficiencies in the scheme.

The Building Industries Federation of SA had calculated the number of people being trained in skills necessary to deliver 300 000 houses a year was a twentieth of what it should be.

housing plan

Housing rip-offs: Watchdog growls

AR 28/5/94 (123)
TOM HOOD

BUILDERS beware! A government watchdog, the Business Practices Committee, is launching an investigation into deposit-taking that could lead to greater protection for house buyers.

"Our research shows people are being ripped off in the worst possible way," says committee chairman Louise Tager.

"We have had lots of complaints where people lose deposit money of as much as R4 000 each."

The cases involved new developments and advance payments or deposits that had not been paid into attorneys' or estate agents' trust accounts.

"If you take money from the public, it must go into a trust account until you deliver something," says Professor Tager. "We may have to recommend changes to the law."

Progress payments to builders would not be affected.

The committee was set up as a result of the Harmful Business Practices Act of 1988.

A Government Gazette notice gives people 60 days from May 13 to send to the secretary of the Business Practices Committee, Private Bag X94, Pretoria written representations regarding the investigation.

The investigation, said the gazette, would look at:

■ The sale of immovable property used or likely to be used for residential purposes, prior to registration of transfer of the property or interest in the name of, or in favour of, the purchaser concerned.

■ The building of structures or im-

provements to structures on any immovable property used or likely to be used for residential purposes, prior to the completion of the work.

The announcement of the investigation was good news for home buyers and for the real estate industry, said the partners in Gap Real Estate, an agency specialising in the sale of townhouses and cluster developments, MEG WILSON reports from Johannesburg.

Partner Ari Nitzan said he was concerned that a few unscrupulous operators could bring the housing industry into disrepute and hoped the open investigation would serve to rectify the problem.

Paul Cowan of Seeff Projects said the sector of the market comprising high-density units with a price tag above R60 000 had experienced few problems, although many units were sold on an "off-plan" basis.

Deposits were taken well ahead of building or occupation.

"We are obviously concerned that any warning to consumers about deposit-taking might wrongly rub off in this sector."

Off-plan buyers were securing their properties at a five to 10 percent discount on the purchase price of the last units to be sold in each development.

But Fanie Meyer, director of business practices and consumer affairs at the Department of Trade and Industry, made a clear distinction between taking a deposit where a legitimate contract was entered into, and the acceptance of monies by so-called housing consultants who promised to "find" a house for would-be buyers.

The house (123) that could ART 28/5/94 change the shape of SA

IRVING STEYN
Weekend Argus Reporter

THE centre of attraction at this year's Design for Living exhibition stands outside the Good Hope Centre — and it could be the answer to South Africa's housing problems.

A steady stream of curious, and frequently amazed, visitors are passing through its portals.

It's a house, which at first glance is like any other well-built home with two bedrooms, bathroom, open-plan kitchen, diningroom and lounge. What amazes is the price — R20 000.

The secret lies in a building method developers believe could answer South Africa's housing needs.

The exhibition house is made of fibreglass-reinforced cement panels and is being shown in the Western Cape for the first time.

Marketed by Facet Homes, the kit house comprises two metre wide "bowed" panels which are 2,4m high and supplied either plain or with a window or door fitted.

An insulated ceiling, Kulite ceiling, with excellent insulating properties, an IBR roof, steel portals, three steel poles for a veranda and a full instruction manual are also supplied with the kit.

Designer Elaine Gianferrari spent six years searching for a strong, practical low-cost building method the government could use to house South Africa's impoverished communities.

"There is a huge need for a system of this kind and, because of its many uses, it can help rehouse shack-dwellers and provide clinics and creche facilities too," said Mr Gianferrari.

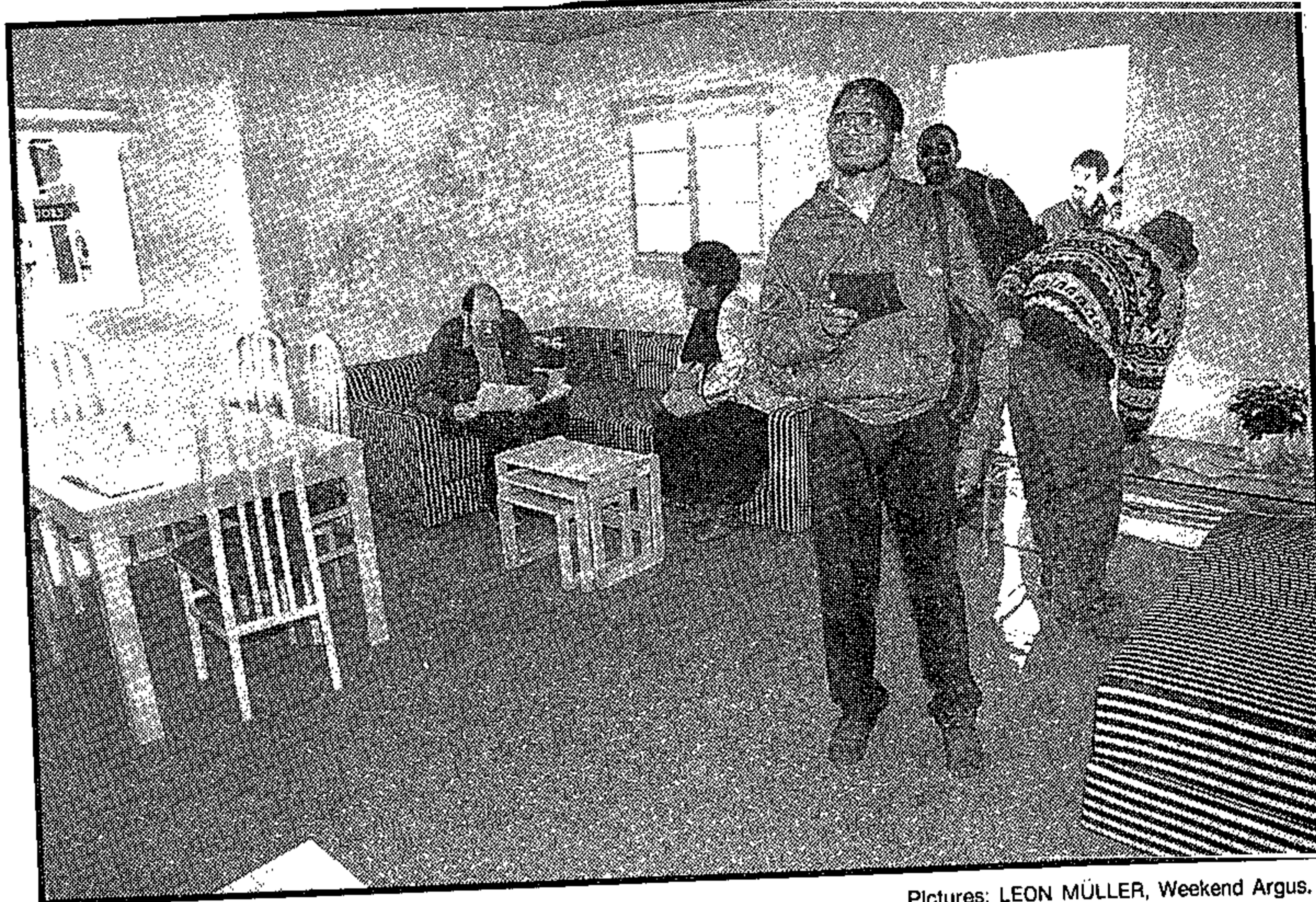
A kit for the two-bedroom house includes exterior walls, roof, ceiling, doors and windows. A cement slab, floor coverings, electrical and plumbing installations and interior walls still have to be fitted.

A four-man team, led by an experienced artisan, can erect one structure in a day. A 32x6-metre structure can be erected by the same team in four days.

The kit is extremely versatile and comes in a range of sizes from four metres square to virtually any size required.

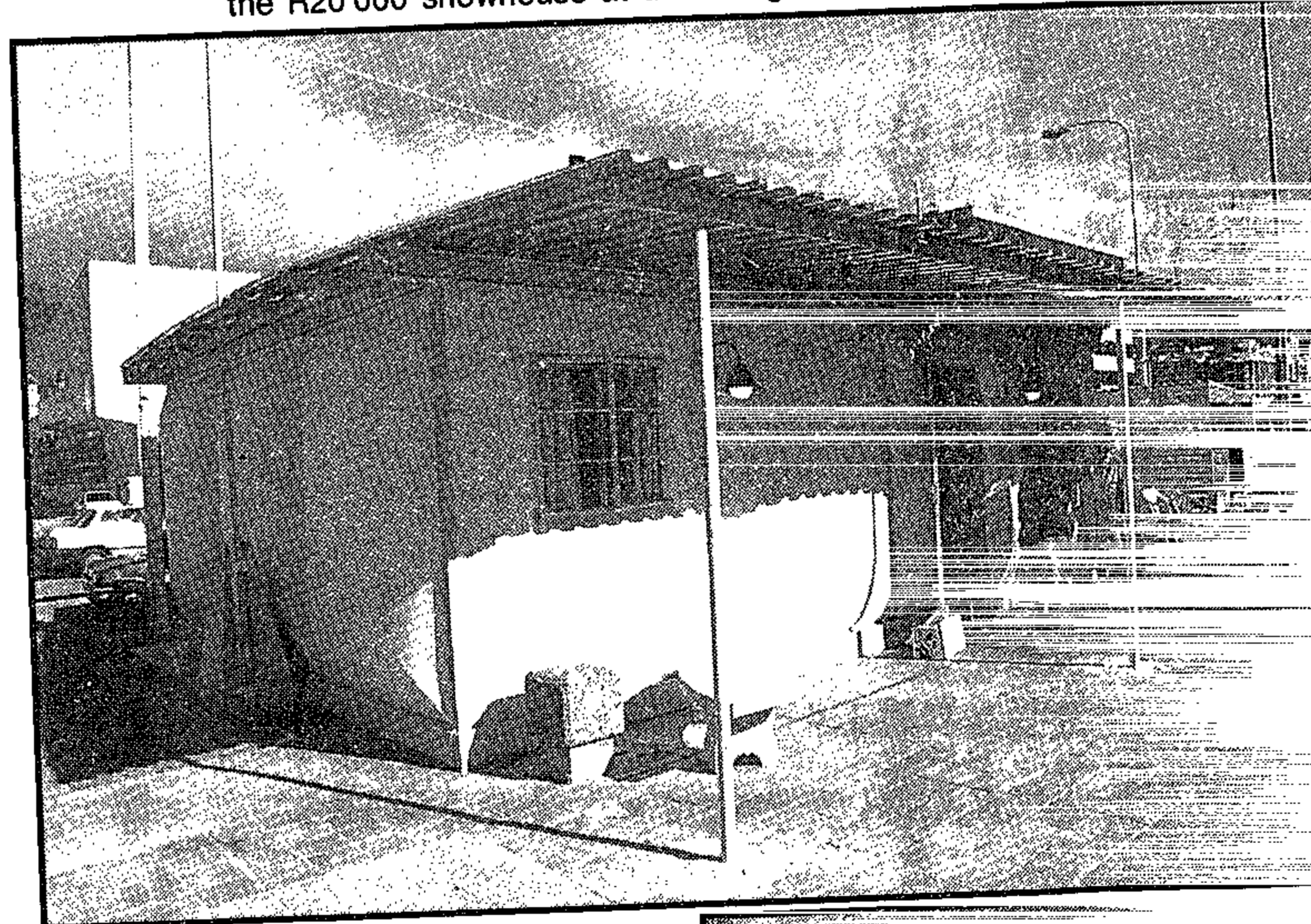
The list of applications is broad, and the structure are almost endless: from site offices to club-houses, classrooms to clinics, to holiday homes — and the structure can be dismantled and moved.

■ The Design for Living exhibition is open daily from 11am to 10pm, including Sundays, until June 5.



Pictures: LEON MÜLLER, Weekend Argus.

□ **SHOWHOUSE:** Visitors inspect the open plan lounge/dining room/kitchen area of the R20 000 showhouse at the Design for Living Exhibition.



□ **UNUSUAL:** The exterior of the unusually shaped house.

Picture: ANDREW INGRAM, Weekend Argus.

□ **IDEAL MATERIAL:** Hannes Bernatzeder and Elaine Gianferrari, right, who have searched six years to find the ideal building material.



Building's formal sector 'must train informal area'

Biday 116194

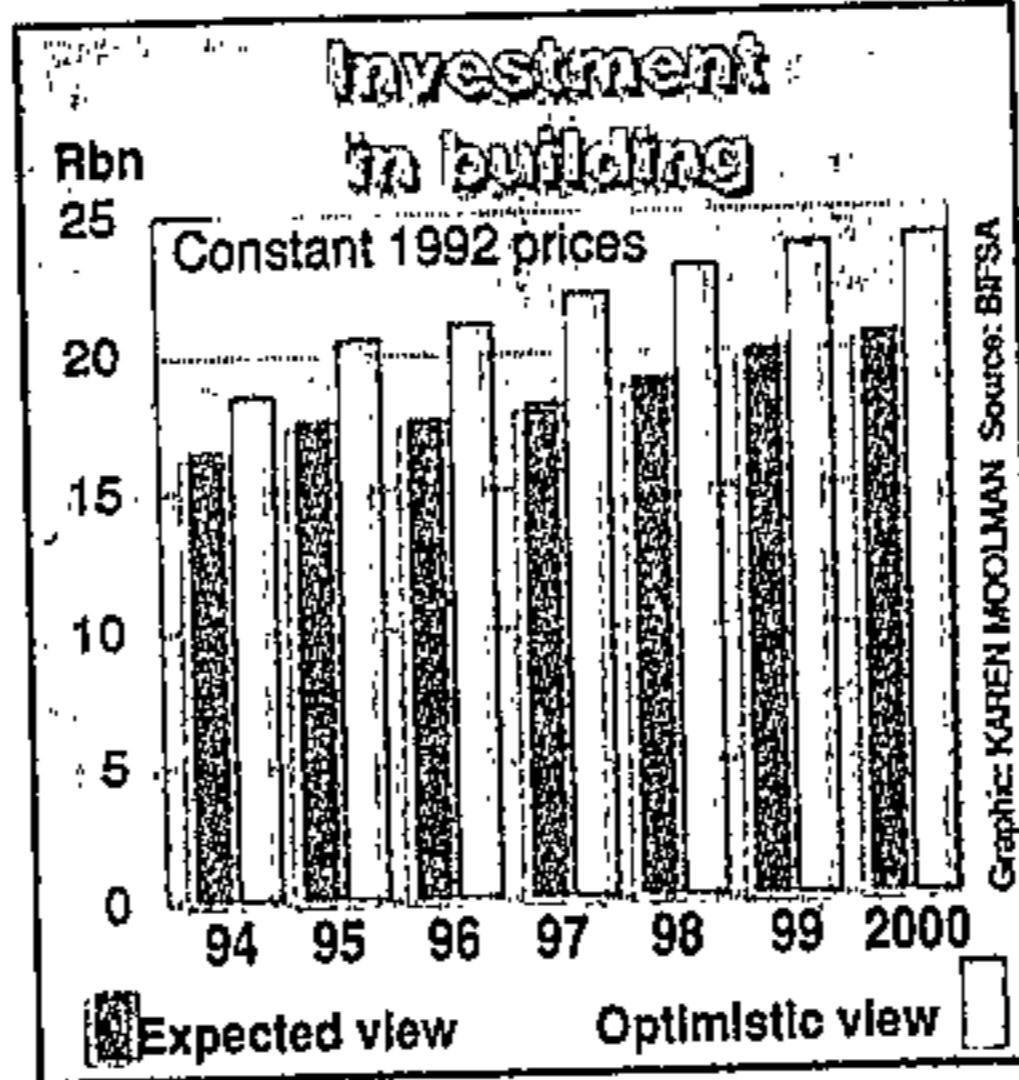
SAMANTHA SHARPE

THE building industry had to transfer skills to the informal sector and nurture black entrepreneurs if it was to meet the prospective construction boom, the industry's trade body said this week.

Building Industries Federation of SA (Bifsa) executive chairman Ian Robinson said an audit of SA's construction companies had found the industry lacked the skills needed for boosted workloads, based on the government's plans to build 300 000 houses a year.

The federation spoke of forecasts that investment in building could rise from R16bn-R18bn this year to R17bn-R22bn by 1997, at constant 1992 prices.

A dramatic increase in money spent on training from current levels of about R20m to R200m could go some way to increasing the industry's skills pool, he said. But it was essential that the formal and informal industry began to work together.



The transfer of skills from the formal to the informal industry, and the creation of black entrepreneurship within the sector, were vital for growth, he said.

The possibility existed for the "importation" of international tradesmen to be used as trainers in the short-term. But the country could not afford to employ foreigners on a long-term basis, given the huge number of South Africans currently

unemployed.

Some companies, however, said they were ready for the kick-start.

Murray & Roberts CEO Arthur Coy said the company had shifted its focus from major capital projects to social infrastructure and "de-layered" internal organisation of the company to accelerate decision-making. "Industry will cope with the demands made upon it, despite a few growing pains," he said.

The problem of establishing a sufficient supply of materials was also investigated by Bifsa. An upswing would be accommodated by substantial spare capacity in the cement industry, but problems would arise when the materials produced were ready for transport. Transnet was not manufacturing more bulk cement carriers and the possibility of a delivery "bottleneck" was a real one.

Cement manufacturers Anglo Alpha group MD Johan Pretorius said: "The biggest challenge will be to provide adequate distribution and outlets for our products to reach the potentially large informal market."

123

HOUSING

Too many variables

Fun 3/6/94

Joe Slovo's aims seem realistic — but are his methods?



Government aims to provide 1m houses over the next five years, but "we won't be able to deliver even a fifth of that in the first year," says Housing Minister Joe Slovo. "It'll take time to get everything off

the ground and running."

Slovo will not be drawn on the 1994/1995 housing budget — nor, for that matter, on any ballpark cost of his policy over the next five years. But it looks as if the housing allocation — actual budget and carryovers from previous years — will be in the region of R3bn (that's 50% more than in each of the past two years).

While there are obvious fiscal constraints, experts say the two biggest obstacles are affordability and institutional capacity.

One of the foundations of housing policy is the subsidy scheme, which works like this:

- R12 500 for people who earn less than R1 500 a month;
- R9 500 for incomes between R1 500 and R2 500 a month; and
- R5 000 for incomes of R2 500-R3 500.

This is a one-off capital subsidy, which the developer or the agent of a householder — such as a financial institution — will receive once the property has been transferred to the name of the householder. In contrast with the old Independent Development Trust scheme, neither the kind of house nor its location is prescribed. But the house must provide value for money — a criterion that will be assessed by the regional housing board or bank.

Slovo has several short-term objectives. One is the immediate implementation of the subsidy scheme. The first round of applications was considered earlier this week and the first awards are expected to come through by the middle of July.

The National Housing Forum, with the Department of National Housing, is busy preparing to offer a top-up subsidy for beneficiaries of previous schemes who received between R5 000-R7 500 for sites — that is, less than R12 500. Estimates are that about 700 000 sites could qualify for top-ups. Of these, roughly 90 000 serviced sites have not even been occupied. They are spread throughout SA and most are far from centres of employment — "but they are an input and we cannot waste them," says Slovo.



Cobbett

He is not in favour of perpetuating the provision of serviced stands only. In themselves, they do not provide roofs over heads. Housing experts believe that government subsidies should be structured to promote access to credit and encourage personal savings. (123) (S)

Another priority now is the establishment of the Mortgage Indemnity Scheme (MIS) "within a few months," according to Slovo. The scheme is the legacy of former Minister Louis Shill, essentially taking the form of an insurance company. It will be capitalised by government or foreign aid finance and then maintained by premiums from end-users.

But the scheme has been refined. Previously the aim was that banks would simply be insured for nonpayment of bonds due to political causes. Now, if occupants refuse to vacate a property in repossession, or banks are unable to repossess homes because of a breakdown in law and order, they will be covered. Thus the scheme aims to eradicate non-commercial risks for mortgage lenders, risks which until now have caused the low-cost housing market to be locked out.

A third priority is the creation of a National Housing Bank, possibly using an unbundled SA Housing Trust as a vehicle. While many in the housing arena are not sure what shape the bank will ultimately take, it is intended, according to Slovo, to "cheapen housing capital for potential homeowners, by acting as a wholesale bank to a variety of lenders. We are trying to structure it in such a way that its operation does not impact negatively on the whole finance system." Bankers accept that a wholesale bank may well offer solutions for mass housing schemes but point out that the retail capacity issue has still to be resolved.

Subsidies are one way of addressing the house ownership problem; another is to reduce the cost of available land. Several legislative approaches are envisaged here.

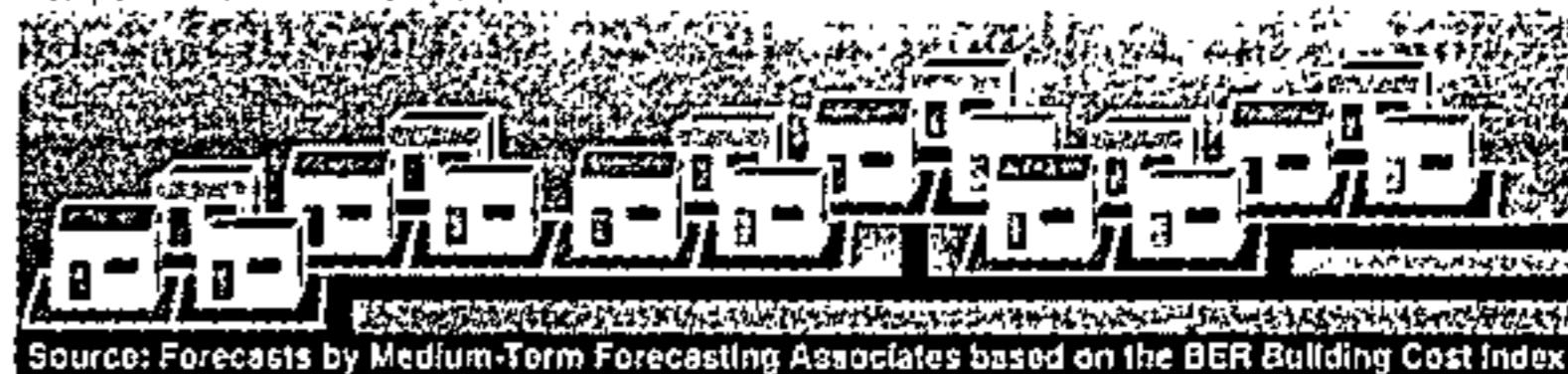
The first is the use of former State-owned land for low-cost housing. "No figures are available yet," says Slovo, "but we'll need to know them pretty quickly." The second piece of legislation — for which three drafts have already been prepared — is aimed at ending low-cost housing land specula-

tion. The intention is to make the sale of such land subject to development within a certain time, failing which the sale falls away (how the purchase money will be recovered is not clear). A third legislative aim is to lower the cost of deed registrations and transfers.

Bureaucracy, in the form of provincial housing boards, will unfortunately increase to reflect the nine new provinces. What needs to be resolved is the division of administrative functions on the ground. The entire policy will stand or fall on the relationships

Building cost forecasts

Big rises ahead		
Year	June-to-June annual % change	Cumulative annual % change
1992	2,6	
1993	5,6	
1994	6,9	6,9
1995	14,7	22,6
1996	16,9	43,3
1997	14,7	64,4
1998	12,0	84,1



Source: Forecasts by Medium-Term Forecasting Associates based on the BGR Building Cost Index

that are established between the national housing department and its nine provincial counterparts.

Money must come from the centre, according to the interim constitution, but the amounts will have to be negotiated. As Slovo points out, against the background of the recent pledge by PWV Premier Tokyo Sexwale to provide 150 000 houses next year, the fiscal powers of the provinces are basically limited to taxes on horse-racing. Says Slovo: "If one region were to hog all the available resources, the uneven development of housing which typified the previous government's housing policy would be perpetuated." The implication is that Sexwale has been making unrealistic promises.

Allocation of resources is supposed to be done by the Finance & Fiscal Commission, intended to prevent manipulation by any party or group. But bias is possible — it all depends on who is chosen to serve on this commission.

In terms of the constitution, regional premiers are accorded wide powers in implementation of housing policy but policy is to be determined through negotiations between the National Housing Forum and the Department of National Housing.

The big question, of course, is whether the

P.T.O

focus on housing

Sowetan 7/6/94

HOUSING POLICY should be part of a comprehensive, carefully conceived and controlled development policy and not just a "knee-jerk" reaction to a desperate need for accommodation.

Now that the national housing target for 1994-95 has apparently shrunk from 300 000 "homes" to a more realistic 80 000, it is hoped that Government policy makers and their advisers will take sufficient time to properly consider the problem in order to develop a strategy which provides more answers than difficulties.

In designing a practical housing policy it should be recognised that colonialism and apartheid only exacerbated social and economic trends which have created similar housing problems in many other countries.

Major problem

Urbanisation, the flight from the land to the cities, is a worldwide phenomenon and one of the major problems of our time. Materialism marketed by an evermore pervasive media arouses expectations undreamt of by the "masses" not so many years ago and unfortunately the gap between the "haves" and "have nots" is widening.

Housing policy as an important part of the National Development Plan ought to be sensitive to the differences in social and economic priorities in rural areas, urban areas, in the nine regions and between different age groups.

In a rapidly changing South Africa, which will alter from the embattled PWV centred economy of pre-April 27 to one which is trade orientated, population movement on a major scale will be inevitable as industry and commerce adjust and relocate according to new influences.

In this context many people, particularly younger South Africans, may have no desire to tie themselves to a house and a mortgage in one part of the country when they might wish or be required to move to another area to get a job, keep a job or further their careers. Housing policy now, such as it is, forces them to do just that if they want to put a roof over their heads, in that they are offered little alternative to buying a house and saddling themselves with debt (a strange policy for a communist Minister of Housing to support).

Rural areas

Millions of South Africans live in rural areas. Unless there is appropriate Government action including the provision of adequate housing many more will leave the land to swell the numbers of homeless in metropolitan areas.

A housing policy for rural areas should be significantly different from a policy dealing with urbanisation. In rural areas the priorities will have less to do with housing than with the provision of adequate roads, water supply, power and sanitation. The development of a viable rural commercial infrastructure will also be vital. In the country traditional community

National addiction to the notion of almost universal home ownership may have dangerously blinded our new Government to realities, writes **Chris J Lobban**, an architect experienced in new town development, regional planning and commercial and industrial promotion and control: (123)

and house building skills can be stimulated and assisted by a strategy that helps people to help themselves.

The present housing policy is based upon grants which will selectively benefit some to the detriment of others. Provided that the Government has the approval of the majority for its actions, this may be a legitimate way in which to proceed. However as currently proposed the scheme is certain to produce yet more bureaucracy and inefficiency without in fact producing the result intended — decent housing.

In its present form the housing subsidy scheme is clearly unfair and open to corruption, a phenomenon not unknown in South Africa. Why for instance should someone with an income of R1 501 a month receive R9 500 as a grant, while another who earns R2 less benefit by an extra R3 000, or someone who earns R3 501 be ineligible while others earning R3 499 receive R5 000? Who is going to make the decisions as to the award and on what basis and through which Government process?

As for the Government Mortgage Indemnity Scheme — just how is it going to work? Let us not forget that it is taxpayers' money that is at stake. This scheme implies more bureaucracy, more delays and extra cost. When the State, in whatever form, repossesses a house — how will they deal with the occupant? And all this is to persuade financial institutions to lend to those whom they regard as a bad risk?

Although it can be accepted that a degree of prejudice has affected lending in "black townships", no amount of rhetoric or new laws designed to remove institutionalised bigotry will change the essential aspects of lending developed over centuries — a bad risk will remain a bad risk.

Do people realise that a Government Mortgage Indemnity Scheme means that their money is being used to facilitate home ownership for many who may not be able to keep up the necessary payments. Is this sensible? A housing policy that so obviously relies upon many people putting themselves into debt which they cannot service is clearly suspect.

Would it not make more sense to subsidise the housing first? Once the regions have determined what kind of housing is required, where and how it should be developed, the scheme can be put into practice with little fuss.

The proposed house or improvement to the

Urbanisation, the flight from the land to the cities, is a worldwide phenomenon and one of the major problems of our time

house or the housing scheme would in any event require a building permit to be issued by a local authority. Proper standards would be required and the works would be inspected (as is normal) before a completion certificate and the subsidy is issued.

If a subsidised house is rented, it could be on the basis of a conditional offer to purchase. When a subsidised house is purchased the sale would be registered for tax purposes and the subsidy would be taken as part of the purchaser's income for that year. His tax payment would be determined by his income, that is if his income is less than R1 500 a month and he has a family he is unlikely to pay any tax on his subsidy. Again this requires no extra bureaucracy and is simple and easy to administer.

A strategy which provides incentives for a specific kind of housing or housing improvement rather than one which is apparently based upon cash handouts to individuals is not so obviously attractive to politicians. However this type of policy would be direct and effective, easily controlled and capable of being tailored to the particular needs of the various regions.

The concept is offered for consideration as a serious and workable alternative to the direct subsidisation of individuals. After all it is not being suggested that an individual should be provided with a subsidy to enable him to buy an education or medical insurance. Our national addiction to the notion of almost universal home ownership, may have dangerously blinded our new Government to realities.

Leap forward for SA's homeless

123

CT 9/6/94

Own Correspondent

JOHANNESBURG. — The struggle for South Africa's homeless took a leap forward this week when the National Housing Department and the National Housing Forum agreed on the terms of reference for the nine joint technical committees.

The agreement involved the appointment of an 18-member caucus to head the nine committees, sources said yesterday. It would lead to the finalisation of such key issues as the mortgage indemnity scheme, the national housing bank and the completed set of housing subsidy programmes. Forum co-ordinator Mr Matthew Nel and department director-

general Mr Billy Cobbett were appointed to the Committee on Overall Housing Strategy.

One of the most vital issues was housing subsidies, headed by Land Investment Trust chief executive Mr Taffy Adler and housing department director Mr Beet van Rooyen. The committee would investigate housing subsidies for ownership and rental and "top up" subsidies, consumer protection and education.

A high priority had also been given to the committee dealing with retail lending initiatives, headed by kwa-Zulu Finance Corporation housing division head Mr Angus Herselman and housing department economics spokesman Mr Frik Barnard.

BUSINESS DAY, Thursday, June 9 1994

A giant step taken for SA's homeless

ROBYN CHALMERS

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selman and housing department economics spokesman Frik Barnard.

The committee would be split into two task forces, with Herselman and Barnard's team considering the mortgage indemnity scheme which is believed to be close to finalisation. It would investigate the definition of the risk to be covered and what percentage would be picked up by the banks and government.

The national housing bank would fall under the forum's Johan de Ridder. One option under consideration was the mixing of private and state capital to lend at a lower rate. However, sources said this was effectively an interest rate subsidy which was difficult to control.

A top team of international experts was due in SA on June 20 to advise the national housing bank team on various proposals which have been put forward.

Department deputy director Neville Carson and De Ridder had the task of coordinating institutional arrangements such as bridging finance, the national housing budget and new institutional arrangements.

Other issues to be dealt with included land, hostels and rural housing.



A row between the PWV regional government and the Johannesburg City Council was temporarily defused yesterday after squatters evicted from the Liefde en Vrede area south of the city were given temporary refuge in an old municipal building near the city centre. Picture: GARTH LUMLEY

Prisoners stage P.W.V. sit-in

Prisoners in the P.W.V. region staged a sit-in on Thursday, June 9, 1994, in protest against the P.W.V. regional government's decision to evict squatters from the Liefde en Vrede area south of Johannesburg. The sit-in took place in an old municipal building near the city centre. The protesters, who were given temporary refuge in the building, demanded that the government and the Johannesburg City Council find a way to defuse the situation.

Slovo asks for help from private sector

WHILE the private sector had indicated a willingness to assist government in the provision of housing, the time had come for it "to put its money where its mouth is", Housing Minister Joe Slovo said yesterday.

Speaking at a Finance Week breakfast at the Sandton Sun, Slovo said government would have to consider more forceful incentives if voluntary co-operation from the private sector was not forthcoming.

"If it doesn't work, if we can't attract the resources, we will obviously have to think of other ways because we cannot retreat from the obligation we have to put roofs over the heads of the people in this country."

He said even if the state tripled its annual housing budget to about R6bn, the funds available would still fall short of the R90bn required over 10 years to redress the housing shortage.

The importance of the private sector, which had formerly been hamstrung in the housing sector due to the breakdown of society, an inappropriate legislative and institutional framework and an illegitimate government, could not be overstated, he said.

Following a spate of meetings and discussions with private sector and financial institution representatives, Slovo said most were keen to be involved in "voluntary co-operation with the state".

He warned though that the different sectors should avoid concentrating exclusively on the elimination of all potential levels of their respective risks. This would only

ADRIAN HADLAND

lead to the "time-honoured tradition in this country of passing the buck".

Isolating and dealing with different categories of risk, such as through the proposed mortgage indemnity scheme, would be a far more constructive approach, he argued.

Slovo said new housing legislation was being prepared for introduction at the next session of Parliament.

The legislation, which would include a code of conduct for contractors, new building standards and quality stipulations, mechanisms for consumer protection and waiting list regulation, would set the scene for a housing forum scheduled for the end of September. (123)

By that time, "we should really be in business".

Slovo said while government recognised the private sector was not a collection of charitable institutions, it should begin gearing itself to participate fully in the housing programme.

"Demolishing and reconstructing buildings to add to the oversupply of vacant office space, or the building of yet another shopping mall, do not constitute national priorities".

The degree and mode of state intervention in the sector would depend on the response of the market.

"The first option is not to issue edicts or use state authority to force people to do the bidding of government."

The ball was now in the private sector's court, he added.

BANKING

Clearing the fog

Fin 10/16/94

Coercive laws can be avoided if bankers and politicians are sensible

The row between politicians and bankers over the supposed racial bias of bank loans is likely to generate much more heat than good sense before it is over. This is a pity, for the resumption of lending to potential black home-owners is a critical element of Housing Minister Joe Slovo's plan. Subsidies may smooth it along but without mortgages the plan is doomed.

The problem politicians have is how to create a greater flow of mortgages to their supporters, many of whom the banks have regarded as high-risk customers. The natural inclination of the Left is to use coercion when it believes it has a justifiable claim — in the name of what it imagines to be social justice — on the assets belonging to others.

That is what is behind the intimidatory call for banks to be forced to declare whether they are lending to blacks or whites. It could be seen as the beginning of a process whereby government could decide to whom the banks should lend. The next logical step, of course, could be an instruction to the banks that loans to blacks must be offered at lower than market rates of interest.

That, in turn, would threaten the commercial viability of the banking system and so defeat the political objective. Bank depositors and shareholders would find other outlets for their capital and the bulk of homeless would remain homeless.

Some banks, in the initial enthusiasm to lend to black homeowners, burnt themselves quite badly. Rent boycotts turned into bond boycotts — though the latter has been neither widespread nor pervasive. Nevertheless, they encouraged a culture among blacks of nonpayment. This was politically useful to those now in government — who, ironically, must depend on bank mortgage support to

make good their electoral promises.

The banks also had political difficulties over the repossession of houses where the owners refused or were unable to meet their obligations. These essentially noncommercial risks forced the banks into so-called red-lining — a practice whereby a ban is placed on granting bonds in certain areas. (123)

Inexperienced politicians, as well as aspirant home-owners who believe they are being discriminated against because of race, may welcome a proposal by an ANC-appointed team of legislators which would require banks to disclose how they are granting credit, on a racial, geographical and sex basis.

Neil Morrison, ANC co-ordinator of money and finance, says legislation might not be necessary if other solutions can be found. Morrison is at pains to point out that the ANC does not wish to impose legislation until discussions have taken place between all parties. "The banks' suggestions will be taken as seriously as ours," Morrison says. It seems the first draft of the proposed legislation is already being toned down before it is discussed with the banks.

The hard Left, in the form of the civics (more particularly Sanco, the national civics association), seems adamant that the legislation should be introduced regardless.

The proposal for prescriptive legislation, which might form the basis of a Community Reinvestment Act, has been drafted by the ANC team "to promote the availability of credit to all creditworthy applicants and to

discourage red-lining," says Morrison. According to Carien Engelbrecht, co-ordinator of the team, "banks haven't been able to orientate towards the black market and there is no information to show otherwise."

As well as requiring information such as the race, sex and geographical location of each loan applicant, the draft proposal requires banks to provide rejected applicants with written reasons for refusal. The authorities would attempt to use the information collected to determine whether there is discrimination based on race, sex or geographical area.

"We are trying to identify lending patterns which might reflect that banks aren't lending to certain areas or people," says Engelbrecht. "If these trends are reflected in the data, we can then go to the banks and ask them why these discriminatory practices are appearing."

However, she claims that legislation would not require banks to make loans which do not fit with sound risk criteria. Client confidentiality will be guarded, as the information required will not provide specific names but only figures. In our view, both statements might easily be contradicted in practice.

Morrison believes this type of legislation would have a temporary life. "There is no data available to assess where the problem lies and how great it is," he says. "If banks don't discriminate, they will be able to prove it." But such proof could be offered only at substantial cost, not only to shareholders but to the community — because banks will have

Continued on page 30



Piet Liebenberg

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Continued from page 26

to divert resources that could be applied more productively.

The proposed legislation is similar to legislation enacted in the US in 1977. The Community Reinvestment Act (CRA) was initially introduced to stop banks discriminating against people who live in certain geographic areas, particularly black inner-city areas.

A group of representatives from Sanco and the bankers will go to the US next month to visit communities where banks participate in local funding programmes.

According to Morrison, who has worked on the proposed legislation for about a year, US banks place great emphasis on social programmes. He cites the examples of Citibank, which provides 2,74% of its after-tax profits for social programmes; Chase Manhattan (1,61%) and Morgan Guaranty (1,05%). Chemical Bank has a CRA policy committee which meets quarterly to monitor the bank's CRA plan and advises on new projects. It has also formed a Community Development Group to provide finance in low-income areas.

One of Chemical Bank's projects is finding ways to increase the availability of housing finance. It provides a fixed-rate 15-year or 30-year mortgage, with more flexible underwriting criteria than those used for a normal mortgage. Monthly debt:income ratios are increased. From the 5% down payment required, only 3% must be from the borrower's own funds. And for those who don't qualify for this mortgage, Chemical Bank has committed a \$10m pool of funds for mortgages with even more flexible underwriting criteria.

Another community-based organisation in New York City is the New York Mortgage Coalition, which is made up of 10 banks. It helps lower-income families with their mortgages in New York City, Long Island and Westchester and provides home-ownership counselling. Participating banks offer home loans with lower down payments and flexible underwriting requirements.

However commendable this counselling may be, any comparison with the US is flawed. The geographical area in which US banks may operate is restricted, though this is changing. Blacks constitute a small proportion of the US population, so the cost of special arrangements for them is lower than it would be for similar schemes here.

But apart from that, US banks are allowed by the authorities to go bankrupt. Where this has threatened to become pervasive, the taxpayer has had to pay heavily to maintain banking stability. In short, the US banking system has little to recommend it in almost any form or function to SA.

The preference of SA banks is for self-regulation, rather than government regula-

tion as in the US. Council of Southern African Bankers (Cosab) outgoing chairman Chris Liebenberg says: "It is not in our future interests that the authorities impose unnecessary and costly regulations on an industry as sophisticated as ours. A desirable scenario for the future would be for the authorities and the banks to co-operate on regulatory philosophies, so that the role of the authorities diminishes over time. The emergence of enlightened self-regulation, in which the interests of all our stakeholders are protected, is therefore envisaged."

So far, without legislation, banks have made small inroads into providing schemes to finance low-income communities. They have supported the Community Bank, which aims to provide community lending, with resources and infrastructure. UAL, part of the Nedcor Group, has come up with an innovative way to finance housing. Its Collateralised Housing Paper was designed to provide income for low-income housing while offering investors a return. But it is no panacea (123)

Nedcor Bank's Mike Leeming says his group is already reassessing lending policies to adapt them to criteria that place less emphasis on having a credit record and living in the same property for a certain time.

FNB's Barry Swart believes banks were prevented by apartheid from lending in black areas and they have avoided taking a political risk by lending in unstable areas. Swart believes the proposed legislation is retrogressive. "We stopped asking for the applicant's race group years ago for the reason that it is discriminatory." He points out that banks have financed the greater part of the black furniture retailers' debtor books, because only a commercial risk was involved.

Cosab CE Piet Liebenberg believes banks do not discriminate on race. "They discriminate on risk," he says. "They have to lend according to strict lending principles to protect depositors."

Liebenberg believes the new government could instil a new culture into areas where there has been a breakdown of law and a culture of nonpayment. "The new government has to help temporarily, so we can go

back into these areas with little risk until the situation becomes normal."

The government Mortgage Indemnity Fund will insure banks against nonpayment of bonds and will cover them if they cannot repossess homes. Liebenberg reckons it will take two to three years before these communities become normal again. "If the Mortgage Indemnity Fund works, we won't need legislation."

Meanwhile, it is clear that banks could be threatened with coercion that will attempt to limit their stewardship of their own and depositors' assets. For instance, Moses Mayekiso, formerly president of Sanco and now an MP, recently proposed a levy on banks. He has also suggested that banks which fail to lend into low-income communities should be penalised at the discount window at the Reserve Bank by being forced to pay higher rates.

But governors of central banks elsewhere in Africa are almost unanimous in warning that governments tamper with the commercial lending criteria of domestic banks at great peril. Their experience has been that it undermines banking viability and discourages investment.

What government and the civics here will eventually learn is that banks cannot be legislated into viability and prosperity — yet it is easy to legislate them

out of business. No government can legislate investment into being. It has to create the right conditions for investment and raise investment expectations — always a fragile phenomenon — through encouragement and blandishment.

It does not matter that bond repayment boycotts were in reality few and far between, or that those who once fomented violence and nonpayment are in government. Suspicions will linger and investor expectations are what govern a willingness to invest. That is where the ANC and civics should concentrate their endeavours.

They must signal that black home-owners will be encouraged to meet obligations. They have the political structures that will command the attention of bankers, however reluctant the latter may be.

These structures are needed to educate the bankers, as much as the bankers need to use their organisational reach to educate their potential customers.

In short, this problem can only be served by co-operation. Coercion will threaten the whole system. Unpleasant though it may be, government and the civics will learn that they need the banks more than the other way around. The ANC has very sensibly given some indication that it understands that more can be gained by waving the carrot rather than the stick.

We have no doubt that the banks will adapt — and will want to adapt — to changing and more stable conditions in this country. Whatever racial bias their loans may have had was the outcome of a rational reaction to perceived risk.

What the ANC needs to do is convince the banks that the risks which they want them to take now will lead eventually to substantial rewards. A logical argument backed by intimations of good government and economic responsibility will, we believe, fall on surprisingly fertile ground. ■



Swart



Leeming

HOUSING POLICY

A joint affair

Fm 10/6/94

A meeting between the National Housing Forum and the Department of National Housing, scheduled for Tuesday this week, was expected to finalise the short-term proposals of their nine joint technical committees formed last month.

"Their proposals, composition, terms of reference and deadlines for achieving targets of the technical committees will provide the basis for the formulation of an overall housing strategy to meet the housing crisis in the short term," says forum co-ordinator Matthew Nell. (123)

The joint programme — announced by Minister of Housing Joe Slovo and forum chairman Eric Molobi — is aimed at rationalising and focusing resources within the department and forum to ensure policies and initiatives are in place to promote effective housing delivery across the country.

PROPERTY

Fm 10/6/94

It is also expected to lead to the finalisation of key initiatives such as the Mortgage Indemnity Scheme, the proposed National Housing Bank and a set of housing subsidy programmes. Both government and the forum are committed to a broad-based, national consensus on housing matters and will negotiate policy positions which meet this principle. Agreed policy positions will be referred to the National Housing Board for review.

The Housing Minister, (123) having received advice on these policy positions from the board, will take a final decision on such policy.

The committees

Nell and National Housing director-general designate Billy Cobbett are jointly directing the work of the committees in a separate or 10th technical committee on overall housing strategy.

Regular meetings are to be held between one forum and one National Housing representative in each committee.

The first of the joint technical committees is headed by Land Investment Trust CEO Taffy Adler and deals with housing subsidies for ownership and for rental purposes, as well as the retrospective application of subsidies and with consumer protection and education in this field.

The second, convened by KwaZulu Finance Corporation housing division head Angus Herselman, addresses retail lending initiatives such as the Mortgage Indemnity Scheme and the National Housing Bank (in the context of wholesale fund mobilisation and expanding lending capacity).

National Housing deputy director-general Neville Carsens heads the third committee on institutional arrangements. This will address government's approach to the issue and short-term measures it will take, such as proclamations and legislation.

This committee will also look at the national housing budget, the best way to deal with the substantial funds tied up on projects already approved by the previous Department of Own Affairs and provincial administrations, as well as bridging finance for new institutions.

Urban Foundation housing director Jill Strelitz's land committee will look, among other things, at measures, such as legislation, that should be taken to facilitate development and at the provision of bulk infrastructure.

Hostels are the subject of the fifth committee, headed by National Housing's director of housing Francois Jacobs. The remaining three committees deal with sector effectiveness and efficiency (headed by Grinaker Construction special projects director Eugene Sadie); rural housing policy and programmes (Basil Davidson of the ANC in the Western Cape is the convener); and regional capacity building (headed by Ishmael Mkhabela, forum vice-chairman and director of the Interface Community Development Association). ■

Housing prices 'could go up 20% this year'

Own Correspondent

JOHANNESBURG. — The largest jump in housing prices in more than 10 years could occur this year, says Absa economist Mr Christo Luus.

He told the Multilisting Service estate agent conference in Sun City this week that a sounder property market and an expected sharp rise in building costs could hoist nominal prices 20%.

Real growth would be 12% — the largest gain since the early 1980s. (123) CT 11/6/94

But the rise could slow to 10% next year.

Population growth will hinder plan

123 CT 13/6/94
Own Correspondent

JOHANNESBURG. — SA's housing backlog would continue rising until 1998 because government's target of delivering a million homes within five years would be outstripped by population growth, sources said at the weekend.

Almost 240 000 homes needed to be built each year just to keep up with the growth of SA's population. For the first four to five years of the Reconstruction and Development Programme no inroads would be made into beating the backlog.

The National Housing Forum projected that 50 000 homes could be built this year. This would rise to 125 000 in 1995, 175 000 the following year and 225 000 in 1997. Around 240 000 would be built annually after that.

The spin-offs for the building industry would be immense if the forum's projections were realised.



Housing backlog 'will keep rising'

ROBYN CHALMERS

SA's housing backlog would continue rising until 1998 because government's target of delivering 1-million homes within five years would be outstripped by population growth, sources said at the weekend.

Almost 240 000 homes needed to be built each year just to keep up with the growth of SA's population. For the first four to five years of the reconstruction and development programme (RDP) no inroads would be made into eliminating the backlog.

The National Housing Forum projected that 50 000 homes could be built this year. This would rise to 125 000 in 1995, 175 000 the following year and 225 000 in 1997.

The construction of homes should gradually reduce to about 240 000 after that in order to keep pace with annual need as a result of population growth. *BIDAY*

The spinoffs for the building industry would be immense if the forum's projections were realised. *1.316.194*

BMI building research unit head Llewellyn Lewis said significant increases in building activity across the entire spectrum would result.

"The multiplier effect on the remainder of the industry could be 5% or greater. However, research indicates that white building contractors are not certain that can be achieved. *(123)*"

"It will be necessary for the entire building industry to buy into the RDP and for each province, region, town and industry to determine what is needed to make the programme achievable."

Lewis said if the forum's target was achieved, home ownership would double by 2000.

Job boom predicted in building industry

Biday 15/6/94

ROBYN CHALMERS

MORE than 750 000 new jobs will be created in the building industry by the turn of the century as a result of government's housing and infrastructural initiatives, according to industry statistics released at the weekend.

This follows an eight-year recessionary period — characterised as the worst downturn since the Second World War — during which an estimated 100 000 jobs were lost in the building and construction industry alone.

Housing Minister Joe Slovo believes more than 50 000 low-cost homes can be built this year, rising by 1998 to the required 325 000 level needed to house SA's growing population, and making inroads into the huge backlog.

Building Industries' Federation of SA (Bifsa) executive director Ian Robinson said the spin-off for the building and construction industry would be immense, but significant resources needed to be committed to training in order to meet the increased demand.

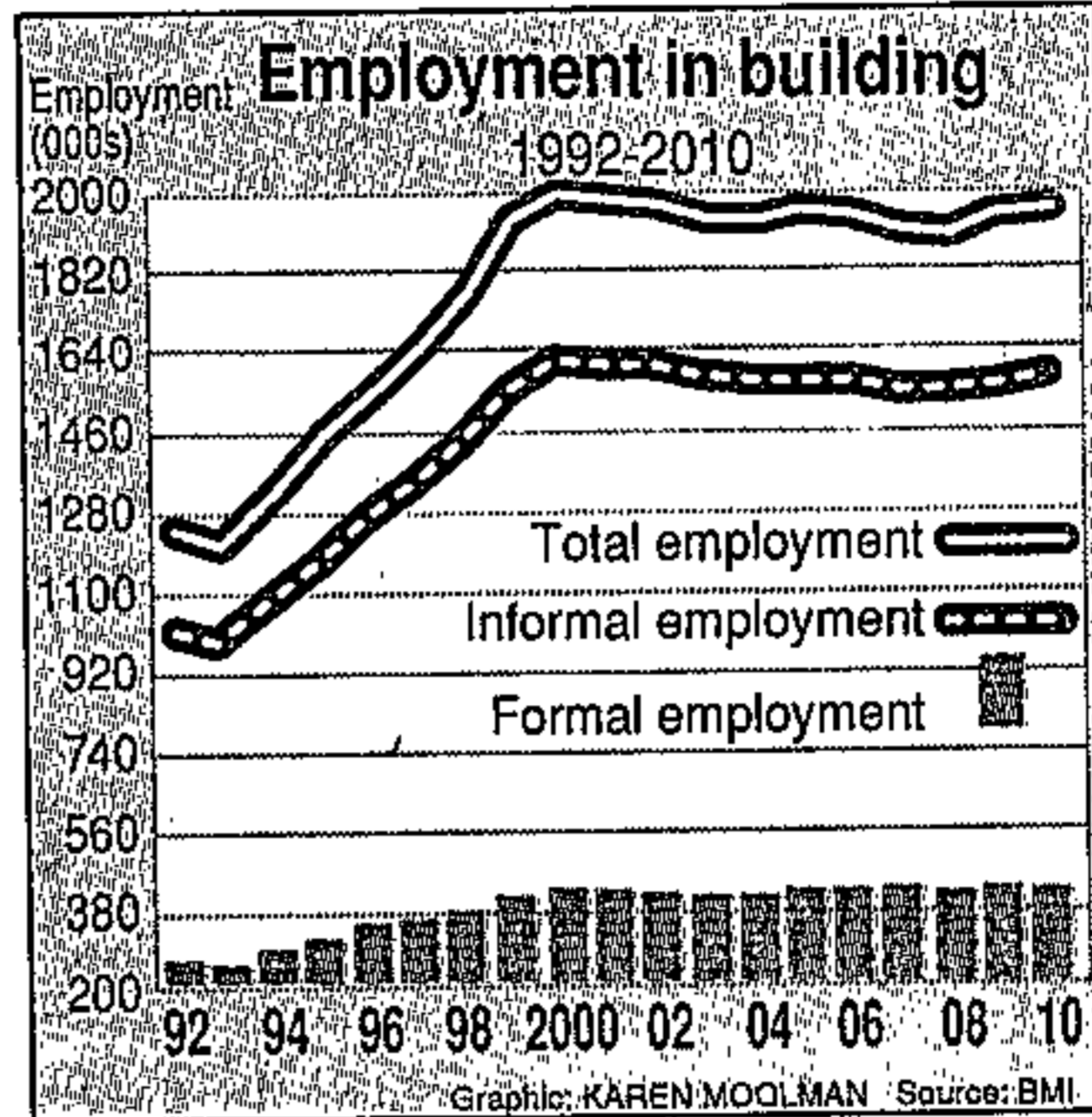
In terms of this, Slovo has committed more than R200m annually to training in the industry, significantly up on the R20m which Bifsa has been spending each year.

BMI Building Research Strategy consulting unit MD Llewellyn Lewis conducted a survey on the composition of the average on-site workforce to determine SA's training needs.

According to respondents surveyed, about 30% of the workforce on a typical building site was made up of skilled workers, 25% semi-skilled, 37% generally unskilled and 8% supervisory staff and foremen.

This meant that between 35 000 and 40 000 of the 750 000 new entrants into the building industry over the next six years would have to be trained annually as artisans. The best achievement of the building industry in this regard was to train about 7 000 artisans a year.

There is no doubt that if the building industry returns to the activity levels of 1984 within



four years, all the available skills will be required and there will be work enough for all the different sectors of the building fraternity.

“Surveys show the black building contractors are willing to establish joint ventures and partnerships, are willing to train their own employees and are confident that the targets of the regional development programme can be achieved,” Lewis said (123) (22)

Robinson said the construction industry was encouraged by government's commitment to draw business into the process of governing. The newly formed Council for Construction in SA had set up a task force to lobby government on behalf of a united construction industry.

Robinson said the task group had identified the “speedy delivery of mass housing” as the primary goal of the industry in which projects providing 1 000 units or more at a time had to be catered for.

“However, this once again highlights the urgent need to restock the skills pool and to boost production of essential building materials. A comprehensive audit of the training and resource requirement is currently being conducted by Bifsa in conjunction with the National Housing Forum.”

Housing money on its way to regions

THE first tranche of financing for housing subsidies should be directed to regional housing boards within weeks, says National Housing Board chairman Joop de Loor.

This will significantly boost delivery of mass housing, which could begin as early as September. Regional housing boards have been flooded with applications for government subsidies, with the Transvaal regional board alone receiving subsidy requests totalling R2,5bn. 15/6/94

Addressing a National Association of Home Builders breakfast in Johannesburg yesterday, De Loor said the board had advised Housing Minister Joe Slovo that a portion of his department's budget should be siphoned down to regional boards. 123

ROBYN CHALMERS

"The mechanism of making bridging finance and subsidies available still has to be worked out, but the green light for an initial allocation should be given soon."

De Loor said the department was hoping that an additional contribution from the planned R2,5bn reconstruction fund would be allocated in next week's Budget.

This would allow regional boards to receive one or two further tranches to fund subsidies. At present, only four regional boards will be eligible for state finance as the other five boards in the new provinces have not yet been established.

□ To Page 2

Housing

However, industry spokesmen are concerned about the amount of money left in the national housing fund for new project development. Slovo recently estimated it could be as little as R1bn. Proposed strategies to replenish the coffers included the formation of a national housing bank and the issue of housing bonds. 123

National Housing Forum chairman Eric Molobi said the forum was holding a "path-breaking" conference on July 1 to discuss these and other issues.

"Approaches have been made on the development of small-scale enterprises, skills entrepreneurship and employment opportunities through the provision of

housing. The conference has been called in order to disseminate these to the key players in the housing sector."

A major push for home delivery was envisaged over the next two to three years, but De Loor said the massive housing backlog would nevertheless continue to rise.

An estimated 30 000 to 50 000 homes should be built in the first year of production, which fell significantly short of the estimated 240 000 units needed to be built each year just to cater for SA's growing population. "The Housing Department has placed greater emphasis on the provision of rental accommodation for low income families to stop the gap."

□ From Page 1

Strong rise in value of plans passed

Sky brightens for building industry

Star 15/6/94

■ BY DEREK TOMMEY

The building industry — one of the main generators of employment and economic growth — is about to receive a major boost.

Figures for planned new buildings, after steadily declining since 1990, are starting to show a strong upward trend.

The gradual improvement in the economic climate in the past year as a result of the higher gold price, the ending of the drought, the continued high level of government deficit spending and reassuring pre-election statements by the ANC have apparently prompted the private sector to look more positively at the future.

The Central Statistical Service (CSS) reports that in the first quarter of the year the authorities approved the construction of buildings estimated to cost R2,86 billion — an increase of R400 million on the same quarter last year.

However, the figure conceals many important regional variations.

The recovery is much stronger in Pretoria, the Reef and in the Natal region than in most of the Cape and it is these areas that should witness the biggest upsurge in building activity.

For the moment, Pretoria seems to be the main area of

economic growth. CSS reports that the value of building plans approved by the local authorities there in the first quarter of this year jumped by R114 million to R328,7 million.

In Durban, the value of planned buildings rose 20,8 percent, or R61 million, compared with a year ago, to R354,7 million.

Maritzburg also seems to be an area of growth for the value of plans passed there in the first quarter was R52,8 million — an increase of R15,4 million, or R41,3 percent.

Approved

The Witwatersrand can also look to a significant increase in activity. Plans for buildings worth R873,9 million were approved in the first quarter — an increase of R135,4 million, or 18,3 percent, on the first quarter of last year.

But the recovery has yet to make itself felt in the Vaal Triangle. The value of buildings planned dropped 17,3 percent in the first quarter to R3,4 million.

Building in the Free State gold fields area will get a useful shot in the arm.

The value of plans passed was R16,9 million — more than double last year's R7,1 million.

Kimberley is also showing signs of picking up, with a 55,2

percent rise in the value of plans passed to R6 million.

Another area that seems to be enjoying higher activity is East London, where the value of plans passed jumped 34 percent to R17,4 million.

However, there are no signs yet of a building recovery in Cape Town, where the value of plans passed was down 19,1 percent to R352,9 million in the first quarter, or in Port Elizabeth, where the increase was a mere 3,6 percent at R65,9 million.

The CSS figures show that the biggest increase in demand is for industrial and warehouse space, indicating a welcome upturn in industrial activity.

The value of plans passed for this type of building rose 74,2 percent to R154,5 million. The value of office buildings planned increased by 50,8 percent to R238,7 million, followed by a 40,4 percent increase in shopping space plans to R93,1 million.

The value of plans approved for new houses dropped 6,1 percent to R613,8 million.

■ Work has started on sinking Freegold's No 4 Shaft which, it is estimated, will cost R534 million. Some R75 million has already been committed.

The shaft will produce about 106 tons of gold over the next 19 years and provide jobs for 3 000.

Rethink on rates

123

WM 17-23/6/94

Alex Brummer

AN EXTENSIVE reshaping of the global monetary system, to include a return to a more managed system of exchange rates, has been proposed by the high-powered Bretton Woods Commission — established to mark the 50th anniversary of the IMF and World Bank.

The "confidential" final report of the commission, headed by former Federal Reserve chairman Paul Volcker, recommends a strengthening of the monetary role for the IMF to link directly in with the G7, extensive surgery to slim down the World Bank and a refocusing of development assistance on the private sector.

The report together with its detailed staff blueprint — analysing the changes — is to be dispatched to finance ministers and central bankers and to form the centrepiece of next month's Washington conference to mark the anniversary of Bretton Woods.

The core recommendation of the report is that the larger industrial countries move towards a system of "flexible exchange rate bands" as part of a new monetary system designed to bring an end to "costs of extreme exchange rate misalignment and volatility".

The commission argues that extreme swings on the foreign exchange markets has been a contributory cause of the low growth seen among the industrial countries since the 1970s.

"The loss of exchange rate discipline has played a part" in this, the commission argues, calling for "better international co-ordination aimed at stabilising exchange rates". It urges the G7 countries to give co-ordination a "higher priority".

The attached staff report points out that more intense co-ordination to stabilise exchange rates "involves commitments to alter macro-economic policy to achieve some degree of currency stability". To be credible this has to be backed by "currency intervention".

Fm 17/6/94

Money begins to flow

The National Housing Board met last Friday in Pretoria to advise Housing Minister Joe Slovo on a first tranche of funds to be allocated to the four regional housing boards for subsidies.

Director-general-designate Billy Cobbett stresses that the advice was only a recommendation with no indication of when the amounts would be made final.

From talks with both national board chairman Joop de Loor and the four regional chairmen the *FM* learns that, excluding any additional amounts for housing in the Budget or from the provinces, there is only R1bn-R1,2bn available this fiscal year for subsidies. Regional boards in the Transvaal and Free State have already received applications for more than R3bn in subsidies.

De Loor says the allocation of funds by the national board will be decided according to a number of criteria such as income distribution and size of the population. The national board, because of the limitation on funds, is not going to allocate all the money at once but intends making amounts available in tranches.

The first round of applications in the Transvaal and Free State were announced last week. There were 138 applications for housing projects in the Transvaal (for 242 000 units) with a possible subsidy of R2,5bn; and 15 housing project applications in the Free State (45 000 units) and a subsidy of about R625m. Their second tranches have been set for August 1 and June 15 respectively.

National Housing Forum co-ordinator Matthew Nell points out that the amounts are "potentially misleading" as the applications have not yet been processed to see whether they comply with the subsidy scheme.

Transvaal board chairman Boet van Straten says initially only provisional allocations are likely. These will be finalised when the full budget is known. Next month his board will start identifying projects that qualify. Of applications with the board only 20% have secured end-user finance and these were for expensive units. The remainder are for basic, serviced sites with a simple house. About 85% of all applications are for the top end of the scheme — for subsidies of R12 500.

Free State board chairman Job Pretorius had hoped to start making his first awards last week. He says he is surprised at the readiness of the private sector to take part in the scheme and that many applicants have secured long-term end-user finance from banks and institutions.

The Natal board will close applications for its first tranche on June 30. It expects to process developer applications first. It has

been accepting applications from individuals even though no channel for these has been set up.

(123)
In other parts of the country individuals have to form groups to submit project applications. Natal says it has received no community applications. Natal will start to award funds "only once housing policy is implemented."

De Loor believes many communities around the country are on the point of making submissions.

The Cape board has taken a similar view but, unlike the others, has decided not to process applications in cycles. Chairman Johan Nel wants to assess the flow before

setting cut-off dates to allow small applicants time to make submissions so that they can compete on an even footing. He says his board is processing several big applications from the Eastern and Western Cape. It is also dealing with schemes amounting to about R650m contracted by the previous Oms Affairs and Cape Provincial administrations.

Regional boards have two weeks to reply or acknowledge receipt of applications and six weeks to process them. Project applicants whose schemes are rejected are invited to resubmit them as the tranches come round. Through this procedure the boards hope to cut waiting time. ■

AWB leaders in roadblock killing sentenced to death

Friday 20/6/94

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THE two leaders of an armed AWB group which shot dead four black people they stopped at an illegal roadblock near Randfontein last year were sentenced to death four times each for murder in the Rand Supreme Court on Friday.

SUSAN RUSSELL

others were seriously wounded and another three managed to escape injury.

Deon Martin, 30, and Phillipus Kloppers, 40, were asked by Judge M Stegmann if they had anything to say before sentence was passed.

Describing the murders as cold-blooded, Stegmann said the fact that Kloppers and Martin had had the direct intention of killing their victims was an aggravating feature of the case.

Both men said they had nothing they wished to say to the court.

Another aggravating factor was that their victims were innocent and vulnerable people, including children. The murderers had also cut off an ear of one of their victims while he was still alive.

They were also both sentenced to an effective 20 years in prison on six counts of attempted murder, two counts of assault with intent to do grievous bodily harm and one count of unlawfully possessing firearms.

The court found the fact that the roadblock was planned some days in advance was an additional aggravating feature.

Martin, Kloppers and seven other armed AWB members set up the roadblock late on December 12 last year after embarking on an expedition to apprehend and assault black road users.

Stegmann rejected submissions in mitigation that their actions had been politically motivated in retaliation for the murder of white farmers and old people.

Their victims were the occupants of two vehicles stopped at the bogus roadblock. After searching the cars the AWB men opened fire on the occupants who had been ordered to sit on the ground.

Six of their seven co-conspirators who were tried separately were sentenced to death four times each for the murders last month.

Four people, including an 11-year-old boy, were fatally shot at close range. Three

Kloppers and Martin have an automatic right of appeal against the death penalty, but the court also granted them leave to appeal against the judgment as well as their convictions on the six attempted murder charges.

Homeless raise R100 000 to build houses

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HOMELESS people have raised R100 000 to build their own homes and are demanding land from government to do so.

JOHANNES NGCOBO

The SA Homeless Federation (SAHF) told a conference in Johannesburg attended by Housing Minister Joe Slovo on Friday it had raised R100 000 in two years and needed land with infrastructure to build houses.

by dissatisfaction with land developers, particularly in informal settlements.

Funds donated by the Independent Development Trust to homeless people had not alleviated their plight, she said.

The organisation said its 25 000 members began collecting money with the aim of telling government they wanted to develop land and build houses.

She claimed that instead of developing land for squatters, the IDT had built toilets only. People wanted houses, running water, proper sanitation, clinics and schools, and did not need toilets.

Federation spokesman Mary Letladi said the project had been motivated

If government could develop land for them and instal and build infrastructure, squatters could build their own homes with the money raised.



Tax incentives may boost housing plan

B15ey 216194

ROBYN CHALMERS

THE National Housing Department was investigating wide-ranging tax incentives for employers involved in housing schemes to boost home delivery, Housing Minister Joe Slovo said yesterday. (123)

He told more than 350 delegates at the National Association of Home Builders' convention at Sun City that one of the department's policy options was to re-examine the housing tax regime.

He also pledged to clean up corruption in the department and industry.

Tax options would focus on the relationships between employers and employees, although Slovo refused to say whether the proposed scheme would be outlined in tomorrow's Budget.

Another initiative being considered was a development facilitation Bill, being driven by the Housing Department in conjunction with the Land Ministry and the reconstruction and development programme.

"The Bill will provide simplified procedures to speed up the development process. This will not provide for the wholesale repeal of existing legislation, but rather a parallel option that can be used."

This would address issues relating to land release, land speculation, greater choice in tenure forms, simplified land registration procedures and mechanisms for the objective and transparent resolution of conflicts. The Bill probably would

be introduced for debate in the August session of Parliament.

Slovo said he would formulate and adopt a strict code of conduct for his department.

"There will be no direct or indirect back-handers while I am minister. We intend to introduce a comprehensive set of measures to protect the rights of the vulnerable, to tackle malpractice and to introduce this by means of legislation."

For too long, he said, the saga of lost deposits, incomplete houses and dishonoured contracts had been a central feature and a daily reality for people desperately seeking access to adequate shelter.

Meanwhile, Building Industries' Federation of SA (Bifsa) CE Ian Robinson said government's housing initiative could power the industry's turnover from R15bn to R25bn by the year 2000. Investment in the residential market would exceed non-residential investment for the first time.

But the initiative would have the desired job and wealth creation spinoffs only if there were joint ventures between formal and informal sectors. At present, about 250 000 formal sector contractors were working on about 80% of SA's building requirement, while the estimated 1-million informal contractors were significantly less involved.

Slovo plans housing initiative

123

Own Correspondent

JOHANNESBURG. — The National Housing Department was investigating wide-ranging tax incentives for employers involved in housing schemes, Housing Minister Mr Joe Slovo said yesterday.

CF 2/16/94
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Home vision achievable

Sun City — The target of building 2,5 million houses within the next 10 years was achievable, but it would mean building more homes in South Africa than went up in the last 300 years, a prominent building industry researcher said yesterday.

"If achieved, then more houses will be built in the next 10 years than the previous 300; home ownership will double; the housing backlog will be eliminated by 2005 and at least 600 000 new and

sustainable jobs will be created by the building industry by the turn of the century," said Llewellyn Lewis, a research and strategy consultant in the building industry.

"The question can be posed whether the 'one million housing vision by 2000' can succeed, and the unequivocal reply is that it can," Lewis told a housing conference.

"The difference between this Government and the previous one is that the commitment is clear, unambiguous and has been publicly made.

"The open and transparent approach to policy formulation adopted in the Reconstruction and Development Programme is unique in our country's history." (123)

Lewis said the Government, the private sector, labour groups and communities had to form a partnership to address the housing shortage.

The Government had to eliminate delays in the process of housing delivery and keep some distance, taking the "role of facilitation, climate-crea-

tion and (providing) inexpensive land and the required level of subsidies" to provide houses.

"It would behove the Housing Minister to call together the key stakeholders and to announce plans and commitments of his Government to the housing programme.

"Then the industry can respond appropriately and timeously," Lewis said. Large scale housing contracts would have to be awarded in order to ensure rapid delivery, lower costs and improved quality control.

Not enough for housing — Slovo

(123)

ET 22/6/94

HOUSING MINISTER Mr Joe Slovo said yesterday he was confident institutional funds would be freed to help the government build 2,5 million houses in the next 10 years.

Mr Slovo said that even the most favourable realignment of budget priorities would leave his department about R40 billion short of the minimum R90 billion needed to meet the 10-year target.

In a cautious response to a question about today's budget, he said: "I think we're not getting enough for housing. There is a limited kitty, at least in this budget."

But he said the government, the private sector and communities in need of housing could work together to free the funds needed to address the existing backlog of 1,5 million houses and the annual requirement for a further 200 000 units.

"The money is there. It's not with the government, but it's there."

He said he hoped to call a housing summit in September to discuss a government White Paper based on research now underway.

He said the nation would have to tolerate squatting or informal land occupation until a coherent housing programme could be put in place. — Reuter

'Money for housing is there'

Star 22/6/94

Cape Town — Housing Minister Joe Slovo said yesterday he was confident that institutional funds would be freed to help the Government build 2,5 million houses over the next 10 years.

Slovo told reporters that even the most favourable realignment of Budget priorities would leave his department about R40 billion short of the R90 billion needed to meet the target.

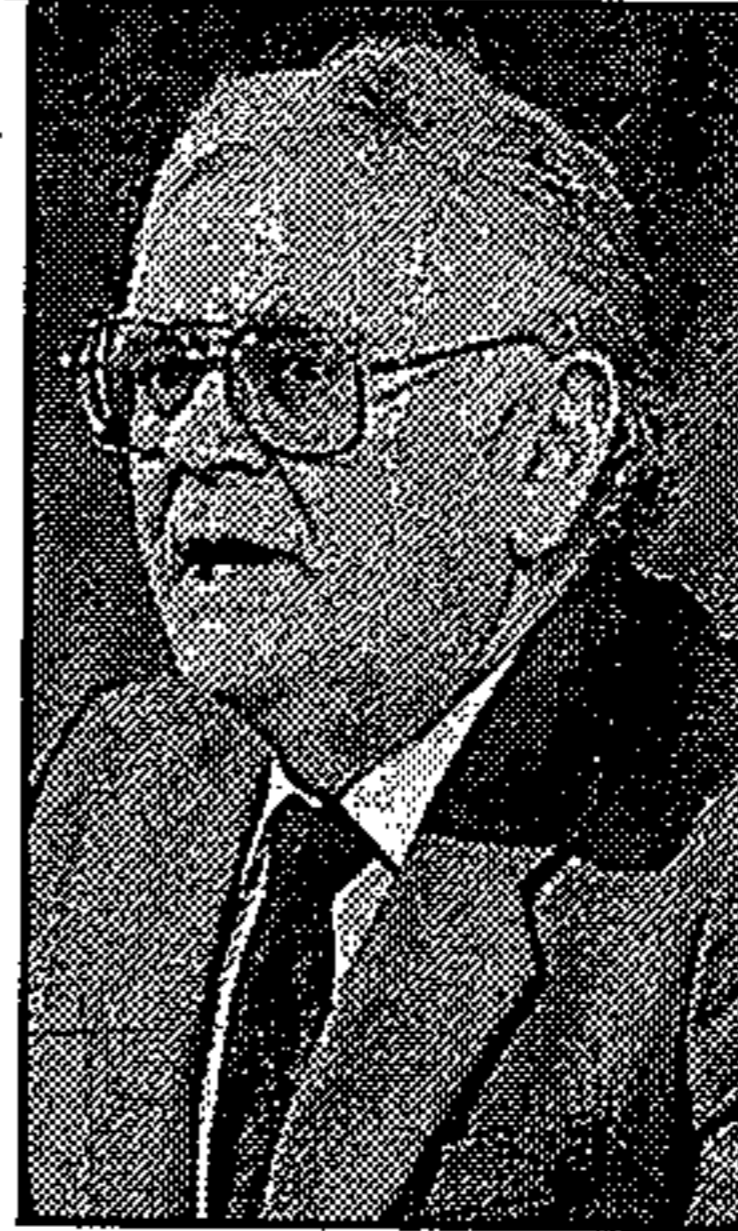
But he said Government, the private sector and communities could work together to free the

funds needed to address the backlog of 1,5 million houses and the annual requirement for a further 200 000 units. (123)

"The money is there. There is a mountain of money ... R400- to R500 billion in the kitty, most of it just chasing paper," he said.

He said the nation would have to tolerate in formal land occupation until a coherent housing programme could be put in place.

► Home vision achievable — Page 8



Joe Slovo ... billions in the kitty.

Housing target (23) 'can AUG 23/6/94 be met'

SUN CITY. — The target of building 2.5 million houses within the next 10 years could be achieved, but it would mean building more homes in South Africa than went up in the last 300 years, a prominent building industry researcher said here.

"If achieved, then more houses will be built in the next 10 years than the previous 300, home ownership will double, the housing backlog will be eliminated by 2005 and at least 600 000 new and sustainable jobs will be created by the building industry by the turn of the century," said Llewellyn Lewis, a research and strategy consultant in the building industry.

"The question can be posed whether the 'one million housing vision by 2000' can succeed, and the unequivocal reply is that it can," Mr Lewis told a housing conference.

"The difference between this government and the previous one is that the commitment is clear and unambiguous and has been publicly made. The open and transparent approach to policy formulation adopted in the reconstruction and development programme is unique in our country's history."

Mr Lewis said the government, the private sector, labour groups and communities had to form a partnership to tackle the housing shortage.

The government had to eliminate delays in housing delivery and keep some distance, taking the "role of facilitation, climate-creation and (providing) inexpensive land and the required level of subsidies" to provide houses.

"It would behove the housing minister to call together the key stakeholders and to announce plans and commitments of his government to the housing programme.

"Then the industry can respond appropriately and timeously in gearing up production capacity and in training the required workforce," Mr Lewis said.

To meet the housing target, Mr Lewis said that up to 300 000 low-cost homes would have to be built annually against a "previous best of no more than 30 000".

He said large-scale housing contracts had to be awarded to ensure rapid delivery, lower costs and improved quality control.

"There is no way that 300 000 houses will be delivered in a year if the small, one-off contract, or the individual delivery route, is preferred," he said. — Reuter.

Housing: Industry must help

123

CT 23/4/74
Staff Reporter

THE Cape Chamber of Industries (CCI) yesterday launched a comprehensive housing policy manual aimed at encouraging the private sector to assist with housing for low-income employees.

The Housing Assistance Guidelines manual was formulated by the CCI following years of research, and aims to foster "joint initiative" thinking between com-

panies and their employees.

It features a standard housing policy package which can be "tailor-made" within a company to meet employees' housing needs.

It also contains a housing finance policy and a framework which has been accepted by the major financial institutions.

CCI vice-chairman Mr Gunther Koch told delegates representing a variety of companies and financial institutions that the days of

housing not being an employers' problem were over.

"The state has already announced its contribution to the housing crisis with a capital subsidy of up to R12 500 per family.

"In doing so it has made it quite clear that the private sector must also play a role. Capital is required from the finance institutions and creative assistance is required from employers."

Housing allocation warmly welcomed

B. Sharpe
SAMANTHA SHARPE

THE Budget allocation of R2,2bn for housing and related infrastructure has been warmly welcomed by the housing community. The figure is more than double the R1,048bn set aside for housing last year. *23/6/94*

But housing associations warned that the funds would have to be used wisely to avoid huge chunks of housing allocation being lost to administrative costs, as in the past. *(123)*

The R2,2bn would attempt to knock a dent in the country's enormous housing backlog, although the mobilisation of private savings for low-income housing through government subsidies and other methods would be central to the success of any housing strategy, the Budget review said.

A flexible scheme was needed to help finance the housing demand.

Non-profit developers Newhco MD Rod MacGillivray said the figure was a welcome increase on last year.

Independent Development Trust (IDT) communications director Jolyon Nuttall said the challenge lay in "getting the R2,2bn into the ground".

Building Industries Federation SA executive director Ian Robinson said he was pleased the Budget had imposed no new pressure on interest rates as the industry was particularly sensitive to interest rate fluctuations.

HOUSING
fm 24/6/94
Top of the pile

Government has given housing priority in the Budget, granting it the largest spending increase — 15,6% up on last year — to put R2,2bn at the disposal of national housing authorities. (23)

The total available, including R780m carried over from last year, is R2,98bn. This is R220m less than the Ministry expected. There is no official comment on the shortfall but the department could be expecting a slice of the R2,5bn set aside for the Reconstruction & Development Programme.

An RDP White Paper is to be drawn up and circulated for comment.

National Housing Board chairman Joop de Loor says there is no point in increasing the housing allocation beyond what can be

LEADING ARTICLES

'93/'94

'94/'95

Revenue comparisons

Between 1993/94 and 1994/95*

	1993/94 Outcome Rm	1994/95 Budget: (1st print*) Rm	% growth
National Revenue Account			
Taxes on income & profits	48 511	54 553	12,5
Taxes on property	1 501	1 660	10,6
Domestic taxes on goods & services	38 042	42 113	10,7
Taxes on international trade	5 256	5 991	14,0
Other taxes	838	926	10,5
Subtotal	94 148	105 243	11,8
Less:			
Customs Union Agreement (BLNS) ..	3 089	3 250	5,2
Total tax revenue	91 059	101 993	12,0
Non-tax revenue	2 507	2 113	-15,7
Total current revenue	93 566	104 106	11,3
Other income	190	186	-2,1
Total ordinary revenue	93 756	104 292	11,2
Sales of stocks	1 406		
Total revenue:			
National Revenue Account	95 162	104 292	9,6

* Projected at existing tax rates and brackets.

fm 24/6/94
 spent this year. He expects a carry-over to next year.

Building Industries' Federation of SA executive director Ian Robinson would not comment before finding out what would come from the RDP. He said the building industry could benefit not only from housing but also from spending on the construction of schools, hospitals and much-needed facilities. "I would like to know what the net expenditure on housing will be after administrative costs are deducted." (23)

De Loor says the bulk of the allocation will go to housing subsidies, to be made available through tranches to regional housing boards.

National Housing Forum co-ordinating committee chairman Matthew Nell says: "Though delivery must take place as soon as possible, the main goals for the rest of the year are resolving housing policy, the roles of national and regional government in providing housing and overall strategy. These components must be in place before scaled delivery can take effect." ■

HOUSING
Fm 24/6/94
Coming clean

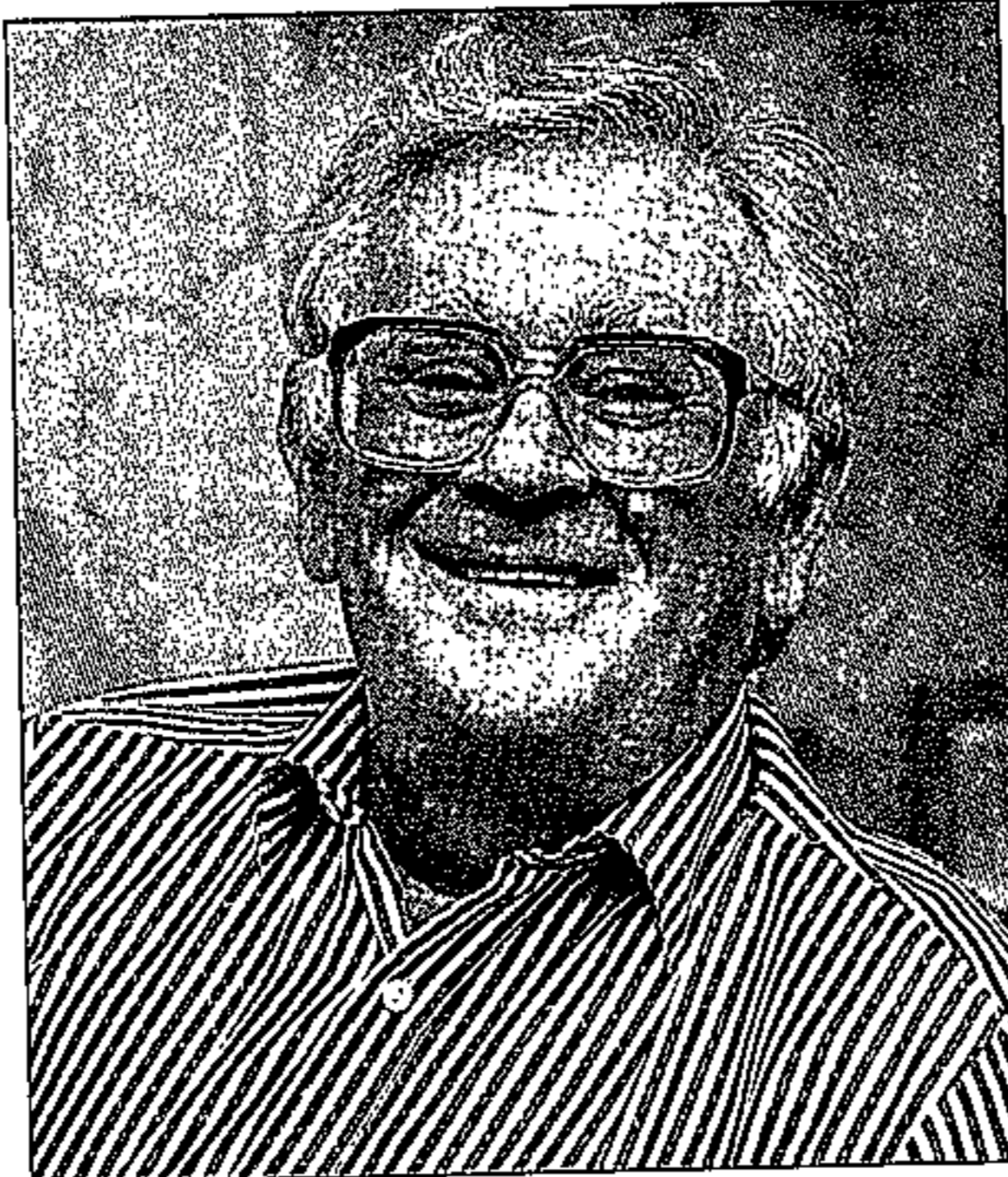
Housing Minister Joe Slovo clearly wants to make the formulation of housing policy as transparent as possible. (123)

He told delegates attending the National Association of Home Builders' annual conference at Sun City this week that a White Paper is to be published soon outlining government's overall approach to housing. The document will be widely disseminated for criticism and comment.

He also plans to organise a National Housing Summit in October at which a number of new housing initiatives will be discussed and formalised.

"We have set ourselves a target of a few months to propose approaches and solutions to many of the seemingly intractable problems facing the housing sector," he said.

Areas currently receiving urgent attention at the Department of Housing are the proposed mortgage indemnity scheme, investigations to apply the housing subsidy scheme to other forms of tenure, such as rental stock and housing associations, and the creation of a National Housing Bank. This single



Joe Slovo ... setting

targets
Fm 24/6/94

national wholesale moneylending institution is designed to lower the cost of money to the poor as well as provide an institutional vehicle with which national and eventually international investors can engage.

Slovo also gave notice that a new Bill, the Special Development Facilitation Bill, is being prepared by his department in conjunction with the Ministry of Land and planners of the RDP. The Bill will provide for simplified procedures related to land release, land speculation, a greater choice in tenure forms, simplified land registration, as well as mechanisms for the objective and transparent resolution of conflict. (123)

"The legislation will not provide for the wholesale repeal of existing legislation, but

Fm 24/6/94
rather provide a parallel option that can be used," he said. Slovo is also considering the possibility of tax incentives for employers who provide housing for their employees. ■

(123)

Mufamadi promises unit to probe taxi violence

PRETORIA — Safety and Security Minister Sydney Mufamadi announced yesterday that the police would set up a special unit to probe taxi violence.

He intervened as news came that another taxi driver had been shot dead in the city yesterday, despite a peace accord reached by long distance taxi operators three weeks ago.

Mufamadi said he had met three taxi organisations to discuss government's concern about the increasing taxi violence, and the SA Police Service would be asked to set up a special investigation unit.

The organisations were the Lethlabile Taxi Association, the association to whom the dead man belonged, the Federated Local and Long Distance Taxi Association and the Southern African Long Distance Transport Association.

He said a joint meeting with the organisations would be held next week to discuss proposals to deal with the situation.

STEPHANE BOTHMA

He said he had made it clear to them that peace between the various rival taxi organisations could not be achieved unless the industry put its house in order. This would include credible and effective disciplinary steps against the perpetrators of violence in their own ranks.

"I impressed upon them that taxi violence was rivalling political violence in intensity and was not only a blot on SA's new democracy but was sabotaging the economic growth necessary to uplift the community."

The driver was shot twice in the chest with a 9mm firearm at 5.10am at the Bosman Street bus terminus and died on his way to hospital, police spokesman Capt Dave Harrington announced.

Police on routine duty had found the seriously injured man next to his taxi and the area had been cordoned off while police searched for clues. The driver, who may not be identified

before his family has been informed, was from Hammanskraal.

About two hours later, several shots were fired at another operator in the same area, but nobody was injured in the incident.

The shootings took place three weeks after city police brokered a peace accord between warring taxi industry leaders operating the lucrative Pietersburg-Pretoria route. At the time, industry leaders said the agreement reached was a "lasting peace accord".

The agreement was signed by the Lethlabile Taxi Association, the Pretoria-Pietersburg Long Distance Taxi Association and the Federated Local Long Distance Taxi Association a few hours after unidentified gunmen opened fire on the Dairy Mall taxi rank where yesterday's shootings also took place.

Yesterday's killing was still under investigation, but Harrington said police "presumed it was part of the ongoing taxi violence in the city".

Government looking to slice housing red tape

A NATIONAL Housing Forum investigation into land invasion and squatting could lead to government slicing through legal and bureaucratic measures which have stymied affordable housing development for decades.

A forum spokesman said yesterday that one measure under consideration was the development of mass housing on unproclaimed land, but the legal ramifications of such a move had to be considered.

There were also proposals to construct, in the short term, basic homes — which could be upgraded later.

"There is a general realisation that we have to get rid of bureaucratic controls hindering the provision of services to land and the construction of low-cost homes. (123)

"These and other measures have to be implemented as quickly as possible as it is clear that SA's poor are prepared to risk being criminalised to gain access to land," he said.

The forum's investigation follows the recent call by Housing minister Joe Slovo for speedy solutions to squatting, which was beginning to

ROBYN CHALMERS

reach crisis proportions.

Slovo requested regional housing ministers to identify suitable tracts of land in or surrounding urban areas which could be used for temporary or permanent housing proposals.

"I will also request them to develop, in conjunction with my department, an acceptable policy and strategy with regard to the invasion of land and the handling of squatting in as humane a manner as possible."

He feared land invasion was undermining the government's affordable housing programme and could jeopardise the chances of SA's destitute gaining speedy access to homes.

Slovo said that he had sympathy for landless people, but the government would not allow any queue-jumping.

"Squatting on land which is in the process of being developed for housing clearly has a detrimental effect on the very programmes which are being designed to provide the poor with housing opportunities," he said.

Wits staff in work stoppage

JACQUE GOLDING
and MELISSA NIVEN

ABOUT 500 National Education, Health and Allied Workers' Union members (Nehawu) launched a work stoppage at Wits University yesterday in response to a R2,046m cut in the university's government subsidy.

Wits said the personnel budget was reduced because two-thirds of it was used for staff benefits and cuts in money to students or levies on student fees were not feasible.

Nehawu spokesman Vusi Nhlapo said workers were demanding that the money be restored into the personnel budget because the funds were needed for their wage increases.

Nehawu members were demanding a R200 across-the-board increase while the university was offering R26 across-the-board, Nehawu said.

"The minimum wage of R1 300 will be raised by at least R100 should the money be placed in the personnel budget," Nhlapo said.

Wits said government's subsidy cut was to fund election costs and to contribute to the reconstruction and development programme. It already expected a R3m deficit for 1994.

Corrupt developers thwart the poor

123

SAMANTHA SHARPE

CORRUPTION in the construction industry stymied low-income earners desperate to "get out of the rain", Lawyers for Human Rights said.

The organisation's housing rights unit regional director Brian Leveson said about R8m had been reported lost by low-income earners to unscrupulous developers in "lost deposits" since the unit started.

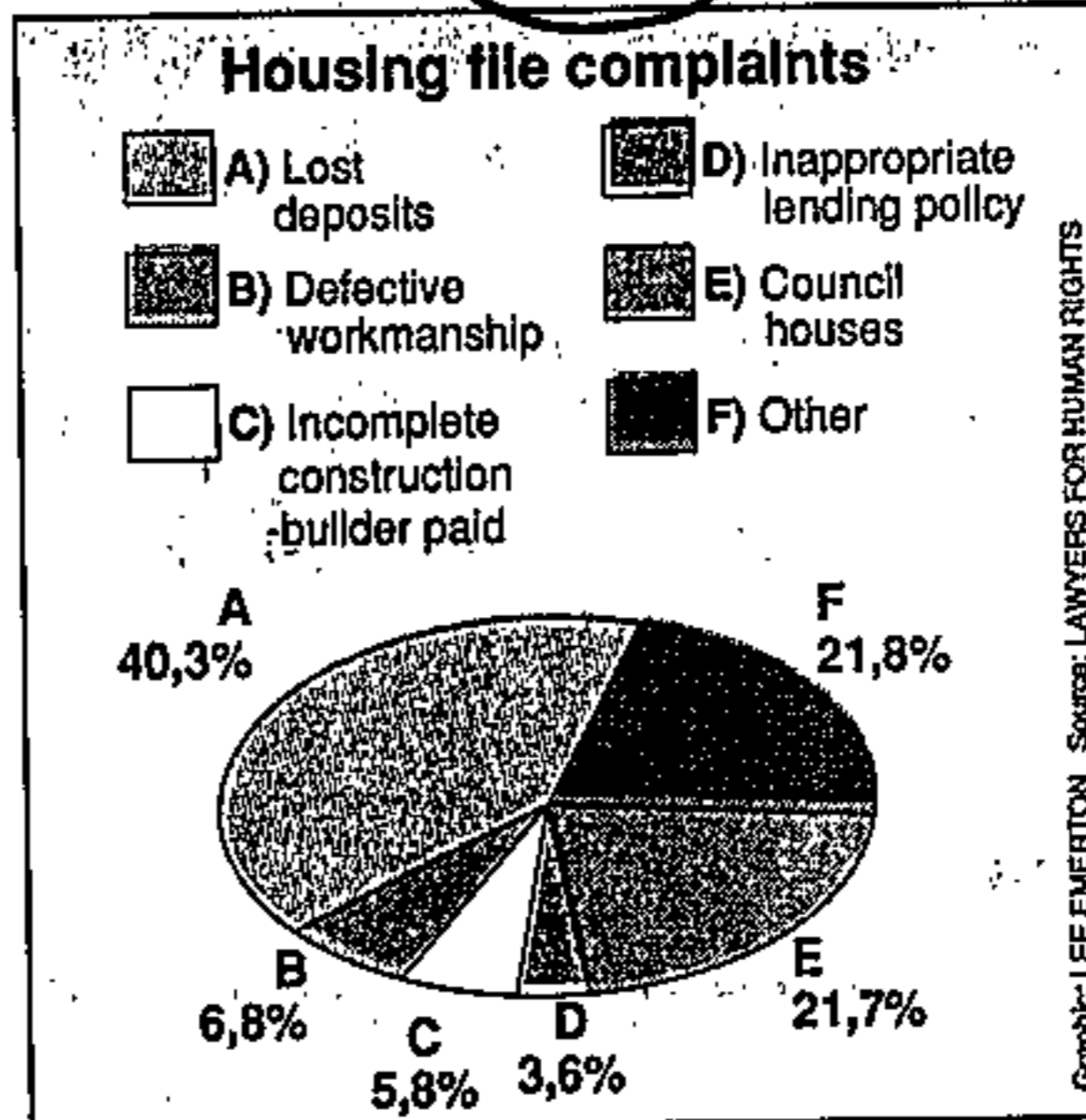
But the unit, which has opened about 5 000 files, served the PWV and reflected only a percentage of what was happening in the industry.

Housing Minister Jo Slovo said recently that corruption flourished in the housing sector and that the state had a direct responsibility to intervene to protect the rights of the consumer.

The National Housing Department and the National Housing Forum recently announced the establishment of nine joint technical committees, one of which would be investigating consumer protection.

Building Industry Federation executive director Ian Robinson said the federation and the Council for Construction in SA were investigating a defect-liability insurance scheme to ensure proposed houses were covered by defect insurance before any private sector finance was issued.

Robinson said the dangers of unscrupulous investors disappearing with deposits could only be tackled by the use of proper formal contracts.



Other problems plaguing the construction industry were the high occurrence of defective workmanship and incomplete construction. Homeowners were requested to sign drawn down forms — often in advance of the work being completed. The builder was then paid prior to a financial institution's inspector confirming the work was satisfactorily completed.

Another area of concern was "inappropriate lending". Clients claiming their properties had been or were about to be repossessed had been found to be pensioners and their loans inappropriate. Developers had also submitted bond applications, falsifying homeowners' income statements, with or without their knowledge.

Housing funds made available

PARLIAMENT. — Money from the National Housing Fund will be able to be used throughout the country, including the former TBVC states, in terms of the Housing Amendment Bill, tabled yesterday.

The bill extends provisions of the Housing Arrangements Act of 1993 and the 1966 Housing Act to the whole country.

It empowers the nine provincial executive councils to establish new housing boards and allows national and regional housing boards to function. — Sapa (123)

Assessment will boost housing policy debate

25 30/6/94
By MAGGIE ROWLEY
Property Editor

A 200-PAGE independent assessment of the Independent Development Trust's R800-million Capital Subsidy Scheme (CSS) released yesterday is expected to contribute greatly to the country's national housing policy debate.

At a press conference, Professor Alan Mabin of the Department of Town and Regional Planning at the University of the Witwatersrand, who chaired the independent steering committee which oversaw the assessment financed by the IDT, said they had found the CSS to have been largely successful in reaching its primary objectives. Within two years it had reached about 300 000 people through the transfer of 57 000 sites and the judicious expenditure of R440-million.

The programme, large by even international standards and which is expected to be completed by the third quarter of next year, will eventually provide 100 000 serviced sites — roughly the size of greater Soweto — providing tenure and security to around 600 000 people. He said the assessment, conducted with the help of selected consultants, had involved a postal survey of people and organisations involved in its implementation, intensive visits to a structured sample of the 100 project sites, an international comparative study and four beneficiary workshops.

Difficulties

Among its major findings was that a capital subsidy scheme was the most appropriate intervention in current South African conditions and that the design of the scheme had resulted in a healthy tension between process and product.

"However, its short time frames which need to be understood against the difficulties of the period 1990/91 in which it was conceived, did result in some opportunities for development being lost and future policy should learn from this valuable experience."

The accomplishment, he said, was particularly impressive because the public capacity to deliver had deteriorated significantly since the 1970s.

Implementation, he said, had involved a wide range of people and organisations and tremendous capacity had been built up among developers, communities and others to assist in further housing development. Although community representatives had expressed considerable disappointment at what was not achieved through the process, far more consultation and community participation had taken place around the CSS than had ever occurred in South African low income housing before.

Maintenance

Mabin said a great deal had been learnt in terms of installing services, particularly in upgrading informal areas as well as the economic development benefits of employing labour-based construction methods.

A problem the IDT was already giving attention to was the question of the mainten-

ance of the services which had been installed to prevent deterioration. Weaknesses and criticisms of the CSS included the location of some of the projects which would place long-term cost on beneficiaries and that it had not provided beneficiaries with houses.

"Countrywide the demand is for houses, not just serviced sites and although the extent and limitations of the CSS were explained, the message was neither widely understood nor accepted," Mabin said.

Pressure

"The IDT's choice was simple: it could spread the available resources widely or concentrate them with the result that far fewer people would have benefited had the IDT tried to provide houses."

Professor Wiseman Nkuhlu, IDT chief executive, said while they had managed to broaden participation, due to pressure to deliver it had not always been possible to spend "as much time as we would have liked consulting communities and developing ownership of the initiative".

The same pressure, he said, had influenced what land they could get, which had also been restricted by the old apartheid policies. Consequently some of the site locations were not ideal. Nkuhlu said due to the size of the initiative and pressures to move fast, they had run the risk that the sequencing of events was not right.

He highlighted gaining community access to bridging finance and credit so the beneficiaries of the scheme could have early access to funds to build houses on the sites serviced by the IDT.

Lessons

This incremental approach to solving the housing crisis was considered the most realistic solution considering restricted government funding resources. It was also because of the pressure to deliver that the IDT had decided to launch the assessment while the project was still in progress so that lessons could be learnt to inform both their own process as well as the debate on a national housing policy through the National Housing Forum.

A proper evaluation, according to international models, could only be undertaken once the programme has been completed which is expected to be towards the third quarter of next year.

He said lessons derived from the IDT initiative should enrich the housing debate.

The document is to be sent to all relevant ministers within the next day and is also available through the IDT.

Ben van der Ross, the IDT's director of housing, said it was hoped that the availability of the assessment, together with the experience which the IDT had gained, would assist in the process of providing housing.

"Here the current initiatives by the National and Regional Housing Boards are most important. They, too, are using a developer driven, capital subsidy approach and the IDT wishes to assist them."

Sophisticated housing queried

CT30/6/94

MAGGIE ROWLEY
Property Editor

NEAT rows of council houses could be a solution to the housing crisis only under apartheid, Mr Ben van der Ross, director of housing for the Independent Development Trust (IDT), said yesterday.

Addressing a press conference to release an indepen-

dent assessment of the IDT's Capital Subsidy Scheme, he said the lifting of apartheid laws, including influx control, had resulted in massive urbanisation. No local authority could afford to provide all the housing needs at these conventional standards.

The IDT had opted to provide 100 000 serviced sites for

600 000 people rather than a more sophisticated product to much fewer people. A tragic example of the latter was Delft where "poorly built" houses had been unable to withstand the storms of the past week, while corrugated iron shacks nearby were unscathed.

"One is only creating an illusion that one is going some-

where if developers are forced to build formal structures but constraints on costing result in products which collapse around their ears," he said.

It was better for serviced site owners to improve their properties incrementally, Mr Van der Ross said.

● Assessment will boost housing policy debate — Page 6

BUSINESS Project to stimulate housing market

Banks in housing plan

By Mzimkulu Malunga

THE establishment of a fund that will minimise financial risks faced by banks could encourage them to grant more housing loans, says SA Perm general manager Mr Dennis Creighton.

Speaking to *Sowetan* this week, Creighton said the formulation of a Mortgage Indemnity Scheme would guarantee that banks get their money back in situations where there are bond boycotts or when people refuse to vacate houses when banks want to repossess.

The inability of banks to exercise their legal right in terms of mortgage bond agreements, such as repossession of a house when a person is unable to pay, is one of the major problems faced by financial institutions, he said.

Through discussions in the National Housing Forum, the government is expected to give the

■ **STABILISING FACTOR** A new scheme

could encourage banks to give more

housing loans without fear of losing money:

proposed scheme its full support. However, Creighton does not want to go into details about the form of government backing.

Once the MIS is firmly in place, it should be followed up with subsidies to inject stability into the payment process and minimise the number of defaulters. The usual criteria — which include a sound credit record, a five-to-ten percent deposit and ensuring that loan repayments do not exceed 25 percent of a buyer's income — would apply in the MIS era, said Creighton.

He sees the MIS as a temporary stabilising factor until normal market conditions and the

credibility of the legal system have been restored. On the controversial issue of "redlining", Creighton says he believes this is being practised on a purely economic basis, and not on a racial basis.

Factors such as property prices in particular areas and the ability of banks to attach and sell the property in case there is a default, play a major role in influencing bankers' decisions to turn down loan applications for certain areas.

Redlining is an American term meaning that certain areas are blacklisted by financial institutions due to the financial risks involved.

(123)

Regional tangle could delay housing delivery

117194

B/DAY

POLITICIANS and bodies involved in the low-cost housing market are faced with a pressing dilemma. On the surface, much appears to be in place for government to begin mass home delivery within months. But the initiative could be delayed by a debate over the legislative powers of SA's regions.

This is compounded by the slow progress on the local government front. With municipal elections up to a year away, town and city councils will operate in a vacuum and be forced to make decisions without a mandate.

Housing Minister Joe Slovo has tackled his mammoth task with energy and skill, ably backed by his sidekick, director-general designate Billy Cobbett. In the short time since his appointment, Slovo has shown a dynamic political will to overcome the seemingly insurmountable, and deliver cheap, acceptable homes to millions of SA's destitute at speed.

He has met and consulted almost

all the players involved in the housing market, from financial institutions to community organisations, and has made significant progress on all fronts.

While Slovo has achieved more in six weeks than countless past Housing Ministers over several decades, it appears that he — like his predecessor Louis Shill — is being stymied by political initiatives beyond his control.

One of the biggest obstacles, and certainly the hottest debate on the National Housing Forum's agenda, is what will be accomplished at national level and what input the nine provinces will have on housing matters.

Forum co-ordinating committee chairman Matthew Nell says housing is treated as a concurrent power and can be legislated at both national and regional level. Issues such as minimum subsidy levels would be set by the National Housing Department but, technically, regions

the fact that a number of the nine regional housing boards responsible for allocating finance are not yet up and running, even though the first tranche of funding to regional boards is all but ready to be siphoned down. There are also serious concerns that the construction industry will not have the capacity to meet the massive demand.

This all lends credence to growing fears among low-cost housing developers that there will be a lengthy hiatus before mass delivery begins in earnest. Newhco CEO Rod MacGillivray says a range of options could be adopted by regional administrations, and this would certainly delay housing delivery.

Slovo simply cannot afford to wait. Each week, there are more and more reports of desperate people invading land around the country in an attempt to "jump the queue". There are increasing signs that government may be forced to revert to site and service schemes — unpopular

among the political elite — to placate those people.

National and regional governments are now scrambling to identify suitable vacant land as quickly as possible for low-cost structures. Slovo has made it clear he has afforded this process a high priority, and his department is even considering SANDF-owned land which can be used for this purpose.

A move to pool subsidies and grant a single sum to community organisations governing large groups of people is also under consideration. This would reduce the need for extensive negotiations and significantly speed up the process.

There are still formidable obstacles to be overcome before SA's homeless receive shelter. But there is the political will, and many are counting on the fact that Slovo's strong push from the centre will be emulated at regional level, opening the way for delivery to begin in earnest early next year.

ROBYN CHALMERS

(123)

could override national policies on subsidies and other issues.

Such a situation would be a logistical nightmare for organisations aiming to build homes throughout the country, particularly as they would probably have to deal with vacillating local authorities. Forum representatives say wearily that a lot of work has to be done to establish certainty in this sphere.

The allocation of resources to regional powers from the national fund is another weighty problem under negotiation. This has to be done equitably, so one region cannot lay claim to the lion's share of finance — which means that PWV premier Tokyo Sexwale's plan to build 150 000 homes in a year needs to be carefully considered. To this must be added

LETTERS

Dear Sir:

I am sure that SA is not their country!



Bid to control housing prices

(123)

(245)

ARG 2/7/94

JOHANNESBURG. — A voluntary compact to control housing prices in South Africa has been proposed by the government.

Housing Minister Joe Slovo's special adviser Billy Cobbett told a conference in Midrand this would be especially necessary in periods of increased activity in the housing industry.

"The government has a political responsibility. In the ab-

sence of voluntary co-operation we will have to examine other alternatives."

The conference, organised by the National Housing Forum, responded positively to Mr Cobbett's proposal.

Mr Cobbett was the keynote speaker, replacing Mr Slovo, who could not attend. He said the compact should involve mainly the construction and supply sectors of the housing

industry. Its aim should be to control and manage prices.

"If the state's support is required for such a compact, the state's support will be there."

The compact should be inclusive, involving all other sectors affecting prices.

Mr Cobbett said the inflation of prices was a "real danger" in any effort to address housing backlogs. — Sapa.

Govt's housing strategy goes into overdrive

SI Times (Buss)

By SVEN LUNSCHE

THE Department of Housing has set itself a 120-day deadline to complete the legal, institutional and financial framework to get its enormous housing programme under way.

However, with one house yet to be built under its vaunted strategy, the odds are mounting that the ambitious five-year target of a million low-cost houses will not be met.

In particular, the PWV's target of 150 000 in the current fiscal year is dismissed by industry sources as completely unrealistic.

The need for a sound framework before the real programme could begin was stressed by the department's director-general designate, Billy Cobbett, at a seminar organised by the National Housing Forum (NHF) on Friday.

Mr Cobbett said: "The homeless in Crossroads and Umtata are telling us they want delivery now, but we have to deal with it efficiently.

"In four months, we want to have everything in place for a national housing summit which finalises the framework."

A white paper on housing would be released by the end of July.

The timetable is challenging because the government has to resolve several major issues.

They include:

□ Ensuring bank support for end-user finance through the mortgage indemnity scheme (MIS).

- Putting in place the regional government structures that will administer the projects. 317 194
- Extending the subsidy scheme from project based to individual and rental housing.
- Ensuring that the building material and construction industry are geared to meet the demands of the programme without causing price inflation in the sector.

Securing the support of the private sector is the most pressing issue because the state will rely heavily on loans to achieve its housing targets.

The NHF says that every R1 of government money should be met by at least R2 of institutional lending or other private funds.

The banks, however, urge the government to centre attention initially on 21% of the market — households with a monthly income between R1 500 and R3 500 — as a kick-start to the programme.

Nedcor's Dennis Creighton estimates that the delivery of houses to this sector would cost about R4-billion, of which subsidies would amount to R625-million.

"We are ready for this programme which would ensure that 66 000 houses could be built a year and eventually get the delivery of housing off the ground," he says.

The government would receive about R420-million VAT.

Although private-sector financial support is seen as the most pressing issue, analysts are becoming increasingly worried about constraints in the building materials and construction industries.

Mr Cobbett questions the ability of the industries, accustomed to providing 30 000 houses a year, to meet 10 times that amount — the target for 1999. (123)

"The substantial imbalance between supply and demand could well result in hyper-inflation if it is not carefully monitored," he says, warning that this could have a major impact on the affordability of housing.

He calls for a voluntary compact between the building materials and construction industries to control the costs of meeting the housing backlog.

"The government has a political responsibility. In the absence of voluntary co-operation, we will have to examine other alternatives."

Representatives from several housing sectors at the seminar say they will support a voluntary compact because it could lead to greater stability in the industry.

Mr Cobbett says the government is going ahead rapidly with establishing the legal framework.

On Friday, Parliament passed the Housing Amendment Bill, which establishes nine regional housing boards and enables subsidies to be extended to the former TBVC states.

Housing costs 'to reach R80bn'

CAPE TOWN — The budgetary allocation for housing would have to increase to about R80bn in the next 10 years to meet the country's housing needs, Housing deputy director-general Neville Karsten said at the weekend.

Addressing the parliamentary joint committee on finance on Friday, Karsten said government's contribution would have to increase to about R46bn, with supplementary private sector funding.

A housing budget of R80bn would represent 5% of GNP — a significant in-

crease on the current 2%, which was way below housing spending in comparable countries. *Biday*

The 1994/95 housing budget of R2,2bn represented a 15,6% increase over the previous year, but more money was needed.

A national housing summit was planned for later this year, he said. *417194*

Kenneth Meshoe of the African Christian Democratic Party said it would be unacceptable, and insensitive to the needs of homeless South Africans, if a decision was made to move Parliament to Pretoria be-

fore citizens were given quality homes.

He said the most urgent need in the country was housing for the homeless and the poor. *(123)*

Prof Harriet Ngubane of the Inkatha Freedom Party said that housing policy should consider distinct socio-cultural needs, such as designing homes to accommodate coffins lying in state. She added that planning based on the needs of the nuclear family had disregarded those of the extended family.

Housing Minister Joe Slovo said the Bill would include harnessing expertise in the area of socio-cultural needs. Community participation also served as the lodestone of state housing policy. — Sapa.

Builders support drive to curb costs

ROBYN CHALMERS

MAJOR players in the construction sector have agreed to enter into a state-supported "social compact" aimed at containing building costs to aid the delivery of low-cost housing. *BIDAY*

Construction-related bodies reacted swiftly to a call by Housing director-general designate Billy Cobbett at last week's National Housing Forum conference.

Building materials suppliers, the Building Industries Federation of SA (Bifsa), the National Association of Home Builders and professionals all pledged their support for the initiative. *4/7/94*

Bifsa executive director Ian Robinson said a meeting would be held next week to discuss the compact and thrash out a unified approach. He did not envisage formal price controls but said the ploy of talking prices up would be actively discouraged.

The industry had to consult government on setting out a formal scheme of low-cost housing delivery so that the sector could plan for long-term growth.

"The cyclical nature of the sector means firms have never been able to plan for growth with the result that prices have traditionally risen above inflation during boom times. *(123)*

"If there is a formal state scheme for home delivery, construction firms would become far more efficient in terms of labour and resources through planned approaches. This would automatically lead to

To Page 2

Builders

cost containments." *BIDAY 4/7/94*

Robinson said trade unions needed to become responsible in terms of low-cost housing, and suggested that there could be an argument to do away with minimum wage levels in the industry. *(123)*

Cobbett said on Friday there was a danger that huge price hikes in the construction sector would fuel inflation and affect the delivery of mass housing projects.

"There is already evidence that building prices are being talked up. Such inflationary pressure will have an adverse effect on

affordability as it will hit subsidy levels and have a knock-on effect on the fiscus," he said.

Studies by the forum showed that if construction spending was pushed beyond the capacity of the industry, the resulting rise in inflation would either decrease or eliminate the multiplier effect housing initiatives would have on other sectors.

Cobbett said a voluntary compact between players in the industry was vital to deal with pricing and bottlenecks in the sector. If such a compact occurred, it would have the full support of the state.

From Page 1

Operation upgrade — home and dry

BY SHANNON NEILL

MANENBERG residents are overjoyed by steps taken by the city council, with the advice of the civic, to upgrade the area.

Mrs Shafieka Abdullah, of Ondine Court, said renovations to the court were "wonderful".

"Rain water used to come through the breeze blocks on the steps like a waterfall. Children were always sick and the house smelt funny," she said.

"We've waved those problems good-bye!"

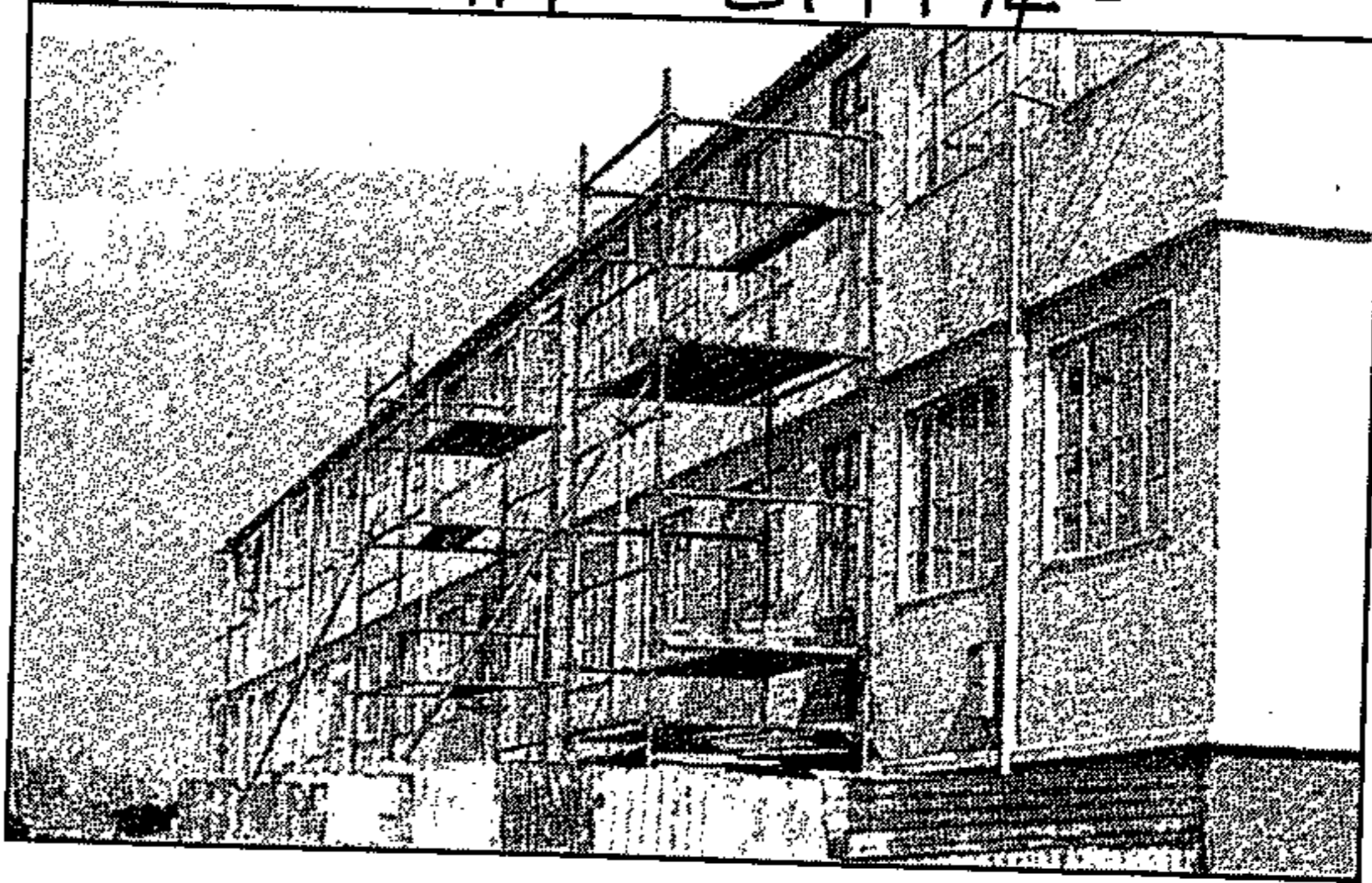
Breeze block balconies have been filled in with glass windows and rusty staircases were replaced.

The South African National Civic Organisation's branch chairperson for Manenberg, Ms Faldiela de Vries, said the civic negotiated with the council to decide what needed to be upgraded first.

Vibracrete security walls around the courts topped the list.

Roads and parking lots around

Southeaster (suppl to South)
117 - 517 194



NEW LOOK: One of Manenberg's courts being upgraded.

the courts have been improved.

City Council chief engineer of projects, Mr Hugh Paton, said R900 000 has been earmarked for the current projects in Manenberg.

Over R15-million has been spent on upgrading projects in Heideveld, Hanover Park, Lavender Hill, Bo-Kaap and Retreat.

The council ensured that companies awarded contracts employed people from the area.

"We want to get money back into the community," Mr Paton said.

"Between the council and the civic we're getting the work done. And in Manenberg council workers never stopped working, even when they had to duck bullets."

Serious concerns over housing plan

B1 Day

5/7/94

ROBYN CHALMERS

SA's construction industry is unlikely to be able to increase its output more than 20% to 30%, raising serious concerns about government's affordable housing initiatives, according to a National Housing Forum study.

Economist Andrew Merrifield, who carried out the study, said the industry would need to be restructured if it was to build the houses, schools and hospitals required.

Five years of recession had affected the industry severely, with the number of formal firms dropping to about 7 000 from 14 300 in 1988. About 76% of these reported cutting staff. Industry employment figures had halved since the mid-1980s to about 375 000 in 1992. The construction industry was contributing 2,79% of SA's GDP, against 5,37% in 1975. Its contribution to gross domestic fixed investment was down to 44,5% in 1992 from 49% in 1986.

Merrifield said the lack of skilled staff in the industry was one of the main factors inhibiting growth, followed by the lack of suitable plant and ageing equipment.

"A third, and possibly the most serious, constraint to increasing construction output, particularly in low-income communities, is that most formal construction firms have not worked with these communities before," he said.

Lack of end-user finance, high interest rates, violence and crime in the townships, affordability and red tape were further restraints.

Merrifield said the best solution to many of the problems would be for public authorities to support joint ventures between formal and informal contractors. This would help bridge the skills gap in the informal sector and grant established companies a role in developing low-income communities. (123) (22)

"Since these joint ventures will reach organisational maturity over time, it is likely that such arrangements will be able to deliver on scale only within the next two or three years," he said.

Forum consultant Moss Ngoasheng, commenting on a number of housing studies undertaken for the forum, said there were five critical areas constraining small-scale builders. These were lack of capital or bridging finance, lack of land for developments, and the inability to procure materials on credit, access training schemes and manage risk.

Ngoasheng said the cement sector was one of the few in the industry which had the capacity to supply required amounts of material. Brick, wood and steel manufacturers all faced capacity constraints.

'Huge defects' in the national house fund

CT 7/7/94
□ 'Adjustments made without documentation'

CLIVE SAWYER (123)
Political Correspondent

AN auditor-general's report has found huge shortcomings in financial statements of the national housing fund.

Among the "extensive deficiencies" is that several adjustments — totalling R6,9 million — were made to accounts in the past financial year but no supporting documentation was submitted.

Outstanding loans totalled R3,5 billion, but there were serious gaps in records.

Some loan accounts showed credit balances which could not be explained.

In one case, the Transvaal provincial administration was twice paid the same R8,8 million amount.

Provincial officials found the error and repaid R8,8 million.

Auditor-general Henri Kluever said the most important problems revealed by a special audit were:

- Documentation of the debtors system was lacking.

- Data in the master file about the property register and loans to individuals was "not complete or correct enough" to be a reliable source of information for the control of loan debtors and the administration of properties.

- Training of people using the debtors system was "clearly inadequate".

Corrective steps had been recommended, Mr Kluever said.

The report said outstanding loans at the end of March 1993 totalled R3,595 billion, compared to R3,033 billion the previous year.

An audit of this account revealed:

- Of 320 letters of confirmation of outstanding balances of loans sent to local authorities in December 1992 only 123 were returned, with only 60 local authorities saying they agreed with the balances.

- Credit balances "that cannot be explained" were shown on loan accounts.

- In some cases capitalisation limit amounts were exceeded. The fund had said this was because of computer error.

- A complete list of loans on the master file could not be provided because reference numbers and dates of further advances were not registered on the file.

Mr Kluever said the system "did not lend itself" to providing various information, including capital and interest portions of arrears at the end of the financial year, capital portions of expected instalments for a subsequent financial year and an age analysis of arrear interest and capital portions of loans.

"In the light of this unsatisfactory state of affairs an opinion cannot be expressed on the arrears (on) loans and advances and interest."

The auditor-general found some claims for differential rent loss were accepted and paid without any checking.

Lessons

to be learnt for housing

123 AUG 8/1994

□ IDT's subsidy scheme assessed

THE Independent Development Trust's Capital Subsidy Scheme (CSS) has not been problem-free in its implementation. But the lessons learned in the management of the process will be invaluable when the government formulates its final national housing policy. ROGER FRIEDMAN reports.

THE Independent Development Trust initiated a programme to subsidise the transfer of serviced plots throughout the country to low-income urban residents in March 1991.

After immense effort, debate, criticism and hard work, this programme — the Capital Subsidy Scheme — is now well on its way to completion, with the majority of over 100 000 plots serviced and in the hands of the beneficiaries of the scheme.

This was achieved through the provision of a capital subsidy of R7 500 allocated to each beneficiary household, enabling them to purchase sites, and in some cases, building materials.

Eventually, probably by mid-1995, the CSS will have provided 113 344 subsidies to families earning less than R1 000 a month in 103 different locations around the country.

It is common practice in development programmes for funding agencies to sponsor evaluation of their programmes. The World Bank, for example, often spends up to two percent of the total budget on evaluation after the completion of projects.

It is less common for the evaluation process to begin in earnest while projects are still under way.

Yet this is the route the Independent Development Trust chose for its CSS — a project worth in excess of R800 million.

An independent steering committee comprising people with some housing experience — but no formal ties to the IDT — was appointed under the leadership of Professor Alan Mabin of the University of the Witwatersrand.

The committee's goal: to interview a wide range of actors in the private, public and non-government sectors in order to identify relevant questions. Once a brief was compiled, a range of consultants were asked to bid to conduct the assessment and a team appointed.

Funding for the assessment was provided by the IDT with help from the French development agency CRIAA. The report is now available to anyone wishing to make use of it.

It concludes: "The CSS has been largely successful in achieving its primary objectives, namely to bring serviced sites and tenure efficiently to a significant number of low-income urban dwellers.

"Within two years, the subsidy has reached approximately 300 000 people through the transfer of 57 000 sites, and the judicious expenditure of approximately R440 million of the allocated R775 million.

"The assessment concurs that a capital subsidy is the most appropriate intervention in current South African conditions, and has found that, while over-subscribed on most projects, community management of allocation procedures ensured that the subsidy is reaching its intended target.

But the assessment is not all glowing and presents a number of "lost opportunities" within the framework of the programme which "need to be guarded against in the future".

These concerns include:

- The end-user subsidy was largely developer-driven and pre-determined, leaving little choice of subsidy use to the beneficiary "who was, on the whole, consulted late in the process and on limited terms".

- Community-based developers were "disadvantaged" by the urgency of the programme and by not being provided with "upfront mechanisms to assist with bridging finance".

- The "fixed price" approach made for "very low" levels of services in locations often constrained by difficult terrain.

- None of the roleplayers was made ultimately responsible for ensuring maintenance of the services provided.

"There is a high risk of the subsidy being lost in the collapse of roads, toilet structures and pipes due to inadequate mechanisms being instituted for maintenance".

Angry Delft residents demand new homes

Sower 817 - 12/17/94

By Shannon Neill

DELFT residents, who have fled from their collapsing homes, have condemned the National Party and the Minister of Housing, Mr Gerald Morkel, for the manner in which their plight has been handled.

Residents are also furious that the collapse of their houses was being called "an act of God" by one politician.

"Two weeks before my house blew down I was going out to hang up nappies, and as I opened the door my whole ceiling lifted. What house have you heard of where this happens? That's not God, that's bad building," said Felicity Williams.

About 150 people have taken refuge in the local civic hall. They are beginning to get desperate after eight days with no solution in sight.

Because of the cold and icy conditions, 37 children and some adults are sick. There are no bath facilities and food comes from charities.

Five months ago SOUTH reported that the Delft houses were unsafe and unfit for habitation.

At the time residents who occupied the houses for less than a

month reported their floors were crumbling and sand was trickling through holes in the roof. A man's hand was broken when a breeze-block fell from the wall onto him.

There was so little cement in the mortar mix that even children could poke holes through the walls with their fingers.

The day after the big storm Morkel told a meeting of 10 homeowners that the houses blew down because "die Here het dit toege-laai," residents claim. They said he refused to comment on the poor workmanship.

Ms Williams, whose house only stood for four months, said: "Where does he get this idea? If he'd built proper houses it wouldn't have happened."

She said Morkel had told them their houses would be repaired but residents didn't want this.

"Our president came here and said the houses were condemned — he said they were "varkhokke". Now Morkel wants to repair them.

"He's wasting the state's money. If they fix these houses what will happen over the next two months of storms, the next two years, the next 20 years?"

She said Morkel insulted residents and told them if they weren't happy

with the help they were offered they could "go back to the squatter camps they came from".

"I never came from a squatter camp — I lived in a flat. It was my dream to have a house before my baby was two. She'll be two at the end of July and now look where I sit," she said. (123)

Mr Apools Engeland's 30-month-old baby girl died last month because of the unhealthy conditions in the house.

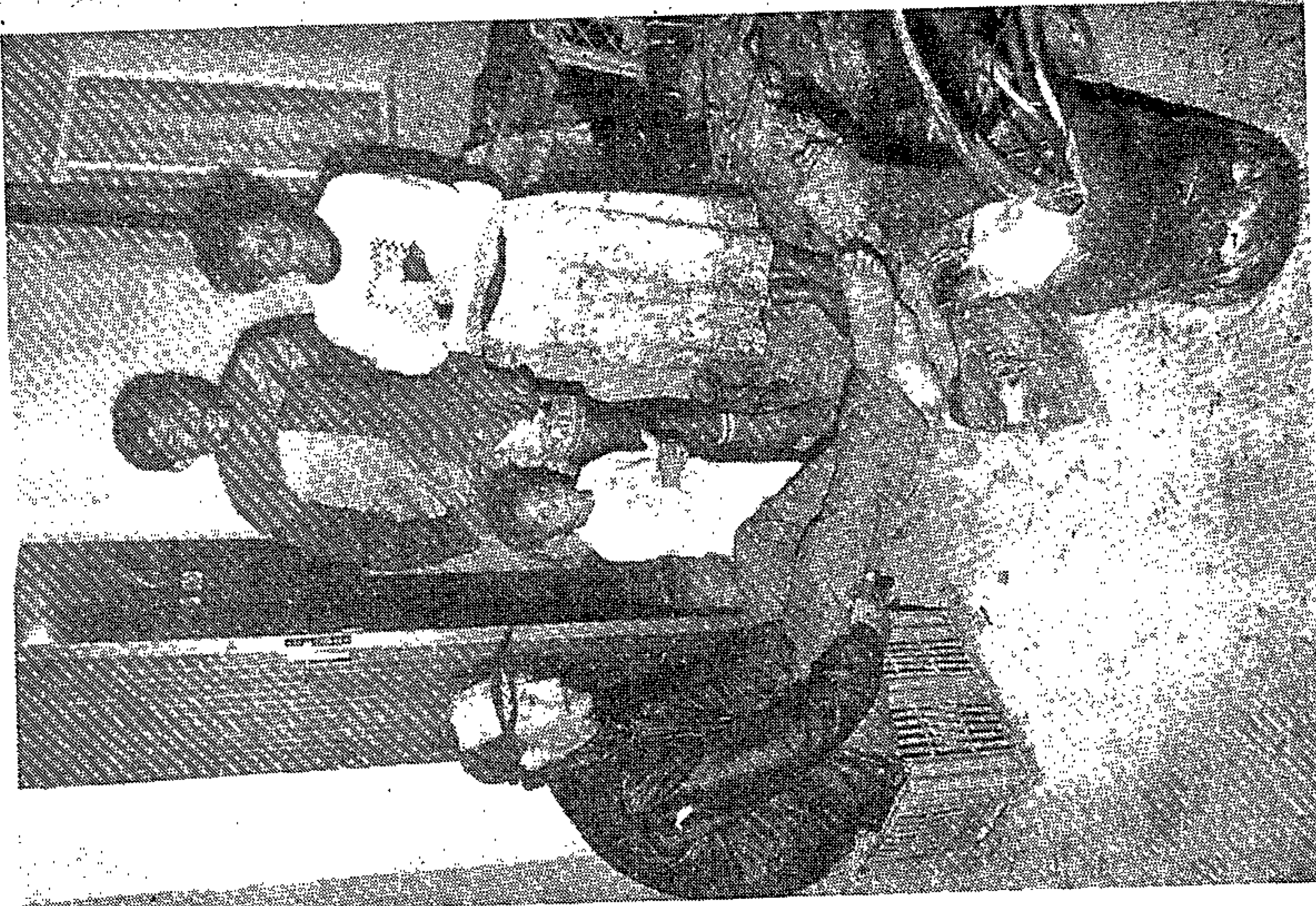
The house cost R21 000 and the family lived in it for four months before it blew down. Engeland claims the NP built the houses as a ploy to gain the coloured vote.

Government claims that the houses in Delft were five years old have been dismissed.

Andreas Philander was in his R14 000 house for 27 days when it blew down. He says the National Party was responsible for the Delft project and should have ensured work was up to standard.

● Residents' claims were faxed to Morkel but at the time of going to press no reply had been received.

But he told a press conference on Tuesday that he was lodging a complaint about the commission set up by National Minister of Housing Joe Slovo to investigate Delft.



COLD COMFORT: Isak Smith (left) with his wife Connie and friend Andries Williams find the night air warmer than their Delft home
Photo: Roger Sedres

HOUSING POLICY

Uncle Joe will provide

Fun 8/7/94

The overreaction of some ANC Cabinet Ministers to the damage caused last week to low-cost houses, in Cape Town's worst winter storm in nearly 50 years, has serious implications for government's housing policy. Of particular concern is the expectation now created that the State has the cash and the capacity to provide bigger and better houses for the poor.

The row centres on Eindhoven, a section of the Delft freehold housing scheme on the Cape Flats which was hit by exceptionally strong winds. A report by consulting engineers Liebenberg & Stander, commissioned by the Western Cape administration, says 18 houses lost their roofs and another 100 showed signs of damage. There are nearly 6 400 houses in Delft. All the damaged houses were built within the last four months by Delft Construction (Pty) Ltd.

The consultants found that the cause of the damage included the wind speed, the pitch of the roofs (they were all flat), the location of the houses in an area prone to high winds, and anchorage failure due to a mixture of incorrect ties, inadequate length of ties and a lack of understanding of the requirements of the building code regarding roofs with low pitches.

The report was accepted as fair by the contractor. Samples of mortar were sent for scientific analysis after allegations that the mixture was substandard. The houses are to be repaired at no cost to the owners.

Ministers who toured the area after the storm were outraged by the damage, which they said suggested shoddy work by the contractors. They also criticised the size of the houses and relative lack of basic facilities in them. Housing Minister Joe Slovo described them as cement tombs. He said the damage would be investigated before deciding whether to demolish the houses and rebuild them. Health Minister Nkosazana Zuma said the structures were too small to live in.

Minister without Portfolio Jay Naidoo said it was criminal that people had to live in such houses. He said allegations of sub-standard building work would be investigated and contractors prosecuted if the claims were true. The ANC MEC of Roads, Transport and Public Works in the Western Cape, Leonard Ramatlakane, said the owners of damaged houses should demand that they be rebuilt to their own specifications.

But Nationalist Western Cape Housing MEC Gerald Morkel accused the ANC of

political hypocrisy and challenged central government to say how bigger and better houses could be provided with the R12 500 maximum State subsidy now proposed for low cost housing. Morkel's challenge focuses on the housing dilemma facing government.

It simply does not have the funds to ensure substantially better houses than those in Delft.

Rather than making cheap political capital out of a tragedy involving unsophisticated people who tend to believe politicians' statements, Slovo and his colleagues should be seeking ways to temper expectations in the face of budgetary constraints. If government hopes to get anywhere near its target of 1m new houses in the next five years, the Delft matchboxes will be the norm.



Slovo

Delft project manager James Slabbert says houses in the scheme, which was launched in 1989, were financed from the National Housing Fund in terms of the previous government's housing policy. Purchasers could borrow R20 000-R30 000, depending on their monthly income within the R400-R1 500 bracket. Monthly repayments over 30 years ranged from R64-R400. After the cost of land and services, they were left with between R12 500 and R17 500 for their houses.

Last year escalating costs and a reduction in funds for loans forced a rethink. The CPA, in consultation with the Delft community, reduced the minimum loan to give more people access to basic houses. At the bottom end of the scale this left R5 000 for a house which bought about 25 m² of space comprising a living room, kitchen, one other room, a shower and toilet and an electrical point. These are the houses the ANC Ministers regard as totally inadequate.

But it is not clear how they expect the new subsidy scheme to deliver anything better. The one-off grant will provide R5 000 to people earning R2 501-R3 500 a month, R9 500 to those in the R1 501-R2 500 bracket and R12 500 to people with an income of up to R1 500.

The money must be used to acquire registered title to residential property at a price not exceeding R65 000. ANC housing officials argue that the grants should be used to access bond finance, but the practical difficulties of repayment and security still need to be resolved.

In any case it seems unlikely that the vast majority of people needing better accommo-

(123)
dation will be able to afford loans of anywhere near the R52 500 that would theoretically be available if they used their R12 500 subsidy as a deposit on a house costing the maximum R65 000 — unless the repayments are heavily subsidised, which would mean more taxpayers' money.

In the Western Cape alone, according to Morkel, an estimated 65% of the economically active population earns less than R1 500 a month. The housing backlog in the region is 180 000 units. The situation in other parts of the country is even more critical. On this sort of evidence the ANC's priority should surely be basic accommodation within the financial means of as many people as possible.

It must realise that using an issue as sensitive as housing to score political points against the NP-dominated administration in the Western Cape is a dangerous game that could blow up in its face.

Clearly, the ANC needs a far more considered approach than it displayed in Cape Town last week. Some of its senior members still behave as if they are in opposition with no responsibilities. ■

By **RAY HARTLEY**
Political Reporter

TWO OF the ANC's top leaders are engaged in a bitter power struggle over who controls housing in the country's most powerful province.

At odds are PWV Premier Tokyo Sexwale and National Housing Minister Joe Slovo who have produced conflicting plans for delivering houses, identified by the ANC as the top priority in the Reconstruction and Development Programme.

Mr Sexwale rejects Mr Slovo's housing plan because, he says, it will provide only "corrugated iron shacks" for the homeless in the province.

And Mr Slovo yesterday criticised Mr Sexwale's housing plan for "chancing the housing future of the country in the hands of one construction company".

The two leaders and PWV Housing Minister Dan Mofokeng met at Mr Slovo's residence yesterday afternoon in an effort to iron out their differences. Mr Slovo declined to comment on the meeting.

However, he said before the discussions that he had commissioned a group of experts to evaluate Mr Sexwale's plan.

According to Mr Slovo's scheme, which was drafted in consultation with the National Housing Forum, the ANC, the South African National Civic Organisation (Sanco), Cosatu and the private sector, 50 000 houses would be built across the country this year.

The number of houses built would increase each year until 300 000 houses are constructed in the year 2001.

Mr Sexwale's scheme, drafted by Mr Bart Dorrestein of the major construction company Stocks and Stocks, proposes that R750-million of taxpayers' money and R4.5-billion from insurance houses be used to finance the building of 150 000 houses a year starting this year.

Mr Slovo said yesterday he only knew about Mr Sexwale's scheme from media reports, which wrongly suggested he had approved the plan. "To date there has been no consultation between the PWV and myself on the plan."

"The policy of the National Housing Ministry remains unchanged. We are not repeating the old serviced site approach. We are going to build proper houses," Mr Slovo said.

Mr Dorrestein said this weekend that Free State Premier Patrick Lekota and Eastern Transvaal Premier Mathews Phosa had also agreed to implement provincial housing schemes similar to that proposed by Mr Sexwale.

Money from the national housing budget for Mr Slovo's scheme was allocated to regional housing ministers yesterday afternoon, but Mr Mofokeng missed the crucial meeting.

The money allocated at the meeting was for 66 projects currently under consideration by the Transvaal Housing Board as part of Mr Slovo's scheme. No money was made available for Mr Sexwale's plan.

□ To Page 2

TOKYO, SLOVO battle over housing

STimes

10/7/94

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P.T.O.

Property under ANC threat — NP

PRETORIA. — Indications were that the African National Congress wanted to begin a "social engineering" process that could destabilise the entire South African property market, the National Party said.

NP spokesman and MP Marthinus van Schalkwyk said yesterday the NP had taken note of ANC ministers' pronouncements that existing property rights should be adapted to build integrated cities.

(123) AUG 11 1994
He added the NP supported a non-racial approach to property rights and town development "as it should also be on every other terrain".

"Pronouncements by the ANC, however, indicate that they want to begin a process of social engineering which could destabilise the entire property market in South Africa," Mr van Schalkwyk said. — Sapa.

Slovo allocates R1,3bn housing funds

Own Correspondent

JOHANNESBURG. — Housing Minister Mr Joe Slovo has allocated R1,3bn, the first slice from the housing fund, to the nine provinces, signalling the mass delivery of homes will begin in earnest.

The allocation of funds is the first concrete step taken by the new government in low-cost housing initiatives.

kwaZulu/Natal received most money, R291,3m, followed by the PWV with R271,9m. The E Cape got R173,3m, W Cape R164m, N Tvl R129,5m, E Tvl R89,8m, North West R88,9m, Free State R80,8m and N Cape R39,4m. Mr Slovo said the allocations represented half of this year's budget for housing and unspent funds from last year.

Implications

The funds were allocated on criteria identified by the ministry and National Housing Forum, including the number of households in each province, income groups and provincial populations.

● PWV Premier Mr Tokyo Sexwale will try to sell his R4bn housing plan to Mr Slovo today. A source said the discussions had wider implications than the annual provision of 150 000 low-cost houses in the PWV.

A crucial tenet of the constitution, the exercising of powers concurrently by both central and regional governments, would be put to the test.

Mr Sexwale's plan appears to contain substantial deviations from Mr Slovo's policies.

Delivery possible by September

Regions get first slice of housing fund

BIDAY 13/7/94

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ROBYN CHALMERS

HOUSING Minister Joe Slovo has allocated more than R1,3bn, the first slice from the housing fund, to the nine provinces, signalling that the mass delivery of homes will begin in earnest within months.

The allocation of funding represented the first concrete step taken by the new government in its low-cost housing initiatives. Slovo said the decision to mete out the money was taken after consulting provincial housing ministers.

KwaZulu/Natal received the largest amount at R291,3m, followed by the PWV with R271,9m. The Eastern Cape got R173,3m, Western Cape R164m, Northern Transvaal R129,5m, Eastern Transvaal R89,8m, Northwest R88,9m, Free State R80,8m and Northern Cape R39,4m.

Slovo said the allocations represented half of this year's budget for housing, as well as unspent funds from last year.

The funds were allocated according to criteria identified by the Ministry and the National Housing Forum. These revolved around the number of households in each province, the income groups in the four categories of the housing subsidy scheme, and provincial populations.

Slovo said other factors were the number of parliamentary seats from each province and the proportion of households earning less than R3 500 a month.

Regarding the remaining 50% of funds within the housing budget, the regional distribution will be refined, taking into account factors such as urbanisation trends, economic capacity and the housing backlog. It will be allocated as soon as possible after consulting MECs.

National Housing economics and finance chief director Frik Barnard said funding would be siphoned down to the four regional boards set up under the old regional dispensation. "We have urged the housing MECs to set up their housing boards as soon as possible, and believe this should be completed within three weeks. The existing boards will continue assessing applications for subsidy funding so delivery can begin as soon as possible." Sources believed delivery could begin by September.

The four regional housing boards had been inundated with requests for subsidies, with the Transvaal and Free State getting applications for more than R3bn in subsidies. Barnard said once the provincial boards were set up they would assume the administrative functions handled by the existing boards.

He said the previous government's site and service schemes had aided the home delivery process. There were more than 700 000 serviced sites countrywide, which could be used immediately for building homes. However, a proportion of these sites could be unsuitable as they did not fulfil established criteria, such as proximity to employment and transport.

ADRIAN HADLAND reports that PWV premier Tokyo Sexwale will try to sell his R4bn regional housing plan to Slovo today.

A source said the discussions had far wider implications than the annual provision of 150 000 low-cost houses in the PWV. A crucial tenet of the constitution, the exercising of powers concurrently by both

□ To Page 2

Housing

□ From Page 1

central and regional governments, would be put to the test.

In terms of the constitution, regions have the power to frame legislation and determine their own housing policies. This is qualified in a provision that these policies are not to adversely affect the country's economy or fiscal policies, and that regional programmes should follow national guidelines.

Sexwale's plan appears to contain substantial deviations from Slovo's national policies, including R5 000 subsidies for potential home owners, as opposed to Slovo's maximum of R12 500. The level of private sector involvement and the scale of the programmes also differ.

Sources said Sexwale was adamant that his plan, spearheading the region's RDP

initiative, would be implemented.

There have been indications that should Sexwale and Slovo reach stalemate on the issue, the Constitutional Court could be called on to rule on the matter.

Yesterday Slovo said although housing was a concurrent power, provinces could override national policies only if a consensus was reached. While he was willing to talk to Sexwale, there was no guarantee an agreement would be reached today.

Sexwale expected Slovo to voice "differences of opinion" on his plan, but was confident a compromise could be achieved.

Sexwale, who would be accompanied to today's meeting by provincial housing minister Dan Mofokeng, said last week he expected the first stages of his plan to begin by early August.

How housing millions are allocated

Star 13/7/94
Housing funds of nearly R1 349 million have been allocated to the nine provinces, Minister of Housing Joe Slovo said yesterday.

The allocations, which comprise 50 percent of funds from the 1994/95 Budget and the unspent funds from the 1993/94 financial year, were approved by Slovo after he had consulted with MECs for provincial housing.

The funds were allocated according to criteria identified by the Ministry of Housing and by the National Housing Forum.

These included the number of households in each province, the number of people in the four income groups of the housing subsidy scheme, the total population and the number of parliamentary seats and the proportion of households earning less than R3 500

a month. Slovo said further regional distribution of remaining housing funds would address other criteria. (123)

These would include urbanisation trends, economic capacity and the housing backlog.

The largest allocation is for KwaZulu/Natal, which gets about R291 million.

Other allocations (approximate amounts) are:

- Western Cape, R164 million.
- Northern Cape, R39 million.
- Eastern Cape, R173 million.
- North-West, R89 million.
- PWV, R272 million.
- Northern Transvaal, R130 million.
- Eastern Transvaal, R90 million.
- Orange Free State, R81 million. — Sapa.

PWV, national housing plans to merge

ET 14/7/94

(123)

Own Correspondent

JOHANNESBURG. — Housing Minister Mr Joe Slovo and PWV premier Mr Tokyo Sexwale agreed yesterday to merge the controversial PWV housing scheme into a new national housing policy.

A joint technical committee is to be set up to probe this urgently. Analysts said it meant the national policy, negotiated with

the National Housing Forum, could be altered significantly. Forum chairman Mr Eric Molobi said the move was a positive step to clarify policy.

The meeting between Mr Slovo and Mr Sexwale took place after the two had a "difference of opinion" over the PWV plan to build 150 000 homes a year.

The life assurance and pension

fund industries were going to pump R4,5 billion into a new community bank and this would be used to extend mortgage finance to the poor.

Mr Slovo was confident the committee would be able to assess the possibility of forging a new housing policy by August, when a white paper would be published. This would culminate in the national

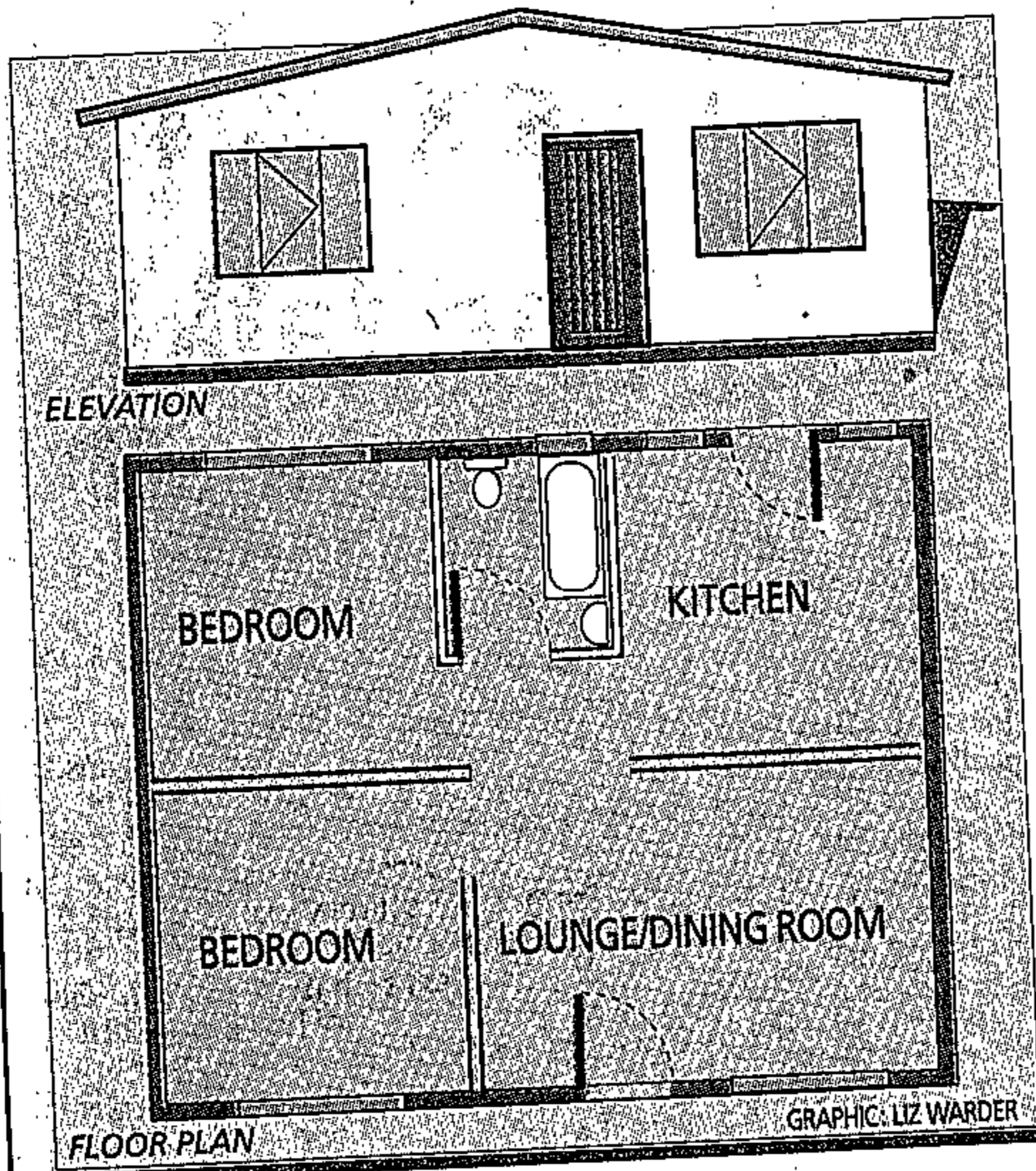
housing summit to be held towards the end of September.

"No policy is cast in stone. We need to open our minds to the development of a new strategy, to find a way which will draw on the best of both plans and enable us to put homes on the ground as soon as possible," he said.

Although Mr Slovo and Mr Sexwale maintained the meeting was

conducted in a "businesslike and extremely positive spirit", sources said the PWV premier had threatened to resign if a compromise was not reached on his housing plan.

Neither would be drawn on how the new policy would affect the national plan to build 50 000 homes a year, or on initiatives such as the mortgage indemnity scheme and the national housing bank.



HISTORIC FIRST: It looks just like a four-roomed "matchbox" house but in fact this first step in the RDP programme is a giant leap forward in the country's socio-economic history.

123
ARG 15/2/94

It's not just your ordinary matchbox

The Argus Correspondent

JOHANNESBURG: — On paper and to the naked eye, the structure resembles an ordinary low cost four-roomed house — call it a matchbox if you like — which would be found in any South African township.

In reality, the two-bedroomed house, to be laid on 46,5 sq m of ground, represents an historic first step which has translated the government's Reconstruction and Development Programme (RDP) from theory into practice.

The step was taken this week when Housing Minister Joe Slovo, Free State premier Patrick Lekota and Clem Sunter, chairman of Anglo American's gold and uranium division, turned the sod on the site where the house — the first of 747 — would be built.

The project is a three-way partnership between the gov-

ernment, Anglo American and the Regional Housing Board (RHB).

Half of the 747 houses in the first phase will be made available to the community of Kutlwanong.

Community buyers will be entitled to a R12 500 subsidy from the RHB, while Anglo's Freddie's No 1 Shaft will offer interest-free loans of up to R13 000 to its employees.

Mr Slovo said partnerships between the government, private sector and the community were the only way to address the country's housing needs.

"It's the duty of the private sector to accept its social responsibility and help solve the housing problems in the country," he said.

The "RDP House" also represents a significant break in tradition of accommodation for mineworkers.

Mr Sunter, in his speech at the sod-turning ceremony, said: "Plans for Freddie's No 1 Shaft did not include a single-sex hostel.

"The idea, rather, was to offer employees of the shaft a choice — hostel accommodation at nearby shafts if they wanted it, or an opportunity to buy a home of their own within easy commuting distance of work."

The project would also provide much-needed jobs to the community of Kutlwanong. Developmental work involved in the project would be carried out with the optimal use of labour drawn from the community.

Undertakings have been secured from contractors involved to recruit local labour.

Board 'expected to pass housing plan'

WILSON ZWANE

THE National Housing Board is expected to approve next week a housing scheme which will facilitate the provision of houses to people earning less than R3 500 a month.

An informed source said yesterday an agreement on the scheme had already been reached by the joint government/National Housing Forum's technical committee on housing subsidies.

"I see no reason the National Housing Board cannot approve the scheme," he said, adding that it was hoped the scheme would become government policy on August 1.

According to the source, only the project-based subsidy scheme existed so far. In terms of the scheme, property developers or construction companies applied on behalf of people who took part in their projects.

The new individual housing subsidy scheme would enable low-income earners to get subsidies to buy the houses of their choice.

However, another source said he felt the best way to make finance accessible to the poor was by implementing a housing subsidy scheme.

That scheme would cater for people who could not afford individual

home ownership but who were not poor enough to qualify for rental subsidy schemes. (123)

The PWV regional housing board will meet next week to consider an application for subsidies by Johannesburg's Seven Buildings Project.

A source said the application could not be considered this week because there had been "great volumes" of subsidy applications.

The meeting was announced days after 450 families staying in seven blocks of flats in Hillbrow, Berea, Joubert Park and central Johannesburg were told they had until the end of the month to vacate the buildings.

According to media reports, the notice to vacate the buildings was given by the owner at the beginning of the month.

This happened after the regional board failed to indicate whether the tenants would get the housing subsidies they applied for about for two months ago.

Meanwhile, the Civic Associations of Johannesburg called for the reconstitution of the regional housing board, saying people on it did not understand "ingenious ways" to provide houses.

Lessons from the old wheel

Fun 15/7/94

Spending close to R1bn of public funds on a capital subsidy scheme to help house the poor was always going to involve the Independent Development Trust in controversy. But as the new government struggles to formulate its own housing policy the lessons of the IDT's capital subsidy scheme need to be carefully studied rather than discarded as a relic of the apartheid era.

Parallels between the IDT's approach and the proposed new State housing subsidy scheme already acknowledge the merit of opting for a one-off capital grant to help ease the housing crisis.

And a detailed independent assessment of the scheme, completed recently, concludes that the interim lessons emerging from the IDT's experience "provide sound footing for significant strides to be taken in this aspect of SA's daunting reconstruction agenda."

Though not an evaluation of the scheme, it can be concluded from the assessment that the R850m that will eventually be paid in subsidies for 113 000 sites in 103 projects was well used under the difficult social and political circumstances that have prevailed since the IDT was formed four years ago with a R2bn State grant.

The scheme was devised with the help of the Urban Foundation, against a background of a national housing policy vacuum and during a time of fundamental social and political change.

The goal was to provide 100 000 serviced sites to the very poor. To qualify for the R7 500 subsidy applicants had to earn less than R1 000 a month, have dependants living with them, receive no other subsidy and be over 21. Beneficiaries would acquire full title to the site and provide their own accommodation.

The IDT's twin challenges were to make funds available quickly, while simultaneously involving the beneficiary communities in planning and decision-making so that their capacity to administer and sustain the schemes could be enhanced.

The IDT countered criticism that it should

have played a more direct role in providing proper houses by stressing that the provision of shelter was the priority, while helping people upgrade their living environment was the next step. The IDT referred to the process as "consolidation" and envisaged it occurring either at community or individual level.

Part of the consolidation process was to empower people to get the support they needed to consolidate, either through loan funding or resources for upgrading. The degree to which consolidation succeeds in the longer term will be the ultimate test of the scheme.

In relation to international standards for developing countries, the scheme has made a significant impression on the provision of housing. When all sites are delivered within the next two years, the scheme will have provided land for 5%-10% of the low-income population in need of housing.

123

Scheme assessed

The recent assessment of the scheme was undertaken by independent consultants under a steering committee headed by Wits University town and regional planning professor Alan Mabin. Its aim was twofold: to determine whether the scheme had achieved its goal and to consider its value as a model for low-income housing delivery in the urban environment.

It concluded that the scheme had been successful in achieving what it set out to do, but that flaws in design and strategy prevented it from reaching even more significant goals.

But the combination of achievements and missed opportunities meant the scheme held valuable lessons for efforts to provide low cost-housing. Among the assessment's conclusions were that a capital subsidy was an appropriate intervention and that its design and application in the scheme was producing rapid results.

However, some of its structures created problems — such as lack of choice for beneficiaries in how to use the subsidy, disadvan-

tages for community-based, nonprofit developers and low levels of services in some areas due to the fixed cost basis of the scheme.

The consultants also listed four other fundamental concerns that arose due to the developer-driven nature of the scheme: lack of active measures to target and acquire suitable urban land; no measures to "stretch" the subsidy into promoting local economic development; a consultative process that ensured a quick and painless job but missed opportunities to build local management capacity; and insufficient effort to secure service maintenance mechanisms to ensure the sustainability of services.

However, the assessment acknowledged that the scheme involved far more consultation and community participation on low-income housing than ever before.

But it also found that the scheme's main short-term achievement of getting services on the ground was emerging as a potential weakness. Though the services provided were reasonable in relation to the R7 500 subsidy, the standard was low, which was causing problems in a number of cases and needed to be addressed.

The scheme's financial accountability and costs in relation to budget were found to be satisfactory on the basis of information provided by IDT officials. Estimated overall cost of the scheme was put at R867m comprising R850m for site subsidies and R17m for consultants. The assessment concludes that the shortcomings of the scheme should be used as a foundation on which to build greater flexibility into future schemes.

The most pressing issue to be addressed was identified as the consolidation phase, which has direct bearing on the survival of the services delivered. Service and maintenance agreements between beneficiary communities and local authorities must be secured to ensure sustainability of the services.

Are the new housing authorities going to ignore such studies and try to reinvent the wheel?

DOWN WITH DELFT, SAY RESIDENTS



BEYOND REPAIR: It looks good when new, but Delft houses can't take the winter weather

BY GENE FESTER

DELFT houses should be demolished because they cannot be repaired, angry residents have told the State President's Task Group.

The task group, which was formed to investigate the problems of Delft, met residents and organisations last weekend to hear their grievances and suggestions.

"Delft has no medical facilities, the nearest is Tygerberg Hospital," said Mrs Shahieda Samaai, a spokesperson for the South African National Civic Organisation (Sanco).

"The closest shopping complexes are in Mitchells Plain and Bellville.

"Schools are overcrowded and

no feasible transport structure exists. Added to that we have a high unemployment rate of 66 per cent." *Southeast*

Mrs Samaai also spoke about the ineffective drainage and sewage systems, claiming that this was a health hazard. *(suppl. to South)*

Toilets usually do not function properly and drains cannot cope with run-off, especially during storms. *15/7 - 19/7/94*

The Delft Residents' Association said the area was an embarrassment and if nothing was going to be done about the problems, it could become a squatter camp. *(23)*

Mrs Josephine Thomas, a resident of The Hague said: "I pay R250 a month for a house that is hardly larger than a shack.

"We deserve decent houses. It is not Mandela's problem, it is the

National Party's mess and they have to fix it."

Mr Allan du Plessis said the cement between brick blocks in the house crumbles at the scratch of his children's fingers.

Another angry resident showed her mouldy shoe to the panel as proof of the damp in her house, while other residents loudly supported her claims.

Most residents believe that the houses should be condemned and demolished because the structures are past repair. They repeated calls for proper roads, emergency services and shopping facilities.

The Task Group will report their findings on Monday July 18 to President Mandela, Mr Joe Slovo the Minister of Housing and Development and Mr Jay Naidoo, Minister without portfolio.

Commission urged to rule on claims for houses and land

Weekend Argus Correspondent

JOHANNESBURG. — The threat of housing wars in the PWV is very real because the government will not be able to provide a home for everyone at once, warns Mohammed Dangor, a member of the PWV provincial legislature.

Mr Dangor, on the housing sub-committee, will propose that a commission be established to draw up criteria for the allocation of resources such as homes and land, to avoid trouble. ARG 16/7/94

"There will be wars around the allocation of resources. We won't be able to deliver to all the people all the time," he said.

"Existing housing lists in Johannesburg consist of the old white, coloured and Indian lists, with African names added, but Soweto was not even part of that. In Soweto there were criticisms of nepotism around the housing lists there and the allocation of houses was seen to be corrupt.

"We need to be aware of that — we don't need a repeat of the crisis in the Cape and Natal."

Housing bills go through the roof

SI Times (Buss)
17/7/94

THE Sexwale-Slovo wrangle aside, soaring building and labour costs are emerging as one of the major threats to the government's housing programme.

Figures released by the Bureau for Economic Research at Stellenbosch University (BER) show that building costs rose by 12% in the second quarter compared with the same quarter last year. Early last year price increases were as low as 4% (see graph).

Worse is to come. The BER's Nils de Jager expects building costs to increase by 18% in 1995 and by over 21% in 1996, as the low-cost housing programme raises demand for building material and pushes up wage costs.

Amid talk of artificial price increases by some

By SVEN LUNSCHÉ

players, the Department of Housing has called for a voluntary price compact between building materials and construction companies. Otherwise government would be forced to consider "other alternatives", director-general Billy Cobbett says.

The threat of surging prices to the housing programme is two-fold: it pushes up the cost to the fiscus and, more importantly, renders state subsidies ineffective, thus making houses less affordable to the low-income sector.

And while some rises in wage and material costs are accepted — since higher demand inevitably pushes up prices — officials are worried about the extent of the increases.

"We have to face the possibility of inflation and even hyper-inflation in small sectors in anticipation of increased activity," Mr Cobbett said.

In anticipation of demand shortages and supply bottlenecks, the National Housing Forum's Working Group Three has commissioned a number of reports on the building and construction industries.

The key report, by Andrew Merrifield of Natal University's Property and Construction Economics Department, highlights an industry short of capacity and skilled labour.

This is against the background of a need to increase production more than ten-fold to 300 000 units a year to meet the vast housing backlogs. Yet the construction industry, battered by five years of recession and

short of skilled supervisors, is capable of raising output by only 20% to 30%, the report says. (123)

"To build the houses, schools, hospitals and shopping centres anticipated the industry would need to restructure itself," Mr Merrifield comments.

The labour shortage is particularly severe in the construction industry, where employment levels have plunged by 50% since the mid-1980s to 375 000.

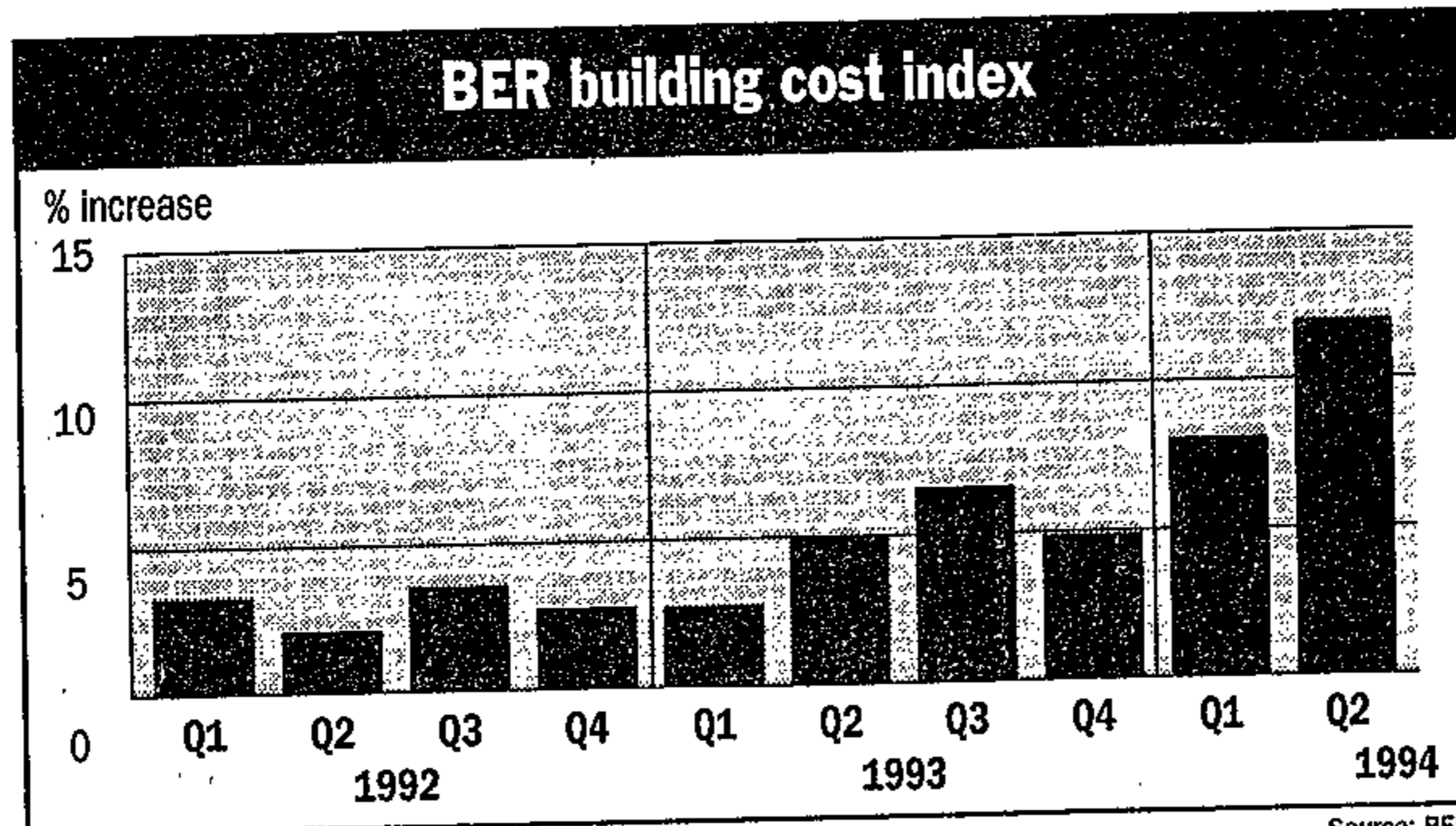
"Since most of the constraints in the industry relate to human capacity, it is likely that we will see sustained growth in housing delivery only in the next two to five years," he says.

If the government housing programme is to be met, 60 660 artisans, 295 750 labourers and at least 3 360 foremen will be needed, consultant Richard Tomlinson estimates.

This in turn would require 240 managerial trainers, 250 training officers, 85 technical, 11 professional and 175 labourer trainers.

Material prices appear to be even more demand sensitive. A study shows that between 1983 and 1989 material costs surged by 133% compared with a 67% rise in labour prices.

At peak production the NHF estimates annual material requirements of, among others, 430-million building blocks, one million tons of cement, 30-million metres of cable, 900 tons of nails, 1.5-million doors and 1.8-million water taps.



Housing laws coming

(123)
DURBAN. — Parliament was expected to pass the Developmental Facilitation Act next month to eliminate red tape hampering the government's bid to build houses and remove the backlog, Minister without Portfolio Mr Jay Naidoo said at the weekend.

In the closing address at a labour law conference here, he said the legislation had to be promulgated ur-

Et 18/7/94
gently to enable the government to deliver on election promises.

All legislation was under review and new laws would be passed to promote rights and parties' obligations.

The government had released about R1,5 billion so far to begin housing projects and had to bypass existing regulations concerning low-cost housing to speed up the process.

Building costs threat to housing

Own Correspondents

THERE are signs that smaller manufacturers of building materials are preparing to introduce price increases which could seriously damage government's low-cost housing initiatives.

Contractors were told recently of a proposed 50% increase in the price of certain types of bricks over the next five months, but major manufacturers Corobrik and Cullinan promised restraint.

Building Industries Federation of SA executive director Ian Robinson said news of proposed price hikes was staggering.

"Major construction industry players met last week to discuss government's call to clamp down on price hikes in building materials. It was agreed that they would be kept to acceptable levels," he said.

The trend towards significantly higher prices was evident in figures released at the weekend by Stellenbosch University's Bureau for Economic Research (BER). They showed that building costs rose 12% in the second quarter compared with the same quarter last year.

BER economist Nils de Jager warned that building costs could soar 18% next year and

123 # CT/8/7/94
Smaller
producers
bump up
brick
prices
by 50%

more than 20% in 1996.

Claybrick Association executive director Nic Louw said brick price increases were inevitable in view of tough trading conditions in the past four to five years. Manufacturers had been operating at 65% capacity and much business was lost to lower priced products.

"Most operations during that period were supported by government tenders for schools and clinics, as few houses were built in the past year."

Prices had been kept low and the current increases should be

seen against a background of overall increases in product pricing.

The latest increase was a result of producers providing for expansion, which meant a larger labour force and new machinery and peripherals.

Bravo Bricks MD Jacques van Graan said higher consumer demand had led to a price increase. His company had received more than 100 inquiries since the elections.

Corobrik MD Errol Rutherford said the organisation had increased prices between 5% and 8% in April, and while there was always the temptation to put up prices further, the industry had to be responsible.

Cullinan Bricks spokesman Michael Berg said his company would not increase its prices. It was likely to have a board review in October but this would not automatically lead to a price increase.

Concrete Masonry Association spokesman Patrick Kelley said a co-ordinated price increase in the concrete brick and block manufacturing industry was unlikely as all operators were independent.

Prices for stock bricks were unrealistically low and could improve with better economic conditions.

Mandela urged to take dramatic action

MICHAEL MORRIS
Political Correspondent

PRESIDENT Mandela has been urged to take dramatic measures — including a three-month moratorium on legal action on rates and rent arrears — to prevent a “crisis” in the Delft housing scheme from turning into a “disaster”.

This is the essence of a detailed report drawn up in just over two weeks by a special task group appointed by Mr Mandela, Housing Minister Joe Slovo and Minister Without Portfolio Jay Naidoo.

It has found while the delivery of 7 000 housing units in just over four years and in a difficult political climate “deserves special credit”, Delft is “not sustainable as a long-term housing model for low-income communities”.

But, in spite of major problems in Delft, the task group believes the huge housing scheme “can be nursed back to good health”.

Collectively, the task group says, the problems in Delft “have become a crisis and, without significant intervention, could become a disaster”.

An executive summary pre-

□ Delft crisis: Call for 3-month moratorium on rent arrears

sented at a briefing to Mr Slovo, Western Cape Housing Minister Gerald Morkel and others was released yesterday. The full report was not available to the Press.

It recommends that a three-month moratorium be placed on all new development, payment of loans to government authorities and legal action against non-payment of loans, pending transfers and bond registrations, as well as non-essential repairs to houses, to allow for a thorough rethink of all the financial and administrative systems that apply in Delft.

It urges the government to “use their best offices” to secure a similar moratorium to cover loans from private financial institutions in cases where there is a fear or threat of foreclosure.

It also calls for: ● The appointment, in consultation with “representative community structures”, of a “suitably qualified” town administrator to assume responsibility for the delivery and administration of municipal services.

● The provision of emergency funding of R2 million from the National Housing Board “to be put at the disposal of a democratic and inclusive community structure to enable the community to play a leading role in... restructuring Delft”.

It suggests that an “assessment team” be appointed to decide, during the three-month moratorium, which houses in Delft should be rebuilt and which repaired, and that every element of the proposed planning and design of Delft and Delft South be reviewed to “create an acceptable and integrated living environment”.

Mr Slovo said these recommendations would now be discussed with Mr Mandela and the government would then decide what action to take.

The task group found: ● The Delft model is “financially and not just constructing a city and not just constructing houses”.

● Ensuring affordability and sustainability are the cornerstones of the model.

● Placing emphasis in planning on “growing the city to absorb the newly urbanising and lower-income communities”.

It warns that “mass housing provision per se is not the way to kickstart the economy”.

It could lead to greater urban inefficiencies and a further loss of natural competitiveness.

‘Shoddy finance institutions must share the blame’

Political Correspondent

HOUSING Minister Joe Slovo has claimed “shoddy” financial institutions and housing developers must share blame for the country’s multimillion-rand rent and bond boycott debts.

He acknowledged that some of the boycotts were politically inspired, but said there was a “well-grounded perception (in the townships) that developers, builders and some of the financial institutions have not matched up to their responsibilities”.

A fresh World Bank report had corroborated this view, he said.

Affordability was also a factor in the non-payment of bonds and rents.

Speaking at a briefing on the Delft task group report, Mr Slovo said the problem was a “large” one and would not be solved “overnight”.

The government’s approach was to attempt to “create the conditions, the general framework, in which people will begin to meet their obligations in paying bonds and rents”.

“We will not be able to create this overnight, but we hope it will not take too long to create the climate in which people will respond”.

He said the government was aware “of what has been going in the construction industry”.

“The delivery of shoddy products and poor quality and factors of that sort have had an influence on communities’ willingness to match their obligations,” he cited a World Bank report which said “poor banking and not political considerations were a determining cause of defaults in the black community”.

Mr Slovo said: “It is a complex problem, and we will be working with the private sector, and with the communities, to begin to address it.”

Housing ball to begin rolling soon — Slovo

Political Correspondent

FAR-REACHING legislation to set the mass housing ball rolling is expected to be tabled in Parliament soon, says Housing Minister Joe Slovo.

It would set guidelines to determine how national housing funds should be spent by the provinces, but would not restrict the “creativity and initiatives” of regional governments in their housing planning.

Mr Slovo was speaking at a briefing on the report of the government-appointed task group that has spent weeks studying the 7 000-unit Delft housing scheme as a potential model for mass housing.

The task group, led by engineer Bev Mitchell, found that Delft was not a “sustainable model”.

It reported the “fundamental concept of developing large-scale housing initiatives on the periphery of urban settlements is flawed and should be very seriously reviewed”.

The task group’s key recommendations for future mass housing are:

● Creating a demand-driven, community-oriented, housing delivery system integrated with existing urban areas, “now that South Africa is a rights-driven society”.

● Housing subsidies should provide access to finance and create a demand for houses.

● Using subsidies as a form of credit within a financial system that attracts commercial funds, and using funds to create the opportunity of “growing



Attempt to 'give direction' on use of funds

Slovo to set out new housing standards

Star 20/7/94

Cape Town — The Government is preparing legislation to map out new standards for low-cost mass housing, Housing Minister Joe Slovo said yesterday.

Slovo said his ministry would not stifle initiatives at the provincial level but he wanted to "give direction" about how national housing funds should be used by regions.

He said in many cases rent boycotts had been due not so much to political reasons but because people did not accept the "shoddy and poor quality" housing offered.

He said the new legislation would be tabled at the next session of the National Assembly starting in August.

Slovo was speaking during a

LEGISLATION on low-cost mass housing is being prepared and will be tabled in Parliament in August

report-back by a task force into the Delft housing scheme. It was appointed two weeks ago after storms wrecked low-cost houses in Delft in the Cape Peninsula.

Task force chairman Bev Mitchell said the group had recommended that the Government provide R2 million of emergency funds to the owners of the storm-damaged houses.

Other recommendations included a three-month moratori-

um on payments to local authorities for new buildings in the area and action against owners for non-payment of loans. Banks that had provided home loans for the area would be requested to abide by their payment moratorium to prevent foreclosures.

Mitchell said although the Delft project provided 7 000 economical homes in about four years, it was financially unsustainable and a poor model for future housing projects.

Urban developer Ivan Prinsloo said the project had been built on ground with a high water table, which prompted complaints of chest infections. The task group also found that the quality of the construction was "not adequate". — Reuter.

Novel plan hatched for self-help home-builders

Star 21/7/94

■ BY PATRICK WADULA

A company supplying building materials on credit has come up with an innovative concept to help people wanting to build their own homes.

Don McDonald, executive director of Bonus Building Supplies, says the concept is an off-the-shelf, room-by-room building system enabling people to build their own homes for as little as R650 a month.

The scheme provides not only basic building supplies on credit, but also;

- A system of building one room at a time;
- House plans supplied free of charge;
- Free advice on material quantities required;
- A step-by-step booklet on how to build;
- Free delivery of all materials.

McDonald says the initial target market will be the Eastern Cape, where local authorities, together with developers, have taken the initiative by providing semi-serviced sites for would be homeowners to buy and build on.

More than 15 000 employees of the McCarthy Retail group will also be offered access to the scheme. (123)

"Allowing employees to access corporate pension funds and borrow the money to participate in the scheme is an ideal way of raising finance."

Based in Durban, Bonus Builders Supplies intends expanding its chain of 20 stores, mainly in the PWV and Kwazulu, into a nationwide network.

The planned growth would represent an investment of R80 million to R100 million on top of the R50 million already pumped into the operation.

R12 500 houses the big challenge

(123) April 21/1994
□ CSIR seeking long-term solutions

JENNY VIALI, Staff Reporter
SOUTH Africa's real challenge lies in providing housing units costing less than R12 500, including the cost of a serviced site in the case of township development.

So say Harry Touzel and Rodney Milford of the CSIR's Division of Building Technology in an article in the organisation's monthly *Technology* brief.

"The challenge posed by the Reconstruction and Development Programme (RDP) is obvious: build enough houses which low-income households can afford in as short a space of time as possible," they said, acknowledging that meeting this challenge would require a huge effort.

The CSIR's Land-Use Management programme was looking at a wide range of issues, of which household incomes and the relative standard of housing that could be afforded were of crucial importance, they said.

More than 60 percent of black households earned less than R1 000 a month, while the majority of households in all provinces earned less than R1 500 a month.

"It's obvious that most households will have severe problems in affording housing."

"Households currently qualify for a state subsidy of R12 500 when they earn up to R1 499 a month, R9 500 with an income of R1 500 to R2 499 a month and R5 000 with a monthly income of R2 500-R3 499."

Households earning less than R1 000 a month would not be able to afford any form of housing without the state subsidy.

Even with the subsidy, they could not afford more than a serviced site with an alternative housing structure.

Housing was not an isolated activity and the Land-Use Management Programme involved research and development to provide objective and apolitical information and decision-making support for planning, management and trend analysis in rural and urban settlements, the authors explained.

The programme involved a number of policy makers, including the National Housing Forum, National Housing Board and the Department of National Housing.

In a report in *Housing in South Africa*, Mr Touzel, writing on the equitable distribution of subsidy funds, said it was especially important that

the lowest income groups received their fair share.

"It is also essential that the funds are equitably distributed to different regions, and within those regions (to metropolitan, urban and non-urban areas)."

About 60 000 units were required annually to eliminate the housing backlog in South Africa - excluding the former homelands - by 2010.

Another 150 000 units were needed each year to meet the need created by the country's population growth, excluding the former TBVC states.

The proportion of informal housing was especially high in the Cape and Port Elizabeth/Uitenhage metropolitan areas, indicating an urgent need to address problems in these areas, Mr Touzel noted.

Household income profiles indicated that black people in the major metropolitan areas were generally better off than those in other urban areas, with the exception of Bloemfontein and Cape Town.

Given the size of the housing need, it was unlikely that the housing problem would be resolved in the short term, he said.

"Many households will not gain immediate access to a subsidy even if they are eligible, due to fiscal constraints on the state."

It was therefore essential to ensure an equitable distribution of subsidies.

This meant subsidies had to be allocated to regions in proportion to the need within each region; to metropolitan, urban and non-urban areas within each region on the basis of the relative need within each area; and to different household income groups on the basis of their proportion to the total need.

The newly-announced subsidy scheme would rely on applications from developers and individuals, and would be evaluated by Regional Housing Boards and possibly by the National Housing Board, depending on whether housing became an exclusively regional concern, Mr Touzel said.

"The majority of funds should be allocated to low-income households earning less than R1 000.

"Allocations between regions should be based on relative need.

"Close attention should be paid to rural areas which may be less attractive to private developers.

"It may be that in the rural or non-urban areas the state will have to act as developer, putting projects out to tender," said Mr Touzel.

FIGURE 1
Percentage households per income category: Urban RSA (1993)

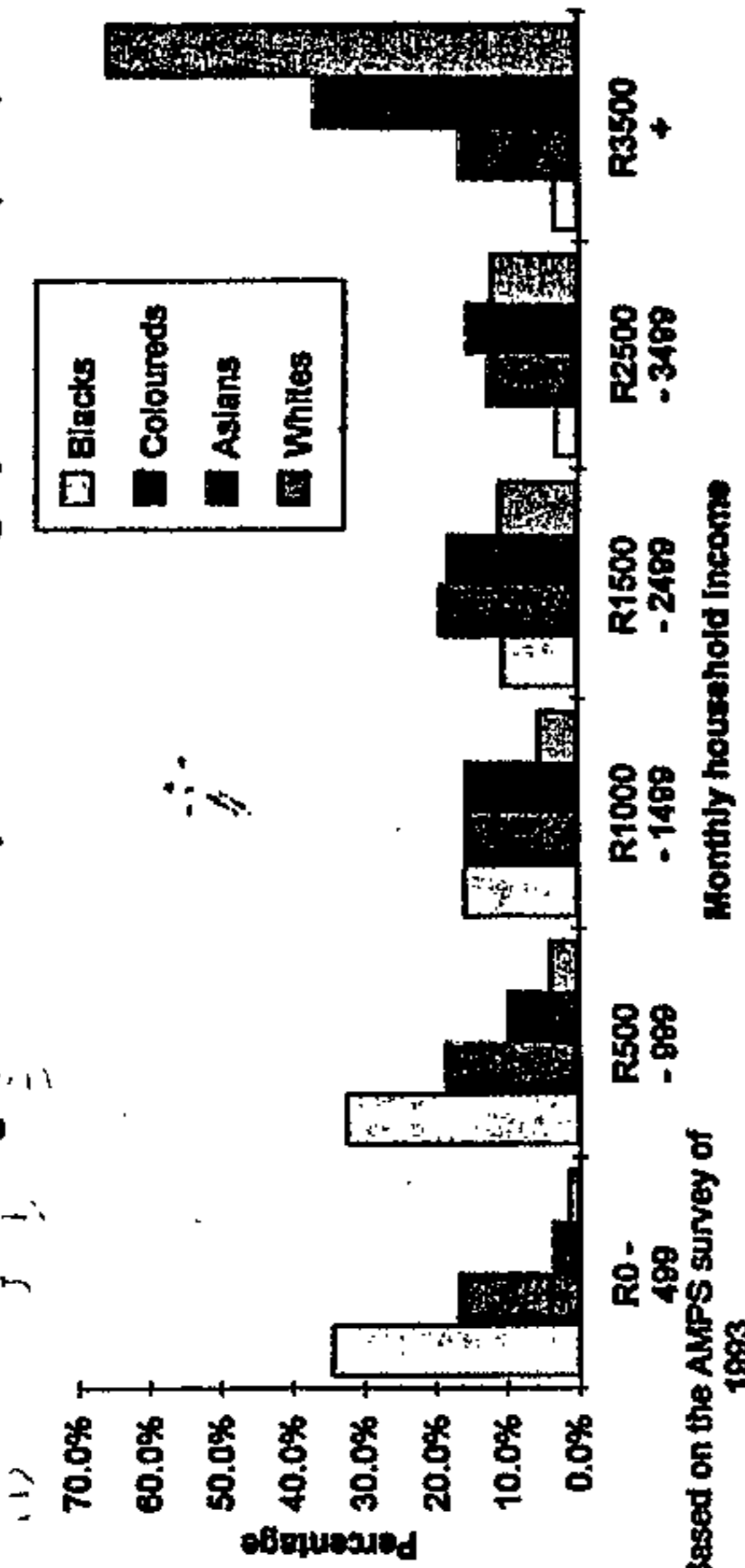
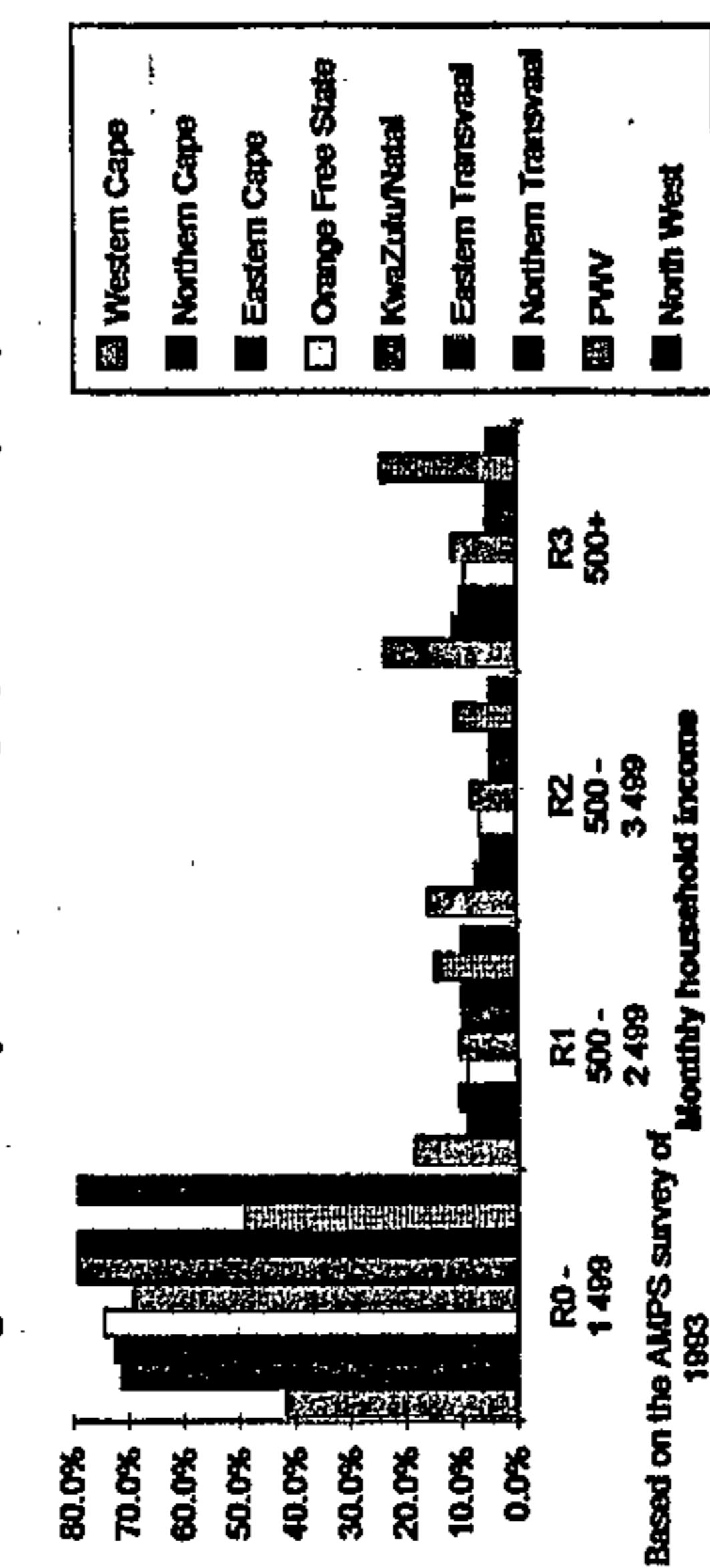


FIGURE 2
Percentage households per income category: Provinces (1993)



GRAPHIC FIGURES: These graphs show: FIGURE 1 — income distribution of urban households and; FIGURE 2 — income distribution of households in the nine provinces.

Weekend Argus

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Slovo in housing warning to banks

B. Day

Business Day Reporter

HOUSING Minister Joe Slovo warned leading banking institutions at the weekend that unless their reluctance to grant home loans to lower income groups changed, legislation may be introduced to change the situation.

Slovo, speaking at the opening of the first Community Bank outlet in Benoni, said he was concerned about the continuing reluctance of the major banks to grant housing loans to "ordinary people in ordinary jobs, with ordinary incomes".

"But should this reluctance become a permanent feature, then we are going to have to look for other ways to encourage banks to open their doors to the lower end of the market — if necessary through legislation." 25/7/94

He said it would ultimately be up to the major banks and lending institutions to help solve one of the country's most basic problems — housing.

Slovo also called for an end to rent and bond boycotts. (S) (173)

"If we are saying to the banks that they must make themselves more accessible to the smaller borrowers and to ordinary people, then we have to be prepared to enter a social compact, which says that people will meet their bond repayments."

He said rent and service boycotts were understandable in the past, not just for political but also for economic reasons. "But the time is coming

for everyone to accept that they have a responsibility to pay for their housing and the services they receive."

He said that while it was known that commercial banks and large institutional investors were not charitable institutions, the new SA demanded that they measured up to their social responsibilities.

He said the Community Bank would be a "trailblazer" in this area. It had a large role to play in demonstrating how access to credit could be liberalised and democratised.

He said the bank's priority would be to open the doors for the poor who were most dependent on small loans to own a home. The reality was that 60% of South Africans could not afford to buy a decent house.

The bank had held workshops in the community to explain its functions, the importance of interest and how bonds and loans worked.

He also criticised the shoddy work of many contractors, a fact which had become clear after the damage caused to homes during the recent storms in the Cape.

"Contractors, whether they are large or small, must know that they are not going to get away with this kind of shoddy work in the future. We are going to make quality control an issue in the interest of the consumer," he warned.

Build quality houses

Sowetan

25/7/94

By Joshua Raboroko

THE South African Institute for Quality and Reliability Management has strongly recommended "quality awareness" to the Minister of Housing, Mr Joe Slovo, when building the 150 000 housing units.

The recommendation has also been sent to nine premiers of provincial governments urging them to avoid "poor workmanship".

SAIQRM chief executive Mr Henry Mambane said small and medium size builders and contractors must be trained in quality management.

Most white builders and contractors received training in quality management and blacks had been excluded due to inferior education during the apartheid era. Affirmative action programmes must be perceived as a priority in the building industry.

In its policy paper the ANC said: "If well handled, affirmative action will help bind the nation together and produce benefits for everyone.

"If badly managed, affirmative action will simply redistribute resentment, damage the economy and destroy social peace."

Legislation to enforce affirmative action could be introduced by the new government within two years, according to a survey.

The survey conducted on behalf of the Steel Engineering Industries Federation of South Africa says this legislation may require companies to set targets and time frames for affirmative action policies.

It could involve the establishment of a commission to monitor progress and penalise those not complying with the

law.

An encouraging aspect flowing from the report is that 61 percent of the companies surveyed recognise the need for black empowerment.

However, the number of companies actively pursuing an affirmative action policy has declined to 38 percent from 39 percent recorded in last year's survey.

The main reason for the slump, according to the survey, is that more than a third do not know how to implement such a policy.

Also significant is the fact that 23 percent of companies questioned do not agree with black empowerment, 18 percent believe it will result in a decline in standards and 3 percent fear a white backlash. (123)

Mambane says: "We strongly recommend that all building personnel must be trained in principles and applications of quality management."

These will include that:

- Quality awareness programmes be presented to all bricklayers, carpenters, plumbers and

- Quality management programmes must be presented to management of building contractors;

- The institute will help small and medium contractors in writing quality manuals towards getting accreditations from the South African Bureau of Standards.

- The institute will offer to be an independent agent to monitor the quality process of building houses on site, placing quality technicians throughout the country.

The institute suggests that finance towards training, inspection and quality system accreditation must come

from major contractors, banks and government departments.

The proposed government Reconstruction and Development Programme is dramatically increasing the number of home-owners in the country, according to a report by Ian Clover and Associates.

The report says there is a growing number of prospective homeowners who have been victims of unscrupulous practitioners because of their lack of knowledge of buying and owning a "quality home".

Unless something is done this number will continue to increase considerably.

Proof of this is that the Estate Agents Board is expected to receive R12 million in claims against estate agents and others acting as agents this year.

This is opposed to the R23 million in claims paid out during the past 18 years. Many of these claims are against people who are not registered and sell bogus building contracts.

Stocks and Stocks, a leading building company which was accused of "paltry workmanship" by residents of Othandweni in Tokoza, has indicated its willingness to mend fences with the home owners.

The company was apparently questioned about its involvement in plans to build about 150 000 houses a year, announced by the PWV premier.

The residents claimed about 300 houses built in the area for them were examples of faulty workmanship.

The company has refuted the report, saying a sewer reticulation system had caused the problem.

By GRETA STEYN
and MAGGIE ROWLEY

BANKERS and housing officials will meet this week in a bid to iron out the differences that have delayed finalising the mortgage indemnity scheme — the key to banks' involvement in mass housing.

The scheme, which is intended to provide banks with insurance against default, was on the point of being announced several weeks ago when new differences surfaced between government and bankers. Sources said the main issue was the sharing of risk between government and the banks, with the latter asking for 100% cover for political risk while the Housing Department argued that government could not be that generous.

There was also a dispute over how to draw the line between political and economic risk, with some bankers arguing for wider cover.

The Association of Mortgage Lenders (AML) will discuss these issues today. A spokesman for Housing director-general Billy

Housing finance talks agreed to

CT 26/7/94

123

Cobbett confirmed that a "workshop" with the bankers was scheduled for Friday.

Standard Bank spokesman John Holloway said the banks were eager to step up lending at the bottom end of the market, but were in an invidious position because they had been unable to take possession of properties in cases of default.

FNB spokesman Andre Latre reiterated the banks' commitment to finance low-cost housing, but said banks could not be held responsible for defective housing, as suggested within the National Housing Forum (NHF), as housing was not their product.

Absa was not available for comment, and the Perm declined to comment until the AML meeting had taken place.

Angus Herselman, who heads up the retail lending sub-commit-

tee of the NHF, said that if agreement could be reached at the meeting, this would be referred back to the joint technical committee for finalisation.

"We are hopeful we are looking at the end of August, as intimated by Minister Joe Slovo."

● Meanwhile a 10-person task group from AML and the SA National Civics Organisation (Sanco) is currently in the US on a fact finding mission.

According to Martin Milburn-Pyle, executive director of the AML, the task group was looking at the provision of housing finance, lending policies and other ways of extending credit to low income groups: "But the US systems and solutions however cannot merely be imported as only about 10% of that country's population is disaffected while our situation is the reverse".

Mortgage lenders in talks with ⁽¹²³⁾ Slovo

Property Editor

THE Association of Mortgage Lenders is to meet Housing Minister Joe Slovo next week to discuss among other things his recent reported threat to force banks to finance low income home buyers if this was not done voluntarily.

Piet Liebenberg, CE of the Council of SA Banks (Cosab) said banks had been surprised by this apparent threat as the matter had been discussed in depth at an AML meeting earlier this week.

The AML pointed out that at a meeting with the minister shortly after his appointment, full co-operation had been pledged by both government and the banking sector to jointly seek solutions to the country's housing crisis.

The fact that banks, as financial intermediaries, had the capacity to assist the 35% of the population who were able to service mortgage finance debts, was understood and accepted by government.

However, Liebenberg said that in general terms, a perception seemed to have been created that banks lend out money which is owned by them.

"Banks do not lend out their money — they lend out funds that have been entrusted to them by depositors and savers. They cannot therefore indulge in high-risk lending to people who are either unable or unwilling to repay loans".

Martin Milburn-Pyle, executive director of the AML, said the AML technical committee would meet special ministerial adviser Billy Cobbett in Pretoria today to discuss the mortgage indemnity scheme.

The meeting with Slovo will be held in Cape Town on August 4.

Banks concerned over Slovo's warning

CLIVE SAWYER
Political Correspondent

(123) ARG 29/7/94
ing this country.

THE Association of Mortgage Lenders will meet Housing Minister Joe Slovo next week to discuss his reported warning of laws to force banks to lend money to low-income home-buyers.

The issue was discussed at length at an association meeting this week.

The association said banks were "surprised" by the reports.

"At an earlier meeting with Mr Slovo, soon after his appointment, full co-operation was pledged by the government and banks to use every endeavour to seek solutions jointly to housing problems fac-

own money, he said.
"That banks do not have the capacity to prudently assist the 35 percent who are able to service mortgage finance debts was understood and accepted by the government," the association said.

Council of South African Bankers chief executive Piet Liebenberg said: "A perception seems to have been created ... that banks lend out money which is owned by them."

"Such apparent lack of understanding of the way the banking system works is a matter of grave concern."

Banks did not lend out their

own money, he said.
"They lend out funds entrusted to them by depositors and savers."

"They cannot indulge in high-risk lending to people who are either unable or unwilling to repay their loans," Mr Liebenberg said.

Banks many times had shown their willingness to help find solutions to the housing crisis.

"Unless the culture of non-payment of bond instalments, rents, and services on slight pretexts and the restoration of due process of law in repossession of properties is overcome, there will be continued reluctance by mortgage lenders to re-enter this market."

R700m of property repossessed

(23)
JOHANNESBURG. — Properties worth at least R700 million — 14% of the total lent in townships since 1988 — had been repossessed, banking sources estimated.

Sources said the repossessions level was a key obstacle to bringing the industry into Housing Minister Mr Joe Slovo's low-cost housing plans. CT 11/8/94

The Association of Mortgage Lenders will meet Mr Slovo on Thursday to discuss his warning that the banks could face legislation to force their compliance.

Sources said lending in the townships was around R5 billion, against a total home loan market of R100bn.

Of the total houses repossessed, about 85% belonged to blacks against 1% to coloureds and Indians and 14% to whites.

Sources said the banks realised they had a rôle to play in reconstruction and development. But until government removed the risk, they were not prepared to jeopardise earnings or risk depositors' savings.

Handling levy coming for home-buyers

By MAGGIE ROWLEY
Property Editor

A SPECIAL handling fee is to be levied on home-buyers from October 1 to raise R50 million a year to cover the costs of running the country's eight Deeds Offices.

Buyers of houses costing over R60 000 but less than R150 000 will pay a fee of R75 and buyers of

houses over R150 000 will be levied R100 for Deeds Office services.

These services have been free to consumers but paid for by the taxpayers.

As in the case of transfer duty, land-owners with transfers of property not exceeding R60 000 will be exempted from registration fees. Chief registrar of deeds Mr C

Slothouber said the move to grant financial independence to the Deeds Office by the government had been sparked by the expected increase in property transactions.

"The increase in transactions means the government would have had to pump more money into the Deeds Office which would have resulted in a tax increase. But now

those who use the service who will pay for it," he said.

Mr Slothouber said the estimated R50m a year would cover the salaries of its 728 employees and the operating costs of the offices countrywide.

Although financially self-sufficient, the Deeds Office will remain part of the Department of Land

Affairs.

The decision to exempt less privileged land owners from the burden of the registration fees, which will be subsidised by transactions of the more privileged land owners, was in line with the government's Reconstruction and Development Programme (RDP), he said.

123
CT 3/8/94

Cabinet appoints department heads

CT 4/8/94

THE cabinet approved the appointment of three new directors-general for the departments of education, housing and sport yesterday.

Meeting for the first time after the parliamentary recess, it also approved three draft bills regulating the intelligence services and a draft White Paper on intelligence, and formally decided that South Africa should join the Southern African Development Community.

The cabinet secretariat said in a statement that the "excellent spirit of co-operation" in the government was "once again noted and commented on" in the meeting.

The three bills were designed to regulate, define the functions of and provide for parliamentary supervision of the intelligence services.

Another bill approved by the cabinet for submission to Parliament was the Restoration of Peace and Order Bill, which would repeal security legislation in the former TBVC territories inconsistent with the Constitution.

The cabinet approved the appointment of Professor N C Manganyi as director-general of National Education, Mr Billy Cobbet as director-general of Housing, and Mr M Tyamazhe as chief of Sport and Recreation (123)

Slovo, banks to discuss low-income housing

BIDAY 4/21/94
SAMANTHA SHARPE

THE crisis facing the low-income housing market, which falls outside the ambit of commercial and community banks, would be on the list of priorities in today's meeting between Housing Minister Joe Slovo and a delegation of bankers, government said yesterday.

Government was keen for the Association of Mortgage Lenders to take some responsibility for providing housing to low income earners. This group failed to qualify for assistance from commercial institutions because of the high risk associated with lending to them.

But members of the banking fraternity said that was government's burden.

Banks have traditionally kept their mortgage lending to markets where people earned between R1 500 and R3 500 a month, a bracket that excluded the bulk of those desperate for housing.

The recently formed Community Bank, while not averse to lending to those earning less than the R1 500 ceiling, would require some time before being able to extend lending to those falling into the low income bracket, it said yesterday.

Community Bank MD Archie Hurst said that would create a delay when the de-

mand for housing could not be met by any financial institution.

Bernhardt Dunstan & Associates director of corporate housing policy Paul Hendler suggested that the "mortgage finance impasse" would take about 12 months to resolve.

Speaking at a retail banking conference yesterday Hendler suggested a model for short-term lending through an intermediate financing mechanism involving corporates as lenders. (58) (123)

This would see companies set up a subsidiary which would borrow from banks at the BA rate and then lend to employees at the same rate plus a small premium.

He stressed that the proposal was an interim one and there would be a negotiated transfer to a conventional bond in a new housing dispensation in the near future.

"Banks would find this approach attractive because it guarantees their investment, while other guarantees are in the process of being negotiated.

"A proactive approach by companies takes some of the heat off the banks by removing them as the target of people's hostility about housing."

Fu 518/94

LOW-COST HOUSING

Government, banks draw closer

Government and the Association of Mortgage Lenders (AML) appear to be moving closer together on the crucial issue of covering banks' potential losses in lending in low income areas — a matter which has been frustrating the provision of bank finance for low-cost housing.

The two parties have been discussing a Mortgage Indemnity Scheme (MIS) for about year.

What is envisaged is essentially an insurance company capitalised by government or foreign aid finance and maintained by premiums paid by borrowers. The scheme should give banks a margin of comfort over their lending in low income areas. Statistics show that about 14% of properties financed in the townships have had to be repossessed over the past five years.

The major stumbling blocks in the negotiations have been the extent of insurance cover government should offer banks in the event of the nonpayment of bonds and an inability to repossess properties where a bond default has occurred. Another has centred around the size of the insurance premiums to be paid by borrowers.

Last Friday, National Housing Department director-general designate, Billy Cobbett, met with an AML delegation to initiate the first round of direct talks. A meeting between Housing Minister Joe Slovo and the AML is expected to follow soon.

The extent of MIS cover on unpaid monthly interest payments was expected to be one of the subjects up for discussion in the first round of the talks. Also covered would be the cover banks would be entitled to in the event of their being unable to take possession of a property in default due to a breakdown in the legal process. The current thinking is that the MIS should cover the bank's losses should it not be able to repossess the property before a sale in execution, or at the sale.

Denis Creighton, MD of the Perm's PIP division MHF Properties and an AML delegate to the talks, says he hopes the indemnity will cover not only the actual loan which has been defaulted on, but also interest payments of up to 12 months on the bond, as well as foreclosure costs.

Says Creighton: "We are prepared to take the commercial risk of possible losses as a result of a variance in the property value,

(123) but we cannot compromise on secured lending."

How significant is the loss in value if the scheme covers the amount of the loan?

Creighton says: "A prudent structuring of the loan would ensure recovery of the value in most cases if we are able to get access to the property. We are prepared to negotiate some loss sharing — provided the



Billy Cobbett



Denis Creighton

initial capital is fully covered."

Under normal conditions, he says, the loan could increase by the amount of accumulated interest and foreclosure costs, which a bank would expect to be covered by the (rising) value of the property. In an abnormal situation, where properties are depreciating in value, the losses could be real. "We have been negotiating with government at a technical level and have resolved most of the issues but we have never finalised the package, either with the previous or current government. We are prepared to go in there now and try to find one another."

Creighton says that as far as the banks are concerned, "the risk (of lending in the low-cost housing market) is not insurable on a commercial basis. Therefore, government must stand behind the indemnity."

Another important issue is the market in which banks are expected to operate. Cobbett wants banks "to go as low as they can," but Creighton sees the ceiling as "the R1 500-R3 500/month income bracket, and possibly lower" — provided the mortgagee can demonstrate "stability of employment, regular income and earns above the subsistence level."

Creighton says he was surprised to learn that the recently opened Community Bank was targeting mainly the R1 500-R2,500/month housing market and not lower income earners. "It seems that we are

going to repeat the same mistakes we made in the early Eighties where assistance was not forthcoming in the lower end of the market, where the bulk of the need is. It's easy enough to gravitate upwards in lending," he says (see Community Bank).

No doubt the fact that 65% of the low cost housing market continues to be ignored by banks in whatever form is at the heart of government concern. Subsidised rental is probably the most expensive form of tenure. ■

TIMESHARE

Make or break rescue

Timeshare owners have been called upon once again to put up money over and above their original timeshare purchases to salvage their rights in a faltering scheme.

The latest timeshare casualty is Ngwenya in the Eastern Transvaal near the Crocodile Bridge entrance to the Kruger National Park.

The developer, Ngwenya International, was placed in provisional liquidation in February and now the resort's roughly 1 300 timeshare owners have learnt that the land on which 30 timeshare units have been built — the developer was entitled to build up to 100 — was never transferred to the two shareblock companies they purchased their timeshare weeks from.

The executive director of the Timeshare Institute of SA, Peter Erasmus, says he understands transfer was originally delayed because of difficulties concerning servitudes. Once these were overcome, the third bondholder, Alpha Bank, went into liquidation and the curator refused to give consent to the transfer.

According to a letter to shareholders dated May 11, the developers claim they applied for liquidation because they could no longer service the interest on the bonds over the property. Standard Bank holds the first and second bonds.

A director of the development company, Marius Labuschagne, says the bond default came about because of "the deteriorating economic situation which had caused timeshare sales to dwindle to a trickle". However, one source says Labuschagne stopped the marketing programme in November last year.

A number of offers to purchase the property have been made to the liquidators, Andrew Wilkens of Deloitte Touche and John Fourie of Antrust.

One, from John Hume who runs Garden

Continued on page 51

some time. He has scored very few runs on this tour of England; what makes the drought worse is that everyone else has been productive at some stage. Even Gerhardus Liebenberg and Daryll Cullinan, the other two batsman with miserable tour records, managed to get runs in the most recent county games.

It may not help to tell a batsman who is having a run of low scores that he is not alone, but it probably does no harm either. Hudson might take comfort from the bad trot experienced by Sir Jack Hobbs, one of the two greatest batsmen in the history of cricket. Sir Donald Bradman was unquestionably the most prolific batsman the game has seen, having scored on average a century every 2,88 innings in his first-class career. But some experts argue that Hobbs was the best batsman on all wickets.

Certainly, Hobbs scored more first-class runs (61 237) and centuries (197) than anyone else before or since in a career that stretched from 1905 to 1934 and included 15 centuries in 61 Tests. Yet there was a time when he fell almost into despair because he simply could not make runs. In 1905, he had a sequence where he scored 150 runs in eight matches, at the abysmal average of 9,3 per innings. John Arlott, in his biography of Hobbs, set out the essence of the problem:

"The margin of error between middle and

edge of a cricket bat is, after all, only two inches. That is a truth which never enters a batsman's mind when he is in form; when he is off, it can become an obsessive hazard. In a real 'bad trot' the problem rapidly becomes more psychological than technical . . . Nets may help, but they are no substitute for confidence — nor for the luck an out-of-form player needs. At a time like this the cricketer recognises his loneliness. There is no isolation in sport so complete as that of the batsman as he faces a bowler supported by ten fieldsmen. The starkest form of that loneliness is suffered by the opening batsman.

"Once distress infects a player it intensifies; anxiety and weariness feed upon one another; worry-tensed muscles exaggerate difficulties, investing normal stroke-reaction with peril: all at once, what had seemed as natural as breathing becomes impossible."

This is where the confidence of the selectors comes in. They have to be sure they have the best man for the job and stick with him — but without a good Test record this approach is obviously difficult to sustain. Happily for Hudson, his Test average is over 40 and he is the only man to score a century in his Test debut for SA. The value of that 163 against the West Indies at Bridgetown went far beyond the context of the match.

David Williams

A FIGHTING CHANCE

The 10th annual Box and Dine event in support of the Hospice Association of the Witwatersrand will take place at the Sandton Sun on September 1.

Half a dozen amateur bouts in various weight divisions are presented by boxers from the National Defence Force. Several top professional boxers will also be there as guests.

Fifty tables of six are available, each at R1 200. Reservations should be made now: tables are allocated on a first-come-first-served basis and more than half have already gone. The event is for men only.

All the money raised from the Box and Dine patrons goes to Hospice. This is because the five-star meal and use of the Maroela Room are made possible by the generosity of the Sandton Sun, with wine courtesy of Boland Wine Cellars and whisky donated by Bell's (a sponsor of Box and Dine from its inception).

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EXPECTATIONS

Awaiting houses

Expectations among blacks have had a surprising negative effect on housing demand from at least one organisation servicing the market.

The reason: many people believe the election of a democratic government will bring with it free housing for all — and they are waiting for this to happen rather than borrowing to build. (123)

This is according to the KwaZulu Finance Corporation (KFC), which granted R82,6m in loans for housing in KwaZulu/Natal in its 1993-1994 financial year, bringing its total home loan book to R423,5m.

According to CEO Marius Spies, the organisation might, in view of a decline in levels of violence, have expected demand and lending conditions to improve in the post-election period. However, "we have actually experienced a fall in demand over the last quarter because many people believe they will be given free housing by the new government if they wait. Clearly, of course, this is unattainable."

CURRENT AFFAIRS

Ironically, the consequences of this problem are similar to those which occurred in the Eighties, when disparate housing subsidies offered by about 14 different authorities resulted in excessive demands on some development authorities, while others were left with land and capital but few applicants.

The ANC's RDP policy statement nowhere mentions free housing.

What it does say is that government funds and private sector finance must be blended to make housing finance affordable, that end-user finance and credit must be made available for diverse tenure forms and that commercial banks must be encouraged through legislation and incentives to make credit available to low income areas. (123)

Quantifying the extent to which demand has fallen off because of expectations, Spies says: "The three-month average number of home loan applications received since the election is a 32% decline when compared with the pre-election three month average."

Lodging may help housing crisis

DAVID DEWAR

Bizday 5/18/94

ONE plank in the outline housing policy agreed to between the National Housing Forum and the National Housing Department is rental housing, and a combined task group is exploring this issue. There has, however, been little public debate about it.

That there is a considerable need for rental accommodation is beyond doubt. On the one hand, there are large numbers of households which cannot afford the costs associated with home ownership. On the other, there are indications of large numbers of urban dwellers who do not wish to own homes in towns or cities. Numerous surveys have indicated that circulatory migration between rural and urban areas is very large and is deeply entrenched.

The conclusion must be that large numbers of lower-income households have two different sets of housing needs — permanent and temporary. It can be anticipated that a significant number of these households would prefer to take up ownership and more permanent housing policy benefits in the rural areas, while renting in urban areas.

probable demand would be enormous: indeed, it could not be met and would derail other policy instruments aimed at promoting ownership. At today's prices it would require a capital subsidy of about R40 000 a household, as opposed to the maximum of R12 500 available on ownership schemes.

In reality, the supply of stock could not match demand.

Hints about an alternative way of viewing the issue can be found in the housing experience of countries such as Zimbabwe and Kenya. A feature of the urban housing system in Zimbabwe is the tangible display of energy contained within it. Even in 1992-93 when, for a variety of complex reasons, building societies were not lending at all, there were high construction levels in low-income residential areas.

Building materials line almost every street and owners of almost every unit seem to be adding on.

The financial motor behind this energy is the lodging system. The common practice is for new house-

holds to live in one room while renting out another. Profits are then ploughed back into the construction of other rooms for rent, and so on. Over a longer period the household has the choice of occupying the larger, completed unit or continuing to rent out rooms.

The extent of this activity is such that it is building society policy, when assessing bond applications, to add on \$100 a month to assessed household income as a matter of course, on the assumption that the unit will be yielding rent.

A 1971 analysis of a number of self-help schemes in Nairobi found that low-income households were repaying 20-year mortgages on average in seven years, because of the lodging system.

There are a number of major advantages that flow from this system, over that of the public rental option:

Finance invested in housing via rentals flows back into increasing effective housing stock;

The beneficiaries of rents paid are themselves low-income households, so the system promotes economic empowerment;

The system is equitable. To ensure this, qualifying households who do not wish to take up ownership benefits in either the urban or rural areas should still qualify for the R12 500 one-off subsidy, which could be invested to contribute to rental;

The system encourages entrepreneurial initiative;

Public capital outlays are much lower;

There are no administrative overheads or bureaucratic control; and

The system would lead, over time, to a spontaneous compaction of towns and cities, with considerable advantages in terms of efficiency.

The central policy issue is how to unleash this level of energy into the SA low-income housing market.

There are two major blocks which, on a policy front, need to be over-

come. One is the initial capital barrier to entry: it may be difficult for households entering the housing market to find the capital to build the first additional room.

Part of the housing policy package should be a "soft" (low interest or no interest) room loan, to be repaid over three years, to cover the cost of the first rental room. At today's prices, this loan should be about R3 000.

The second problem is creating a widespread awareness of the possibilities of such an approach. In Zimbabwe and Kenya, there is a long tradition of ownership and of using housing as an income-generating asset in low-income communities.

It is not quite the same in SA, where the possibility of ownership for African households is a relatively new phenomenon.

Although there is considerable evidence of households using land for revenue-generating purposes (particularly through the less desirable form of backyard shacks), it cannot be assumed that its income-generating possibilities are self-evident.

An important part of housing policy should be an aggressive campaign to market these possibilities.

Prof Dewar is dean of architecture at UCT.

New plan to beat the housing crisis

BIDAY 5/8/94

SAMANTHA SHARPE

THE Housing Ministry and lending institutions have taken a tentative step towards bridging the looming impasse over financing low income housing.

A meeting yesterday between Housing Minister Joe Slovo and the Association of Mortgage Lenders (AML) resulted in the creation of a working committee aimed at providing a tenable solution to the impending crisis.

The committee will be led by Housing director-general Billy Cobbett and AML housing committee chairman Denis Creighton.

Creighton said last night the meeting had set in place a meaningful process to solve some of the problems facing the housing situation.

These included the inaccessibility of funds to those falling in the under R1 500-a-month income bracket, and building standards.

He would meet Cobbett today to discuss the framework of the new committee.

A spokesman for Slovo said the meeting reflected a positive spirit, with broad agreement on the road to follow.

"The future will see a tandem approach, with the Siamese twins of

government and the AML working together to increasing access to funds at the lower end of the market while bringing the bond boycott to an end."

The two parties have been discussing the creation of a mortgage indemnity scheme for about a year, based on the creation of an insurance company capitalised by government or foreign aid.

Negotiations between government and the AML have deadlocked over the extent of insurance the government should offer banks if lenders default on their bond repayments.

The quality of potential housing projects will also be on the agenda of the committee.

Our Cape Town correspondent reports that during the Budget debate in Parliament yesterday, Slovo said the essentials of the government's new housing strategy would be contained in a discussion document to be released later this month.

"I am confident that the discussion generated will ensure that the housing summit in October becomes a major milestone on the road to the solution of SA's housing problem."

● See Page 8

Help for low-income home buyers

CT 5/8/94

MAGGIE ROWLEY
Property Editor

(123)

THE Ministry of Housing and the Association of Mortgage Lenders are to appoint a high level working group to facilitate "speedy progress" in making credit available to low-income home buyers.

In a joint statement following a meeting in Cape Town yesterday, Housing Minister Mr Joe Slovo and association president Mr Piet Liebenberg said the working committee would be formed within days.

The meeting arose out of concern on the association's behalf over reported comments by Mr Slovo that unless financial institutions increased their lending to low-income home buyers, they could face legislation forcing them to do so.

According to the statement, there had been broad agreement at the meeting that the way forward lay in negotiations between the government and the private sector which together should aim for an increase in lending coupled with an end to bond boycotts.

During the budget debate in Parliament yesterday, Mr Slovo said the essentials of the government's new housing strategy would be contained in a discussion document to be released later this month.

Slovo: Spend on homes not ships

(23) ~~123~~

CTS/8/94
Political Staff

HOUSING MINISTER Mr Joe Slovo yesterday joined the growing chorus of demands for an end to plans to spend a reported R4,6 billion on corvettes for the South African Navy.

Speaking during the second reading debate on the Budget, Mr Slovo said the R4,6bn would permit his department to provide housing subsidies to 368 000 families.

"We need to be told more clearly before the next Budget what the purpose is of all the hi-tech, high-cost weapons systems the defence force wants."

Turning to the civil service, Mr Slovo said it was a loyal and professional group of people, willing to play their part. However, the ANC wanted to "marry" that group with a new set of civil servants drawn from across the spectrum.

"We must change the face of the state apparatus to look more like the face of South Africa."

Plan to build 68 000 homes

GOVERNMENT plans to build homes was coming together — work on 68 146 homes will start within months, Minister of Housing Mr Joe Slovo said.

The houses, at a cost of R750 million, would be built throughout the country and excludes what was

Savetour 11/8/94
planned for KwaZulu/Natal.

Much of the next year would be spent on developing housing policy but the Reconstruction and Development Programme made no specific promises on the number of houses that the Government was planning to build within the first year, he said.

(123)

Slovo's ⁽¹²³⁾ R750m new homes plan

Political Staff

HOUSING MINISTER Mr Joe Slovo said yesterday that housing projects worth R750m would be initiated within the next few months for the construction of about 68 000 homes.

Speaking in Parliament, Mr Slovo said contrary to some reports his department had not set any particular target for how many houses it intended building this year.

He was answering IFP MP Mr Farouk Cassim, who asked whether a target of 200 000 houses had been set for the 1994/95 financial year.

Mr Slovo said the target mentioned in the Reconstruction and Development Programme — one million low-cost houses over the next five years — would be met.

A total of 56 projects had been approved by his department so far, Mr Slovo said.

Asked about site and service schemes, he said: "We have set our face against site and service. There will be no more toilets in the veld."

But he added that existing site and service schemes were a resource which would be used by the government.

He said his department was preparing draft legislation to address the availability of land for housing in urban areas.

Boost for home loan seekers

(123)

CT 15/8/94
Own Correspondent

JOHANNESBURG. — Major banks could begin providing mortgage finance for low-income buyers within three months following the recent establishment of a working committee to aid the process, banking sources say.

The resumption of lending for low-cost home buyers would have a major impact on SA's huge housing backlog, stimulate the construction industry and contribute to kickstarting the economy, they said at the weekend.

Absa executive director Mr Nallie Bosman said he was confident mechanisms would be in place soon which would assist in normalising the market, and full-scale lending to lower-income groups should be under way within a year.

A Housing Ministry spokesman said the committee was working around the clock, and expected to submit its report within a week or two.

Banks had said mechanisms which had to be in place before they would re-enter the market included a mortgage indemnity scheme, a builders' warranty to control the quality of homes built and a capital subsidy scheme.

Land for landless listed by the state

~~SAWYER~~ (123)
CLIVE SAWYER
Political Correspondent

A COMPUTERISED list of all state land, to identify land available for redistribution to the landless, has been completed.

A department of land affairs report, tabled in parliament today, said national land reform was central to the Reconstruction and Development Programme (RDP).

Key elements of land reform were restitution, as provided for in the constitution, and "land reform and redistribution by influencing the environment within which market forces operate".

State assistance to land reform could include providing subsidies or using available public land. ARG 16/8/94

When land had been identified as suitable for redistribution, the department would decide whether it should be used for agriculture, urban development or rural settlement.

The chief directorate of land services would arrange transfer to beneficiaries, such as communities, tribes or individuals.

The report said the ministry would introduce nine pieces of legislation in parliament this session.

This included a Restitution of Land Rights Bill, for restoring land rights removed under apartheid.

The bill would establish a Commission on Restitution of Land Rights, with regional offices, to investigate and "mediate" claims.

● The deeds office is to charge a "user fee" from October.

The fee is expected to be about R75. Transfers of land of less than R60 000 will be exempt from the fee.

"But it is expected to levy a registration fee of R100 on transactions of more than R150 000," the report said.

Ministers 'must find own housing'

(123) ARG 16/8/94

CLIVE SAWYER
Political Correspondent

CABINET ministers should be given housing allowances and told to find their own accommodation, says public works director-general Theo van Robbroeck.

It was unfortunate the issue of providing houses for political office-bearers had acquired political overtones.

Mr Van Robbroeck told the senate select committee on public works yesterday that financial records showed official houses were expensive to keep.

"Political office-bearers, except the president and a few other exceptions, should provide their own accommodation"

Providing accommodation and furniture for office-bearers was "one of the more onerous tasks" of the department.

"It causes the minister of public works to become involved in the domestic affairs of his colleagues."

He said the evolution of his department to become no more than the property service of the government was wrong.

In other countries, public works departments were in charge of projects such as roads and dams.

"Education departments were in the past made to build their own schools and this should be rectified.

"If the police must build police stations they will be busy with bricks and mortar instead of their main task," he said.

More than half the spending by his department was on hired accommodation and municipal services and taxes, he said.

NEWS IN BRIEF

Reserve Bank dispute

THE SA Society of Bank Officials yesterday declared a dispute with the SA Reserve Bank after failure to reach agreement on job grading workers.

Sasbo assistant general secretary Piet Heymans said members had not received the full salary benefits expected of the job grading exercise, which he considered unfair labour practice. The dispute was referred to arbitration.

Dam 'used too soon'

MERRIESPRUIT slime dam should have been unused for at least 15 years to dry out after work on it was stopped in March last year, dam construction company Fraser Alexander manager Frikkie Botha said yesterday. He was giving evidence at the joint judicial post-mortem and mine inquiry into the disaster at Virginia on February 22, which resumed yesterday.

Seventeen people were killed and damage estimated at millions of rands caused when the dam wall broke and slime flowed through the Free State town.

The heavy bunch

NORTHERN Transvaal farmer James Badenhorst has weighed into SA record books with a 95kg bunch of bananas — beating the record of 92,3kg by fellow Levuba farmer Paul Smit.

Badenhorst's bunch was 8kg short of the world record of 103kg.

Old jobs included

THE proposed Amic/Daewoo TV tube venture would not create 10 000 new jobs as reported yesterday. Amic said the figure included jobs preserved if the local TV industry were to close.

REPORTS: Business Day Reporters, Sapa.

Housing bodies consider merger

Business Day 17/8/94

NOBYN CHALMERS

THE National Housing Forum was considering a merger with the National Housing Board, the forum said yesterday.

Forum co-ordinating chairman Matthew Nell said the forum had finalised a discussion document on how the organisation could be restructured to be more effective within the context of a government of national unity.

Nell said the document had been circulated to plenary members and would be on the agenda for discussion at a forum plenary session next Tuesday. It had also been submitted to government.

"The intention of the proposals contained within the paper is to reduce the duplication of effort that could occur by having dual policy formation processes.

"It also aims to ensure that civil society continues to influence housing policy debates and the development of a broad consensus between stakeholders on all housing issues."

The Housing Department confirmed yesterday that Minister Joe Slovo had accepted an invitation to address next week's forum plenary meeting, where government's view

on the way forward in housing policy would be discussed.

A number of issues would be raised and Slovo was expected to address the question of the forum's future role. (123)

National Housing Board chairman Joop de Loor said forum members had for some time been helping the board with research on policy issues regarding housing in SA.

He had had no firm proposals on a possible merging of the board's functions with those of the forum, but the issue could be raised at a members' meeting tomorrow.

□ In a separate development, the US Agency for International Development yesterday presented the forum with R900 000 to support its activities during the next year.

USAid director Leslie Dean said the grant, under the Agency's SA Shelter and Urban Support Project, brought the agency's aid to the forum to R1,2m. Part of the grant would be used to support the nine technical committees set up by the forum and Housing Ministry to develop policy options for government.

Squatters and Sanco heading for clash

JOHANNES NGCOBO

THE SA Homeless Federation (SAHF) and the SA National Civic Organisation (Sanco) were heading for a fierce battle over land invasion by squatters, federation spokesman Vusi Nsuntsha said yesterday.

His organisation had begun mobilising members in the Cato Crest camp in Natal to resist any attempt by authorities to resettle them.

Meanwhile, Reuter reports that

squatters who recently occupied land earmarked for a housing development at Cato Manor in Durban had agreed to move.

Sanco organiser Sydney Madida said: "We had an areas committee meeting and we've agreed the people should move to another site so that development can begin."

Farmers say they will die to keep their land

Business Day 17/8/94

LOUISE COOK

BLOEMFONTEIN — Restitution of land by government was rejected yesterday by delegates at the Free State Agricultural Union congress, who said they were prepared to die in defence of their land.

The congress demanded to be represented on all land restitution forums. While SA was urbanising rapidly, agricultural land should not be regarded as a means to reverse the urbanisation process.

A policy of affirmative action in

reverse was adopted, calling for the employment of unemployed whites and school-leavers as farm workers.

The union reiterated its opposition to the introduction of a land tax, which it said would destroy farmers. It also opposed increased estate duty, which could jump to 35% from 15%.

Calls were made for farm labour laws, and the union threatened greater mechanisation if its demands were

not met. Vice-president Japie Grobler rejected state interference in agriculture and demanded that the land issue be settled soon.

The union had to remove any remaining discrimination from its constitution and represent commercial farmers of all races, he said.

Free State premier Patrick Lekota told delegates local branches of the SA Defence Force should assist police in combating crime on farms.

Slovo doubts housing plan

ET 17/8/94 (123) ~~(123)~~

Own Correspondent

JOHANNESBURG. — Housing Minister Mr Joe Slovo had grave doubts about housing plans proposed by PWV premier Mr Tokyo Sexwale, and was likely to bury the proposals while limiting the damage to Mr Sexwale's public image, government sources said yesterday.

Sources said the ministry believed the plan — in which Mr Sexwale has vowed to build 150 000 PWV homes within a year — was unworkable.

The building industry could not gear up for the increased demand, there were insufficient skilled workers available and doubts remained about funding.

Roughly 51 houses would have to be built every hour if Mr Sexwale was to keep his promise. To date, one unit — a showhouse at the East Rand's Rooikop site — has been built since Mr Sexwale's scheme, dreamed up by Stocks & Stocks vice-chairman Mr Bart Dorrestein, was unveiled in July.

Though Mr Slovo plans to establish a joint technical committee to investigate merging PWV plans with the national housing programme to build 50 000 homes a year, sources said this was more a face-saving exercise for Mr Sexwale.

Mr Slovo and Mr Sexwale met in July to discuss the PWV scheme, when they announced that a "committee to carry out the assessment (would be appointed) as a matter of urgency".

The committee's report was to

be presented for discussion in a White Paper by August. The committee's personnel has still to be announced, but a housing ministry spokesman was adamant the committee would be established.

Sources said certain concessions were likely to be made to the PWV premier. This was due to the importance of the PWV to the national economy, the contribution it could make towards solving SA's growing housing backlog and the need to ensure the credibility of the ANC in the region remained intact.

But Mr Sexwale's plan appears to be far from finalised. Life assurance and pension fund companies which are being asked to invest R4,5bn in the creation of a new bank have yet to see the completed scheme.

Transvaal subsidies for 63 000 homes approved

B/Day 19/8/94

ROBYN CHALMERS

THE Transvaal regional housing board is racing ahead of its regional counterparts, having approved subsidies for 63 000 homes at a cost to the fiscus of R662m.

National Housing Forum joint technical committee convenor Taffy Adler said yesterday the four regional housing boards set up under the old dispensation had received subsidy applications for 421 projects.

The Natal regional board was still considering applications, while the Free State board had approved subsidy funding for 2 500 units valued at R37,3m. The Cape board had given one project the go ahead for 339 units in Worcester.

Adler said the committee, one of eight set up by government and the forum after the elections, had made significant progress. Guidelines for applying for ownership subsidies on an individual and institutional basis would be available soon.

"The basis on which further subsidies to beneficiaries of state financed site and service schemes will also be made known."

The committee was looking into ways in which share block projects, such as the Seven Buildings scheme, could be considered for subsidy funding.

Only three forms of tenure currently qualified — direct ownership, leasehold and deed of grant.

Adler said he expected a decision on the inclusion of share block schemes to be taken by the end of the month.

There had been some progress on establishing nine provincial housing boards to

replace the four regional housing boards after the proclamation last month of the Housing Amendment Bill, which made provision for the provincial boards.

Adler said guidelines to improve the policy on project applications were being approved, in particular guidelines for applications for social compact facilitation assistance.

"These guidelines will provide provincial housing boards with directives to assist needy communities with the necessary resources to facilitate the establishment of social compacts through which projects could be delivered."

□ Sapa reports that a US trade mission arrives in SA at the weekend to look for opportunities in the housing and construction market.

The tour is part of the Clinton administration's plan to build a new market for US businessmen while they contribute to SA's development.

The mission — led by the Commerce Department and the Overseas Private Investment Corporation — will include senior executives and specialists from 20 major US companies.

The mission coincides with the opening of Africa's biggest housing trade show, Interbou '94.

The US Agency for International Development is co-hosting the mission.

NEWS GNU adheres to nation building and develop

Boost for low-cost housing

By Joshua Raboroko

THE Government has made available R223 million to subsidise housing for low-income earners.

The National Housing Forum announced at a Press conference yesterday that the funds would be used during 1994-95 in a bid to solve the crisis that has crippled the housing industry.

These subsidies — to provide 20 655 houses — vary between R5 000 and R12 000 and were initiated and developed by the forum.

NHF executive director Mr Kehla

Shubane said a further R401,8 million would be available to subsidise 38 349 houses during 1995-96 and R36,4 million for 4 060 houses during 1996-97.

He said the subsidy offered a lump sum aimed at the most poor, who depended on State help for decent standard housing.

The subsidy scheme is the product of on-going negotiations between the NHF and the Department of National Housing headed by Minister Joe Slovo.

Shubane said individuals could apply for a subsidy through financial institutions or the regional housing boards.

Professional staff from the PWV provincial administration would evaluate the projects to establish which of them complied with the guidelines of the scheme.

He said subsidies were never enough on their own and added that a R12 500 subsidy might cover the cost of a serviced site and some building materials, but not a home.

The NHF co-chairman Mr Peter Mathlare said the Government and the forum were beginning to redevelop hostels. About R326 million would be available for this project.

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Rent, service arrears scrapped

Southwester (Suppl. to South) 1918 - ZS18/94

But Kriel's 'racist' remarks draw criticism

BY SABATA NGCAI AND QUENTIN WILSON

WESTERN CAPE premier Mr Hernus Kriel announced a moratorium on rent and service charges arrears in the provincial parliament on Monday.

But the reasons he gave for the move have led to accusations that he is racist and "opportunist". Mr Kriel said before the April elections, some political parties created a culture where people did not have to pay service charges.

"We are now reaping the bitter

fruits of that," he said. "The challenge of our time is to change the culture of non-payment into a culture of payment."

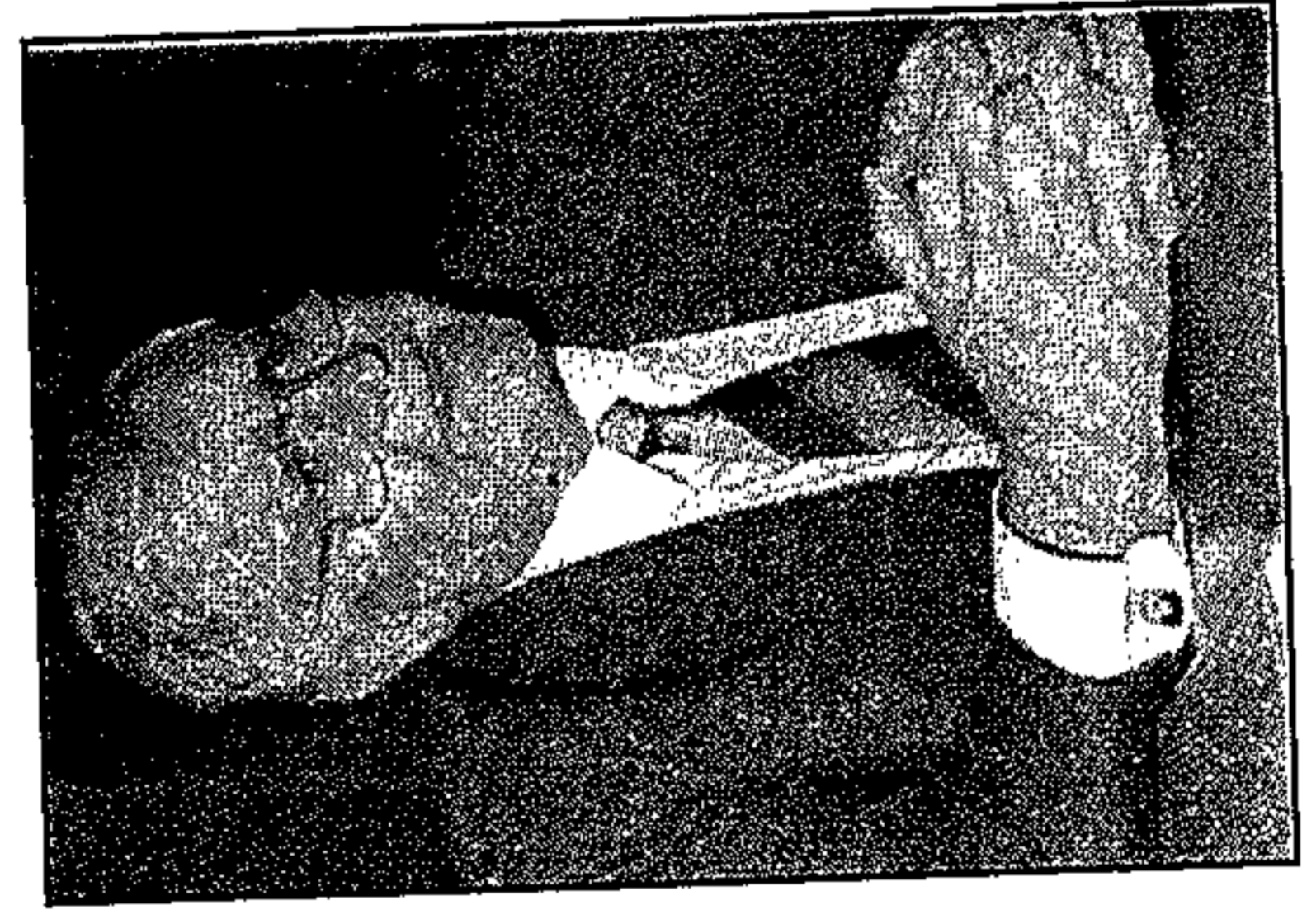
He said it is estimated that about R234 million is owed in service fees in the Western Cape to so-called white local authorities, while R67 million is owed to so-called black local authorities.

The central government had taken responsibility for the money owed to black local authorities.

"For our coloureds, whites and Asians, however, payment is still being demanded. This is nothing less than discrimination," he said.

- call on local authorities and regional services councils to place a moratorium on all prosecutions of residents who are in arrears with service fees up to and including January 1994;
- ask central government to take responsibility for arrears up to and including January 1994;
- ask that any debt after this date be considered and handled by transitional councils;
- ask that local arrangements be made for people who have already been sentenced to imprisonment, that such sentences be suspended.

The South African National Civics Organisation (Sanco) said Mr Kriel was an opportunist who is trying to make a racial issue out of the question of rent and service charges arrears. Sanco spokesperson Mr Newton Adams said it was the recommendation of the tripartite alliance, Sanco and other community organ-



HERNUS KRIEL

"These people are still being prosecuted for this. We see the repossession of minimal possessions, the eviction orders and prison sentences."

Mr Kriel announced that he would:

isations that the scrapping of rent and service charges arrears should begin with the most disadvantaged areas.

"The previous government had preference for other areas in the rendering of services," Mr Adams said.

He said the African townships were areas where services were not rendered at all.

"It should be taken into account that people have not been paying because there were no services rendered by the previous government," he said.

Ms Tasneem Essop, ANC member of the Western Cape legislature, said: "The moratorium on arrears in service fees is something which should clearly be welcomed."

"It has been a campaign of ours for many years that this should happen and today, finally, we can see the fruits of our campaign," Ms Essop said.

QUESTIONS

Housing units

Q 20/8/94
SENATE — The private sector provided 17 473 housing units between October 1993 and March this year, compared with 6 655 by the public sector (23)

Housing Minister Mr Joe Slovo said the public sector had provided 55 313 serviced sites.

Meyer: Culture of non-payment

(23) CT 24/8/94

JOHANNESBURG. — A culture of non-payment for rent and basic services was one of the factors threatening the financing of local government, Constitutional Development and Provincial Affairs Minister Mr Roelf Meyer said yesterday.

In the past, he said, rent boycotts in townships had been politically based.

"Unfortunately, part of it has now become a culture of non-payment," he added.

In November last year a third of rents had been collected, compared to a fifth in May this year.

This was despite the

signing of an agreement in January between President Nelson Mandela and Mr F W de Klerk in which the rent boycott was ended.

"People have learned not to pay and to continue not to pay," he said. The solution lay in an integrated approach — but if the situation could not be resolved, action would have to be taken by provincial premiers.

He said major concerns were a lack of administration and financing of local government. Mr Meyer said he was under pressure from the provincial premiers. "They all want power," he said. — Sapa

Building industry waiting for govt decision

THE National Housing Department has not yet made a decision on the allocation of funds for training, but a spokesman said the issue was under discussion.

The construction industry warned recently that almost R220m would have to be spent on training if the housing objectives of the reconstruction and development programme (RDP) were to be met.

Training expenditure stood at about R25m a year and the additional R200m needed to bridge the training gap would have to come from government or the taxpayer.

Building Industries' Federation of SA (Bifsa)

B / Day 21/18/94
SAMANTHA SHARPE

executive director Ian Robinson said extra funds could not come from the formal building sector as contractors were already paying a levy of 1,5% of wages.

"The money will simply have to come from the state, and in our submissions (to Housing Minister Joe Slovo) we have suggested a training tax levy on building materials as a possible option. A tax of just 1% on annual sales in this sector would be required. A possible alternative is that 2% of VAT on new houses be put aside for training. But the problem with this is

that one would obtain the funds only after a significant number of houses have been built."

He said the industry would need to employ 600 000 people in the next six years, which included 20 000 new artisans a year. The number of trainers would have to grow to 270 from the current 48.

The building industry was on the brink of delivering a practical response to the call by the Housing Ministry for a social compact aimed at preventing excessive price increases. Robinson said, however, that any such compact would be worthless unless government asked trade unions to make similar commitments.

Housing: 2 decades to break even

CT 24/8/94 (124) (123)

JOHANNESBURG. — It would take two decades to break even with the housing backlog if 300 000 new houses a year were built, Minister of Housing Mr Joe Slovo said yesterday.

Mr Slovo was speaking at the opening of Interbou '94, a building and construction exhibition at Nasrec here.

He estimated at least 200 000 new families needed homes each year.

"If we build a million houses by 1999, then the backlog would have been frozen at current levels."

Mr Slovo said the building industry had a vital role in strengthening the housing industry. "You can help ensure that our plan leads not to castles in the air but to homes on the ground." The housing industry would inevitably spawn more skilled workers and entrepreneurs, particularly in the black community, he said.

But he warned it would take a long time before the country's poor could be integrated into the economic main-

Squatters urged to halt illegal occupations

DURBAN. — South African Homeless People's Federation co-ordinator Mr Patrick Magebhula appealed to squatters countrywide yesterday to stop the illegal occupation of vacant land and empty new houses.

The organisation had set up a committee which, with the government and other parties, would identify suitable land and negotiate for the settlement of homeless people, he said.

It would also convene a workshop to discuss evictions and the illegal occupations. — Sapa

stream. "We must guard against regarding them and this (low cost) sector of the housing market as the orphans to be fed crumbs from the top table."

He proposed a warranty system to insure home-buyers against poor workmanship and "fly-by-night contractors".

A no-claims bonus would ensure reputable firms produced work of a high quality and "others would realise it is cheaper to improve the quality of their products than to pay high warranty insurance fees". — Sapa

Townships 'need R135 million for year's services'

Municipal Reporter

123
ARL 25/8/94
PENINSULA townships will need more than R135 million in the 1994/1995 financial year to provide necessary services to communities, says Cape Town deputy city treasurer Neville Lomnitz.

Mr Lomnitz, a member of the strategic management plan's executive committee, said Ikapa, Khayelitsha, Crossroads and Mfuleni had a cash flow deficit of R89 million, while the strategic management plans would cost at least R46 million to implement.

Speaking at a Press conference to unveil draft management plans for the four townships, Mr Lomnitz said not all items included in the management plans could be costed at this stage.

"The figure of R46 million could increase to R50 million or even more." But not all the money would be spent in this financial year.

He warned that once the strategic management plans were implemented, spending would increase.

The R89 million had been estimated after taking into account R71,2 million in government aid.

He said bulk service arrears owing to supplying local authorities had increased from R71 million in January to an estimated R100 million in June — but the final figure could be much higher.

Plans to upgrade four townships as part of RDP

Surrounding local authorities will be asked to help

SHARON SOROUR
Municipal Reporter

THE government will be called on to finance strategic management plans aimed at restoring essential services to the stricken townships of Crossroads, Khayelitsha, Mfuleni and Ikapa — comprising Langa, Gugulethu and Nyanga.

Strategic management plans co-ordinator Okkie du Toit said an executive committee had applied to have the plans accepted as a project of the Reconstruction and Development Programme.

At a press conference yesterday to unveil draft management plans for the four Peninsula townships, Mr Du Toit

said surrounding local authorities and the Regional Services Council would be asked for financial assistance.

"One of the elements of the RDP is cleaning up the townships and restoring, upgrading and extending services — and it is quite clear the plans constitute the first phase of the RDP," said Mr Du Toit.

At a meeting last month, local government minister Peter Marais had been mandated to negotiate funds to finance the implementation of the four separate plans.

Mr Du Toit said support and assistance from surrounding local authorities was essential.

"We are now at the phase where we have to obtain commitment from the surrounding local authorities. Without their

support we will get nowhere."

There was a lack of supervisory staff and vehicles and equipment were needed.

Skilled staff from other local authorities would have to be seconded to township municipalities.

The critical financial position of the municipalities and the total collapse of services had prompted the formulation of the plans, which were based on detailed technical assessments of the present state of services, existing infrastructure and the financial situation.

"In addition, the plans were structured to provide for the visual improvement of service delivery which was viewed as a prerequisite for the resumption of payment for services."

The objectives of the strategic management plans were to restore engineering (sewerage, roads, stormwater drainage and water supply) services to the stricken townships.

All the plans would be discussed with affected communities before they were implemented.

Once the Transitional Metropolitan Council was established, it would assume responsibility for the rendering of services.

Cape Town chief engineer Mike Marsden said the draft plans had to be reviewed critically by communities, the Cape Metropolitan Negotiating Forum, affected staff and other parties before they were finalised and implemented.

Housing strategy planned

123

CT 27/8/94

By **MAGGIE ROWLEY**
Property Editor

HOUSING MINISTER Mr Joe Slovo and the local housing ministers have agreed on a comprehensive consultative strategy, paving the way for the national housing summit and a White Paper on housing.

Previously scheduled for September, the summit will now take place in Botshabelo, outside Bloemfontein in late October.

At the summit, a policy document detailing housing delivery frameworks and strategies for the next five years will be considered, leading to a National Housing Accord.

On approval by the cabinet this will become the Housing White Paper, "reflecting the views and visions of all concerned in the South African housing delivery process".

At a meeting in Cape Town yesterday Mr Slovo and local housing ministers agreed to move the housing summit to October, to allow for fuller and broader consultation.

A statement by Mr Slovo after a meeting in Cape Town yesterday said a series of workshops, and discussions would ensure that communities, provincial legislatures, other national government departments and the cabinet were fully consulted.

Mr Slovo said the timetable for the consultative process envisaged detailed discussions before September 30.

This will be followed by a national workshop during the first week of October.

Thereafter a final draft of the National Housing Accord will be written and made available to key groups within the process.

R8,5m

spent

on five

CT 30/8/94

official

(123)

homes

By BARRY STREEK
Political Staff

ABOUT R8,4 million is being spent on alterations and maintenance of five official residences for President Nelson Mandela and his two deputy presidents in Cape Town and Pretoria. Public Works Minister Mr Jeff Radebe said yesterday.

The renovations at President Mandela's two residences was expected to cost R2 790 000, Mr Radebe said in reply to questions, tabled in Parliament by Senator William Mnisi (DP).

And Mr Mandela revealed in reply to another question, tabled by Mr Douglas Gibson (DP), that ministers could choose whether they wanted to travel first class, business class or economy class when they travelled on overseas flights.

Discretion

"It is left in the discretion of a minister to determine the most efficient way to conduct his/her official business," Mr Mandela said.

Mr Radebe said R1,4m was being spent on "essential maintenance and limited upgrading" of Westbrooke, Mr Mandela's official residence in Cape Town, and R1,39m on Residence, his Pretoria residence, for the same purpose.

Another R1,5m was being spent on alterations and additions at Highstead in Cape Town and R2,5m on Goede Hoop in Pretoria, for the purposes of an executive deputy president.

A further R1,65m was being spent on "essential maintenance and limited upgrading" at Overvaal, also for an executive deputy president.

Mr Radebe also said R412 243,25 was spent on Overvaal in the 1988/89 for upgrading and maintenance.

35 state houses unoccupied

Political Correspondent

THIRTY-FIVE residences allocated for use by MPs during the present parliamentary session had not been occupied, the Minister of Public Works, Mr Jeff Radebe, said yesterday.

The reasons were "not known" to his department.

He said in reply to a question

from Mr Jaco Maree (NP) that the Department of Public Works allocated residences in the parliamentary villages to the different political parties represented in Parliament and not to individual MPs.

(123) CT 3/9/94
A total of 357 residences have been allocated to MPs.

Mr Radebe said that four state-

owned residences allocated to members of the executive had not been occupied and these members had been housed at the expense of the state.

Deputy President Mr Thabo Mbeki was staying in state-owned accommodation while his official residence, Highgate, was being upgraded.

Urban electricity set to cost more

THE cost of electricity in urban areas is likely to rise to bring some sort of equity to tariffs, chairman of the National Electricity Forum (Nef) Dr Ian McRae said yesterday.

"Certain urban electricity tariffs are about half of those in some rural areas. These tariffs may go up in terms of rationalising rates," he told the Mineral and Energy Affairs Committee.

Hydro-electricity produced

in South Africa would be a help in peak periods but was not a year-round solution as the rivers are seasonal.

Currently South Africa has an electricity surplus. However, the need to electrify 2,5 million homes by the turn of the century could cause this to dry up unless the proposed Southern African power pool was established. — Sapa

Police, protesters hurt in skirmish — Page 2

R1m housing debts dismissed

Political Staff

NEARLY R1 million in debts for housing loans for officers and employees in the public sector were written off last year, the Department of Public Works said yesterday. (123)

It said in its annual report, which was tabled in Parliament, 158 loans under the guarantee scheme, totalling R966 057,26, were written off. CT 8/9/94

A further 190 debts, totalling R77 784,33, were collected last year.

Civil servants' rentals upped

#CT 12/9/94

By BARRY STREEK (123)
Political Staff

NEARLY 26 000 civil servants had been living in residential accommodation owned by the state at low rents — at a maximum of R200 a month for standard married housing — the Minister of Public Works, Mr Jeff Radebe, disclosed yesterday.

However, the Public Service Commission issued a new code on June 10 this year in which more restricted criteria had been laid down.

Civil servants living in state-owned accommodation did pay rent for this, he said in reply to a question, in Parliament by Senator William Mnisi.

For standard married housing, rent was levied at four percent of the annual basic pensionable salary of the officer or employee with a maximum of R200 a month.

Rent for standard single housing was levied at one percent of the annual basic pensionable salary of the officer or employee.

Mr Radebe said his department had recommended that rent for married housing be increased to eight percent of pensionable salary without a maximum amount.

Rent deal (23)

'scrapped' 21/14/94

THE controversial scheme of paying cabinet ministers to stay in their own houses has been scrapped.

The Minister of Public Works, Mr Jeff Radebe, said in Parliament yesterday that ministers did not receive compensation for the use of private accommodation.

The system was introduced by the previous government.

Banks and builders at odds over warranty plan

BiDay 15/9/94
(58) (1) (23)

ROBYN CHALMERS

CALLS by banks for a construction industry-backed 10-year warranty scheme was to protect consumers and avoid costly defaults as a result of bond boycotts, Association of Mortgage Lenders housing committee chairman Dennis Creighton said yesterday.

This followed a report from the Building Industries Federation of SA (Bifsa) which expressed concern over several standpoints taken by mortgage lenders in their call for the warranty scheme.

Creighton said negotiations between government, the construction industry and mortgage lenders were at a sensitive stage and should be finalised within weeks to be incorporated into government's housing policy document detailing delivery frameworks and strategies for the next five years.

The document would become the housing White Paper if approved by the Cabinet.

Creighton said in the past banks had a number of problems with consumers defaulting because of shoddy building work, and they had to avoid this situation while protecting their customers. "Poor workmanship is one of the reasons behind the bond boycotts which took place in a number of townships around the country," he said.

"Other factors are political and violence-related," Creighton added.

It was too early to tell whether or not the

bond boycott was tapering off, and there were signs that it still existed in Khayelitsha and East Rand townships, including Tembisa and parts of Katlehong and Tokoza. (23)

Bifsa, in its reaction to the banking industry's demands, said a 10-year warranty scheme was unrealistic and three years was more appropriate as it allowed time for soil condition defects to emerge. It said banks could not be allowed to simply abrogate their responsibilities regarding site inspections while still charging clients valuation or inspection fees averaging R750.

Bifsa's report, which has been forwarded to the Housing Department, proposed that the warranty scheme be funded by contractors paying a levy when submitting building plans to local authorities for approval. Local authorities in turn should be empowered to issue warranty certificates to house buyers once they had completed inspections.

Sapa reports the Bifsa launched a broad initiative yesterday at its congress in Mmabatho to create structures and a capacity to meet the demands of the reconstruction and development programme.

This was the gist of five resolutions adopted. One resolution noted that productivity, quality and safety standards were unacceptably low

Formal builders call for govt training funds

THE formal building industry could no longer be expected to finance the entire sector's training needs, Building Industries Federation of SA (Bifsa) president Graham Volck said yesterday.

Volck told delegates at the Bifsa congress substantial government funding was necessary if the R20m a year currently raised by the industry was to be increased to R200m to provide the skills necessary to meet demand.

"The determination of government to foster the development of the informal sector, however laudable, adds to the complexity of the problem as it is envisaged that this sector will

ROBYN CHALMERS

be relieved of a number of the statutory requirements faced by the formal sector."

Volck queried how the industry could then secure the training funds required.

Reacting to government calls for the construction industry to agree to a compact to limit cost escalations, Volck said: "Bifsa has given notice to government that, while it supports efforts to contain building costs, it is unable to subscribe to the creation of such compacts until labour also agrees."

Local authority loans of R5-bn to be written off

Cape Town — Housing loans totalling about R5 billion owed by local authorities will have to be written off because they are "politically irrecoverable", the parliamentary public accounts committee was told yesterday. A new national housing strategy would be announced with-

in weeks, making it possible to determine staffing needs.

The National Housing Fund was owed about R281 million a year in capital charges, but received only about R18 million annually.

Housing Director-General Billy Cobbett said the Govern-

ment was redefining its role in housing. (123)

The committee was told that the impossibility of recovering loans from local authorities was not the National Housing Fund's fault, but a symptom of the failure of black local authorities. — Political Staff.

R5,5-bn housing fund debt to go

Political Staff

123

SOME R5,5 billion owed to the National Housing Fund by black local authorities would have to be written off as "politically not recoverable", the director-general of housing, Mr Billy Cobbett, said yesterday.

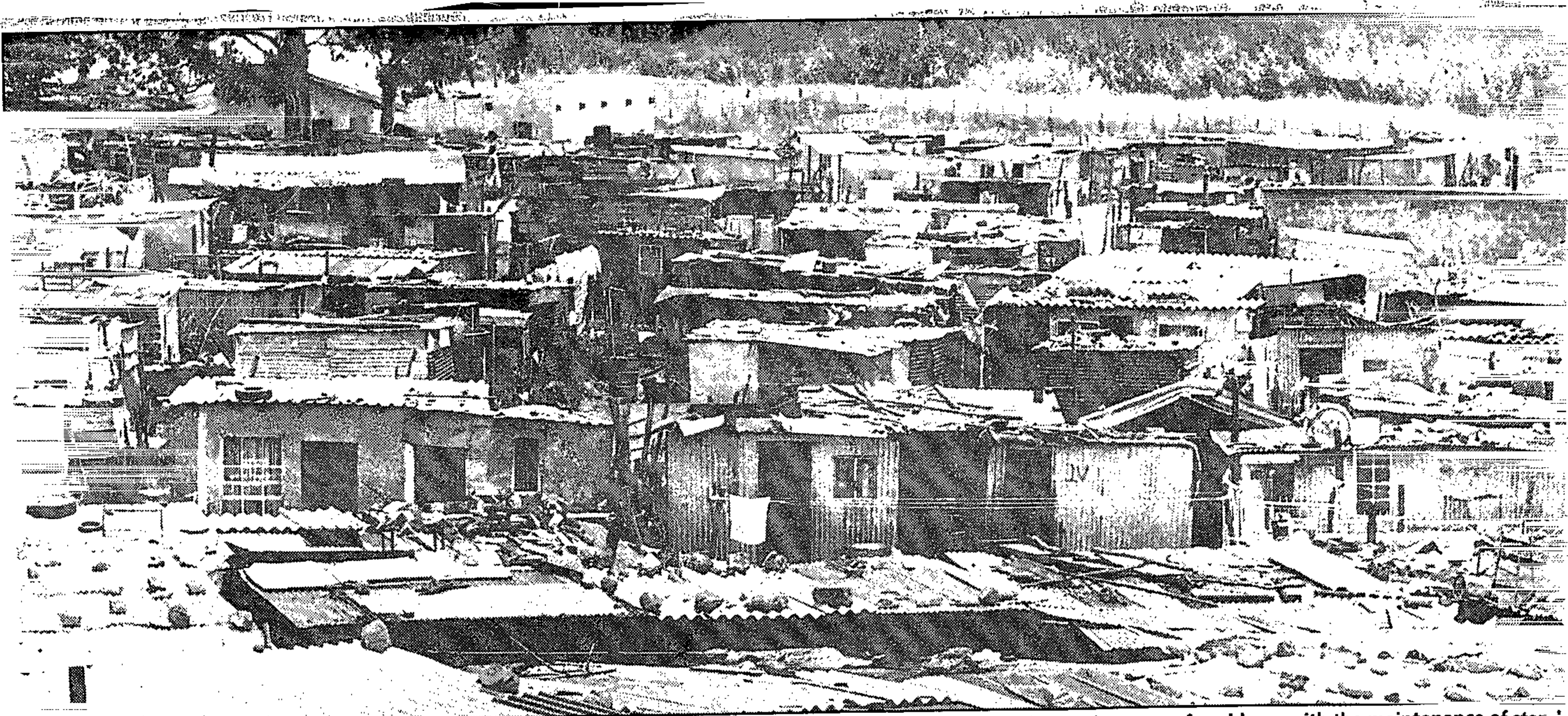
CT 15/9/94
Addressing the Joint Committee on Public Accounts, Mr Cobbett said the local authorities were responsible for 11 669 loans.

Mr Cobbett said the NHF should have been receiving R281 million in interest on capital and rentals, but was actually receiving R18m a year.

"This reflects the collapse of the system of black local authorities," he noted.

He said the debts should be consigned to the past as an "apartheid debt".

Mr Cobbett told the committee another R36m would have to be written off for loans given to local authorities by the Black Communities Development Fund.



Shackland . . . while conventional houses require higher subsidies, "site and service" has acquired a bad name because of problems with the maintenance of standards.

Building a new SA without delay

Star 16/1/94 (123)

THERE might be more efficient ways of housing the homeless, reports Thabo Leshilo

Government plans for addressing the shortage of housing for millions of homeless South Africans rule out the option of site and service schemes.

But, according to some groups involved in the housing question, this may lead to even longer delays in the actual delivery on the Government's promises of shelter for all.

They suggest that, given that at least 50 percent of homeless, mostly black, families either earn less than R1 500 a month or are unemployed, there may be merit in looking again at site and service.

Little faith

According to the Interfaith Community Development Association (ICDA), a member of the National Housing Forum, research has shown that many homeless people have little faith in the current talks between the Government and the banks, aimed at facilitating homeownership among low-income families.

The discussions, between the Ministry of Housing and the Association of Mortgage Lenders, follow threats by Housing Minister Joe Slovo to force mortgage lenders to provide housing finance to people earning below R1 500 a month.

It's still 'no' to site and service

Asked to comment on housing options considered by the Government, Housing Minister spokesman Stephen Laufer reiterated the Government's opposition to the principle of site and service.

He said Housing Minister Joe Slovo had gone on record saying solutions had to be found to address the special circumstances of those earning little or nothing. Because of this, the Government was looking at starter units, to which people can add as and when they could.

Serious thought was also being given to establishing depots where people could buy materials at reasonable prices. Machinery and technicians could then be made available to help prospective owners build.

Laufer said the Government was aware of the need for rental stock and was working on the matter.



"But we do not have a quick answer to that".

Although the GNU had a target of a million houses in five years, it did not believe this would totally eradicate the housing backlog, given a population growth of 200 000 people a year.

"Even if this ambitious plan for 1 million houses

succeeds in five years, we will only be at same place as we are today (in terms of the housing backlog). We will only have just kept up with the population growth," said Laufer.

However, plans were in place to enable the building industry, whose capacity had been seriously curtailed by the recession, to build 300 000 a year from 1999.

"This means we will then begin to get rid of the backlog, building more houses than there are families that are coming in."

Central government planned to build 90 000 houses countrywide this year. It would take the State between 25 and 30 years of construction to house everyone.

Slovo, he added, would ensure next year's budget allocated more resources to housing "and will fight for that. That's what politics is all about".

"People say they can't afford to own and would like to rent. Many see their immediate future as site and service," said ICDA executive director Ishmael Mkhabela.

Because of uncertainty about jobs, many homeless people did not want to tie themselves to mortgage bonds. But they also

did not expect to be given homes for free.

Those supporting site and service as a short-term solution suggest that people earning below R1 500 should use the R12 500 subsidy from the Government's housing scheme to buy land on which electricity, water and sewerage are provided.

The size and shape of the dwellings would then depend on each individual's affordability and preference.

The Government would then build an infrastructure, including schools, and clinics.

The deputy general manager of Co-Operative Planning and Education, Monty Narsoo, called for a holistic housing strategy, which also emphasised the eradication of a backlog he puts at 1.5 million units.

A participant in the NHF, Narsoo said there was tension between the strategy of providing site and service on the one hand, and that of providing proper housing on the other.

While conventional houses required higher subsidies, site and service had acquired a bad name because of problems with the maintenance of standards.

He warned, though, that site and service should not amount to merely building "toilets in the veld" as was done by the previous Government.

"Otherwise people will reject site and service," he says. The Government must invest in social services, including schools and clinics.

Public renting, Narsoo said, had the advantage of making housing available to the poor and to migrant workers who might not want to settle permanently in urban areas.

However, renting required higher subsidies than ownership and should similarly be regarded as a long-term strategy. It would take 10 to 20 years to build sufficient units for renting.

"If limited rental stock is made available because of fiscal or other constraints, only a privileged few will gain access to this housing," says Narsoo.

But even if renting and site and service were to be adopted by Government, it remained crucial for banks to provide funds to enable those who can afford houses to buy them.

The NHF and the National Housing Board, he says, are almost in agreement about another way of making proper houses affordable, called "social housing". Unlike the present system of individual subsidies, this innovative concept would allow people to own housing stock as a group, by means of non-profit companies.

Such companies would then obtain subsidies in bulk and approach banks for additional finance. Once bought, such houses would remain the property of the company.

Limited resources

Sanco deputy national president Mlungisi Hlongwane said although "sensitive and controversial", site and service was the option immediately open to the poor and the unemployed, "there should be a clear distinction between ambition and reality. We have to be sensitive to the limitations of (Government) resources".

On the other hand, it is unlikely banks will agree to lend money to people earning less than R1 500 because of the risk involved.

Owen Cranckshaw, of the Centre for Policy Studies, warned that the Government's rejection of site and service had the potential to slow down the delivery of shelter and increase the threat of land invasions.

Rates hike set to hit upswing

□ Stals warns he will act to contain inflation

ALIDE DASNOIS
Business Staff

THE fragile economic upswing faces a setback as banks gear up for a hike in lending rates, with economists saying the key bank discount rate may rise by up to four percent in the next year.

Most banks have already raised deposit rates in anticipation of a hike in the bank rate as the Reserve Bank struggles to dampen inflationary pressures.

A bank rate hike will result in higher mortgage bond rates.

Money on 12-month or 24-month call is earning between half a percent and one percent more than two weeks ago.

Nedcor Bank executive director Mike Leeming says rising deposit rates reflect the banks' view — strengthened by the recent sharp rise in long bond rates to more than 17 percent — that interest rates are on the up.

Nedcor is expecting a rise of up to one percent in bank rate within the next two months, he says — though it might not

necessarily be followed immediately by further hikes.

He says banks are unlikely to raise lending rates ahead of a bank rate hike, in spite of the upward move in deposit rates.

"The higher deposit rates only apply to new money, so margins are not really affected. Anyway there isn't an enormous demand for lending money at the moment."

Reserve Bank Governor Chris Stals has warned he will act to contain rising inflation. He told a meeting of businessmen recently that he did not want to "whip the drinks away just as the guests had sat down", by lifting bank rate at the beginning of the economic recovery.

But economists agree he will soon have no choice.

Long bond yields have been bouncing around the 17 percent level for the past three weeks, as the capital market discounts the effects of scrapping the financial rand.

The Board of Executors senior portfolio manager Rob Lee says several factors point to a hike in rates. These include:

■ A rising demand for capital as the economic recovery begins;

■ Rapid money supply growth;

■ A reversal of the surplus on the current account of the balance of payments and a need for capital inflows to finance rising imports; and,

■ Inflationary pressures as the rand devalues following the lifting of exchange controls.

"We think the Reserve Bank will have to raise rates between two percent and four percent once exchange controls are scrapped."

The Reserve Bank has been losing control over short term rates as institutions, scared away from the capital market by soaring yields, hold money in more liquid form.

Mr Lee thinks the Bank will have to issue government stock to mop up liquidity and stop short-term rates dropping.

"The market is saying interest rates should come down, when the Reserve Bank knows they'll have to go up," says Mr Lee.

Sanlam economist Johan Louw is expecting the bank rate to rise by half a percent by the end of this year, with

To page 3

P.T.O

'GO BACK TO THE LAND!'

Temporary housing is a permanent problem for SA cities

Even if the government manages to build a million houses, squatters are not going to go away, argues BHANPERSAD MAHABIR. In fact, the problem will probably worsen because many of the hundreds of thousands of people squatting in and around our cities regard themselves as temporary sojourners, and because of the vested interests of the "squatter lords".

WE have been quite impressed with the strenuous - and up until now verbal - efforts of Joe Slovo, Tokyo Sexwale and fellow comrades to resolve the squatting problem. However, with more realism than cynicism, I can foresee that they are on an endless treadmill. At the end of a million houses the end to the squatting problem will be nowhere in sight! The problem might even be bigger!

Well-heeled and well-armed, "entrepreneurs" who sell "plots" which do not belong to them, squatter-lords who build and let shanties on spec, and criminals who operate protection rackets, will make every effort to keep their lucrative squatter "estate agencies".

For the uninformed rural dweller eking out an existence on tired lands, the attraction of city lights with prospects of employment is irresistible. Roughing it up in hovels and shanties presents no greater problem to these hapless people than their previously poverty-stricken existence in mud huts back home.

Most of the new arrivals regard themselves as temporary sojourners. Having a smallholding, with some cattle, goats, fowl and other livestock in the distant tribal lands as a family birthright, the squatter sees no point in making a permanent long-term commitment in buying a home on a 20 or 30-year loan basis. His roots and his heart lie elsewhere. Every cent that he earns he would like to take to his people back home, where the elderly and other members of the extended family are still living. A hovel, close to his place of employment, for which no rent is payable, serves his purpose well.

It is this element - the constant stream of rural dwellers pouring into the towns and cities, who want free or very cheap accommodation, in order to maximize their earnings - which will make the squatter problem a permanent one. And the "entrepreneurs" who are thriving in keeping up this constant stream will see to it that it continues.

It might dismay our well-meaning housing ministers if they were to discover how many squatters would prefer to live rent-free in their cardboard-and-plastic



CRISIS . . . Despite government promises to build formal houses for all, squatter settlements could well mushroom.

shacks than pay even minimal rent for a solidly built and serviced house. Only the squatter born in the city will look for permanency - and most of these have already made their accommodation adjustments in the existing townships.

"Back to the land" is about the best long-term solution to the problem of squatting. An army of agricultural extension officers, generous state grants, subsidies and low-interest landbank loans, drought-aid, etc.

could make farming and animal husbandry more lucrative than squatting in city slums. It has been done before to uplift the "poor whites". It must be done again to uplift the poor blacks.

Obstacles, no doubt, will be encountered. The first line of resistance will be the multitude of agricultural boards. We have already had a foretaste of this by the way big business manipulates the industrial councils to keep in check any threat that small business

might present to their monopolies and oligarchies. The agricultural boards, having created virtual monopolies whereby prices are pushed higher and higher every year, will resist fiercely any threat to their cosy arrangements. And these protective arrangements were cobbled together over many years under the protective wings of a government whose main objective was to promote the exclusive interests of only one group. These boards will raise many "convincing" argu-

ments to justify their continued existence. Free enterprise and open competition are obstacles to privileged vested groups in a divided society such as we have had in South Africa.

The second line of resistance will be the agricultural unions, which had a reciprocal, mutually beneficial "understanding" with the previous regime for more than 45 years. Their votes always went to the party that spread generous state aid and subsidies to the farmers. But these obstacles can be overcome. The land reform objectives of the Reconstruction and Development Programme will have to be implemented as a matter of priority. Ways and means used by other countries who had overthrown colonialism could be used as guidelines. Absentee landlords and farmhands not optimally utilised could be looked at, for a start.

Foreign aid by way of tractors, fertilisers, etc, would be more readily forthcoming to implement such a basic farming programme. Foreign countries will offer aid in this form with a greater degree of assurance than if they had to dole out cash, which they know too well usually falls into a bottomless pit.

Intensive agricultural re-education must take place. The perception among blacks, inculcated during the apartheid days, that work on farms is only for unskilled and uneducated labourers, must change. Blacks must see themselves as entrepreneurs in this field.

Building houses is necessary, but it can only treat the symptoms of a deeper social and economic crisis. Even certain parts of First World countries (like New York City) with unlimited wealth at their disposal, have not been able to eliminate squatter problems.

The festering problem of squatting in Third World countries, especially in and around the cities, is well known. People expecting a quick-fix to this problem will be disillusioned.

There is no reason to doubt that black youth have similar aspirations as the youth of other colours. For the young and the ambitious there has got to be some worthwhile incentive - better than subsistence farming - that offers a lucrative future. The alternative on offer must be more worthwhile than drifting to the crime-ridden slums of the city to make a quick "killing".

Black youth must be made to believe by example and by education that farming, properly done, can create wealth and make it possible to live a life of dignity and independence.

The measures outlined above, imaginatively implemented, could in due course curtail the flow to the city slums - and help alleviate the squatter problem.

That it would also increase the food supply in the country and help break the stranglehold of the monopolistic boards would be additional spin-offs for the general good.

Undeniably it will be a long haul. But there is no alternative, if we are serious about nation-building.

123 (S&P)

Electricity supply 'a priority'

SENATE. ^{CT 19/94} An additional R2,5 million would be allocated to reconstruction and development programmes, Mineral and Energy Affairs Minister Mr Pik Botha said yesterday.

The restructuring of the electricity supply industry was the most important RDP project, he said, adding: "There are 1 000 or more different electricity tariffs in this country, and more than 300 suppliers."

Some local authorities were using money made from the sale of electricity to pay for other projects, Mr Botha said.

He said his ministry was already geared to "initiate the electrification projects of the RDP announced by President Mandela". — Sapa (23)

Coloured service arrears scrapped

CT 20/9/94 (123)

JOHANNESBURG. — Service payment arrears to the coloured south-western townships will be scrapped, PWV premier Mr Tokyo Sexwale said last night.

He was addressing a rowdy public meeting in Coronationville, one of the suburbs hit by rioting last week when residents protested in demand of lower rent and service charges.

At least 10 people were injured on Thursday when police clashed with protesters. Cars were stoned and buildings set alight in Westbury, Coronationville and Eldorado Park.

"I have said the doors of the government are not shut. They are wide open. When my door is open you walk in and talk because we are civilised people. Let us discuss the problems. That is how we solve them — not by setting our own place alight," Mr Sexwale told a divided audience of 1 500.

Well-armed police maintained a

strong presence outside the civic hall, and barricaded the entrance with razor wire.

"If you fear the people you lead, then you are not a leader," said Mr Sexwale, garnering applause when he announced he had ordered police to remove the barbed wire.

"We cannot remove the arrears in Soweto and not in Coronationville."

Mr Sexwale said certain people were using the old divisions of apartheid to sow unrest.

● Meanwhile, residents of predominantly coloured and Indian townships at Nigel on the East Rand marched to town council offices yesterday demanding a flat rate of R50 a month for domestic services and the writing-off of arrears.

Similar demonstrations were held in predominantly coloured townships here last week. — Sapa

Housing board ⁽¹²³⁾ approves subsidies

Own Correspondent

JOHANNESBURG. — A range of new housing subsidies has been approved in principle by the National Housing Board, chairman Mr Joop de Loor said yesterday.

The proposed new schemes, which must still be approved by the National Housing Department, meant a broad spectrum of homeless people could be drawn into the low cost housing market.

Mr De Loor said the department was unlikely to make a formal announcement before its housing summit next month.

He said the three new subsidy schemes would follow the same lines as the existing project-linked arrangement.

The social subsidy would be made available to institutions, close corporations or Section 21 companies.

The individual subsidy would be extended to those who fell into the three income groups outlined under the project-linked scheme.

People who had previously qualified for a grant from former state projects would be eligible for a top-up subsidy.

Crisis as residents fail to pay rates

By ANTHONY JOHNSON

LOCAL government finances in black areas had plunged into "a real crisis" with only 17-18% of residents paying rents and rates, Deputy Minister of Local Government Mr Valli Moosa, said last night.

In November 1993, 33-34% of black local authorities were paying for services. He attributed the drop-off mainly to the lack of administrative capacity to collect the money.

Minister of Local Government Mr Roelf Meyer said proposals on dealing with the problem would be announced after a meeting with provincial executives tomorrow. (123) CT 22/9/94

In Parliament earlier, Freedom Front MP Mr Joseph Chirole said the culture of non-payment had reached the point where the average backlog in payments was running at R100 million a month — equivalent to half the RDP budget for this year.

HOUSING SUBSIDIES

A straw in the wind?

Fun 23/9/94

There's much criticism that the implementation of the interim capital housing subsidy scheme is not progressing well. But the speed with which the four regional housing boards have evaluated and approved 90 000 housing units in project-linked applications since mid-July seems, at least in part, to refute this.

These projects were related to the first tranche of funds allocated by the Department of National Housing. The second tranche will be announced before December, by which stage all nine housing boards should be in place.

But already discrepancies in the administration of the subsidy scheme have become apparent — most notably in the Free State and the Cape. And recent references by housing experts to linking housing subsidies with savings and credit indicate that a revision of the interim one-off capital subsidy scheme may be on the cards. A draft of the Housing White Paper is being workshopped this week by the regional boards and the National Housing Forum.

This is the start of a consultative process which could result in an amended but more flexible subsidy scheme by the time the White Paper is made public at the National Housing Summit next month.

Just how many homes are likely to materialise under the interim scheme is a moot point. Delivery will begin on serviced sites within the next few months. The Regional Housing Board (RHB) of Natal, for example, says it has approved projects involving up to 10 700 sites where servicing is complete and construction is under way or about to commence.

But relative to the number of homes approved, the total completed in 1994 should be far fewer because of the long lead times involved. Many projects will take up to three years to complete.

Included in the 90 000-odd homes approved are 22 825 "housing opportunities" approved in Natal last week. The Natal initiative stresses that the maximum R12 500 capital subsidy is to provide beneficiaries with the ability to buy a stand and contribute to a top structure.

Though the Free State appears to be the most advanced, with six projects on the go, the province's RHB has stipulated that sleeping and living facilities be separate, which excludes shell or core housing (houses without internal walls). This ensures housing for only those with additional funds or access to bank credit.

Free State RHB chairman Job Pretorius admits that the way the scheme is being implemented implies that the lower end of

the market has been excluded. He believes this sector should be helped by town councils providing subsidised rental accommodation, which will probably require further State funding.

The Cape RHB has approved several projects in the Western Cape, the first a 337-unit scheme in Worcester. Here, the local authority provides a serviced stand for R1 500 with money borrowed from the Development Bank of SA. The board thus allows the full R12 500 subsidy to go towards the top structure. Under the original subsidy scheme the R12 500 was supposed to include the cost of a serviced stand.

RHB chairman Johan Nel says that's largely thanks to the municipality. "To put this in a positive light, if all municipalities could do the same it would enhance the housing delivery process immensely and provide a better quality product."

He says the Cape is committed to a large number of schemes, which numerically seem to favour the coloured community. But in value terms the schemes for blacks are greater.

In the Transvaal where 63 064 units have been approved, developers were given extra time to satisfy certain conditions. The only project that is going flat out is one in Protea Glen for roughly 800 units.

In terms of first tranche applications, the

board expects 17 000 homes to be built in the PWV by the end of March next year 1 860 in the Eastern Transvaal, 500 in the Northern Transvaal and 1 190 in the North West. This totals 20 600. In the following financial year, 31 475 homes will be built in the PWV, 4 635 in the Eastern Transvaal, zero in the Northern Transvaal and 2 239 in the North West — a total of 38 349. In the 1996-1997 financial year 3 190 homes will be built in the PWV, 350 in the Eastern Transvaal and 520 in the North West giving a total of 4 060. ■

RETAIL RENTALS

Still a long way to go

Real growth in shop rentals cannot be expected before 1996. The latest Rode & Associates report on the retail property market shows that gross rentals in centres are still showing signs of the recession.

The low level of consumer savings after years of dissaving to protect standards of living and the higher income tax burden are the principal reasons for the poor consumption spending patterns. And they could be further adversely affected by the anticipated rise in interest rates.

But the retail recovery should eventually come. And when it does sales of durable

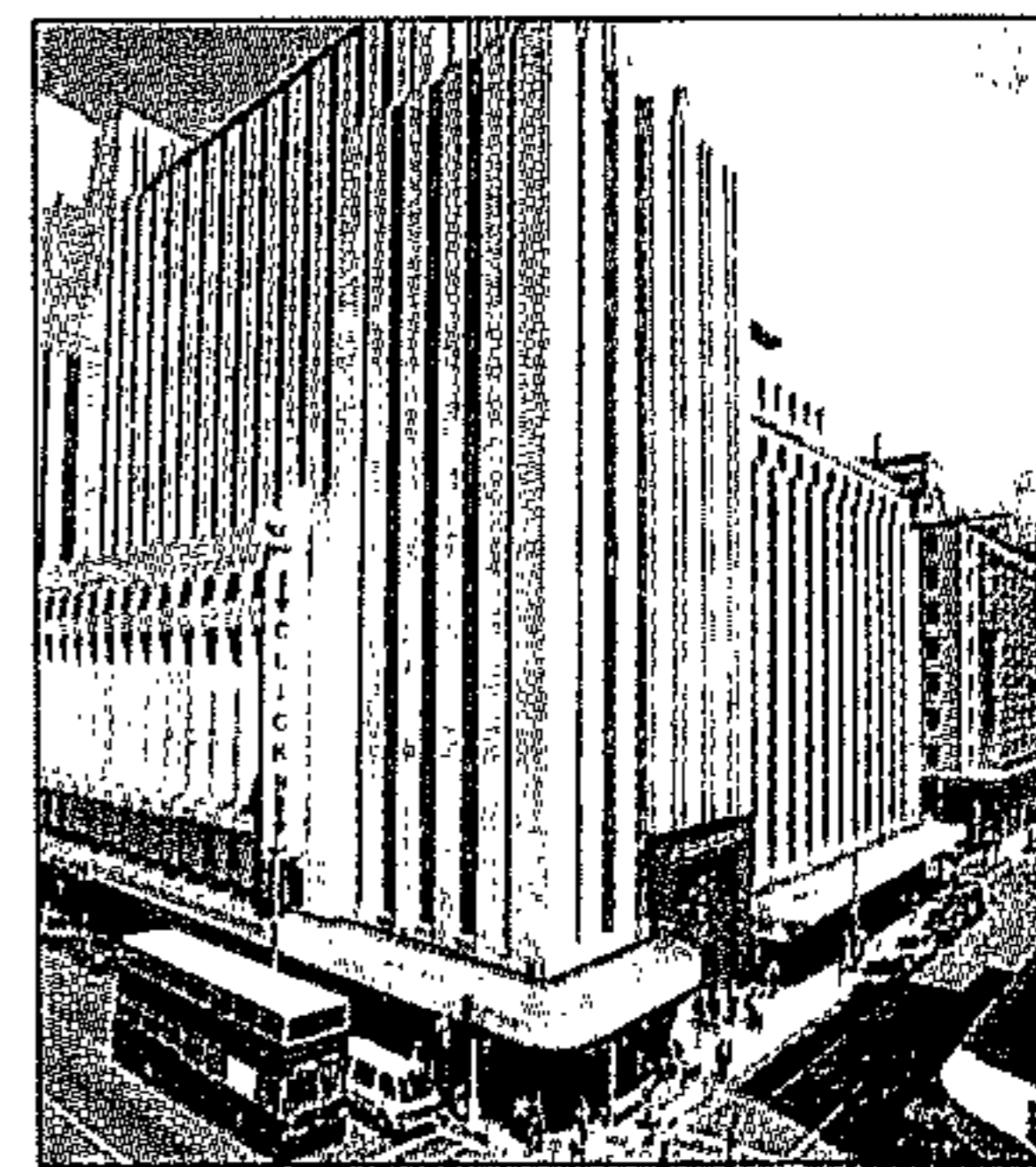
A MAJESTIC SALE

The Reserve Bank last week approved the sale of a Johannesburg CBD landmark, His Majesty's building in Joubert Street, to a consortium of investors from Cameroon.

Bestinver, which is registered in the British Virgin Isles, bought the entire share capital and loans in Sanso Properties which held the office building for FFr11,3m.

Sanso was owned by Apex Property Fund and managed by Anglo American Property Fund Managers. Bestinver plans to spend R15,3m refurbishing the building from January. Clicks is the main tenant in the 13-storey, 10 739 m² building. Apex MD Grahame Lindop put the building on the market in March as part of a portfolio restructuring.

The size of the Apex portfolio after the sale of three buildings — His Majesty's, Damelin and Southern Life Centre, Krugersdorp — and the sub-



His Majesty's ... sold to overseas investors

sequent purchase of the remaining third in Lakeside Place, Bruma, and three Grayston Drive properties is R399m.

PROPERTY

goods, driven by credit purchases, should lead the way says Rode & Associates director Erwin Rode — possibly as early as 1995.

Rental levels in both regional (over 30 000 m²) and community shopping centres (10 000 m² — 30 000 m²) on the Reef have been stable over the past year and a half with Pretoria rentals showing steady growth since the first quarter of 1993.

Rentals in the Cape Peninsula regional and community centres are 10% and 6% respectively higher than they were 18 months ago. But in the Eastern Cape and the Durban/Maritzburg areas shopping centre rentals have declined.

Says Rode: "The national regional centre index peaked in the third quarter of 1993, whereas the national community centre index just kept on growing in nominal terms and is now 11,6% higher than it was six quarters ago."

Durban leads the way

Street-front located shops of 100 m², based on mean data obtained in the second quarter of this year, showed rentals highest in the Durban CBD at R101,25/m² followed by Johannesburg's northern suburbs (R92,50/m²), Cape Town CBD (R88,33/m²), East London CBD (R38/m²) and Port Elizabeth CBD (R25,83/m²).

Average escalation rates on shop leases for the second quarter of 1994 were 12% for Bloemfontein, Cape Town, Durban, East London, Johannesburg and Port Elizabeth, and 11,7% in Pretoria — virtually the same as 18 months ago.

"These are an indication of inflationary expectations," says Rode. "They can, however, also be interpreted as a shop rental forecast by the market. Escalations are applied to shop rentals with the intention that when a lease runs out, say after five years, there will be a minimal difference between the escalated rental per the lease and the market rental. This might partially explain why escalation rates on shorter leases have not come down in the face of the dramatic drop in inflation."

Good information on the retail property market is sketchy, but observers caution that, unlike offices and industrial premises, retail outlets are locational specific and rental comparisons could be misleading.

The relocation of taxi ranks, retail magnets, large corporate employers and the pedestrianisation of main roads are some of the factors which could have an impact on rentals. They say retail statistics should identify retail properties, and their grading within the survey, and these should be monitored regularly to determine movements in rentals and escalations.

Rode says a new annual survey will be started soon which will deal with the percentage-of-turnover clauses in shopping centre leases as well as typical escalation rates.

He says community shopping centres have probably performed better than re-

gional ones because they have fewer high-priced, luxury goods outlets which tend to struggle in recessionary times.

DEVELOPMENT

Time to fill in

Gapp Architects & Urban Designers — the firm responsible for the conceptual planning behind Cape Town's Victoria & Alfred Waterfront — has branched out into affordable housing with a series of schemes in Cape Town's Rondebosch East.

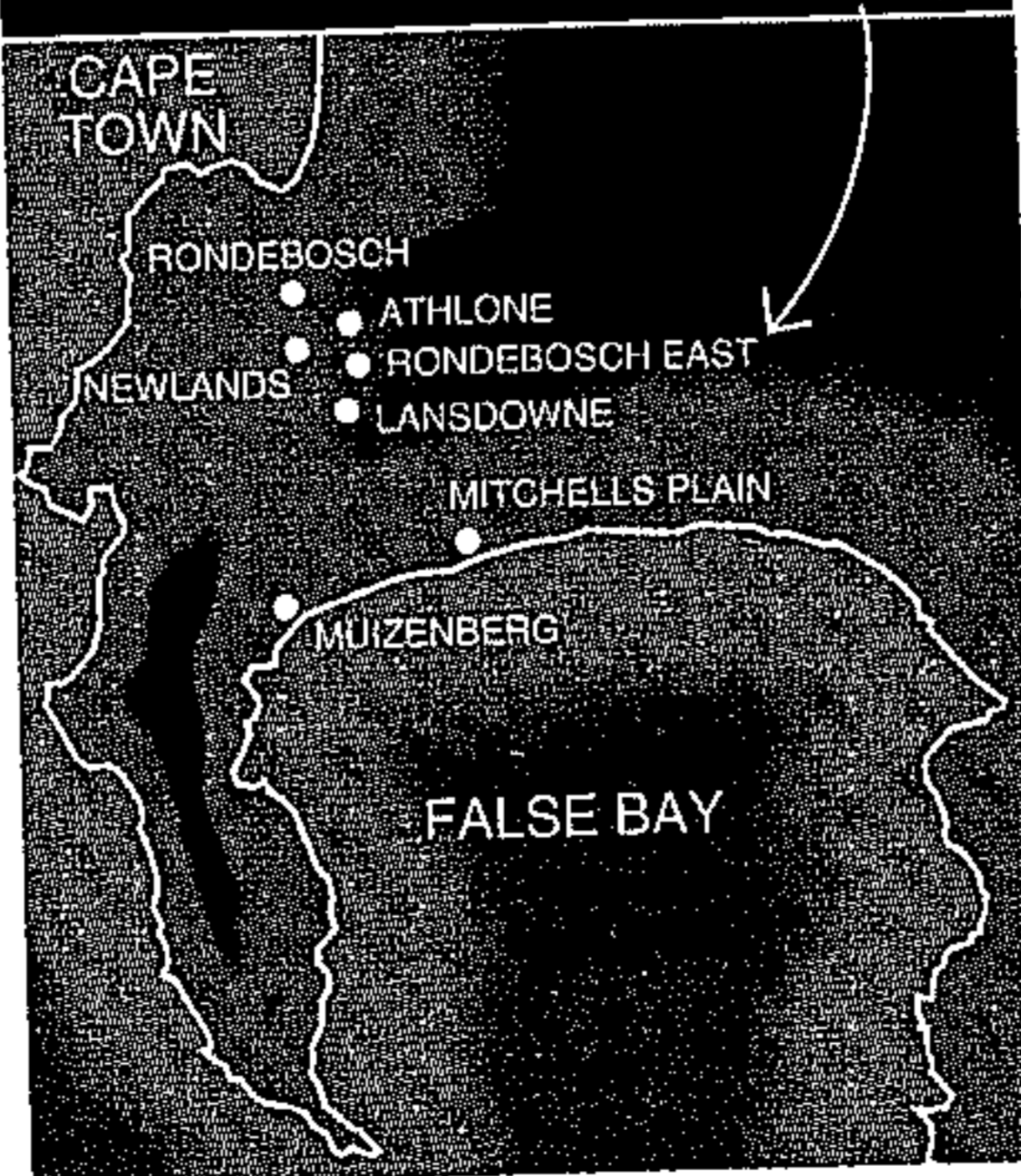
Developer Newhco, which is involved in similar projects in the Transvaal and Eastern Cape, appointed Gapp in March. Newhco has submitted plans for other high-density schemes in Steenberg, Woodstock/Salt River and Maitland. Proposals for a further two projects along similar lines have been submitted to the municipalities of Paarl and Stellenbosch.

Should the 106-unit scheme over 2 ha in Rondebosch East find favour with the community, it could serve as a pilot suburban project for the city. Newhco, land owner Intersite, Cape Town City Council and a council-appointed facilitator are now in their fourth month of discussions with community representatives.

Selling the concept has not been easy. Local residents fear an influx of lower income earners will result in falling property values. Yet would-be residents would need to have a joint income of around R5 000 a month to buy in — more middle than lower class. One to three-bedroom units in the scheme range in price from R100 000 to R130 000. Existing free-standing homes in the area sell from R140 000.

The council's principal planner, Mike Parker, reports that community fears are gradually being allayed. The city is organising a bus tour to take representatives

DENSIFYING THE CAPE BEGINNING HERE



GUIDELINES

Insurance broker Glenvaal Dewar Rand is consolidating its offices under one roof. It has signed a five-year lease with Old Mutual Properties to occupy 6 000 m² in 24 Fredman Drive.

The deal was negotiated by RMS Syfrets' Adam Blow and Helen Fordyce at R25/m² gross with a 12% escalation.

Three other significant deals have been brokered by RMS Syfrets. Illustrating the shortage of prime office sites near the Sandton CBD, Johannesburg Consolidated Investments has purchased a 12-unit residential complex New Park on Maude Street, opposite the Balalaika Hotel, for use as a tenant-driven office development. The purchase involved negotiating 12 separate transactions with the townhouse owners.

Unibank has taken the entire 1 700m² third phase of Rivonia's Homestead Mews owned by Kirchmann Hurry. The bank has naming rights over the building. The first and second phases of the development are 95% let and the fourth phase will be ready for occupation by March next year.

Carlton Centre office tenant Michel Herbelin Watches SA is to move to 68 Grayston Drive, Sandton, at the end of the year. It will take 460m² in the building, owned by Tiber Bonvec.

to other sites to gain an idea of the effects of similar developments. Intersite has agreed to consider proposals to finance the upgrading of the nearby Crawford railway station and Newhco has scaled down the project from an original 130 units. Surrounding schools, libraries and sport facilities are believed to be adequate to cope with the increased population.

Parker believes the city's efforts to sell the idea of increased densification within the city limits is being hindered by the absence of a metropolitan plan because of the fragmented nature of Cape Town's local government.

"Unlike the Transvaal, we have no Central Witwatersrand Metropolitan Chamber nor an Interim Strategic Framework. It's a long, educative process to convince people, as the World Bank has found, that we have some of the most inefficient cities in the world. Unless we start to make the most use of our existing infrastructure, urban sprawl and waste will continue.

"In Cape Town, space is at a premium relative to the rich agricultural soil on the city's edge, which is being consumed by urban development. This process needs to be reversed by projects that will also help redress the ills of the past and generate greater opportunities for all the people of the city," says Parker.

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Anger in Western Cape over arrears

By CHRIS BATEMAN
 LOCAL resentment at having to pay selective housing rental arrears boiled to the surface yesterday after the short-lived "scrapping" of arrears in PWV coloured townships.
 This was in spite of the quick and sharp reputation by Housing Minister Mr Joe Slovo of the clumsy illegal "scrapping" by PWV Minister for Local Government and Housing Mr Dan Mofokeng.
 Western Province Housing Minister Mr Ger-ald Morkel said his telephone line "sizzled" with civic outrage at the news, prompting him to call housing director-general Mr Billy Cob-bett for an explanation.
 "He said Mofokeng had no authority to do it and that if they wrote off all the nation's housing debts it would cost R7-to-R8 billion—the entire national housing budget is only R2,6bn," Mr Morkel said.
 Mr Slovo said Mr Mofokeng's proposal had "no basis in law", adding: "The assets in- volved are at present not at the disposal of the provinces but are controlled by the National Housing Board on behalf of central govern- ment." Any departure from this would require a central cabinet decision.
 Mr Slovo warned that a write-off in one province would immediately create pressure on other provinces to follow suit.
 Local coloured residents interviewed in a snap survey yesterday cited the scrapping of local black housing rental arrears as their biggest grievance.
 Cape Town City Council rental arrears (for coloured and Indian suburbs) stand at R8,7m and outstanding home ownership payments total R7,2m (as at end of January '94).
 The local snap survey, in Bonteheuwel, re- vealed residents willing to pay — provided current arrears were written off.
 "If they make rents affordable people will pay" but plenty of grassroots education is needed," said Mrs Dorothy Lodewyk.
 The National Party yesterday welcomed Mr Mofokeng's plan to write off arrears in PWV townships, but said it was not a permanent solution. NP spokesman Mr Daryl Swanepoel said the NP was disappointed, however, that the provincial legislature had given serious attention to the matter only after residents resorted to extreme measures.
 Coloureds 'still racist' — Page 4

Arrears: Team to plan strategy

ET 24/9/94 (123)

PRETORIA. — A task team of government and provincial legislature representatives would formulate a strategy on the scrapping of rent and service payment arrears, the Ministry of Provincial Affairs and Constitutional Development said yesterday.

An assessment would be made of communities not yet considered for the scrapping of arrears in rent and service charges.

This was announced as acrimonious debate continued between PWV Housing Minister Mr Daniel Mofokeng and national Housing Minister Mr Joe Slovo, who on Thursday rejected Mr Mofokeng's plan to write off rent and service arrears in the PWV and to hand over state-owned houses to township residents. Mr Slovo said yesterday his Thursday statement had unintentionally referred to service charges.

Mr Mofokeng yesterday accused Mr Slovo of mud-slinging and meddling in provincial affairs.

Meanwhile Minister without Portfolio Mr Jay Naidoo yesterday vowed "not one cent" of the RDP fund would be spent on scrapping arrears.

He said the government wanted to bring the message home that services "must be paid for".

Mr Naidoo's comments were backed

'Get involved', Minister implores

MAGGIE ROWLEY
Property Editor

WESTERN CAPE Housing Minister Mr Gerald Morkel yesterday implored the private sector to get involved in the building and financing of low-cost mass housing.

Addressing a business symposium organised by the Cape Chamber of Commerce and Industry, he said housing delivery could not and should not be the responsibility of the government alone.

He said the private sector had indicated its willingness to get involved but a firm commitment and plan of action was still forthcoming.

Mr Morkel said the national Housing Minister had indicated that legislation could be introduced to force large financial institutions to make loans available to the public for low-cost housing if this was not done on a voluntary basis.

by a spokesman for Mr Slovo who said the full weight of the law would be used against those who benefited from the RDP but failed to pay.

Housing spokesman Mr Stephen Laufer said it was a misconception among Western Cape coloured people that black housing loan arrears had been selectively written off.

Deputy city treasurer Mr Peter Lever said yesterday the council was "reversing our rights" as to how it recovered the service arrears debt. — Political Staff, Sapa

Bank lifts

rates 1%

CT 24/9/94 (123)

By MAGGIE ROWLEY
Deputy Business Editor

CONSUMERS face across-the-board increases in interest rates following a one percent hike in the bank rate to 13% announced by the Reserve Bank late yesterday.

Commercial banks are expected to more swiftly to increase interest rates to borrowers including mortgage, hire purchase and overdraft rates.

The rise in the bank rate, effective on Monday, follows on the shock 82,5% plunge in the monthly trade surplus announced on Thursday, the rise in inflation as measured by the Consumer Price Index to 8,2% in July and the more negative than expected international credit rating.

Figures released late yesterday show the monthly trade surplus fell dramatically in August to R288m from R1,65bn last month due to a strong increase in imports, reflecting the worst performance since the deficit of R128m in October 1992.

Reserve Bank governor Dr Chris Stals last night said the decision reflected the resolve of the monetary authorities to continue to apply measures consistent with the bank's responsibility to protect the value of the rand.

Homeowners can expect bond rates to rise by one percent.

On a R50 000 bond over 20 years, a one percent increase in the mortgage rate to 15,25% will mean homeowners will have to pay R705,02 a month — an extra R37,37 on what they are currently paying.

On a R100 000 bond over the same period, they will pay an extra R74,74 a month and so forth.

Home

loans

set to

increase

South African Foreign Trade Organisation (Safto) economist Mr Carlos Teixeira said the economy would need continued increases in exports to compensate for the surge in imports.

"The good news about this month's figures is that there is obviously reinvestment in the economy, but we face the difficult problem that we've always faced, an appetite for imports as soon as the economy picks up, which could lead to constraints on monetary policy."

Mr Tom Boardman, a director on the Board of Executives, said the move was "not unexpected" in the light of sharp increases in the long-term end of the yield curve.

"In the past five to six weeks rates have increased from around 11% to 17% in that end of the market on which people make long-term (10 years and more) investments. Because there was no accompanying movement in the short end of the market people in the banking industry were anticipating the increase."

Economists have been warning that the rise in inflation, coupled with the continued worrying balance of payments situation, not only on the current account due to rising imports but also on the capital account due to capital outflows over the past year, could force the Reserve Bank to raise interest rates.

This was exacerbated on Thursday when South Africa received a negative credit assessment from the European rating agency IBCA which shook financial markets. The BB rating awarded to South Africa denotes a possibility of investment risk and puts South Africa on a par with Argentina, Mexico and Hungary.

Market sources said the rating was a vote of no-confidence at a time when the country was hoping for a boost in foreign investment which was necessary to ease the balance of payment restraints.

Mr Kingsley Loney, general manager of NBS Bank, said it was a foregone conclusion mortgage rates would be increased in line with the hike in the bank rate.

"It's going to have a detrimental effect across the board."

"Unfortunately, this will increase the cost of home ownership, and represents a real setback for the delivery of low-cost housing."

"It'll be a dampener on the property market — those who have only recently bought in at the mortgage rate of 15,25% will probably find themselves paying an extra one percent on their bonds."

● Rate up as surplus plunges — Page 5

Crooks make light work of meters

(128)
ARL 24/9/94

WILLEM STEENKAMP
Weekend Argus Reporter

MILLIONS of rands are being lost through the illegal tapping of electricity from supply lines — and pre-payment meters being installed all over the country appear to be no solution.

Eskom spokeswoman Karen de Villiers said the pre-payment meters were being bypassed or tampered with by people who did not want to pay their accounts.

"We have taken several of these people to court and will continue to do so. We also have spoken to the manufacturers of the meters and they are trying to adapt them and make them tamper-proof."

Miss De Villiers also denied Eskom had pushed up the rates of regular users in the upmarket areas to make up shortfalls from people who were in arrears in the poorer areas.

"We would not even consider doing such a thing and, in any case, it's impossible. Our consumers are all on computer and their

accounts are individually specified according to the units they have used in a particular period."

Miss De Villiers said that every year people started complaining about higher tariffs during the winter months.

"It is simply a case of people using more electricity in the colder months. There is nothing sinister about this and we definitely are not tampering with or increasing accounts."

■ The Cape Town City Council is continuing its efforts to recover about R60 million in electricity arrears.

Assistant city treasurer George van Schalkwyk said it cost the city about R6 million in interest a year because of the R60 million owed to the municipality.

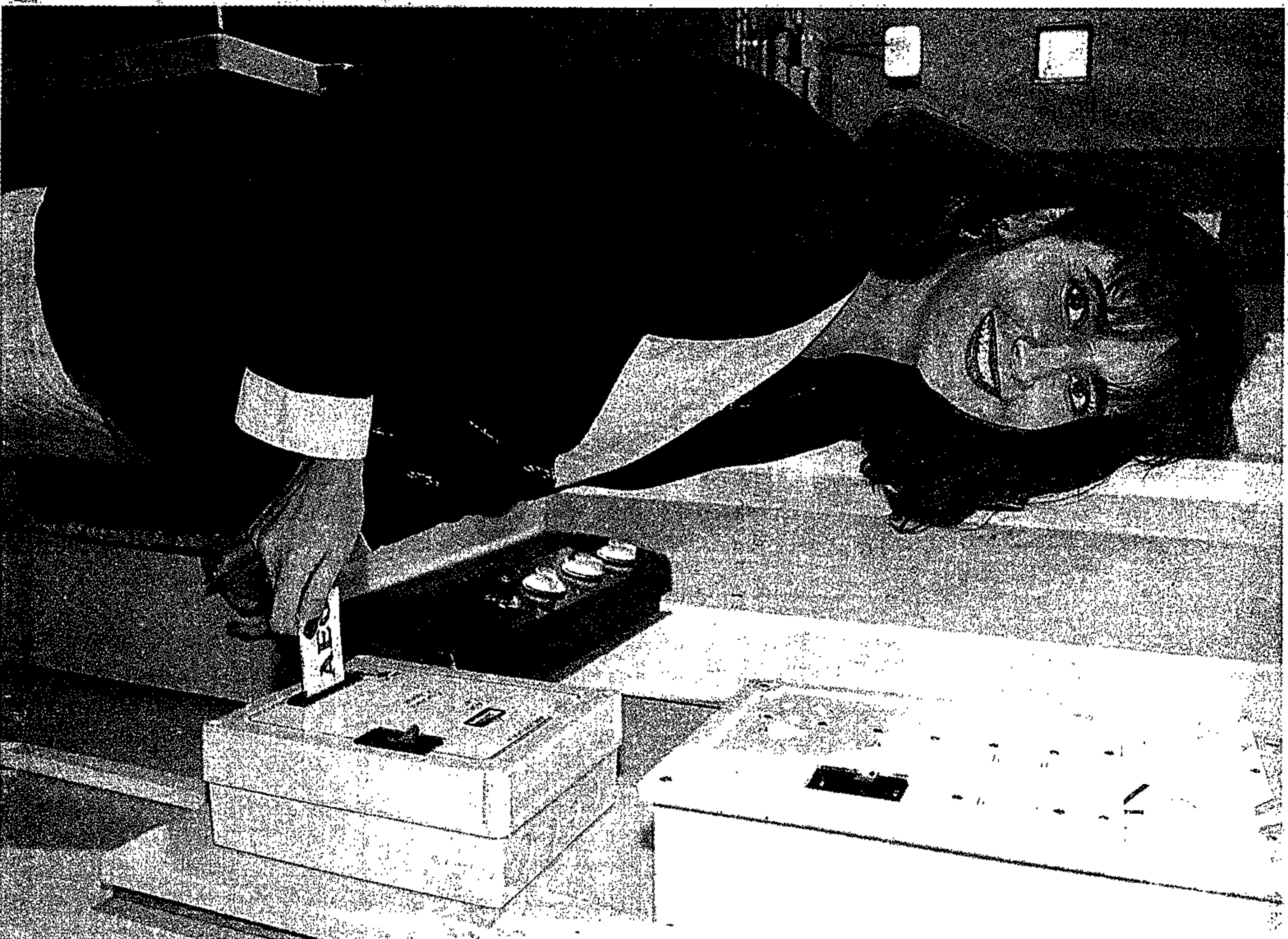
Mr Van Schalkwyk said people had about 14 to 17 days to pay their accounts from the day they were sent out. The treasury was doing everything in its power to handle the situation in a sensitive manner, but consumers who paid their accounts regularly suffered because of the actions of people in arrears.

"About one percent of the annual increase in the electricity rate can be ascribed to meeting costs involved in paying interest and trying to recover monies owed to the council."

Mr Van Schalkwyk admitted that computers used for administering the electricity accounts were about 25 years old and outdated. He said that by June next year a new system should be in place.

■ Ted Doman, municipal spokesman, said the council did not believe that those people who paid their accounts regularly should foot the bill for the arrears and the council intended to phone normally good payers — people who have not had a disconnection order against them for the past 15 months — before carrying out a disconnection.

This procedure would not be repeated for the same consumer in the ensuing month and it would be up to consumers to inquire about their accounts if they did not get them at the normal time of the month.



□ **METER MAID:** Eskom consumers are bypassing or tampering with pre-payment meters. Maréjile Marais of Bellville shows how a card is correctly inserted.

Picture: ANDREW INGRAM, Weekend Argus.

Hope for the homeless

A community group is helping those without homes to help themselves

ARLT 24/9/94

(23)

JOSEPH ARANES
Weekend Argus Reporter

If you are able to empower and develop the poorest sections of society, it follows that the whole country will be a better place to live in.

This was said by a kherdweller who lives on the streets of India and who is in South Africa to share her knowledge and experience with a group of local homeless women who are working hard to build decent houses for themselves.

Sagira Ansari lives on the streets of Bombay and helped form an organisation called Mahila Milan, Women Together, to help find solutions to India's housing crisis.

She is part of a group of five invited to South Africa by the SA Homeless People's Federation to share ideas on a problem which is just as common here.

"The issue of poverty is the same wherever you go but through our struggle in India we discovered that by helping ourselves overcome the difficulties was the only solution," said Sagira.

"We came here to share our experiences but found the people here had already found the solution because they know they can't wait for the government to deliver on their promises."

"Yet if the poorest section of the community was empowered and developed, the whole country will benefit. But those in power don't want to realise it."

The Homeless People's Federation was formed in 1992 after groups of people from across the country came together to pool their resources and helped find solutions to the housing shortage.

Western Cape regional co-ordinator Patricia Matolengwe said her group was based in Site B Khayelitsha and had 286 members, six of whom are men and the rest women.

"We started out as a savings club but after we opened our first bank account and deposited R1 100 we sat down and discussed how best the money

■ In our own country and across the globe millions go to sleep every night without shelter. In a bid to empower the citizens of the streets, South Africa's homeless are now sharing ideas with the destitute from India, where the problem is also enormous.



TOUGH JOB: Rose Molokwane and Patricia Matolengwe show how the job must be done.

Pictures: ROY WICKLEY, Weekend Argus.

could be used, she said. "Because none of us own homes it was decided the money should be used to finance a housing project."

Now two years later, the Victoria Mxenge Housing and Development Association has accumulated more than R19 000 and after months of negotiations with the Catholic Church owns five hectares of land in Phillippi, just off Lansdowne Road.

Mrs Matolengwe said the land was covered with water but with the help of a building construction company which dumped building rubble there,

it was now suitable for building houses.

"A good thing about the rubble was that we organised work teams to go through it and have recovered hundreds of useable bricks and other material from it," she said.

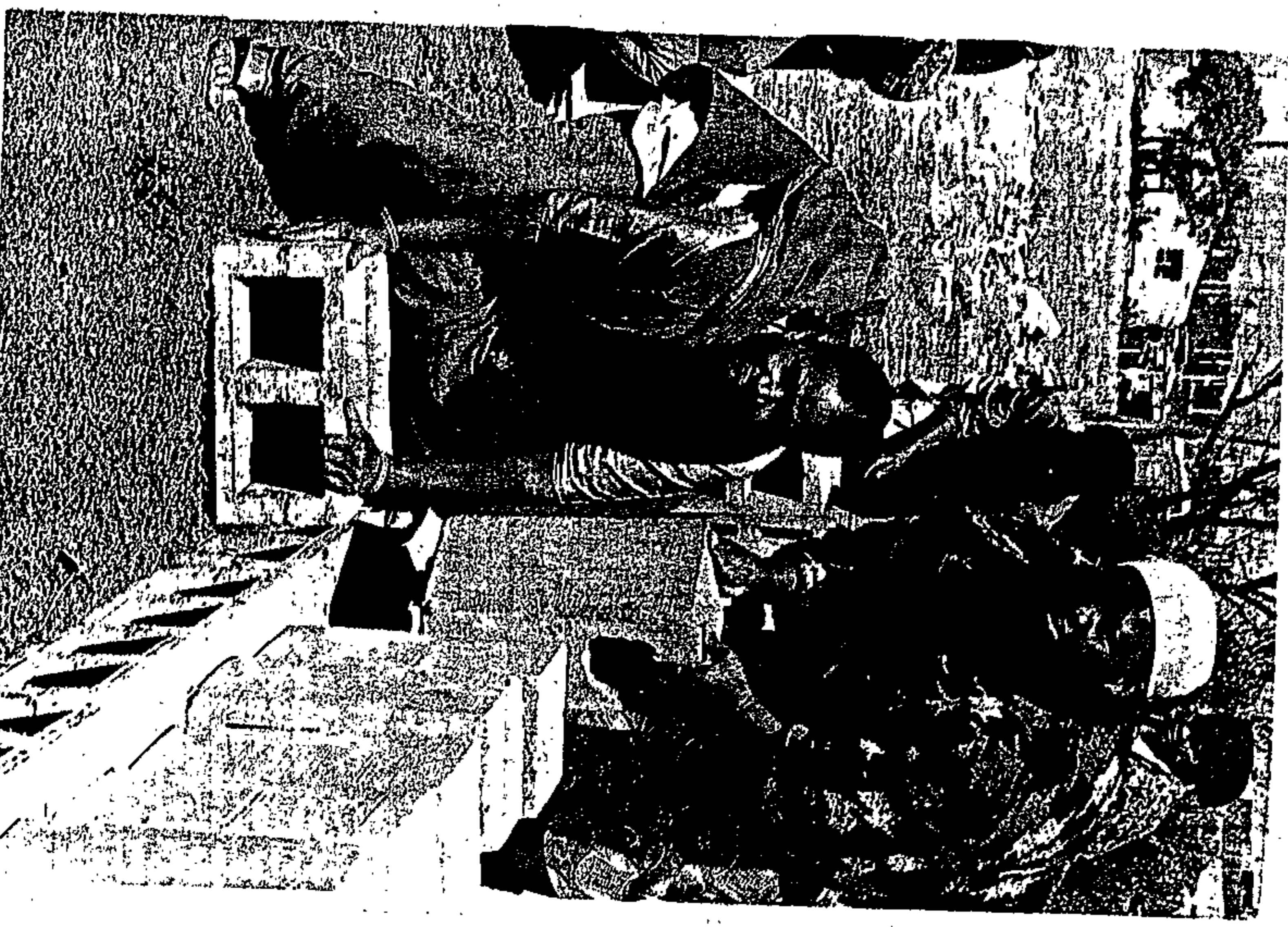
The group sent some of its members on house-building and block-making courses and now had a workshop where cement blocks and roof tiles were being made.

"Our biggest problem is that the authorities want to charge us half a million rand to lay on water and sewerage pipes," Mrs Matolengwe said.

"We cannot start the actual building of the houses until these services are connected and don't have the money to pay the authorities but we are continuing our negotiations with them."

Xoliswa Tiso, a single mother of two young children, said she was looking forward to the day when she and her family would move into their own home.

"For years I have been looking for a place to live. Now I have joined the project and we are working hard every day to realise our dreams," she said.



HARD WORK: Workers from the Victoria Mxenge housing project and Indian kherdweller Sagira Ansari lay the foundation of the life-size model house which will go on display today.

Minister's R16-billion blunder on housing

S/ Times 25/9/94

123

By **RAY HARTLEY**
Political Reporter

A PROMISE to hand over government housing stock to protesting residents of formerly coloured areas in the PWV could end up costing South Africa R16-billion, wrecking the government's national housing plans.

Housing Ministry officials said PWV Housing Minister Dan Mofokeng's "blunder" would instantly erase R9-billion in potential government revenue if implemented nationally. This could further undermine the payment of around R7-billion in commercial bank loans to low-income areas.

"The effect of this will be to reduce by 346 000 the number of houses built by government in the next five years," a grim-faced official told journalists at a briefing in Pretoria this weekend.

Late last night the housing drama was taken to the highest level when Housing Minister Joe Slovo met President Nelson Mandela.

The latest row comes amid growing government alarm at the fact that massive arrears on service payments in black townships are again accumulating after the government wiped out billions of rands in arrears in January this year.

The number of township households paying service and rent charges has in fact declined sharply since Mr Mandela appealed earlier this year for residents to resume payments.

At a meeting in Reiger Park on Thursday, Mr Mofokeng promised protesting residents that he would hand over government houses and write off rent and service arrears.

Mr Slovo said Mr Mofokeng's announcement went beyond his regional powers and had no force in law.

Mr Mofokeng, however, was adamant that he would not "back down or apologise to anyone".

But following the public trashing of his plans by two senior ministers and his provincial counterparts, there were signs at the weekend that Mr Mofokeng was beginning to change his tune.

After a stormy meeting with provincial local government ministers and Provincial Affairs Minister Roelf Meyer on Friday, Mr Mofokeng appeared to have finally wilted under the pressure.

He undertook to adhere to the findings of a task group on the matter, adding that he would be bound by "a position which doesn't necessarily exclude

□ To Page 2

P.T.O

W Cape body adds to call to scrap arrears

ANDREA WEISS
Municipal Reporter

123 ARG 27/9/94

COLOURED communities in the Western Cape are adding their voice to a call for the scrapping of service and rental arrears in all areas.

This follows a controversial announcement by PWV housing minister Dan Mofokeng that arrears of millions of rands would be scrapped after residents of Reigerpark near Boksburg clashed with police over the issue.

National Housing Minister Joe Slovo has dismissed this concession as having no basis in law.

However, the position in all communities not yet considered in the process of writing off arrears is being assessed by a task team comprising representatives of all the provinces and the departments of constitutional development, housing, state expenditure and finance.

In Cape Town yesterday, members of the Cape Areas Housing Action Committee (Cahac) presented a memorandum to provincial government demanding the immediate scrapping of all service and rental arrears in the Western Cape.

The 40-strong delegation said it would return in greater numbers if its plea went unheard.

And tonight, residents of Tafelsig in Mitchell's Plain are holding a mass meeting on the same issue.

African National Congress Western Cape chairman Chris Nissen, accused the Cahac demonstrators of racism, saying that the ANC had always been

in favour of writing off arrears.

He said many of the comments from the group had a racist flavour and accused the Democratic Party of fuelling the controversy.

"The ANC will fight for the scrapping of arrears in this province for all communities involved."

Local authorities needed to be pushed into scrapping arrears.

Among the placards carried by the group was one saying "We support the RDP for all".

Protester Warren Morris, who was using a loud hailer to lead the delegation, accused the government of racism, saying that only black areas were being helped.

"The reality is that when we say we have problems, the ANC and others say we are being racist," he said.

"We don't want white domination to be replaced by black domination."

Among those who accompanied the delegation was Eileen Goliath of Montagu Village who said that residents there had arrears amounting to almost R1 000 a household after they were moved there from Vrygrond near Muizenberg.

She said they had had no electricity for seven years, and most residents were old, living on maintenance money or disabled and could not afford to pay rent.

Another said that residents of Extension 13 in Belhar were being evicted because they could not pay.

Just after the protest, there was an altercation between a black passerby and some of the protesters.

'Arrears could damage RDP'

(123) (123) (123)
WRITING off rent and service charges could undermine the reconstruction and development programme and affect government's ability to meet the needs of the poorest of the poor, says Jay Naidoo, minister in charge of the programme.

Although some of the demands to scrap rent and service charge arrears were legitimate, the affordability of those charges had to be discussed, he said at the annual meeting of the Western Cape development association Westgro.

ARG 27/9/90
"We have to insist that when we negotiate those charges it has to be within a coherent and integrated strategy and it has to relate to cost of those services.

"Otherwise it undermines the legitimacy of the reconstruction and development programme as an overall programme."

He said the government was serious about "delivering the goods". — Sapa.

RDP 'will crash' if payments boycotts spread

ANDREA WEISS, Municipal Reporter

THE reconstruction and development programme will collapse if non-payment for services spreads to areas where people have traditionally paid, Committee of Provincial Affairs chairman Thozamile Botha said today.

Mr Botha was speaking at an electrification conference in Cape Town about how to supply electricity to as many people as possible without undermining a valuable source of income for local authorities. *ARG 27/9/94*

Cities like Cape Town that had their own source of electricity had been using the income to finance other services, he said.

Mr Botha warned that white communities would not tolerate a huge increase in rates to subsidise any revenue lost if electricity was no longer earning income for local authorities.

It was critical to maintain political and social stability during the transitional period.

Local authorities had become dependent on resources generated by electricity. This had to be remembered because local authorities would need the money as they incorporated underfunded areas.

The ideal was to provide electricity to as many as possible on a sustainable basis.

In the white areas there had been cross-subsidisation from electricity to other services while in black areas there was a culture of non-payment.

"Non-payment has caused so many problems. If more problems are created, forcing people into non-payment, then you can forget about all the nice talk about the RDP and development. It is going to collapse and fall flat," said Mr Botha.

One for rich, CT28/9/91 (123) one for poor

By PETER DENNEHY
and WILLEM STEENKAMP

THE cabinet has approved in principle a double tariff scheme for electricity users — one for the well-off and one for the poor.

According to this plan from the National Electrification Forum (Nelf) the upper- and middle-income groups will subsidise poorer users.

This suggestion, contained in a proposal for a national domestic tariff structure, has already been presented to the cabinet and approved in principle, ANC representative on Nelf Mr Mark Pickering said at a city-electricity conference yesterday.

Delegates said electricity is not the only service being looked at as a possible source of extra funds — rates and water are also being considered.

The Cape Town City Council — as other municipalities — at present makes a profit of about 10% (about R70 million) on electricity and uses this to subsidise other services.

Pressure

But now the pressure is on cash-strapped municipalities to spend more on electrification of poor areas and additional revenue has to be found.

Mr Thozamile Botha, deputy director-general of the Department of Constitutional Development, warned at the conference yesterday that stability during the transition to non-racialism was crucial, in both white and black communities.

If electricity surpluses were taken away from municipalities, they would have to push up their rates.

"You may be able to increase them by five percent," he said, "but once you start going up to eight, nine or 12%, you are inviting trouble. You don't want to spark off non-payment in areas that have been stable," Mr Botha said.

Regulating the electricity supply industry had to be done in a way that ensured it did not disrupt the restructuring of local authorities, he said.

Mr Peter Corbett, a delegate from the Durban City Council, said present demands for a flat rate for services

indicated fears that householders would be faced with many tariffs that they could not afford.

Mr Andrew Boraine, executive director of the Institute of Local Governance, said the central government's fiscal and finance commission had just set up a local government sub-committee to look at how appropriate property rates, RSC levies, and tariffs are as methods of getting in revenue for municipalities.

Mr Frank van der Velde said that when all citizens were represented on local authorities, debates could be conducted on whether to charge more for water and other revenue-generating municipal services.

"We cannot look at electricity alone if our purpose is to support local government as a working entity," he said.

● Many Capetonians have complained that their electricity accounts have gone up by as much as 30% this winter.

Council spokesman Mr Ted Doman said the council had increased tariffs by only nine percent from August 1.

Deputy treasurer Mr Ron Grace said electricity tariffs were the same for all at present, so consumers need not fear they were already cross-subsidising poor areas.

City electrical engineer Mr Fred Berwyn-Taylor, who did not attend yesterday's conference, said later that the council did not have a problem in principle with cross-subsidising the poor through electricity bills — but only if that was what the citizens of this municipality wanted.

He objected to the central government imposing such a system on the council.

● Rates and water already contain elements of cross-subsidisation. In the case of water, low-volume users are charged less. In the case of rates, the property-rich pay relatively more for standard municipal services.

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Cabinet decides on tariffs system

CT 30/9/94
Staff Reporters

123

THE cabinet has decided that a national domestic electricity tariff system should be developed and implemented as soon as possible.

This was confirmed yesterday by Dr Piet Hugo, director-general of the Department of Mineral and Energy Affairs.

He said, however, the cabinet had made no mention in its resolution of different prices for rich and poor, as the Cape Times reported.

The National Electrification Forum (Nelf) submitted a report to the cabinet saying a national domestic tariff system should be introduced.

The system should include "... an appreciation of the affordability level of poor customers and therefore these customers must be subsidise".

"The tariff system will ensure that customers are subsidised by a reasonable amount, taking cognisance of the impact on other customers and the competitiveness of electricity as an energy source."

Mr Mark Pickering, an ANC representative to Nelf, was quoted in Wednesday's Cape Times as saying the cabinet had agreed to a Nelf suggestion that differential electricity tariffs be applied to rich and poor.

He said this was incorrect.

Nelf had merely noted in a report to the cabinet that a national domestic tariff system be introduced to remove the wide range of current practices.

The cabinet has not approved a two-tier electricity tariff system where richer users would subsidise poorer consumers, Mineral and Energy Affairs spokesman Mr Roland Darrol said.

I'll huff and puff and blow the house down

WM 7-13/10/94

123

APG 7

Can the state afford to build four-bedroomed homes or will people have to settle for less? **Patrick Bond** argues against the 'toilets and a pile of bricks' scheme

CONSERVATIVE commentators and analysts are trying to stitch together a bogus consensus on one of the most critical issues facing South Africa. They argue that there is not enough money to meet the traditional democratic movement demand: affordable housing for all.

As a result, they say, the new government had better use the reconstruction and development programme (RDP) chapter on "Meeting Basic Needs" — where the housing for all programme is described — as "loose paper", and instead of implementing the RDP, continue the R12 500 maximum subsidy scheme inherited from the last government.

Unless this consensus is challenged immediately, a series of crucial questions could soon be answered in the negative. These include the questions of whether a housing construction programme can support macro-economic growth, whether public resources be used in a manner which maximises the contribution of funds from private financial sources, whether housing resources will be delinked from the failed nuclear family model which characterised past policy and whether resources will be delinked from market forces.

If these questions are answered in the negative, the prospects for socio-economic reconstruction, economic growth without overwhelming balance of payments constraints, social stability and people-driven development are exceedingly slim.

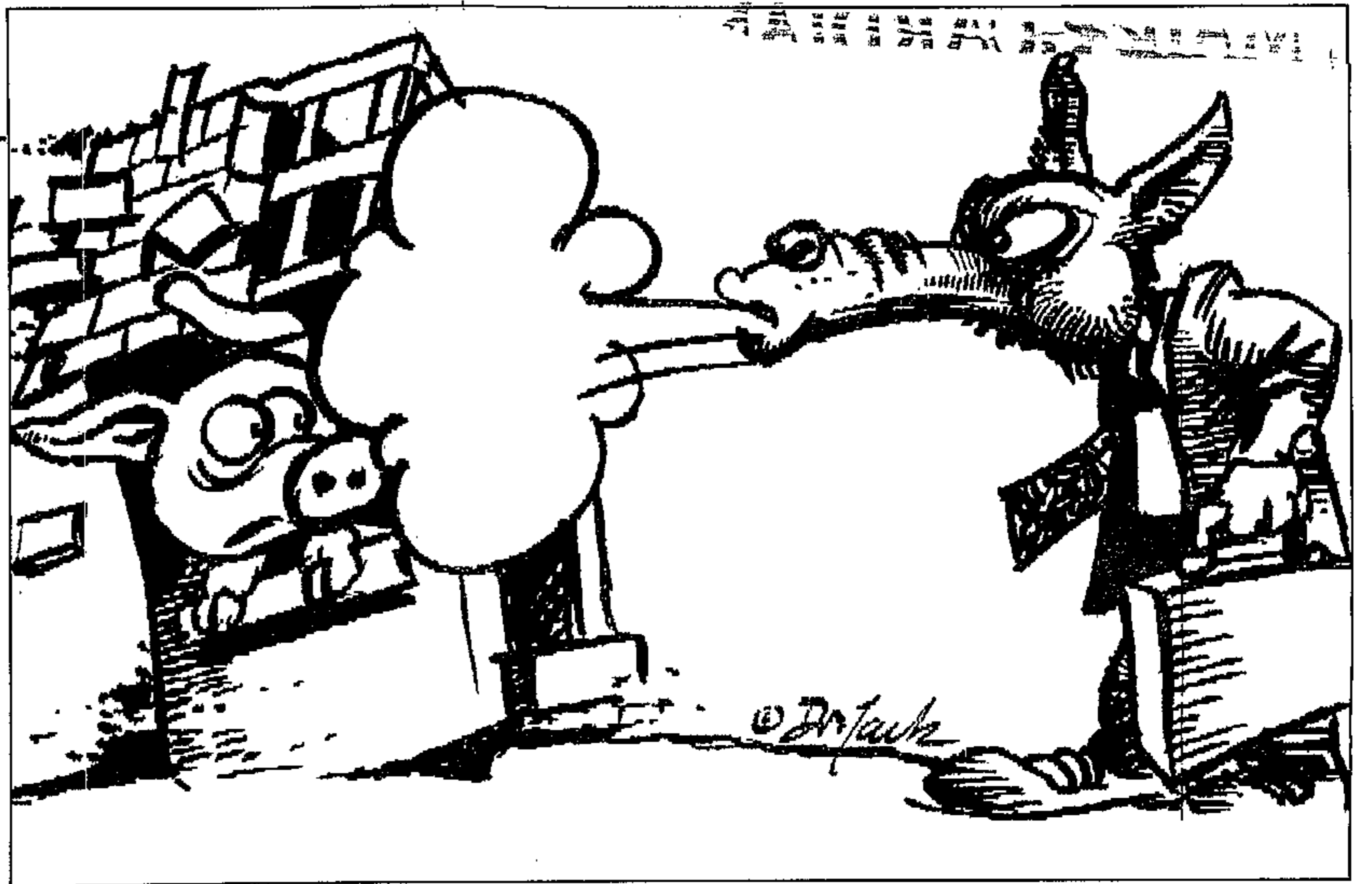
It is not to say that no progress can be made under the "toilets and a small pile of bricks" subsidy policy that the Government of National Unity has inherited. We can assume that at the minimum, social resources will in future be allocated in a non-racial, non-sexist manner which breaks from old practices, and that housing and services will be linked much more closely to the restructuring of other development programmes.

But in comparison to the task at hand — encompassed in the slogan "affordable housing for all", such reforms are marginal in importance. It barely matters that a black woman gets access to formal legal tenure for the first time, for example, if that tenure is merely a record that she owns a small, dusty site with a primitive toilet in a neo-apartheid dumping ground on the periphery of a city, far from jobs, commerce and recreation.

Instead, South Africans have come to expect that an affordable house may be one that costs in the range of R25 000 to build, a widely-accepted minimal amount for a decent four-roomed house with standard services and that it will be well-located, ecologically sound and subject to design with and by communities and especially women.

For this, South Africans expect to pay an affordable monthly amount, to rent or buy, which normally would not exceed 25 percent of income and which for the very poor goes to a far lower ratio. This is not considered "free" housing, in other words, but rather affordable housing. It is in keeping with the spirit that, as the RDP puts it, housing is a basic human right.

These, then, are the assumptions behind the traditional demand for affordable housing for all, and the



RDP sets out not only a commitment to meet this demand, but a variety of institutions and processes that can make it a reality. But the point of this paper is simple: the construction of a million affordable houses is indeed financially feasible, and should be embarked upon without delay.

The key issue is whether South Africa's social surplus is directed into housing — as opposed to the bureaucracy, arms, wasted subsidies to well-connected businesses, or excessive expenditure on goods, services and amenities enjoyed by white South Africans. This question is not merely directed towards the funds raised by the government through tax expenditure and borrowing, but to other forms of private savings presently wasted on speculation, share manipulation, and other unproductive outlets in the Johannesburg Stock Exchange, commercial real estate markets and the like.

In setting out an alternative use of society's resources, we must assume that private investors will receive a market-related rate of return on their investment. At the same time, we should assume that the RDP suggestion for a national housing bank will also have the

political backing necessary to overcome objections from conservatives, the World Bank and others who want to leave end-user and project financing purely to the big commercial banks. But to the degree that private investment funds — especially workers' pensions — are directed into such a housing bank, these should be adequately insured against loss.

What, therefore, would be the minimal state expenditure required for an affordable housing for all programmes?

If we take the RDP as a baseline, we might calculate a programme on a five-year basis. Such a programme will meet less than half the present need, but if 300 000 low-cost houses can be built each year from 1998 onwards, the backlog of urban and rural housing needs (which is as high as three million units) could probably be eradicated within 15 years.

To meet the costs of building one million urban houses at R25 000, a total of R12,5-billion (R12 500 a house) could be raised from the private sector — mainly institutional investors — through pension funds or prescribed assets and channelled through the new

National Housing Bank.

State expenditure on a new Housing Guarantee Fund would be about 10 percent of the private sector contribution: R1 250 per house (a total of R1,35-billion). State expenditure on housing subsidies, aimed at households with monthly incomes below R3 000 would total of R12,5-billion at R12 500 a house.

Total state expenditure on low-cost housing would therefore be R13,75-billion and the average annual state expenditure for a five-year programme R 2,75-billion.

There are, however, additional budgetary implications associated with other aspects of the RDP programme. These include hostel upgrading costs, retrospective subsidies for those in site-and-service shack settlements, rural housing programme (considered more expensive on a per-unit basis) and capitalisation of the Housing-Bank and other aspects of the RDP. The RDP notes that electrification, water and telecommunications costs are borne outside the housing budget.

The RDP White Paper makes additional provisions for many of the costs associated with community capacity-building, and notes that the government's "starting point" is the original RDP base document. Thus it is useful to consider, in conclusion, the generous provisions of the RDP base document on financing affordable housing for all.

If, in five year's time, when 300 000 houses are being built, the annual cost to the government is R3,75-billion, is this affordable? It is, according to the RDP.

The RDP states that total costs associated with the housing programme should be in the range of five percent of the Budget by 1998-99, that is, roughly R6,8-billion in present value terms on the basis of the 1994-95 Budget.

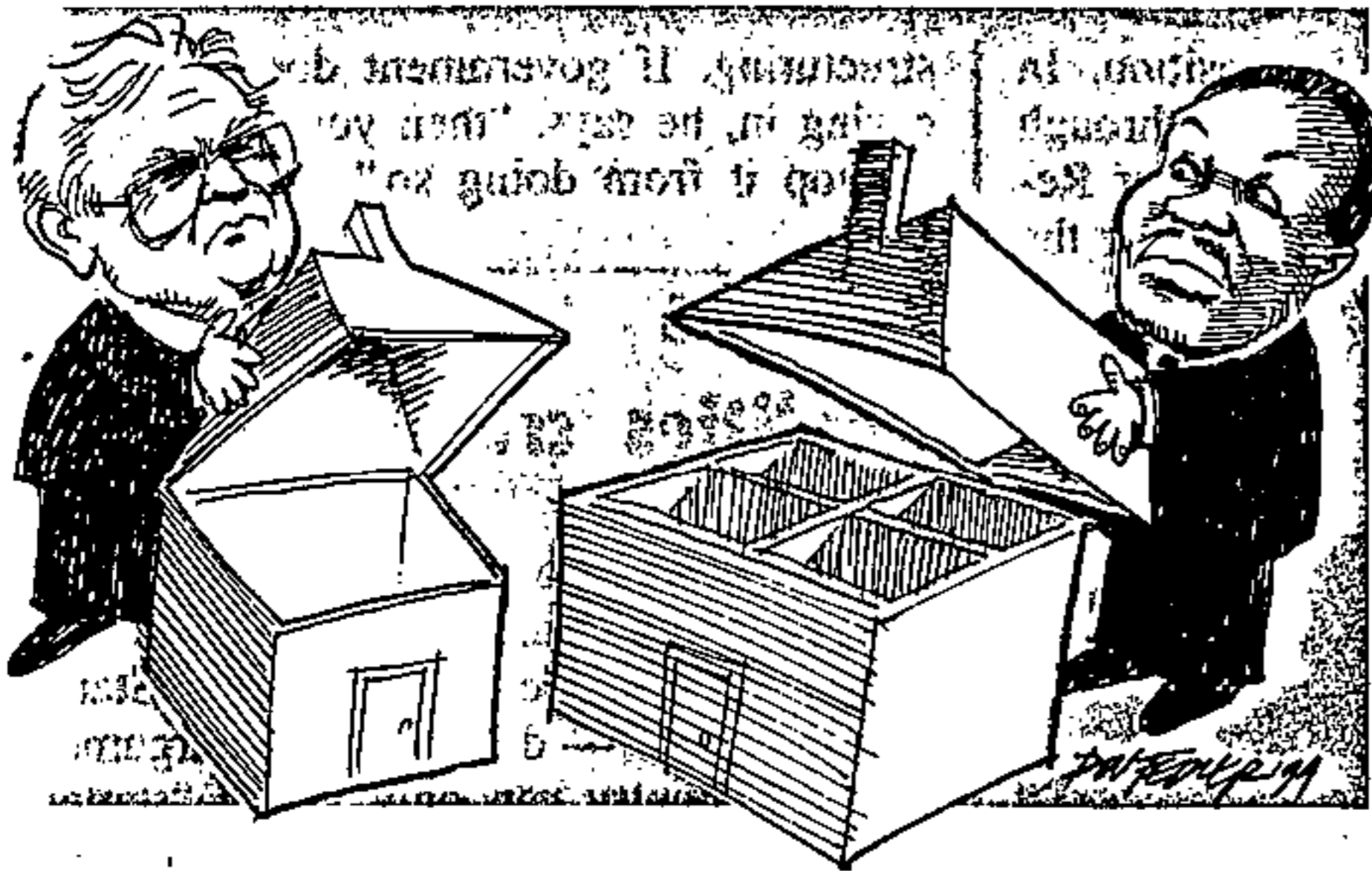
While this amount must be reached gradually, the basic elements of the five-year programme can be carried out without exceeding fiscal constraints. Even the first year's programme, coming off a very low allocation from previous years, is well within the limits of fiscal discipline, consuming as it does just over 50 percent of the total housing budget allocated.

The argument that the affordable housing for all demand violates fiscal constraints is a conservative position which does not hold water. Neither, of course, will the conservatives' preferred "toilets and a small pile of bricks" — especially long-drops, Blairs or other cut-rate designs — when the rainy season begins and so many South Africans put up a bit of zinc and wonder who is to blame this year.

Patrick Bond is an economist specialising in housing policy

CURRENT AFFAIRS

month), and the severe fiscal constraints to the general fiscus and the housing budget, specifically, it has been concluded that the provision of complete housing units at State expense to people not able to afford such units with only limited State financial assistance, is not feasible in SA now,



irrespective of the applicable form of delivery or tenure.

"Government, therefore, intends (within fiscal constraints) to make a maximum contribution towards the cost of a starter housing unit and, thereafter, proactively support, through technical, logistical and institutional supports, a process of upgrading in order to achieve the desired completed housing unit."

It says that essential access to credit and both financial and sweat equity investment by individuals will further contribute to improving housing circumstances. "Mobilising private savings and credit will require and contribute to a normalisation of the public environment in many areas where the public administration and infrastructure, as well as law and order, have deteriorated to such an extent that private investment can no longer be attracted on a sustainable basis."

Acceptable idea

KwaZulu-Natal's Housing MEC Peter Miller says that while starter houses are nobody's first preference, "it is an option forced on us by the financial realities that face us all."

Clearly more in tune with the thinking in Slovo's department than some of the Minister's ANC colleagues, Inkatha's Miller says that, in a sense, everybody goes through a process of incremental housing by bettering their abodes.

So, in principle, the idea is perfectly acceptable.

"There is no doubt that the poorest of the poor are not going to be able to start with the ultimate product. My objective is to get people into a form of durable housing as soon as possible — in KwaZulu-Natal with its high rainfall, that means behind waterproof walls and under waterproof roofs."

Such starter houses, he adds, will however be situated on serviced stands with

access to sanitation and water and, if people can afford it, electricity. This he says is a vast improvement on squatter settlements where people live under cardboard and plastic with no sanitation or running water.

(123)

Miller has entered preliminary discussions with the KwaZulu Finance Corp about turning its Ithala savings bank into a fully fledged community bank that will be able to mobilise savings and capital for low-cost housing loans.

He aims to build 1m houses in the province in the next 10 years.

The MECs are unanimous about one thing, says Miller: "That a nation with a critical housing problem that only

budgets 1% on the national budget for housing, needs urgently to rethink its priorities."

The housing MECs, he advises, should concentrate on making a case for an increased housing budget. ■

HOUSING

Realities crowd in

Despite inescapable financial constraints, at least two provincial housing MECs — the PWV's Dan Mofokeng and Free State's Vax Mayekiso — do not buy the argument that the country can only afford "starter" or "incremental" houses for the very poor.

Excepting KwaZulu-Natal's Peter Miller and Western Cape's Gerald Morkel, their counterparts tend to be ambivalent about the idea of starter houses, though they grudgingly recognise the fiscal constraints.

At last Friday's indaba with the nine provincial MECs for housing, called by Housing Minister Joe Slovo in Kimberley, Mayekiso and Mofokeng strongly opposed Slovo's proposed incremental houses, which, says Mofokeng dismissively, will be "less than 15 m² as the plan stands."

Asked about his widely reported claim that all the provincial housing chiefs support his stance, Mofokeng replies: "All I said is that the document (Slovo's 'proposed national housing strategy') discussed at Kimberley, in particular the question of incremental housing, should be sent back for discussion by the provinces."

Asked what he would like to see instead, Mofokeng says "housing must be linked to job creation and there must be policies and mechanisms to ensure that people will be able to improve those houses."

But that, among other things, is precisely what is covered in the proposed strategy. (123)

Mofokeng says 81% of the African population earn below R1 400 a month, "and the most pressing need is here. So we say, provide units which would afford family privacy and be family efficient. Also, make sure that the houses you build are between 48 m² and 50 m² — it's not a mansion, but has two bedrooms, a kitchen, a bathroom and toilet." He estimates the cost would be around R25 000 a unit and says his discussions on financing, through his proposed regional finance corporation, are at an "advanced" stage.

The housing strategy document says: "Because of the disproportionately large number of low-income families in the country (more than 40% of all households have a joint income of less than R800 a

R270m boost for low-cost housing

CT 7/10/94 (123)

By MAGGIE ROWLEY

IN a major boost for low-income housing, USAid has signed Private Sector Housing Guaranty loans totalling \$75 million (about R270m) with two South African banks — a move expected to free up at least a further R540m in private sector financing.

The loans — \$45m (about R162m) to Nedcor and \$30m (about R108m) to First National Bank — are to enable these banks to make mortgage loans to eligible black South Africans and construction loans to black developers, builders and contractors.

USAid said last night the Private Sector Housing Guaranty project (PSHG) was aimed at:

- Demonstrating to the South African financial sector the feasibility of providing mortgage finance to employed, urban, disadvantaged South Africans.

- Leveraging substantial additional resources from these institutions.

- Providing construction finance to expand opportunities for black developers, builders and contractors to produce low-cost affordable housing.

Nedcor will lend \$7,5m (about R27m) of its \$45m loan to a black-owned financial institution.

Both FNB and Nedcor will be required to match the funds by providing the rand equivalent of \$2 for every \$1 provided by USAid.

The PSHG programme, therefore, is expected to provide a total funding pool of about R810m for mortgage and construction lending to urban black families.

In addition, beneficiaries will be expected to make minimum down payments equal to five percent of the unit price, which will add another estimated \$11,8m (about R42,48m) to the pool.

Mr Stephen Laufer, public relations officer for Housing Minister Mr Joe Slovo, said they had not yet seen the details but welcomed the move which appeared to be directed at the right market.

The issue of releasing private sector financing for low-cost housing is one of the major areas of housing policy being worked on currently ahead of the October 28 Housing Summit, he said.

Crackdown on bond defaulters

UNIVERSITY OF IOWA
SALDRU LIBRARY

ARL 8/10/94

(123)

■ The government is to enter into a pact with banks to ensure they can safely lend money to township homebuyers without fear of bond boycotts and mass action.

DAVID BREIER
Weekend Argus Political Staff

THE government and the banking sector are to enter into a pact this month to unlock billions of rands to finance home-ownership for millions of poorer South Africans.

National Housing Ministry sources have disclosed that the key to the pact would be a joint get-tough approach to borrowers who default on repayments.

The government is to undertake to provide physical protection for banks that repossess and resell the houses of borrowers who have defaulted.

This new housing deal is aimed at overcoming the banking sector's fear of mass bond boycotts which hit banks when they first entered the lower end of the housing market a few years ago.

Stephen Laufer, spokesman for national Housing Minister Joe Slovo, revealed that the government's role in the partnership would be to provide a secure environment to enable banks to repossess and resell defaulters' houses without fear of bond boycotts.

This strict new approach amounts to a shift from previous government plans to set up a mortgage indemnity scheme that would guarantee banks got their money back in the event of a bond boycott.

Critics feared that such a mortgage indemnity plan would have encouraged borrowers to default on their bond repayments secure in the knowledge that the government would cover for them — at colossal expense to the taxpayer.

But Mr Laufer said the government was taking the opposite line and was not offering to repay the bonds of defaulters.

"We have to get away from the culture of entitlement. We have to return to what is normal in the country — where people pay for accommodation and the services they use," he said.

Mr Laufer said the new partnership was still the subject of ongoing negotiations between the government and banks which were due to be finalised at a housing summit in Botshabelo near Bloemfontein on October 27. A draft White Paper is due to be finalised within a week.

"We are saying to the banks: 'Neither side goes in first. We will not move first to create the conditions so you can come into the market, nor do you go in before we create the conditions. Only if we move hand-in-hand will there be confidence on all sides,'" he said.

Mr Laufer said if the new partnership

■ To page 2



Housing loans pact

(123) ■ From page 1
ARG 8/10/94

between government and the banks was finalised at the Botshabelo summit, it could be ready for implementation by the end of the year.

"There is no alternative to bringing the banks into the lower end of the housing market on a large scale. The central government fiscus and the provinces don't have the money for the task."

The government is to provide a maximum subsidy of R12 500 to poorer homebuyers — but this will not come close to providing the finance needed for a serviced site and starter house.

Banks have been reluctant to provide home loans to people earning less than R2 000 a month after they burnt their fingers in recent years when bondholders embarked on bond boycotts by refusing to repay their loans and mounted mass action to prevent banks from repossessing their houses.

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Kuwait: US army on alert

WASHINGTON. — President Clinton has put US troops on alert for possible duty in Kuwait and ordered an aircraft carrier to head for the Gulf in response to Iraqi troop movements.

A senior defence official yesterday declined to say how many troops were involved, but noted that enough US military equipment was in Kuwait to support a brigade of up to 5 000.

The official said the president had also ordered four warships carrying 2 000 US Marines to move into the northern Gulf from their position in the south.

At least one US military cargo ship loaded with equipment has also been ordered to sail toward the Gulf from the island of Diego Garcia in the Indian Ocean.

The "precautionary" military alert comes amid reports that large numbers of Iraqi troops are being moved toward the border with Kuwait.

US defence officials said yesterday it was not clear whether the movement was part of a normal rotation of Iraqi forces.

"There are troop movements going on. It is not unusual for

■ To page 2

Mandela in Haiti talks

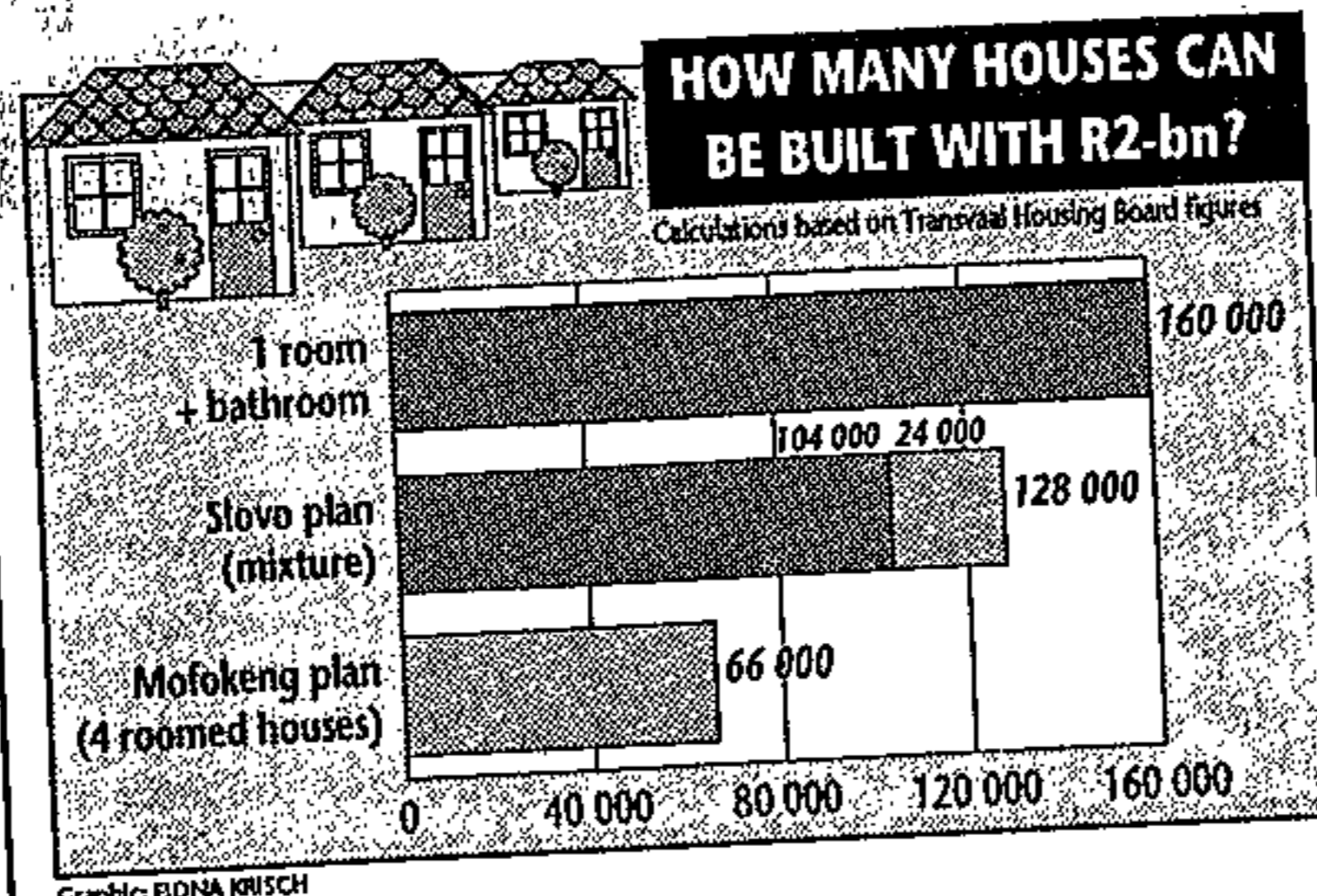
Weekend Argus Political Staff

WASHINGTON. — In his first foray into peacemaking outside Africa, President Nelson Mandela met deposed Haitian President Jean-Bertrand Aristide here to persuade him of the need for national reconciliation and a political amnesty.

Mr Mandela said his main message to Mr Aristide would be the need to grant amnesty to those who committed offences — "however reprehensible they might be" — in the course of political activity.

"It is necessary for one to heal the wounds of the past if you are going to build your country and have unity," he said.

■ See pages 6 and 20



Slovo, provinces meet on housing

STimes 9/10/94

By RAY HARTLEY: Political Reporter

THE battle over South Africa's housing strategy will go into injury time this week with yet another meeting — on Friday — between Housing Minister Joe Slovo and his provincial counterparts.

Looming large is the housing summit scheduled for the end of the month, by which time the chasm between national and provincial housing players will have to be bridged to avoid another public confrontation.

For the time being the difference between Mr Slovo and the PWV's Dan Mofokeng over how many and what kinds of houses should be built has continued to simmer, occasionally flaring into open hostility.

While Mr Mofokeng has claimed the support of ANC provincial housing ministers, this has been denied by Mr Slovo's camp, which has won the support of the Western Cape's NP minister Gerald Morkel and Inkatha's Kwa-zulu Natal minister Peter Miller. (123)

On the one hand the Mofokeng camp argues for the construction of finished four-room dwellings that do not require further development.

Mr Slovo's ministry, on the other hand, has argued for a mixture of two types of houses — low-cost basic shells for those who cannot raise their own funds and more sophisticated dwellings for higher-income families.

Meanwhile, the Transvaal Housing Board has approved the construction of 90 000 houses under the Slovo scheme.

Board chairman Boet van Straten said the cold "fiscal reality" of the national ministry's R2-billion budget meant that basic structures would have to be built to make inroads into the 1.5 million housing backlog.

Mr Mofokeng's position was understandable as he was subject to daily pressure from his constituency for more and better houses, Mr van Straten said.

But there was only so much money available, and this narrowed down the national ministry's options.

"It's ridiculous that only one percent of GDP goes to housing — it should be five percent," Mr van Straten said.

Call for larger housing budget

Own Correspondent

JOHANNESBURG. — The National Housing Forum (NHF) has proposed that government should aim to double the percentage of its budget allocated to housing, and target more subsidy assistance at poorer people while withdrawing this benefit from the better-off.

The recommendations are contained in a memorandum sent by the NHF to Housing director general Mr Billy Cobbett, in response to the draft National Housing Strategy, which is to form the basis of the housing White Paper.

The NHF supports the "incrementalist" approach of the strategy document; referring to the initial provision of sites and services with a view to residents'

ET 11/10/94 (23)
'Give more
subsidies
to the poor'

upgrading their properties over time.

This is in contrast to the approach favoured by the PWV and certain other regional governments which favour the provision of complete housing units.

The NHF argues for an increase of the housing budget, from two, to between four and six percent.

The NHF proposes that the existing maximum R12 500 subsidy no longer be available to house-

holds earning R2 500 to R3 500 as is the case at present, or that, at the very least, the R3 500 ceiling be lowered. It adds that the existing, lesser subsidy available to households earning up to R1 500 a month be increased.

The NHF expresses "general discomfort" at the proposed concept of "prioritised reconstruction areas" — areas which, because of the breakdown of order and services, are subject to special management programmes, to make them sufficiently stable to benefit from state housing programmes.

The forum labels the concept, as described in the strategy document, as "a negative way of addressing the problem".

Rather, all communities should be evaluated on the extent to which they fulfil certain criteria and then be eligible for access to support programmes.

Shift aid to poor, says housing body

B1 Day

11/10/94

ALAN FINE

THE National Housing Forum has proposed that government should aim to double the percentage of its Budget allocated to housing, and target more subsidy assistance at poorer people while withdrawing this benefit from the relatively well-off.

The recommendations are contained in a memorandum dated October 4 sent by the forum to Housing director-general Billy Cobbett in response to the draft national housing strategy, which is to form the basis of the housing White Paper scheduled for release at Botshabelo on October 27.

The forum supports the "incrementalist" approach of the strategy document as "a necessity in the current housing environment". Incrementalism refers to the initial provision of sites and services with a view to residents upgrading their properties over time. This contrasts with the approach favoured by the PWV and certain other regional governments for the provision of complete housing units.

The forum, however, criticises the document as being "worded too defensively" and being insufficiently detailed in important respects. It concedes there are differences in its own ranks on the minimum acceptable level of a "starter home".

It argues that the final version of the strategy document should define a target percentage of the Budget for housing. It proposes 4% to 6%, compared to about 2% at present.

The forum proposes that the existing, maximum R12 500 subsidy should no longer be available to households earning R2 500 to R3 500, or that, at the very least, the R3 500 ceiling be lowered. It adds that the existing, lesser subsidy available to households earning up to R1 500 a month, be increased subject to "fiscal, political and social sustainability".

In terms of mechanisms designed to support incrementalist policy — which would set it aside from previous site and service approaches — the White Paper would have to be more specific about the provision of technical support, project management, building materials depots, credit mechanisms, advice and consumer protection.

The forum expresses "general discomfort" at the proposed concept of "prioritised reconstruction areas" — areas which, because of the breakdown of order and services, will be subject to special

To Page 2

Housing

B1 Day

11/10/94

From Page 1

management programmes to make them stable enough to benefit from state housing programmes.

The forum labels the concept, as described in the strategy document, as "a negative way of addressing the problem, and was in effect a state-sanctioned 'red-lining' practice and, more importantly, too top-down in approach".

Rather, all communities should be evaluated on the extent to which they fulfilled certain criteria, rather than the extent to which they did not, and then be eligible for access to support programmes. Communities themselves would propose what types of assistance they wished to draw on.

Finally, the forum proposes that the final version of the housing strategy document should contain a strong information dissemination component designed to in-

form the public of real options available. People would then "realign their expectations with what they saw was possible" and make choices on that basis.

WILSON ZWANE reports that the Urban Foundation has commissioned a survey to assess the effect of policies of each of the nine provinces on housing delivery.

Urban Foundation official Michael Oelofse said at the weekend yardsticks by which provincial housing delivery would be measured would include the number of units built and the income group at which the units were targeted.

The study would not only focus on discrepancies between the provinces, but it would also examine minutely what was happening in each province.

Preliminary findings would be made public within the next two weeks, he said.

Housing provision hits the Budget skids

(123)

CT 12/10/94

By MAGGIE ROWLEY
Property Editor

UNLESS the allocation for housing is raised to 5% of the total Budget, only incremental housing could feasibly be provided, says Western Cape Housing Minister Gerald Morkel.

In an interview Morkel said National Housing Minister Joe Slovo and the nine provincial housing ministers had been appalled at the less than 1% Budget allocation for housing against 8% to 10% for Defence.

"This is completely lopsided and Minister Slovo has told us that short of marching we will all have to do our bit in pushing central government and the Minister of Finance to seriously rethink this.

"We in the Cape need to build 181 000 dwelling units over the next five years, which means 40 000 units a year. If we had to get the maximum subsidy of R12 500 for each of these units it would cost us R500m a year. So far we have received R163m from central government and are expecting a further R100m or so which is a far cry from what is needed.

"And next year less than R1bn has been allocated in the Budget for housing for the whole country. Divided by the nine provinces, that means we can expect no more than R100m.

"If we are to begin to meet the housing needs, the Budget allocation has to be increased, at least by 3% in the next year

working up to the 5% mentioned in the De Looer Report on housing if the backlog is to be addressed."

Morkel said that due to the high water table in the Western Cape it cost about R9 000 to R10 000 — up to double that of other areas — to service an erf as extra piping and storm water drainage systems had to be provided. In addition, unlike the Transvaal it was not possible to just to send in a scrapper to make roads. Curbs and a base had to be provided otherwise they would be washed away in the first storm, he said.

"That would leave just R2 000 to R3 000 of the subsidy for the very poor for a top structure. And if no end user finance is available — as it would be in the case of about 60% of these people who would not qualify — one can put very little up with that amount. As such the only route feasible is an incremental housing policy.

"We also have to start looking at other less conventional means of housing and at the creation of large self-help projects where building materials, and other resources such as information on building techniques are made available to communities so that they can upgrade their own top structures. This was done successfully on a smaller scale by the House of Representatives but there is no reason why it could not be done on a larger scale."

He said it was ironic that it appeared that it was only he and the other non-ANC provincial housing minister Peter Miller

of Natal/Kwazulu who had fully supported the thrust of Minister Slovo's draft paper on housing which is being circulated among the provinces ahead of the October 28 Housing Summit.

"The draft paper stresses incremental housing underpinned by a structural technical support system to assist residents upgrade their own top structures as and when they can afford to.

"Most of the other provincial ministers are in support of providing a four roomed house for everyone which is impossible under the present Budget allocation.

"We have to come to our senses. Providing formal housing would limit us to helping only a few and leaving the vast majority of people waiting a long time in abject poverty for their turn."

Morkel said that unless Minister Slovo and other top ANC officials could woo over the seven ANC provincial housing ministers, there was a risk that the Housing Summit would be derailed.

"And where will that put us, right into 1995 without us having a national housing policy in place? It has to be avoided at all costs.

"It is not going to be easy as too many politicians stood on election platforms promising formal housing for all. But it is time that the National Minister of Housing took the responsibility and stood up and said the promise of a four roomed house is not achievable now nor will be in the distant future."

UNIVER
CAL

CAPE

New Bill to speed up housing

(123) AR 12/10/94

□ Aim is to slash red tape

CLIVE SAWYER
Political Correspondent

A DRAFT law aims to speed up provision of housing for the poor by slashing red tape in planning procedure.

The Development Facilitation Bill is designed to get the reconstruction and development programme underway by a radical departure from apartheid-era planning procedures.

But, key elements of the draft law push provincial and local government firmly into subservience by providing for an overturn of local structure plans which conflict with national land development principles.

Housing Minister Joe Slovo said the development and planning procedures in the Bill were designed to favour the poor and cut costs.

Minister Without Portfolio Jay Naidoo said the Bill was "a highway to implement the RDP".

Main provisions of the Bill include:

- Setting of national principles for land development and planning.

All provinces and local authorities will have to comply with these general norms and standards, but will be free to enact more detailed provisions.

Local structure plans which conflict with the national principles will be overturned;

- Establishment of planning tribunals for each province.

At least half the seats on each tribunal will be filled by development experts from outside the public service.

Tribunals will speed up decision-making about development applications and resolve disputes about land use.

The pace of development approval will be set by tribunals holding inquiries in which all authorities will be subpoenaed to appear;

- New procedures for early registration of land title, so that financing — such as mortgage bonds and state subsidies — becomes available much earlier in the process of collecting land for development.

Mr Slovo said the Bill included consumer safeguards against unscrupulous developers.

It was estimated the new procedures could save developers anything from a year to 18 months in "complicated" cases of land development; and

- Setting of housing targets to measure the development performance of local governments.

Land Affairs Minister Derek Hanekom said the South African Property Owners' Association, the deeds registries and the surveying profession had been quick to appreciate the advantages the Bill held for them.

A joint statement by Mr Slovo and Mr Hanekom said the Bill would make mortgage loans or state housing subsidies available at an earlier stage in the development process.

Written comment on the Bill may be made to the Department of Land Affairs until October 28.

Slovo's showdown with regions

Housing Minister Joe Slovo will be under fire at Friday's crucial housing policy meeting — but he has an ace up his sleeve, reports **Drew Forrest**

NATIONAL Housing Minister Joe Slovo can expect heavy flak at a crucial meeting on housing policy with his nine regional counterparts in East London on Friday.

At the heart of the inter-governmental forum will be sharp differences — both among MECs and between MECs and Slovo — over the ministry's advocacy of "incremental housing" as an alternative to formal housing for very low-income families.

At the last forum, in Kimberley, Slovo hit passionate opposition from Free State and PWV housing MECs Vax Mayekiso and Dan Mofokeng, who urged the exclusive provision of formal housing. An irony is that the only two regional chiefs to openly side with the ANC minister, Gerald Morkel of the Western Cape and Peter Miller of kwaZulu/Natal, are from the National Party and Inkatha Freedom Party respectively.

But Slovo has an ace up his sleeve. Banking sources indicate that a deal to lure private financial institutions back into the low-income housing market is imminent and should be packaged in time for the national housing summit in Botshabelo late this month.

Centrally, this will involve a state undertaking to back the banks in evicting bond defaulters, and mortgage guarantees where this is not possible. Also on the table is a larger state role in counteracting bond boycotts through a huge re-education programme.

If private-sector bond finance can be marshalled, the numbers relying solely on the state housing subsidy, sufficient only for a starter structure,



Second stage of the revolution: People will stay in their shacks if they don't get proper housing PHOTO: THEMBA HADEBE

would drop. Incremental housing envisages serviced sites with perhaps one-roomed permanent structures, and state support for further owner-building.

The re-entry of the banks will strengthen Slovo's argument for a national policy embracing a range of housing options. It is understood he also plans to rally fractious MECs to a common battle for a larger housing allocation in the national budget.

In an early draft section of the White Paper leaked to the press, the ministry argues that housing should be seen "as an incremental process, not an all-or-nothing event". Its thrust is that in the light of meagre state resources, a one-dimensional stress on formal housing will be to exclude South Africa's most poverty-stricken.

Significantly, the key opponents of incrementalism are former civic leaders Mofokeng of Sanco and Mayekiso of the Northern Free State Civic Organisation. The civics have historically rejected site and service schemes as an apartheid perversion, and

Sanco — particularly strong in the PWV — remains implacably opposed to them.

"There will be no incremental housing in this province," Mayekiso told the *WM&G* this week. "If we can't give proper housing to 70 percent of the population, we'll enter the second stage of the revolution. People are demanding houses, and they won't accept anything less than four rooms."

"The Verwoerd regime gave black people 51/9s (four-roomed houses) in the 1950s, and the ANC opposed this. Now we find ourselves offering far less."

Mayekiso argued that site and service schemes promoted instant slums and would not provide the economic stimulus envisaged for housing development in the reconstruction and development programme.

"We want the housing programme to provide jobs and training. With site and service, people can only dig trenches. The main people to benefit would be white project managers, planners and engineers."

The divergence among MECs was underscored by an interview with kwaZulu/Natal's Miller, who said incremental housing was "nobody's first choice". He added: "But under the current budget, it's the only choice we've got. The real problem is the central government allocates only one percent of the budget — R1-billion — for housing."

Miller stressed that incrementalism did not exclude the option of formal housing for those with the income to supplement the state subsidy with a bond. "We're talking about those who have no income. We must give them water, sanitation, electricity and a durable, waterproof, fireproof structure, in place of cardboard and plastic."

"Some say that if we can't give people four-roomed houses, they should stay in their shacks. I don't subscribe to that view." Natal's steep topography, Miller said, meant that sites were 15 to 20 percent more costly to provide than on the Highveld, consuming up to R5 000 of the R12 500 state subsidy.

WM 14-20/10/94 (123)

Alternative plan for homes

Own Correspondent

JOHANNESBURG. — PWV Housing Minister Mr Dan Mofokeng yesterday presented an alternative proposal to address the region's job and housing crises, involving the creation of about 70 000 zones for the temporary settlement of the homeless.

While the PWV accepted the proposed national housing strategy, it remained committed to building 600 000 homes over five

years. This would be achieved by getting the private sector to put up R18bn, he said.

Mr Mofokeng's presentation to the National Association of Home Builders came on the eve of today's crucial meeting between the National Housing Department and the nine provincial housing ministers.

The PWV would have to move beyond the national housing strategy if it was to meet its people's needs. This involved the emer-

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gency provision of basic services to informal settlements and the establishment of reconstruction and development zones.

"We are planning to identify about 70 000 sites and basic services will be provided to cater for health and hygiene. The zones will provide an alternative to those who are located in informal settlements, preventing development. Illegal squatting and land invasion will be discouraged."

Huge new housing allocation

Own Correspondent

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EAST LONDON. — The Western Cape is to receive an additional R119 million for housing construction, Minister of Housing Mr Joe Slovo announced yesterday.

He said a total of just over R900m had been allocated to the nine provinces as part of the second housing budget allocations. The first allocations were made more than two months ago.

CT 15/10/94
kwaZulu-Natal received the biggest slice yesterday with R199,790m, followed by the PWV (R192,180m), the Western Cape (R119,059m), Eastern Cape (R113,384m), Northern Transvaal (R80,650m), Eastern Transvaal (R60,325m), North-West Province (R57,275m), Free State (R52,366m) and the Northern Cape (R29,121m).

Mr Slovo said, however, it was imperative that a larger portion

of the national budget be made available for housing.

"We want a fair share. We are determined to strive for an allocation equivalent to five percent of the budget (from the present one percent or R1,6bn)," he said.

Provincial housing ministers dismissed press reports suggesting there were sharp differences among them and between them and Mr Slovo on the national housing policy.

R904m added to housing budget

EAST LONDON. — Housing Minister Joe Slovo unveiled a second housing budget allocation — of R904 million — yesterday and called for a five per cent share of the national budget.

"Our meeting today was a major milestone on the road to South Africa's first comprehensive housing policy," Mr Slovo said after the meeting.

"We also reached agreement today on the allocation to the provinces of the second half of this year's national housing budget."

It was expected to be the last before the National Housing Summit in Botshabelo on October 27.

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The R904 million will be divided among the provinces as follows: R199,7 million for KwaZulu/Natal, R192.1 million for the PWV, R119 million for the Western Cape, R113.3 million for the Eastern Cape, R80.6 million for the Northern Transvaal, R60.3 million for the Eastern Transvaal, R57.2 million for the North West Province, R52.3 million for the Orange Free State and R29.1 million for the Northern Cape.

Strategy to lobby for more funds

Leaders reach agreement on housing plans

BIDAY 17/10/94

(123)

ROBYN CHALMERS

SA's housing initiative took a vital step forward at the weekend as National Housing Minister Joe Slovo and the nine provincial housing ministers reached consensus on policy.

At an Eastern Cape meeting, the Housing Ministry and the provinces appeared to put aside their differences on the incremental approach to the delivery of housing recently advocated by Slovo's department.

They resolved to lobby for the housing funding allocation to be increased from 1% to 5% of the Budget.

The dispute over central government policy had threatened to jeopardise SA's housing initiative weeks before the crucial housing summit to be held in Botshabelo at the month-end. Slovo said it was agreed that there could not be a single approach to housing. It was envisaged that provincial governments would explore parallel avenues to achieve the best method of delivering homes within their provinces.

Observers noted there was a significant decrease in the amount of tension that had existed between the parties.

Slovo elaborated on the multi-faceted approach to housing by saying credit had to be made available to the largest possible sector of the population. "Governments at national and provincial level will work together to mobilise further financial resources into housing credit.

"Special efforts by all players to assist the poorest, who have no access to credit, must be investigated further," he said.

PWV housing minister Dan Mofokeng said last week that while he accepted the

national housing strategy, which encompassed an incremental approach, the province was set on providing formal, four-roomed houses. This would be achieved by mobilising the private sector to provide R18bn for the construction of 600 000 houses over five years.

Slovo said allocations to provinces of the second part of the national housing budget had also been agreed on. The R904,14m would be siphoned down to provinces for the provision of subsidies to house the poor.

KwaZulu/Natal again received the biggest slice of funds at R199,79m, followed by the PWV at R192,18m. Western Cape got R119,1m, Eastern Cape R113,38m, Northern Transvaal R80,65m, Eastern Transvaal R60,32m, Northwest R57,27m, Free State R52,36m and Northern Cape R29,12m.

The first tranche of R1,3bn was allocated earlier this year and funds for housing at national level for this financial year have now been exhausted.

It was decided to motivate for a larger portion of the national Budget for housing. Slovo said the ministry and the provincial housing ministers believed housing was central to SA's future.

"We agreed to strive for an allocation equivalent to 5% of the Budget," he said. Housing has been given given 1%, or R2,2bn, in the current Budget.

Slovo said normalisation of the housing environment was the key to the proper

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Housing

functioning of the delivery process. This involved putting an end to the culture of bond boycotts and the resumption of services to townships.

The ministry had held sensitive talks with banks in a bid to draw them back into low-cost housing. The talks, which banking sources said recently were on the verge of yielding an agreement, involved finalising

a mortgage indemnity scheme and a plan to link savings to home loans.

The ministry has also motivated for a builders' warranty mechanism whereby builders would guarantee their product for a specified period. The banks have insisted on such a mechanism to limit possible boycott action due to defective houses.

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Slovo wants 5% of Budget for housing

Star 17/10/94

East London — Housing Minister Joe Slovo has called for 5 percent of the national Budget to be allocated to housing, compared with the current 1 percent.

And at a press briefing after talks in East London on Friday, provincial housing MECs dismissed reports suggesting there were sharp differences between them and Slovo on a national housing policy.

Slovo said he and the nine MECs had reached a milestone agreement on housing policy.

There has been some dispute over Slovo's policy of "incremental housing" — providing the homeless initially with the most basic of housing.

There has now been agreement between the provinces and central Government that there should not necessarily be a single approach to housing.

Slovo unveiled his second housing budget allocation of R904 million.

The R904 million will be divided as follows: KwaZulu/Natal R199,7 million, PWV R192,1 million, Western Cape R119 million, Eastern Cape R113,3 million, Northern Transvaal R80,6 million, Eastern Transvaal R60,3 million, North West R57,2 million, Free State R52,3 million and Northern Cape R29,1 million. — Reuter, Sapa, Staff Reporter.

A key issue in the Reconstruction and Development Programme is the provision of housing to those in desperate need. Housing Director-General Billy Cobbett, speaking to Jo-Anne Collinge, fills in some of the crucial details.

25/11/1994

Homeless poor to be helped 'all the way'

The State's obligation to the homeless poor will not end with a R12 500 subsidy to cover the cost of a serviced stand and a one-room "starter" home, asserts Director-General of Housing Billy Cobbett.

The Government will ensure that credit to extend these units is available in affordable parcels — to vast numbers of people who were previously considered too poor to be bankable, he pledges. Families in "starter" homes will not be abandoned to their own up-grading devices.

While Cobbett insists it is premature to give details of the credit schemes in the pipeline, he lets on that some of the ultra-low-cost housing loans will come from the commercial banking sector. "Talks with the banks are very far advanced in terms of them coming back into the low-income market at scale and beyond their present limits."

Other institutions are being considered to package even smaller loans, which will enable families earning below the R1 000-a-month mark to borrow — with a realistic prospect of meeting their loan commitments.

Further details of the Government's housing package are likely to be spelled out by Minister Joe Slovo during his Budget vote in the National Assembly at the end of the week. Cobbett shrugs off accusations that the State strategy of providing starter homes for the poorest of the poor — those earning downwards of R1 500 a month — is little better than site-and-service developments implemented by the Independent Development Trust. Among the charges levelled is that the standard of the basic unit provided is an affront to human dignity.

He says it is a question of trading quality for quantity within the limits of the budget. If a four-room house were provided as the basic unit, the number of subsidies would be reduced to about 100 000 a year. And the fact that a few were getting respectable homes would be cold comfort to those at the end of a queue 1,4 million families long.

The process should not be judged on how it begins, but whether it ultimately produces a decent "formal" house. One factor that will tip the odds on achieving this is innovation in building technology. "What's missing in the whole equation is just how creative the construction industry can get about how costs can be brought down."

A proposal for a national housing corporation will be made in the draft White Paper on housing which is expected to go to the Cabinet soon. The corporation will have multiple functions (which will undoubtedly include mobilising finance), but it will not be the retail community housing bank that everyone is expecting. With the history of rent and service boycotts of flats, he believes that setting up a State bank would create the danger of borrowers defaulting en masse.

Mortgage indemnity

The White Paper will also feature the long-negotiated mortgage indemnity scheme to insure banks against any additional risks arising from exposure in the low-cost market, and the building warranty scheme, to protect both consumers and mortgage lenders against unscrupulous construction firms. But the White Paper is likely to go further than that in attempting to create in the most degraded townships a

development ingredient of private investment would be blocked.

The furthest advanced new policy area in the White Paper — running ahead of it, in fact — is that which deals with securing land for development purposes. This is contained in the Development Facilitation Bill, published for comment on October 7.

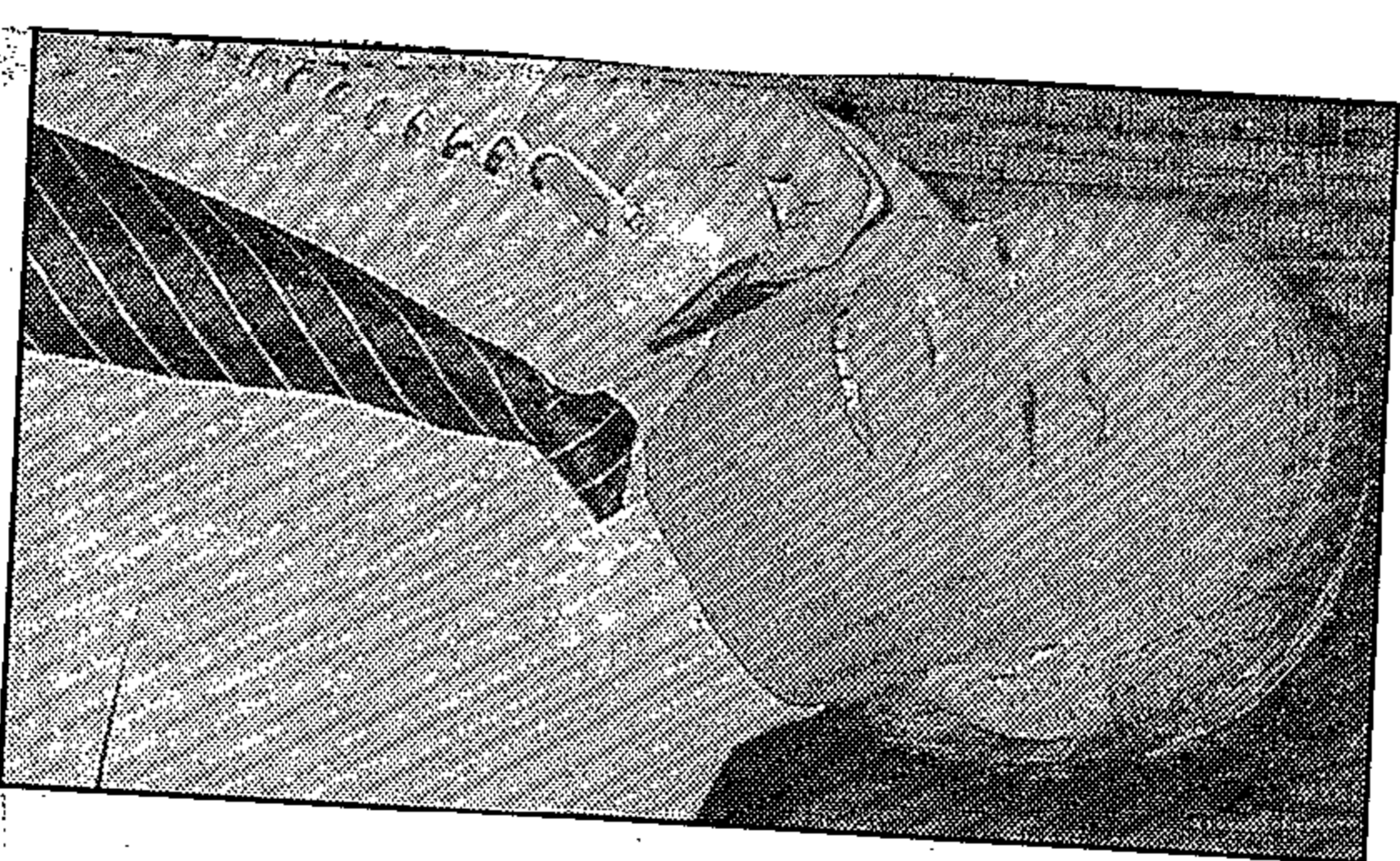
'Fast track'

The Bill provides a "fast track", alternative procedure for developers to get planning consent for projects and to speed up the registration of title and the securing of finance. Cobbett refers to the Bill as a "stunning piece of legislation". And there

seems to be justification for this description. While criticisms of other aspects of the housing policy have, at times, flowed fast and furious, the general government's policy on land seems to be regarded as a useful foundation upon which provinces and local governments can build.

As for the other disputes on the evolving housing policy, in which MECs have sometimes been bitterly pitted against the national ministry, the problem seems to have been largely one of poor communication rather than poor conceptualisation. As more pieces of the jigsaw are put into place, the fears and antagonisms of various stakeholders seem to be subsiding.

The proposed procedure for achieving this is certainly controversial, and is being canvassed at the highest level, since it would involve many service departments besides housing. It would work on the principle of the Government effectively retaining its private investors until residents begin to pay their service bills, the local authority begins to run the place decently and a general atmosphere of civil responsibility prevails. Quite simply, the Government would not apply the mortgage indemnity scheme to a given area until all the above conditions are met. However, Cobbett stresses, the Government itself would make a concerted effort to upgrade these extremely disadvantaged areas. It is proposed that such townships be proclaimed priority reconstruction areas (PRAs) and that PRAs get special attention from a range of Government departments at national, provincial and metropolitan level in order to restore the public environment. The deal with residents of PRAs would be that they must begin to pull their weight in return for this public investment, or the crucial additional



Billy Cobbett... talks with the banks are very far advanced.

climate favourable to private investment — be it investment by grant banks or the hard-earned savings of working people.

Clean hands 'can save money'

By MELANIE GOSLING

IF all South Africans washed their hands at the appropriate time, primary infections would be reduced by 15%, Mr G A Muhl said at the International Federation of Hospital Engineering conference in the city yesterday.

"Poor sanitation is a major health hazard. The number of diseases directly re-

lated to inadequate sanitation accounts for about 54% of all hospital admissions.

"The simple act of washing hands could decrease primary infections by 15%, which at R150 per patient a day, could generate enormous savings," he said.

The provision of water and sanitation was a basic need, but even in some urban areas, people found it difficult to pay for such services.

(123) (88) CT 19/10/94
"Services will have to subsidised to a certain extent (but) in the long-term, services must be paid for by the user. The ideal approach should be that each user pays for what he uses," Mr Muhl said.

"Education must include basic health education and communities must be taught that water and sanitation services affect their health positively," he said.

South Africa 'needs 300 000 houses a year'

(123) ARG 19/10/94

Municipal Reporter

AN estimated 300 000 houses a year will have to be built if South Africa is to make inroads into its 1,5 million backlog, which is increasing at the rate of 200 000 a year.

These figures were given by Institute of Municipal Engineers president Thys Vermeulen at the start of a conference in Cape Town attended by about 500 municipal engineers from around the country.

Apart from building the economy, the single largest concern was the lack of adequate housing and basic services in urban townships and rural settlements, he said.

While the government would largely be responsible for the financial aspects, the practical implication of installing services and putting up

houses would be on local government level.

Municipal engineers would have a major role to play as co-ordinators among all the parties involved.

Mr Vermeulen said there were a few major concerns on the economic front.

The government wished to involve the private sector in the reconstruction and development programme, but countrywide strikes were weakening the financial abilities of this sector.

Consumer boycotts in the black townships were continuing in spite of appeals by President Mandela and others to reverse the trend.

Overseas help in the form of grants might last another two years, but the country would soon have to survive on its own resources.

Gen Lothar Neethling: cost of civil litigation against two newspapers

*19. Mr D J DALLING asked the Minister for Safety and Security:

- (1) What is the total (a) cost to the State to date of funding Gen Lothar Neethling's civil litigation against two newspapers, the names of which have been furnished to the South African Police for the purpose of his reply and (b) projected cost to the State in respect of the said litigation;
- (2) whether it is the intention to continue such funding; if not, why not; if so, (a) for what reasons, (b) on what basis and (c) subject to what conditions? N511E

The MINISTER FOR SAFETY AND SECURITY:

The information supplied is up until and including 19 October 1994:

- (1) (a) R799 012,60 (The major portion of this amount is recoverable against the defendants/respondents in terms of orders of cost.)
- (b) Approximately R900 000,00. (This projected figure includes the amount specified under (a).)

(2) Yes.

(a) The State Attorney initially decided in terms of Section 3 of the State Attorneys Act (Act No 56 of 1957) that it is in the interest of the State that Lt-Gen Neethling be aided in the proceedings before the Witwatersrand Local Division of the Supreme Court.

The decision of the Appellate Division, namely that there had in fact been a defamation of Lt-Gen Neethling's character and person, and that the issue of *quantum* should be decided by the Witwatersrand Local Division of the Supreme Court, reinstates the *status quo ante*.

- (b) and (c) The funding is to be continued on the same basis and conditions applicable to the funding of the trial in the Witwatersrand Local Division. Lt-Gen Neethling fur-

discussed at a meeting of the Cabinet Committee for Social and Administrative Affairs after which it was submitted to Cabinet who approved the draft legislation with amendments.

The proposed bill was forwarded to the State Law Advisors and after certification it was tabled in Parliament.

For written reply:

Shortage of housing units in each province

156. Mr M J ELLIS asked the Minister of Housing:

- (a) What is the current shortage of housing units in each of the provinces, (b) what means were used to establish this figure and (c) in respect of what date is this information furnished? N324E

The MINISTER OF HOUSING:

- (a) Estimated Urban Housing Shortage in the Provinces—1993—

Province	Houses
Eastern Cape	149 397
Eastern Tvl.	24 286
KwaZulu/Natal	300 423
North West	85 912
Northern Cape	23 533
Northern Tvl.	54 326
OFS	77 221
PWV	561 873
Western Cape	171 505
TOTAL	1 448 476

Sources:

South African Advertising Research Foundation: 1994 AMPS
Division of Building Technology: CSIR
Development Bank of Southern Africa

- (b) The urban housing shortage in the provinces was calculated in terms of the number of households in each province minus the number of acceptable houses (formal housing stock).

The rural housing shortage in each province was not included in the above table due to fact that the necessary quantitative information are not available for ru-

ral areas to determine a reliable figure at short notice.

- (c) The information is furnished for 1993.

Housing backlog: discussions with financial institutions/building industry

177. Mr M J ELLIS asked the Minister of Housing:

- (1) Whether he or his Department has held discussions with (a) any financial institutions and (b) the building industry with a view to overcoming the current housing backlog; if not, why not; if so, (i) when, (ii) with whom and (iii) what issues were discussed,
- (2) whether any problems were identified during these discussions; if not, what is the position in this regard; if so, what problems;
- (3) whether any steps have been taken to resolve these problems; if not, why not; if so, what steps;
- (4) whether any agreements were reached; if not, why not; if so, what was agreed to;
- (5) whether it is the intention to hold regular consultations between his Department and the private sector in respect of housing; if not, why not; if so, what mechanisms have been set up to achieve this? N375E

The MINISTER OF HOUSING:

- (1) (a) Yes
- (b) Yes

- (i) The Department has, since December 1992, been involved in a process of intense negotiations with the widely representative National Housing Forum regarding a broad spectrum of housing policy issues. These negotiations *inter alia* focused on the development of mechanisms and instruments that would provide access to housing for households in the low income groups.

It is important to note that the National Housing Forum represents broad community, ex-

tra-governmental and private sector interests (including the financial institutions as well as the construction and building material supply industry).

Subsequent to the election, a policy formulation process via a series of Joint Technical Committees (JTC's) between the Department and the NHF has been adopted. A total of eight JTC's, each with specific terms of reference, are working on an ongoing basis to ensure transparency and collaboration of all parties.

(ii) With the representative National Housing Forum as outlined in (i) above and also on a bilateral basis with the banks via the *Association of Mortgage Lenders, BIFSA*, the life insurance industry via the *Life Offices Association* as well as the *building materials supply industry*.

- The mobilisation of wholesale and retail finance for the low income housing market;
- Access for end users in the low income market to housing finance and credit;
- Affordability and subsidy schemes to improve affordability for end users;
- Institutional arrangements for the implementation of housing policy and strategy;
- Capacity of the building materials supply industry, the building industry and the public sector to cope with the expected increase in building activities; and
- The manpower capacity of the building industry as well as training capacities to provide trained personnel.

(2) *Yes. The main problems are:*

- the enormous housing backlog;
- the affordability crisis in the low income market;
- the lack of access to credit by persons in the low income groups;
- the 'redlining' of certain areas the financial institutions;
- abnormal non-commercial risks for the financial institutions in the low income housing market and possible interventions by Government to address these risks; and
- the capacity of the building industry, the building materials supply industry and other related industries and specifically the possibility of rising prices/costs as activities in the house building industry increase.

(3) The Department is involved in bilateral discussions on an on going basis with all the roleplayers to reach agreement with regard to possible solutions.

(4) Bilateral negotiations between the Government and the financial institutions with regard to possible state intervention to normalise the lending environment and to bring about normal lending practices by the financial institutions in the low income market receive the highest priority and it is anticipated that agreement in this regard will be finalised in the near future.

The Department is also involved in negotiations with the building industry with a view to the possible introduction of a building defect warranty scheme designed to protect home owners against building defects. These negotiations have reached an advanced stage and it is anticipated that agreement will be reached at an early date.

(5) Discussions between the Department and a broad spectrum of private sector roleplayers are taking place on an ongoing basis as outlined above. In addition, the foregoing activities support the functions of the National Housing Board which is body established to advise the Minister on housing matters.

The financial institutions and the building industry are amongst the stakeholders represented in the Board.

State-funded/State-assisted housing units built

182. Mr M J ELLIS asked the Minister of Housing:

(a) How many State-funded or State-assisted housing units were built in (i) May 1994, (ii) June 1994, (iii) July 1994 and (iv) August 1994, (b) how many persons who were previously without formal housing were provided with such housing in each of these months and (c) what total amount was spent on housing from 1 May 1994 to 31 August 1994? N436E

The MINISTER OF HOUSING:

- (a) (i) 1 372
(ii) 1 529
(iii) 2 884
(iv) 1 852
- (b) (i) 4 253
(ii) 2 907
(iii) 3 453
(iv) 3 666
- (c) R131 634 526,70

State-owned corporations: remuneration/staff establishment

201. Mr J A JORDAAN asked the Minister of Public Enterprises:

Whether she will furnish particulars in respect of the (a) remuneration packages, inclusive of fringe benefits, and (b) staff establishment of the management of each specified State-owned corporation; if not, why not; if so, what (i) are the relevant particulars in respect of the remuneration packages and (ii) was the number of persons employed in the various posts in the management, in each case as at the latest specified date for which information is available? N418E

The MINISTER OF PUBLIC ENTERPRISES:

(a) No, not in regard to remuneration packages and fringe benefits.

For the following reasons the divulging of information on the remuneration packages, and fringe benefits would be detrimental to the public enterprises:

- * Remuneration packages of the top management of the respective public enterprises are not comparable and without detailed analysis inappropriate and misleading deductions would be made;
- * management members of public enterprises will compare their remuneration packages to those of their peers and if their packages compare poorly they will place pressure on their boards; and
- * remuneration levels of the top management of public enterprises are lower than those of comparable posts in the private sector and the divulging of the relevant information could lead to management members being "hunted" by the private sector.

The present trend amongst South African companies is not to disclose particulars of this nature, but should South Africa move to a norm whereby it becomes common practice to release particulars of remuneration packages of the top management in listed companies as is the case in America, the policy will be reviewed. The King Committee on Corporate Governance is examining this aspect.

(b) (i) Falls away.

(ii) Information will be furnished once the board member has defined the broad term "management".

Education: draft bills

213. Mr I VADI asked the Minister of Education:

(1) Whether any draft bills in respect of education at national and provincial level have been prepared by the Education Co-ordination Service for his Ministry since its inception; if not, what is the position in this regard; if so, what draft bills;

(2) whether any of these draft bills have

Defence Force is that they simply have to abide by discipline.

I would like to reply to a point that Mr Breytenbach made with regard to MK members allegedly coming into the country carrying arms or smuggling weapons. At no stage has uMkhonto we Sizwe issued arms outside the country for those returnees to the country to smuggle back. Those people came in through Jan Smuts Airport and went through customs and immigration. There is no need to raise alarms about people who clearly say that they will resort to arms if their grievances are not responded to simply because they are seeking to draw attention to the problem. We must deal with the problem. [Time expired.]

Debate concluded.

Portraits in Parliament: committee appointed

4. Ms M SMUTS asked the Minister of Arts, Culture, Science and Technology:

Whether he will consider proposing to the Government of National Unity that a committee of parliamentarians, historians and art experts be appointed (a) to commission a portrait, bust or statue of the President of the Republic to be placed within the parliamentary precincts in recognition of the historic nature of his incumbency of the Presidency under the first democratic constitution and (b) to investigate whether any of the portraits in the public areas of Parliament should or could be relocated without censoring parliamentary history; if not, why not; if so, what are the relevant details?

N543E.INT

THE MINISTER OF ARTS, CULTURE, SCIENCE AND TECHNOLOGY: Madam Speaker, the answer to the question is yes in principle. Our department is involved in a process of formulating guidelines on the issue of honouring South African citizens who have contributed significantly to the liberation and democratisation of this country.

We accept that our President must be honoured. Of course, we view this within the broader framework of an honours list in this country. We are in consultation with the select committee; I have had discussions with the chairman, the hon

Dr Wally Serote on these issues, and we are formulating appropriate approaches.

I accept that the programme will have to consist of a wide-ranging consultation process, involving both experts and citizens in the dialogue.

Mr D H M GIBSON: Madam Speaker, I rise on behalf of the hon Ms Smuts, who is in Canada on parliamentary business. I thank the hon the Minister for his calm and reasoned reply. Our Parliament spent 48 years of its history as an apartheid institution, and that is a fact. Some of the symbols will remain as a reminder of those days.

It is, however, entirely appropriate to seek new symbols to confirm and strengthen our national unity and pride. A bust of President Mandela belongs in the Houses of Parliament of the new South Africa, and I feel that it should be commissioned. In due course, I believe that the Speaker should be hung, not hanged, on the walls... [Laughter.] The Speaker should be hung on the walls of Parliament as well.

The question of all other paintings, statues and mementos of the past in Parliament should be considered without rancour, emotion or ill will. The DP believes that history cannot, and should not, be censored. My Jewish friends are fond of saying what was, was. One cannot take that away. It does not mean that that is what is going to be in the future.

We need a committee consisting of parliamentarians, historians and art experts to consider the relocation of portraits which for understandable reasons have become contentious. Speaking personally, I would like to see the painting of a former Cabinet which hangs in the main entrance lobby removed. Many of those depicted in the painting have become something less than revered figures in the history of South Africa. They should not play such a dominant part in the entrance to our Parliament. [Interjections.]

My hon leader says that some are in jail; I am not quite sure if that is entirely accurate! The gigantic picture of Dr Verwoerd detailing what I can almost call his mad Bantustan plan, which hangs in the dining room, should also be removed. The ugly paintings of some Prime Ministers could be hung in less conspicuous places.

However, this does not mean that any of these

should be destroyed. It does not mean that one can obliterate the past by moving them. Many of these paintings and mementos belong in a museum. [Interjections.] Perhaps an apartheid museum will suit the hon member over there! [Interjections.] In such a museum they will act as a reminder of what happens to a country when ideology takes over from humanity.

The SPEAKER: Order! I would advise the hon member that this Speaker has strong views on being both hanged and hung, and as long as she is alive she will be expressive on that issue! [Interjections.]

The MINISTER: Madam Speaker, I would like to thank the hon member Mr Gibson for contributing to this debate. This is lively subject matter. Our President himself cautioned us about overstepping the bounds of sensitivity on these issues. This is why I am calling for an in-depth study and a wide-ranging consultation process before we arrive at any decisions. These are not decisions that we can just take hastily or on our own. We shall certainly be guided by the select committee and by the views of the members of this august House.

Mr D H M GIBSON: Madam Speaker, I hesitate to refer to you again, but one of my colleagues said the Speaker prefers to be drawn rather than quartered. [Laughter.]

This is not the first time in the history of South Africa that paintings, statues, place names and national symbols have become unfashionable and unpopular. In colonial days ownership of the Cape Colony changed hands several times, and on each occasion there was a general cleanout, with symbols of the past being relegated and, in some cases, obliterated. The same happened after the Anglo-Boer War when the Transvaal became a Crown Colony and the signs of the old Zuid-Afrikaansche Republiek disappeared.

In 1948 the Nationalists embarked on a campaign to rewrite history, renaming towns and removing statues and paintings. However, they could not change the history of South Africa. They, of course, went much further than that, trying to immortalise a multitude of Nat politicians by naming towns, dams, buildings, schools and hospitals after some rather undistinguished people. In some places fifth-rate politicians who were honoured in this way, turned out to be a major embarrassment, not only to the NP, but

also to South Africa, because they changed parties or resigned under a cloud.

*Mr J H VAN DER MERWE: Give an example!

Mr D H M GIBSON: Who, for example? Well, one such example was Dr Albert Hertzog. They names the Hertzog Tower in Johannesburg after him, but when he went out and formed the Herstigte Nasionale Party, they quickly renamed the tower the Brixton Tower. [Laughter.] The whies of South Africa laughed at them.

There is a lesson in this, and I hope the ANC will learn from the experience of the NP. It is appropriate to name buildings and monuments after people once they are out of politics, but we must learn to avoid the mistake of going too far and naming too many buildings after too many politicians, as many of us are very fallible. I speak for myself, and I am sure the same applies to hon members on the other side of the House too.

South Africa is in the process of making new history, and we are going to have new monuments and new things that all of us can be proud of. We should spend as little time as possible dwelling on the past and perhaps trying to destroy it, because that we will never do. Let us rather concentrate on building a future with symbols that all South Africans can hold close to their hearts.

The MINISTER: Madam Speaker, I must again thank the hon member for being so energetic regarding this issue. We are obviously taking care in regard to this process. We shall have to devise a policy, not just at national level, but also at provincial level, in consultation with the MECs responsible for culture in the provinces. We are certainly looking at these issues, but we are looking at them properly and carefully.

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

Question standing over from Wednesday, 14 September 1994.

State-funded/State assisted housing projects

*4. Mr M J ELLIS asked the Minister of Housing:

19/10/94 (123)

- (1) Whether any State-funded or State-assisted housing projects are under construction at present; if not, why not; if so, (a) how many housing units will be provided under these projects and (b) where is each such project under construction;
- (2) whether any such projects have been delayed or cancelled; if so, what are the relevant details? N371E

The MINISTER OF HOUSING:

- (1) Yes, under two dispensations:
- Housing projects within the framework of the new housing subsidy scheme.
 - In terms of the policy applicable during the previous dispensation.

- (a) and (b) The Regional Housing Boards have, as first allocation, approved a total of 56 projects which provide for 68 146 housing units. The following allocations were approved in terms of the various subsidy categories:

— 45 256 units @ R12 500	
— 11 124 units @ R 9 500	
— 11 766 units @ R 5 000	
68 146 units were approved for the various provinces, namely:	
North West	3 954 units
Eastern Transvaal	7 887 units
PWV	52 248 units
Northern Transvaal	518 units
Western Cape	339 units
Eastern Cape	Nil
Northern Cape	Nil
KwaZulu-Natal	Nil
OFS	3 200 units

The reason why no units were approved for certain provinces is that the regional housing boards had not yet been finally established. There are projects in the pipeline which may well already have been approved by now. With regard to the previous dispensation, a total of 17 216 housing units are under construction, namely:

North West	Nil
Eastern Transvaal	231 units
PWV	2 597 units
Northern Transvaal	Nil
Western Cape	4 989 units
Eastern Cape	1 146 units
Northern Cape	1 297 units
KwaZulu-Natal	4 756 units
	(Does not include the former KwaZulu area).
OFS	2 200 units.

All in all, the total number of houses which have been approved and which are either being constructed or about to be constructed under both the previous and the current dispensation is 85 362.

- (2) No.

Questions standing over from Wednesday, 21 September 1994:

Places for safekeeping of awaiting-trial children

*8. Mr H A SMIT asked the Minister for Welfare and Population Development:†

- (1) Whether a shortage is being experienced in respect of places for the safekeeping of awaiting-trial children; if not, what is the position in this regard; if so, where is such shortage being experienced;
- (2) whether he or his Department has investigated the possibility of using other existing facilities to accommodate such children; if not, why not; if so, what are the relevant details;
- (3) whether any personnel at existing places for the safekeeping of awaiting-trial children are undergoing staff and management training on an ongoing basis; if not, why not; if so, what are the relevant details? N431E
- †The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT:

- (1) Yes, all places of safety are due to low security measures not suitable for high-risk awaiting-trial children. Over and above shortages in certain metropolitan areas, there is a need for decentralised

places of safety in rural areas country-wide. As a result of the vastness of the country, the transport of children between courts and places of safety creates a problem. The Department also experiences major financial shortages in its Budget for the erection and maintenance of such places of safety. The provinces are experiencing a serious shortage of social workers and probation officers;

- (2) yes, by the former Minister. Unused or under-utilised buildings were investigated by the various provinces. The Provincial Administration of the PWV is at present investigating a mine hostel in Randfontein to serve as a place of safety. Other possible facilities were not suitable for the accommodation of awaiting-trial children;

- (3) yes; personnel undertake management orientation courses and junior management courses, and care officers are motivated to attend courses which are offered by the National Association for Child Care Workers.

Courses in self-defence and security are offered by the Department of Correctional Services, NICRO and other training institutions on request. Continuous in-service training also takes place.

Mr H A SMIT: Madam Speaker . . .

The SPEAKER: Order! Is the hon member interrupting the hon the Minister?

Mr H A SMIT: Yes.

†Arising out of the hon the Minister's reply to the question, I should like to know from him which Department's primary task it is to establish such facilities when they are in short supply?

†The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT: Madam Speaker, when a case is being investigated by the police, the child awaiting trial is in the care of the Department of Correctional Services. After the child has been sentenced, he or she stays the responsibility of the Department of Correctional Services.

We are, however, changing the process. We want to see if we can take those children out of prison as soon as possible and put them in a

place of safety. When a child is arrested and has not been sentenced, it is difficult to make him or her the responsibility of one Department.

Road accidents: deaths

*19. Mr D H M GIBSON asked the Minister of Transport:

- (1) How many persons died in road accidents in the Republic (a) in 1993 and (b) from 1 January 1994 up to the latest specified date for which statistics are available;
- (2) whether the Government is giving consideration to (a) reducing the speed limit on national roads and/or (b) taking any other action aimed at reducing the number of road accidents; if not, why not; if so, what are the relevant details? N450E

The MINISTER OF TRANSPORT:

- (1) During 1993, 9 443 persons died in road accidents in the Republic and from 1 January 1994 up to 30 June 1994, 4 736 persons died in road accidents.

- (2) No, but a National Speed Management System Task Group was appointed to obtain the co-operation of all interested parties in developing and implementing a scientifically managed system. This system makes provision for the setting of an appropriate speed limit based on circumstances on any type of road.

My Department is in the process of implementing a total integrated Traffic Management System in order to give education, enforcement and engineering the priority they deserve. In our endeavour to establish a traffic safety culture in South Africa, we need to make provision for the involvement of the organised road users as well as the community at large in promoting orderly traffic and traffic safety.

Traffic safety is the responsibility of all levels of government and therefore meetings with the provinces regarding certain aspects of traffic safety such as law enforcement have already taken place.

As far as law enforcement is concerned,

□ Banks, government to act together to break logjam in lower end of market

Homes break through

(123)

AR 20/10/94

ESTHER WAUGH
Political Staff

BANKS have agreed to advance R2 billion in housing loans over 12 months, probably starting from January next year.

Announcing the breakthrough agreement between the government and the banks, Housing Minister Joe Slovo said today that the banks hoped to make 50 000 loans — down to the value of R10 000 — available over a 12-month period.

The agreement ensures that the government and the banks will act in unison to break the private sector logjam in the lower end of the housing market.

Mr Slovo told a press conference: "The agreement signals the return of the major banks to the lower end of the housing market while committing government to a strategy to upgrade communities in such a way that residents have good reason to resume bond, rent, and service payments".

Council of Southern African Bankers chairman Piet Liebenberg said that banks were investigating the possibility of a fixed instalment plan because the lower end of the housing market had great difficulty with fluctuating interest rates.

Another element of the agreement is a programme linking home loans to a demonstrated consistency in saving by would-be home owners.

Mr Slovo said this element of the programme would allow bankers and prospective homeowners to build a relationship of trust based on a proven savings record.

The minister said the government had agreed to a system allowing banks to repossess houses of bond defaulters in accordance with normal civil law procedures.

"Where this continues to prove impossible because of a breakdown in either civil or criminal law enforcement, the government will indemnify the banks, case by case, for a limited stabilisation period over three years," Mr Slovo said.

However, the implementation of the Mortgage Indemnity Scheme (MIS) still had to be approved by cabinet on November 9.

Mr Slovo said the availability of the loans depended on the final cabinet decision. Mr Liebenberg added that some loans could be expected to be extended before the end of the year.

Turning to the state's liabilities in terms of the MIS, Mr Slovo said ideally it would be liable for nothing as the government would be creating stable conditions which would not trigger off the MIS.

A further element of the agreement is that illegal occupants of repossessed houses and those experiencing difficulties with mortgage repayments would receive assistance from a service company to be founded and administered jointly by the banks and government.

Mr Slovo said the government was still negotiating a "product defect warranty scheme" with the construction sector to indemnify house buyers against "shoddy work which has often been the trigger for bond boycotts in the past".

Housing deal to end logjam

CT 21/10/94
(123)

MAGGIE ROWLEY
Property Editor

SUCCESS of yesterday's breakthrough agreement signalling the re-entry of major banks into the low-cost housing market hinges on a culture of payment being restored.

Banks have agreed to advance R2 billion in home loans to the low end of the market over the next year.

This could see up to 50 000 suitable applicants obtaining loans of as little as R10 000.

Housing Minister Mr Joe Slovo said the success of the agreement, aimed at breaking the private sector logjam at the lower end of the housing market, will depend on the government being able to normalise the lending environment.

The initiative follows months of intensive technical discussion and is a vital element in the national housing policy currently being formulated ahead of next week's housing summit.

The deal could double the resources available and commits the government to normalise the environment, rebuild communities and restore the rule of law.

Financial institutions hold

Culture of payment essential

around 16 000 houses in predominantly black townships where foreclosure proceedings have been completed but banks have not been able to get residents to vacate.

The government has agreed to a system which will allow banks to repossess these properties and assist occupants to find other accommodation.

Where this is not possible due to a break down in either civil or criminal law enforcement, the government will indemnify the banks for three years.

This Mortgage Indemnity Scheme (MIS) is seen as a temporary measure, Mr Slovo said.

The state's liability and the demands on the Budget will depend on the government's ability to "create stable conditions and alter the payment culture".

Once the lending environment has been normalised so that risks

faced by the banks are within normal commercial bounds, the need for the MIS will fall away.

"This is a narrow indemnity scheme and is not designed to defray large losses by the banks," Mr Slovo said.

"We now have a new democratic dispensation and it is time for all sectors to shape up to their responsibilities."

The banks have also agreed to investigate a fixed instalment system, so that fluctuations in interest rates do not cause unexpected financial hardship to lower income earners.

To reduce the risk aspect in this regard, the interest rates charged in these cases would have to be above market rates.

To ensure potential borrowers understand the obligations and rights associated with a mortgage loan, education campaigns, possibly through radio and television, will be undertaken.

Agreement has also been reached on a programme linking home loans to demonstrated consistency in saving.

● South Africa had a 1,4 million housing shortage last year, excluding the rural areas, Mr Slovo said.

● Huge rethink called on housing policy — Page 7

Huge rethink called on housing policy

Staff Reporter

A DISCUSSION document co-authored by former Sanco president Mr Moses Mayekiso suggests that there should be a radical rethink of existing housing policy which is not seen to be reaching enough people.

CT 21/10/94
If this year's R1.5bn housing

budget is all divided into subsidies of R12 500, only 120 000 heads of households would be reached. It may take 30 years to deal with housing backlog, but "chaos and revolt" may break out before then, the document warns.

The paper was presented at an RDP conference in Somerset West by Dr Tobie de Vos of the CSIR yesterday. Mr

Mayekiso is an ANC MP and as such he can no longer be a Sanco member as it is a non-government organisation.

The document proposes that the state should retain ownership of all residential stands provided in terms of the proposed capital subsidy scheme. The householders would nonetheless receive security of tenure in perpetuity. (23)

The document acknowledges the provision of formal housing as opposed to serviced sites — would be for those who "are able to attract private sector credit".

Dr De Vos explained afterwards that withholding freehold title from the R12 500 subsidy beneficiaries would not stop them getting loans. Security of tenure would be

able to be passed on in families. Those who wished to acquire freehold title would have to buy their plots from the state, at prices equal to the cost of development.

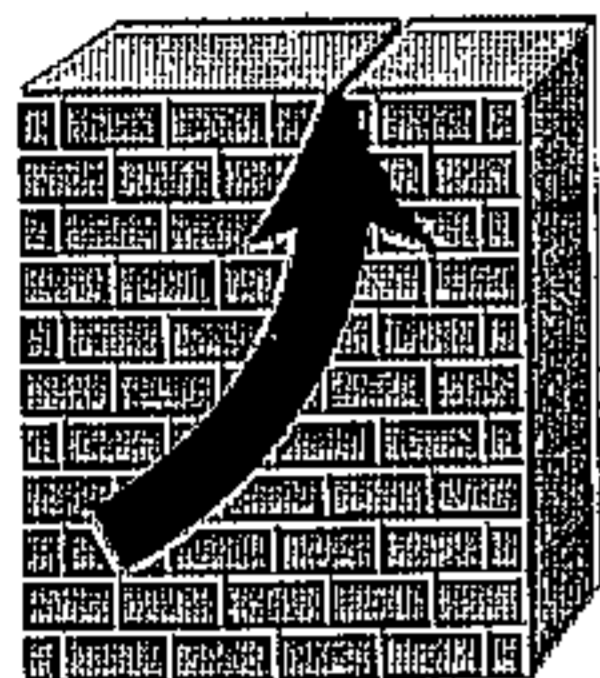
Should this proposal be adopted, the state would by and large retain its asset base of residential plots. It would also be able to assist more people to make a basic start.

BUILDING INDUSTRY CAPACITY

The RDP's first major threat

FM 21/10/94

The housing shortage is not a malady to be cured by coercive measures



Government's housing programme, controversial and ill-starred as it has been, is facing an unexpected setback even before it begins its phased progression. For an unexpected surge in building to

meet the pent-up demand for middle-income homes and industrial property is effectively crowding out the poor as the construction and building materials industry hits capacity constraints.

Despite the fact that the National Housing Forum and the Department of National Housing are attempting to step up housing gradually to minimise inflationary pressures, this capacity constraint could turn out to be a major setback, both to the availability of housing for the poor and housing price stability.

Those plans are to begin with subsidy allocations approximating 100 000 homes this year and eventually increasing that number to 300 000 homes per annum by 1999 to meet the RDP's five-year target of 1m houses. A further decade and a half of building at that level is envisaged by Housing Minister Joe Slovo to meet the backlog of homes needed, by which time industry should have enough capacity to cope.

For the construction industry the first difficulty is to find skilled labour. Contractors and building merchants are also experiencing shortages and irregular supplies of some materials and equipment.

The real problem is a three- to four-year backlog of work that is hitting the industry with all the force of an avalanche. Building plans passed in previous years, particularly in the townhouse market, are now being implemented. It took the April election results to see a resumption of confidence and a start on the work.

From Central Statistical Service figures, the pick-up is most marked from July to August in all property markets, including home alterations.

The civil engineering sector atypically began to move in line with rising economic activity last year, because major capital projects such as Columbus and Alusaf, as well as steady township servicing work, commenced two years ago. But recent contract awards for major highway programmes (the Natal North Coast road and the N1), and the unexpected pick-up in the non-residential and residential property markets, have caught equipment suppliers napping. "We never expected the upturn so

quickly" says one major supplier. "The industry has been caught with its pants down," says one of the PWV's largest building merchants, Ferreira's director Louis Mendez.

Four years of recession have resulted in drastic retrenchment, downscaling and a loss of capacity, both in plant and productivity. A major shift by contractors to the subcontracting of labour has meant little to no transfer of skills, particularly in contract administration. The construction and building materials supply sectors have become even more concentrated, as firms have disappeared. This means that the sudden pick-up now has translated immediately into higher building costs. For building merchants this is a boom.

However, in the low-cost housing market, contractors' margins remain painfully thin.

The Bureau for Economic Research's preliminary 13% building cost rise in the third quarter — the highest in years — should be setting off alarms. The annual change in 1993 was about half this.

Certainly the Building Industries Federation of SA (Bifsa), which previously was sure the industry could meet the housing programme, is calling for urgent action. Building price increases and the 1% increase in interest rates, it believes, will add a further 10% to the cost of new homes by 1995, placing them further out of the

reach of those most desperately in need.

Its most immediate concern is its limited capacity to train the number of skilled workers needed to meet all the demands on it from both a resurging economy and a housing drive — a task that would see delivery of competent foremen from scratch in only six to eight years if it could start now. Bifsa has urged government to provide R200m a year for training.

The most immediate way of meeting this skills shortage is importation. Bifsa executive director Ian Robinson believes the importation of a limited number of supervisors could put out the short-term fires, say over the next three years.

The big question is whether the recent upturn in the property sector will be sustained along a broad front. Property

economist Erwin Rode believes the rise in residential activity in the higher income brackets will be sustained, but questions the sustainability of the nonresidential pick-up. SA Property Owners' Association executive director Brian Kirchmann believes industrial activity will continue.

And if indications of demand from the tourism sector are correct, that could prove to be so.

Excluding government's "heroic" RDP programme, Rode is forecasting total growth of 23% in activity in both residential and nonresidential sectors between 1995 and 1999.

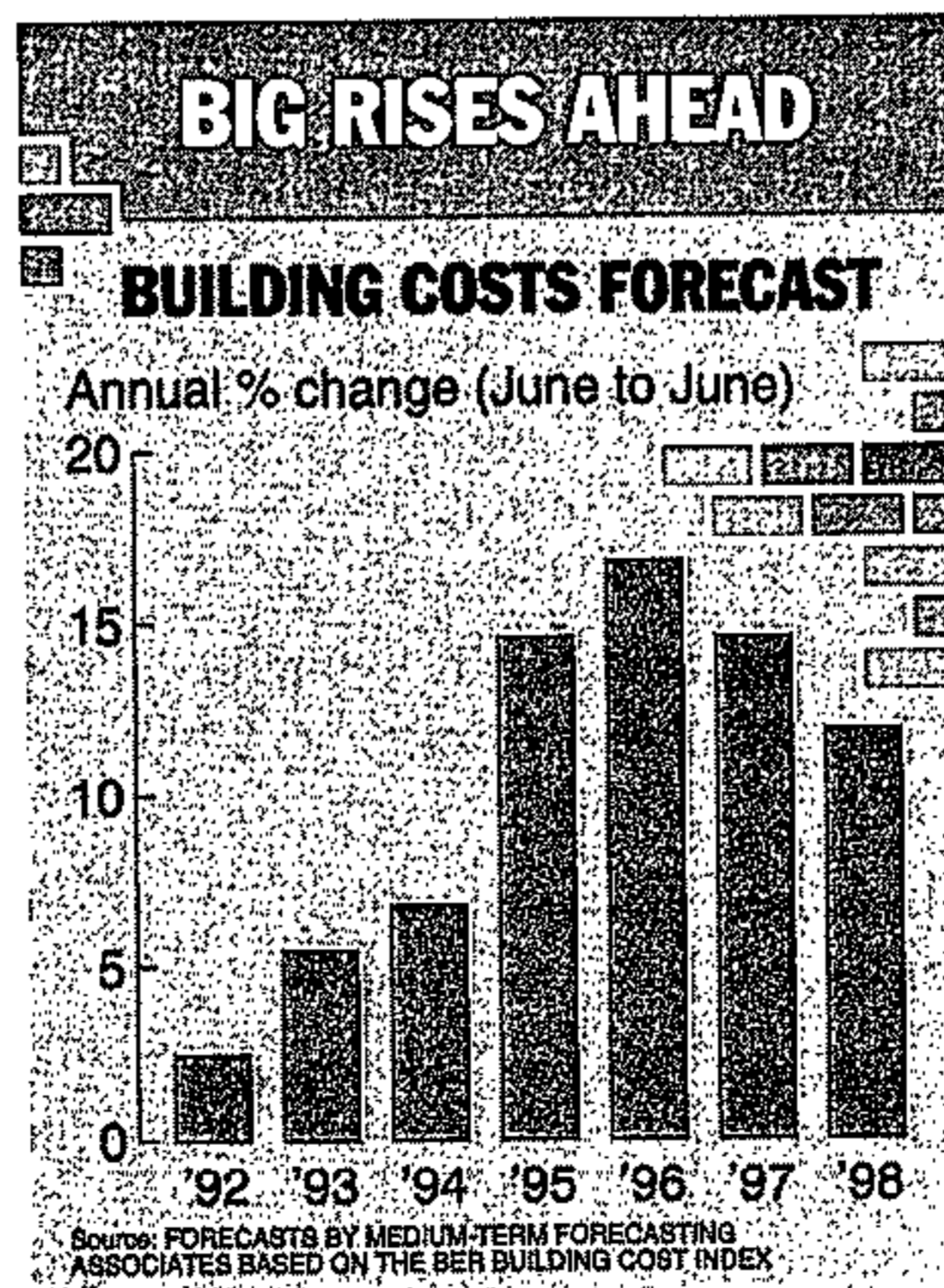
The National Housing Forum's Working Group Three has been studying the relationship of supply to expected demand. The recently formalised Building Material Supply Consortium is collaborating in an ongoing review of the NHF work.

The consortium's executive director, "JP" Landman, says real investment in capacity will take place only when there is more certainty that returns will be commercial and sustained.

"The critical thing is that government follows a consistent policy and that its programme is sustainable. We believe they are doing that and hopefully this commitment will emerge at the housing summit next week. It is true that there are shortages. This is a function of demand outstripping supply. The strength of the recovery has taken everyone by surprise, given the historically low capacity. To compensate, suppliers hope imports will alleviate supply problems.



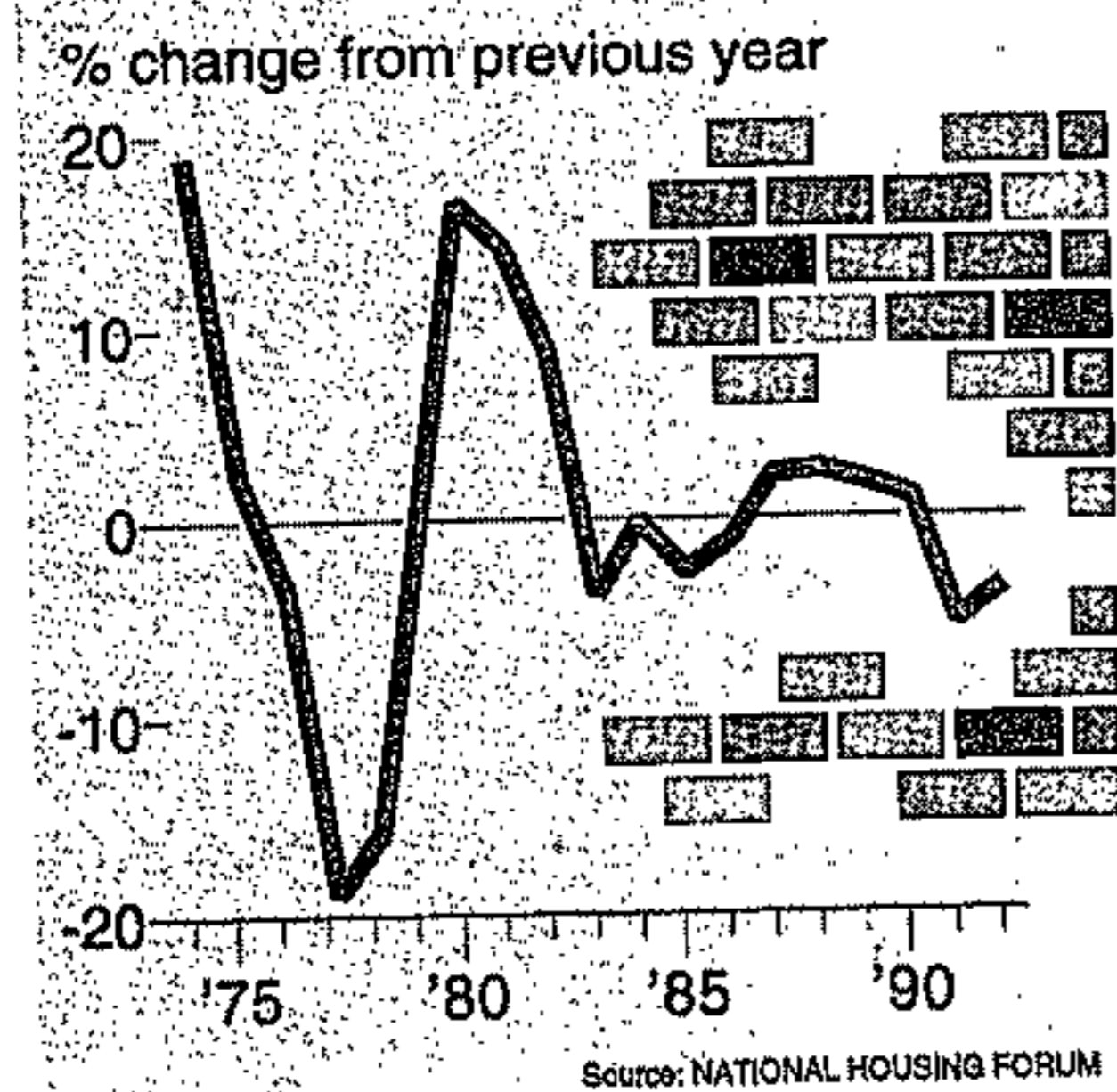
Landman



Continued on Page 28

Fin 21/10/94

TOTAL CONSTRUCTION EMPLOYMENT



Continued from Page 24

"Our view is that tariffs must be reduced. Once Gatt applies in January, imports will become cheaper over the next three to five years. That will open the way for more competition and increased supply."

An important question is what the aggregate demands on the construction and building materials supply economies will be from the residential, non-residential and civil engineering sectors. Clarity is required from government. A perceived shift to site and service schemes raises uncertainties over the extent of the labour and materials required. Housing experts say the difference between government's envisaged site and service schemes and those of the past is that now there will be a sustained upgrading.

Civil engineering, according to SA Federation of Civil Engineering Contractors economist Hank Langenhoven, is expected to make up 60% of the RDP, housing aside.

Certainly some building material manufacturers have already started to gear up; others have sufficient capacity. Such is the case in the cement industry, which is able to supply product until the year 2000. But it has to improve distribution.

The clay brick industry is also reporting shortages. Clay Brick Association executive director Nick Louw describes these "delays" as both locational and due to specific consumer choice. But even with plans to increase production by the end of next year by roughly 50% (to just over 6bn bricks per annum), he says there could still be delays. The industry is currently said to be working at 70% capacity, using its surplus capacity to satisfy the sudden increase in demand. Panic ordering could account for some of the problems this sector now faces. Prices over the year "have not exceeded the rate of inflation," says Louw.

The concern in the timber industry is the availability of sawn logs in the medium to long term. The SA Lumber Millers Association cites price increases around 7%

this year and says mills are working at full capacity. Salma says merchants report lead times of up to six weeks for sawn pine from some mills, but says shortages are only locational. In the event of a sudden upswing, it says there could well be pressure on the industry to supply unless manufacturers gear up now. To compensate, importation from Zimbabwe is taking place. And imported wood is cheaper, despite claims of parity pricing in the industry.

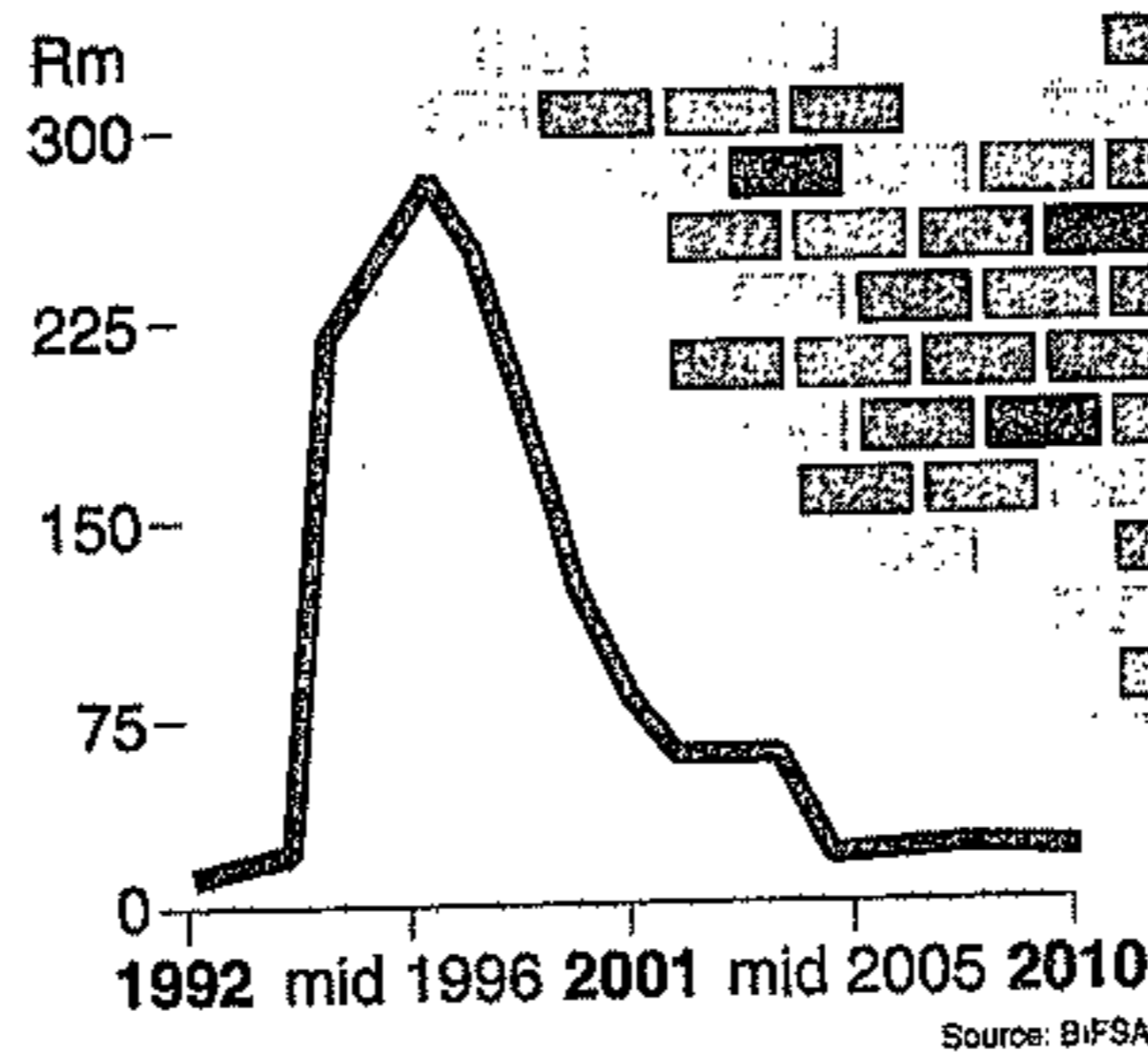
The main local producer of plumbing materials is working at full capacity and is reported to "just keeping up." Observers say the problem with this producer is one of attitude. It apparently still needs to be convinced that volume production is the way to go to compete with imported products (mainly from the East) at prices 40% lower, even with tariffs.

Exchange rates dictate the costs of imported earthmoving and construction equipment, which accounts for more than half. Smaller loaders and excavators are most needed in the low-cost housing market where delays in the importation of equipment extend for up to four months and more. Pressure is on government to reduce tariffs on heavy vehicles, where punitively high costs, customers say, will jeopardise the entire RDP. Shortages of cement tankers have been noted.

Commercial developers are complaining about a scarcity of bricklayers and plaster subcontractors. The former have upped their prices from R220/1 000 to R250/1 000, the latter by 21% over the past nine months from R6,50/m to R7,90/m.

Natal University's Andrew Merrifield says capacity constraints which lead to rises in marginal costs and, thereafter, inflation and other macro-economic problems, are typically of a short- to medium-term nature, say of between two to six years. Once supply-side constraints are addressed, they

COST OF CONSTRUCTION LABOUR TRAINING



may fall again.

"However, the inflationary effects of such supply inelasticities may take longer to be worked out of the economy. This could mean that any benefits from an increase in construction output will be stifled by inflation before the constraints can be overcome by market forces."

In the debate around housing as a "kick-start to the economy" there have been arguments that construction activity is not import-intensive — but developments suggest otherwise. It's simple enough to increase imports, but as with any economic pick-up, Langenhoven comments, the moment this happens, a strain is placed on the country's savings in the form of its reserves. The recent hike in interest rates by Reserve Bank Governor Chris Stals was partly in response to the increased level of imports.

It is unlikely that government will disband its housing programme in favour of job creation, though this is its first RDP priority. The very setting of the target of 1m homes could meet both housing and job aspirations in the short term.

Left to the market, without supply-side intervention, it is unlikely SA could provide more houses than it has in the past. Inflation may see many of those houses incomplete, but this is the political risk government will have to face in 1999 if it fails to meet the



Louw

target.

To make government's target achievable, the construction and building material supply industries need to make investment decisions around the aggregate demand for their product and services.

In addition, low-income housing and other RDP-related projects will mean, as Merrifield suggests, that the construction industry needs to overcome the institutional and logistical problems that surround on-site training. Deploying its managerial and technological capability in the low-income market is likely to be a persistent problem in the short term, as the industry has not been faced with a challenge on such a scale before.

From government's perspective, if the RDP is to succeed, Langenhoven believes it needs to increase capital expenditure by 7%-8% a year and decrease current expenditure. The present ratio is 90% current and 10% capital expenditure. That implies some hard political decisions on wages and jobs. But it also means that deregulation and import protection removal will need to be hastened.

Solutions need to be found in the re-assessment of RDP priorities and in supply side measures, especially the removal of import constraints. Any attempt at coercive investment will exacerbate the housing problem.

NEWS New deal for buyers at lower

R2-bn for home loans

Sowetan 21/10/94

■ **BREAKING LOGJAM** Banks and

Government sign a loans agreement:

By Ismail Lagardien
Political Correspondent

THE GOVERNMENT YESTERDAY managed to secure R2 billion in housing loans from banks for buyers at the lower end of the income scale.

An agreement to this effect was signed in Cape Town by Minister of Housing Mr Joe Slovo, president of the Association of Mortgage Lenders, Mr Johan Myburgh, and Mr Piet Liebenberg of the Council of Southern African Bankers.

The agreement brings together the Government and banks in an effort to "break the private sector logjam in the lower end of the housing market", Slovo said yesterday.

"The agreement signals the return of the major banks to the lower end of the housing market while committing the Government to a strategy of upgrading communities in such a way that residents have good reason to resume bond, rent and service payments.

"We believe that now is the time for all sectors — political organisations and civic organisations included — to show a degree of political courage in trying to



Housing Minister Joe Slovo

reverse what we have inherited and which in its historic context has played a positive role in bringing about the present democratic new dispensation.

"But we've passed that stage — this is a completely new way of doing things," Slovo said. (123) (28)

The banks have agreed to advance loans — in areas which the Government has approved using "a stable environment" as the means test — which could total R2 billion in the first 12 months. This would make 50 000 loans with a minimum value of R10 000 available during this period.

Slovo, the boycott-buster

123 W/M 21-27 10/94

A deal reached between the Housing Ministry and banks — dependent on ending township boycotts — will boost low-cost housing and end redlining, reports **Drew Forrest**

THE government has launched its first full-scale assault on crippling township boycotts in a landmark deal with the banks which will unlock up to R2-billion for low-cost housing.

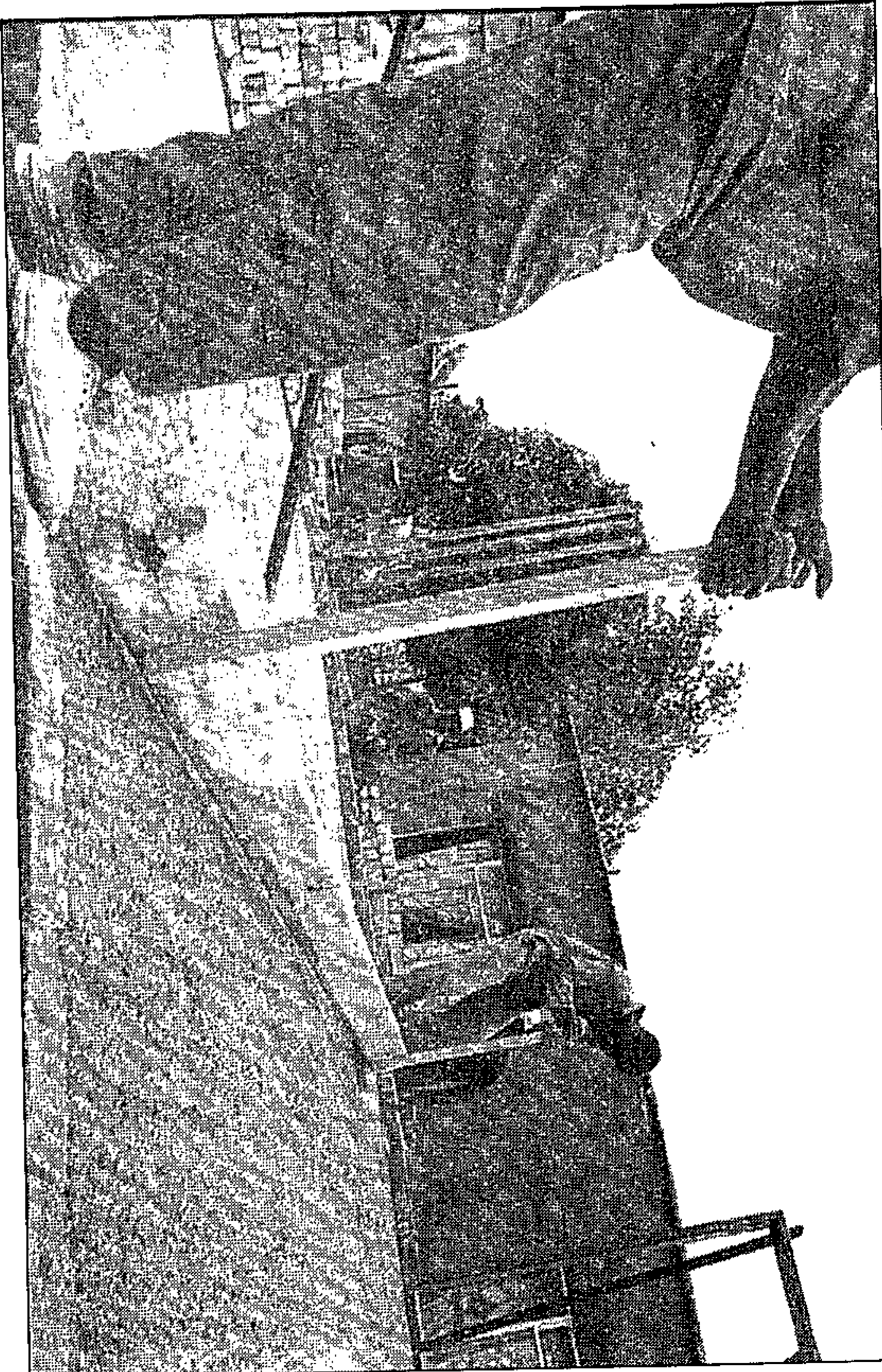
The deal, signed on Thursday between Joe Slovo's Housing Ministry and the Association of Mortgage Lenders, is the product of three months of intensive talks aimed at luring the private lenders back into the townships.

Effectively doubling the national housing budget, it may also spell the end of the controversial banking practice of "redlining" — withdrawing from whole areas because they are judged unacceptable investment risks.

The banks hope to make 50 000 loans down to the value of R10 000 over a 12-month period.

At the heart of the agreement is a government undertaking to normalise the lending environment and restore the rule of law in black areas stricken by bond, rent and service boycotts. It is the first systematic attempt to get to grips with a "culture of non-payment" — essentially the legacy of the anti-apartheid struggle — which now threatens the reconstruction and development programme and political reform at local level.

In a speech to the senate yesterday, Slovo said the strategy of withholding payments as a means of exerting political pressure on the apartheid state "had in all too many cases made way for a private strategy of convenience and self-interest". The anti-boycott offensive would require politi-



Solid foundation: The deal between Joe Slovo and the banks will help relieve the housing crisis. PHOTO: RUTH MOTAU

cal courage to launch and sustain. "This is what leadership is all about. We cannot allow the spirit of populism to dominate our practice."

Moves to roll back the boycott culture will be coupled with a huge publicity campaign. The initiative would involve almost the full cabinet, the RDP and provincial and local governments, Slovo said.

Under the agreement, the government pledges to make it possible for the banks to repossess the houses of bond defaulters in keeping with normal legal procedures. During a "limited stabilisation phase", a mortgage indemnity scheme will cover private lenders where they cannot foreclose because of abnormal township conditions. Still awaiting cabinet approval — financial modelling has not been

finalised — this is not meant to shelter the banks from losses through bad banking practice.

"The mortgage indemnity scheme represents an obligation to normalise the environment, to rebuild communities and most importantly, to restore the rule of law," Slovo told the senate. He added that he hoped it would not cost the state a cent.

Slovo revealed that the banks hold 16 000 houses where bond defaulters cannot be evicted.

The state will effectively take over the redlining function by withholding mortgage indemnities in unstable, violent and crime-ridden areas — like Katlehong on the East Rand — where the commercial risk is unacceptable. This will act as a carrot to communities to resume payments and assist in

general stabilisation. But the intention is also to target "prioritised reconstruction areas" for upgrading and crime-fighting programmes which will involve a wide range of ministries and every level of government.

The indemnity scheme entails the state purchase of houses where "vacant repossession" proves impossible, raising the politically uncomfortable spectre of government turning people on to the streets.

However, Slovo made it clear that every effort would be made to help defaulters meet their bond obligations. A service company, jointly financed by the state and the banks, is to be formed to help residents find properties within their means and to

fund the rescheduling of loans. It would also "facilitate the disposal of those properties in a manner which will allow banks to defray losses".

The deal, described by the ministry as a "Siamese twin" strategy, seeks to strike a balance between the claims of redlining banks and boycotting township residents. In his speech, Slovo pillories "disreputable developers" who, taking advantage of the misery of ordinary people, had "thrown up thousands of shoddy buildings which were destined to crack and crumble at the first rains".

The banks were negotiating a product defect warranty scheme to indemnify house buyers against shoddy work, a frequent trigger for bond boycotts.

Slovo also attacked questionable bank lending practices by allowing developers to determine the size of loans and creditworthiness of applicants, often leaving the latter high and dry when interest rates rose.

In a decisive blow to bank redlining and other dubious practices, Slovo announced that the deal entailed reporting and disclosure guidelines which would allow the government to monitor bank lending. "We will know enough about their business conduct to be able to say whether they are performing in a socially responsible fashion or not," he said.

Two other features of the agreement are an undertaking by the banks to cushion low-income house buyers from interest rate rises and a savings-linked credit scheme.

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**Slovo's
Solution**
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50 000 loans in next 12 months

Govt, banks seal R2bn housing deal

• Biday 21/10/94

CAPE TOWN — In a major breakthrough which signals the return of banks to the low-cost housing market, government and mortgage lenders have announced an agreement to finance 50 000 home loans worth about R2bn over the next year.

A key feature is a mortgage indemnity scheme, in terms of which government will provide a full guarantee on irrecoverable financial losses to banks in the event of defaults over the next three years.

All the major banks — including Standard, FNB, Nedcor, Absa, Saambou and NBS — had bought into the agreement. Council of SA Bankers CE Piet Liebenberg said this should lead to the mass extension of home loans early next year.

In what was termed a "Siamese twin" approach, banks would disclose their lending practices on a confidential basis, a fixed instalment loan interest was under investigation and home loans would be linked to savings.

The agreement, which had been approved in principal by Cabinet but will only be formally presented on November 9, also encompassed a comprehensive code of conduct for mortgage lenders.

Housing Minister Joe Slovo said government would embark on a massive upgrading programme in disadvantaged communities aimed at the resumption of payment for goods and services and the restatement of the due process of law.

The indemnity scheme was central to the agreement, and meant government would indemnify banks against bond de-

ROBYN CHALMERS

faults caused by a breakdown in civil or criminal law enforcement. It would be funded out of the general fiscus and managed by the proposed National Housing Finance Corporation with specialised management and staff. The scheme would initially operate for three years, after which cover would continue only in areas where the risk covered had materialised.

Slovo said while the scheme would place government in an unlimited liability position if there was a total breakdown of law and order, it aimed "not to pay a single cent". This would be achieved by stabilising communities. (S) (123)

A cap of R100 000 had been placed on homes insured, and cover would be provided on all existing mortgages as well as new loans granted under the scheme.

Mortgage lenders would have to disclose their lending patterns in terms of income profiles, sex, loan size and geographic distribution. This would be done on a confidential basis, but analysts said it could be a highly effective tool for government to ensure lenders made funds available on a non-racial basis.

Banks would be guided by a code of conduct to ensure that mortgages were extended on a non-discriminatory basis. The proposed code would be applicable to members and an ombudsman was envisaged to deal with unresolved complaints.

Slovo said agreement had been reached

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Housing

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on a programme linking home loans to "demonstrated consistency in saving". Applicants should have built up a savings record with banks for at least nine months, although this would be reduced to three months for applicants applying under the project-linked subsidy scheme. "Developed in consultation with savings and loan experts from several countries, the model aims to draw on the vast savings potential in SA which is a feature of life even in the poorest sectors of the population."

AML president Johan Myburgh said lenders were investigating fixed instalment loans. Fluctuating interest rates "had caused unexpected financial hardship to clients with lower incomes in the past". The arrangement "will allow bankers and prospective homeowners to build a relationship of trust", said Myburgh.

Slovo said households illegally occupy-

ing repossessed properties and families experiencing difficulties with mortgage repayments would receive assistance from a service company to be founded and run jointly by the banks and government.

"The company will help them to find accommodation through a process of right-sizing which ensures they are in homes which are and remain affordable."

The builders' warranty mechanism under negotiation between the banks, construction industry and government formed an important part of the agreement. It would protect house buyers against shoddy work. "The banks have made it clear that the construction sector must stand behind its products in the interests of the consumers, and that it must create the capacity to deal with contractors who fail to meet such obligations."

● See Pages 3 and 6

Banks put up R2-bn for low-cost housing

Star 21/10/94

■ BY ESTHER WAUGH
POLITICAL CORRESPONDENT

Cape Town — Banks have agreed to advance up to R2 billion in loans for low-cost housing over 12 months, probably starting from January.

Announcing the agreement between the Government and the banks, Housing Minister Joe Slovo said yesterday that banks hoped to make 50 000 loans available over a 12-month period.

The agreement ensures that the Government and the banks will act in unison to break the private sector logjam on the lower end of the housing market.

Slovo told a press conference: "The agreement signals the re-

turn of the major banks to the lower end of the housing market while committing the Government to a strategy to upgrade communities in such a way that residents have good reason to resume bond, rent and service payments."

Council of Southern African Bankers chairman Piet Liebenberg said banks were investigating the possibility of a fixed instalment instrument because the lower end of the housing market had great difficulty with fluctuating interest rates.

Association of Mortgage Lenders president Johan Myburgh said prospective homeowners would have to demonstrate their ability to save for at least nine months to qualify for bonds.

Slovo said this would allow bankers and prospective homeowners to build a relationship of trust based on proven savings.

The minister also announced that the Government had agreed to a system allowing banks to repossess houses of bond defaulters in accordance with normal civil law procedures.

"Where this continues to prove impossible because of a breakdown in either civil or criminal law enforcement, the Government will indemnify the banks case by case for a limited stabilisation period over three years," Slovo said.

However, the implementation of the Mortgage Indemnity Scheme still had to be approved by the Cabinet on November 9.

Slovo said part of the agreement was that illegal occupants of repossessed houses and those experiencing difficulties with mortgage repayments would receive assistance from a service company which is to be founded and administered jointly by the banks and the Government.

Speaking in the senate yesterday, Slovo said another far-reaching aspect of the agreement was that the Government and banks had agreed on a set of reporting and disclosure guidelines.

This would enable the Government to monitor the actual lending practices of the banks. "It signals the beginning of the end of red-lining as we have come to know it," he said.

MORE resources are needed for the housing backlog to be met. Consequently the banks will be more confident about lending money to communities for housing, says Joe Slovo, Minister of Housing.

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CAPE TOWN — The Government needed to spend an extra R1 billion on top of the current housing budget if it wanted to reach its target of 1 million starter homes over the next five years, Housing Minister Joe Slovo said yesterday.

Introducing his department's budget vote, Slovo said the State would not be able to finance the housing effort alone.

However, additional State funding could lever some of the estimated R400 billion within the financial sector.

More resources needed to flow into the communities in such a way that the banks would be more confident about lending money to those communities for housing.

Slovo was optimistic that housing would be allocated a greater share of the national Budget.

However, he rejected the notion — consistently advanced by some MECs — that large housing companies should deliver mass one-off housing.

Single standard

"There is clearly a significant role for big developers both in terms of building houses and in terms of imparting construction skills to emerging black entrepreneurs in all of this.

"But I think we must recognise that the cause of social transformation in South Africa will not be served if we leave it all up to the big boys who simply drop housing on communities at R1 000 a square metre.

"It is time to accept that housing is not just a question of fulfilling annual targets, as we are now agreed that it is not a question of a single standard."

The Government of National Unity had to target the poorest of the poor and go beyond a single subsidy.

A community partnership which would establish a network of support centres across the country had to be created.

Depots would make tools available, give access to draughtsmen, architects, engineers and quantity surveyors, and

'Let world donate houses'

CAPE TOWN — International aid money should be accepted in a tangible form, such as pre-constructed and knock-down houses, to avoid problems of monitoring and administering donor funds, Adelaide Tambo (ANC) said this week.

Speaking in the housing budget vote, she was alluding to Minister without Portfolio Jay Naidoo's statement that correct systems and safeguards had to be established to prevent abuse or maladministration of donor funds.

"Timber or timber-frame housing can speed up our entire process of delivering on our election promise. Instead of having the headache of administering cash donations from overseas, let's accept it (foreign aid) in kind."

It was a mistake, she said, to be obsessed by bricks and cement houses, instead of opting for timber-constructed houses to meet the housing backlog.

"It is well known that wooden houses are roughly 35 percent more thermally efficient than conventional construction, saving on energy for both heating and cooling. Timber houses need only a light foundation, which could mean greater speed in delivery and saving on materials.

"The lightness of the house itself also means greater flexibility, with an in-built resilience against shifting, warping, cracking or any of the problems associated with conventional construction." — Sapa

draw on the productive capacity of local brick-makers, carpenters and other skilled people.

People were not wrong to have high expectations

of the Government's housing promises, but expectations had to be combined with political leadership and reality, Slovo said.

High expectations were natural and would keep the Government "on its toes".

"There is nothing wrong with high expectations. We underestimate the good sense of the people."

Limpho Hani (ANC) said the combination of banks' reluctance to lend and unscrupulous developers meant only 30 000 homes with bond repayments of R350 a month were built last year against the demand of 300 000.

There was an even bigger problem in housing the poorest of the poor. She feared they would end up "with a serviced site plus a large toilet, and I do not believe this is what we fought for".

Pleading

"We are now discussing the issue of incremental housing which, as I understand it, is the start of a dwelling with ongoing assistance from the State to the individual, to improve and extend the initial housing unit.

"We agree that this is a good and viable policy, but we are pleading for the initial start to be such that people can live in human dignity and privacy and that extensions to the house then occur from a better starting point."

Mike Ellis (DP) said the DP welcomed Slovo's deal signed on Thursday with the Association of Mortgage Lenders.

However, a "proper working relationship" between the provinces and Slovo's department was essential.

The DP had warned both the ANC and the NP about false promises.

"It is essential that people in charge of housing, either in the provinces or at central government level, stop raising expectations of people by stating what they believe they can achieve over the next five years when the facts indicate that it is highly unlikely that what some of them are saying will be possible." — Sapa.

Extra R1-bn needed

Star 22/10/94

State can't carry cost of housing alone — Slovo

No pay, no home, get-tough Slovo warns townships



By EDYTH BULBRING
Political Correspondent

HOUSING Minister Joe Slovo has staked R2-billion on the government's ability to restore law and order and the normal functioning of the townships in three years.

The key to a historic agreement signed between the banks and the government this week is a commitment by the Ministry of Housing to stand as guarantor under the Mortgage Indemnity Scheme in the event of defaults over the next three years.

In return the banks agreed to make available 50 000 housing loans a year to the lower end of the housing market.

The agreement gives significant numbers of low-income earners

access to home loans and reduces the numbers solely reliant on the government housing subsidy.

"If we succeed we don't pay out a cent. If we fail we might as well pack up the country and go home," a housing official said this week.

The housing deal with the banks contains a "tough love" element, as the government will indemnify the mortgage lenders only in those areas in which law and order have been restored, and when rates and services are being paid.

This means that the function of red-lining (denying loans to high-risk

areas) previously adopted by the banks becomes the prerogative of the government.

This is a forceful message to township dwellers that the government will assist in securing housing, provided residents fulfil their obligations to pay for services and accommodation.

It also makes clear to local authorities that they must move quickly to install legitimate structures if they want the government to grant their area mortgage indemnity status.

The indemnity scheme has an initial life span of three years, but the government can withdraw at any time if it is proving too expensive.

"Three years is an intelligent, calculated guess that it might take that long to normalise completely. We are going to discuss in the ministry the kind of offensive we will need to turn this culture around," Mr Slovo said. A number of other ministries would also be involved in this campaign.

In terms of the agreement the banks will provide loans as small as R10 000 to up to 50 000 families in the first year. The lenders are investigating a fixed-repayment instalment system to protect borrowers against interest-rate fluctuations. Rates could be higher under this system.

If the bank is unable to repossess a house because law and order has broken down, the government will become liable for the debt. Banks have agreed to seek court orders only after a joint service company has attempted to reschedule the defaulter's debt, or to rehouse families in more affordable accommodation.

A third part of the agreement compels all contractors to enter a warranty scheme against shoddy building. The banks would not provide finance to builders unless they were part of this scheme. This is an attempt to put a stop to bad building practices, the results of which have been that home owners have stopped paying their bonds. The effect of the deal is to increase vastly the number of families with incomes below R3 500 a month — the subsidy cut-off point — who will have access to formal housing. Mr Slovo said in Parliament that the obligation to normalise the environment and restore the rule of law rested on the government.

Boycotts still fetter Slovo's housing plan

THE agreement between government and banks to make mortgage loans available to previously excluded townships should take longer to implement than the authorities would like.

This week's "record of understanding" between the Department of Housing and the Association of Mortgage Lenders — representing major banks — provides for up to 50 000 bonds worth at least R10 000 each next year.

However, several key issues remain unresolved and may delay the scheme.

The most significant is the failure of many black communities to resume payments of bonds and rates after the election.

A recent survey shows that in PWV townships payment for service charges fell from 33,5% last November to 20% this June.

In the agreement with the banks, Housing Minister Joe Slovo promises a "vigorous" campaign aimed at resuming payments.

By SVEN LUNSCHE

The programme earmarks priority areas which have a strong payments and savings record.

The banks are also safeguarded from losses arising from "political actions" through certain mechanisms, especially the Mortgage Indemnity Scheme.

Piet Liebenberg, CE of the Council of SA Bankers, said the MIS was only one of the safeguards banks require. A product defect warranty scheme still had to be finalised, ensuring coverage against "faulty and shabby" workmanship.

"This is one of the major reasons why homeowners default on their bond payments and in the past we were the ones to carry the costs," Mr Liebenberg commented.

Industry sources say the building industry and government are close to agreement on the scheme.

Mr Liebenberg also outlined initiatives the banks are taking to facilitate the housing programme.

They are developing mechanisms for fixed monthly instalments to repay bonds.

Mr Liebenberg said fixed instalments were likely to carry interest rates above market levels, but were easier to understand.

The target market for the scheme are households with an income of between R1 500 and R3 500 a month. The bond is linked to a government subsidy grant of either R5 000 or R9 500.

The record of understanding, to be integrated into a national housing accord this week, does not extend to the 65% of the population who earn less than R1 500 or have no income at all.

In the meantime, Mr Slovo is trying to increase state spending on housing, Reuters reports.

At least R2,7-billion would be needed for the 1995/96 housing budget with most of the funds to be used for housing subsidies, he told Parliament on Friday. This is an increase of more than R1-billion on this year's budgeted R1,6-billion.

Slovo spells out new equation for housing



Property Perspectives

by MAGGIE ROWLEY

123
CT 24/10/94

LAST week's breakthrough agreement signalling the re-entry of the banks into the low cost housing arena, coupled with the Housing Summit to be held this Thursday, has bought the possibility of meeting the challenge of housing the nation a lot closer.

While the thrust of a national housing which is expected to emerge from the October 27 Housing Summit is expected to stress incremental housing as being the most effective intervention by the state, the breakthrough with the banks will lead to the delivery of various levels of formal housing.

All the ducks, however, are not yet in a row.

In his address to Senate, Housing Minister Joe Slovo said the government was in agreement with the banks that an extensive product defect warranty scheme was necessary as a significant number of borrowers had withheld payments on their bonds "because the houses they had bought were literally crumbling around their ears".

"The message to the construction industry is clear. Large and small builders must together devise a mechanism through which the industry will stand behind its products and which will give it the wherewithal to deal with those constructors who are not meeting their obligation to buyers."

But the contractors are not the only ones that still have to be bought into the process before the delivery of low cost housing can start getting off the ground.

Communities

In his address to Senate, Slovo made it clear that the equation of success did not rest merely in the efforts from government and the private sector, but communities would also have to come to the party.

While the banks have agreed to advance R2bn in home loans to low income earners, over the next two years these will not be granted on an indiscriminate basis. Communities which don't come to the party will not have access to these loans.

The deal with the banks is underwritten by a state-financed Mortgage Indemnity Scheme. However, without communities coming to the party, this would bankrupt the State overnight and, according to Slovo, the ideal is for the MIS not to have to pay out a cent through a concerted effort from political leaders at all levels to help rebuild a culture of payment.

As Slovo says, housing the nation will require communities themselves to be involved and engaged in the reconstruction process. This will entail an acceptable and rising level of social responsibility and behaviour with the enforcement of civil and criminal law becoming increasingly possible.

More importantly, a community will have to demonstrate that it is reaching acceptable levels of performance in meeting its commitments in respect of service charges, rates, rents and bond instalments in order to access private sector financing.

Areas which can demonstrate this will be prioritised for reconstruction, and not just in the field of bank loans. They will be prioritised for attention and support from a wide range of government departments, which, beside housing, will include health, education, welfare, transport, state expenditure and finance, the Reconstruction and Development Programme, local government affairs, safety and security, public utilities and land affairs.

The next big milestone in the solving the housing crisis will be this week's Housing Summit in Botshabelo outside Bloemfontein on Thursday where agreement between about 800 representatives of all stakeholders in the industry, government and communities will strive to reach agreement on a national housing policy.

Newhco delivers fewer homes

LENGTHY delays in resolving government policy on low-cost housing saw the New Housing Company (Newhco) group post a sharp fall in houses delivered in the year to June, but it nonetheless lent R100m into the market.

The Newhco group, SA's largest non-government developer and short-term financier of low-cost housing, delivered 3 484 low-cost homes in the year ended June against 9 546 for the previous financial year.

Newhco Holdings chairman Mike Rosholt said in the group's annual report that the housing market virtually collapsed under the weight of irrational housing policies and inequitable subsidies.

"We are encouraged by the recent progress made by the Housing Ministry and regional housing boards and are confident that the coming year will see a significant reversal of the downward spiral and a real start to large scale, lowcost housing delivery."

Land Investment Trust,

ROBYN CHALMERS

the financing arm of Newhco Holdings, lent bridging finance loans of R100m for the year against R90,7m previously and no bad debts were incurred for the third successive year.

Trust chairman Selwyn MacFarlane said the loans resulted in 10 592 serviced sites, 836 housing packages and 180 non-residential stands, which accounted for almost a quarter of SA's total low-cost housing delivery for the year to June.

He noted that SA had to build one house every two minutes to overcome the housing backlog over a period of 10 years.

"As many as 10-million people are estimated to be living in informal settlements. According to one source, the average family size of these people is 5,5 people which means 1,8-million units must be built to house them. (123)

"In addition, 200 000 houses must be built each year to satisfy the growth of new families."

Squatter camp water pollution

research says latrines are the pits

ANLS 26/10/94

(23)

JOSEPH ARANES
Municipal Staff

A BAN on pit latrines in areas with high water tables and a speedy phasing-out of bucket toilets are among CSIR recommendations to reduce water pollution in informal settlements.

The proposals, including an end to squatting in low-lying areas, follow extensive CSIR research on water pollution caused by squatter settlements. The study by the CSIR water technology department was commissioned by the Water Research Commission.

The report warns against the health dangers inherent in unsanitary conditions in squatter camps, such as parts

of Khayelitsha where the research was done.

CSIR project leader Allan Wright said the health problems caused by pollution in squatter settlements would not necessarily improve with the provision of site and service stands.

"Any form of urbanisation which results in people having to live in squatter shacks or other forms of informal housing, results in widespread pollution.

"Pollution from these areas which is carried in storm water to rivers eventually leads to a serious health

hazard for the whole community."

Mr Wright said the study showed that pollution from a serviced site did not differ much from informal squatter settlements in spite of the fact that toilet facilities were available on the serviced sites.

"The extent of the pollution was not determined by the quality of infrastructure but rather was related to population density."

The report suggests ways of reducing the problem. These include:

- Improving garbage collection to prevent litter piling up on streets.
- Phasing out bucket toilets as

- quickly as possible.
- Discouraging squatting in low lying areas.

- Banning pit latrines in areas with a high water table and in areas with sandy soil.

- Encouraging the planting of vegetation to stabilise sandy areas

- Removing sand from the street to ensure the storm water drains do not get blocked and

- A weekly cleaning of grids in the stormwater drain system.

Mr Wright said he was concerned that informal developments and settlements would remain part of the community for a long while and the problem would persist.



GATHERING MOSS: Sun City squatter settlement residents are forced to live with refuse dumps all around the camp because nobody wants to collect their garbage.

R116m for rural housing

Own Correspondent

BONN. — Germany's Development Ministry had agreed to provide 50 million marks (about R116m) for rural housing in South Africa over the next few years but had yet to finalise details, a spokesman said yesterday. (123) CT 26/10/94

The spokesman said one million marks donated to South Africa in April had not been given directly to Deputy President F. W. de Klerk's wife, but had been sent to the Women's Outreach Foundation.

Mayekiso slams housing plan

B/Dcaj 29/10/94

WILSON ZWANE

ANC MP Moses Mayekiso says the subsidy policy being introduced by government will not address the housing backlog, which he estimates at between 3-million and 5,16-million units, "before chaos and revolt break out".

In a paper which he wrote in collaboration with CSIR official Tobie de Vos, Mayekiso said 65% of SA households were eligible for the R12 500 subsidy as they earned less than R1 500 a month.

The R1,5bn budgeted for housing projects in the current year would provide for only 120 000 families.

This meant that only 5% of the people eligible for the subsidies in urban areas would benefit from the scheme.

He said that since the subsidy policy being introduced by government would not alleviate the housing crisis before chaos and revolt broke out, "more appropriate subsidisation and delivery system within the affordability levels of both government and households will have to be found".

Mayekiso believes it is possible to give people access to houses if housing delivery is considered as a process, which is dyna-

mic and relates "directly to the size of the households and their ability to afford" accommodation and related services costs.

"The process should commence with the provision of well-located serviced residential sites to those households which do not own the land on which they live. This means that about 2,25-million sites will have to be allocated in the urban areas to ensure that the current backlog is met."

Since a serviced site would cost between R8 000 and R10 000, savings would be achieved as government would not provide the full amount of services. This would enable government to assist the "really needy" to build their houses.

Mayekiso said his site and service proposal differed from that of the Trade and Industry Department in that it would be planned with communities. (23)

"The process is typical of Africa, where tribal chiefs make land available to their people (for the building of homes)."

He stressed that the proposal reflected both his and De Vos's views.

Govt warns on boycotts

CT 28/10/94 (123)

BOTSHABELO. — The government, facing the task of providing one million houses over the next five years, yesterday launched its strongest attack to date on housing payment boycotts at the National Housing Summit.

Speaking to about 800 delegates from government, communities and the private sector, both Deputy President Thabo Mbeki and Housing Minister Mr Joe Slovo warned that housing targets would not be met if boycotts introduced to fight apartheid in the 1980s did not end.

While careful to place the boycotts in a historical perspective, Mr Slovo used emotive language to pan the culture of non-payment, suggesting that boycotts

were hurting President Nelson Mandela himself.

"Those of you who continue to think positively of the boycotts are stabbing in the back, not what you can call the enemy, but your brothers and sisters," he said.

Both he and Mr Mbeki were adamant that the apartheid era had ended and that new attitudes were called for.

"So it's time to break with the practices of the past. It is time to recognise that we are living in a new era. It is time to start paying so that the resources can be made available to those who are still in the queue waiting for land and waiting for housing subsidies and loans," Mr Slovo said.

"Who are the boycotters really knocking today? It's clear who the boycotters are knocking: Nelson

Mandela, our first democratically elected president."

Boycotts had become "a convenience" for those who chose not to pay.

Mr Mbeki called for a change and said "a weapon used to change an old order can't continue to be used to maintain the new order".

The summit is another step in a process aimed at establishing a policy and regulatory framework within which to deliver upwards of 200 000 houses a year for the next five years.

As part of the process, Mr Slovo last week signed an agreement with the Association of Mortgage Lenders which is intended to bring the banks back to the lowest sector of the housing loan market. — Sapa

Fin 28/10/94

bility in black areas. A tripartite alliance between government, the lending institutions and communities is the base on which the new housing deal will be built. The scene was set last week when Slovo signed an agreement with the Mortgage Lenders' Association, which will unlock loan finance for houses at the lower end of the market (see *Property*).

But it is more than just a business deal. The return of lending institutions to the lower end of the housing market will depend on leaders convincing followers of the need to normalise their relations with the banks by, among others, allowing the repossession of defaulters' houses.

Slovo says financial institutions currently hold about 16 000 houses in predominantly black townships where foreclosure proceedings have been completed, but repossessions in order to sell the houses to defray the loss are not possible. In terms of the indemnity scheme agreed with the banks, government guarantees the loss if it is unable to restore order in an area to the extent that the lending institutions can obtain vacant repossession of houses.

To promote the restoration of stability Slovo has proposed to Cabinet that government launch a "vigorous and unprecedented" national campaign aimed at resuming payments for goods and services and reinstating the due process of law.

The new deal places the following obligations on all players: (123)

□ Lending institutions must get back into the lower end of the housing market and show to government, through a confidential reporting system, that they are performing in a "socially responsible fashion" to dispel perceptions of racist lending practices;

□ Government and community leaders must help end the culture of boycotting payments for services rendered, restore the rule of law, combat crime and violence and use the RDP to upgrade the public environment; and

□ Communities must be involved in the reconstruction process and must demonstrate an "acceptable and rising level" of civil responsibility which will allow the enforcement of civil and criminal law.

The deal is a key element in the housing strategy Slovo and his staff have spent five months formulating. But unscrambling the complexities of the previous government's housing policy is a nightmare.

Apart from the backlog of 1,5m houses — growing at 200 000 a year — Slovo inherited 17 housing bureaucracies made up of the 10 former homelands, four provinces and three own affairs administrations, as well as five statutory housing funds.

He also faced a situation in which black communities and the lending banks had painted themselves into corners: borrowers were renegeing on repayment obligations and banks were red-lining some areas. After the political reform process got underway, the strategy of using bond boycotts as a means of exerting political pressure gave

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way in many cases to a private strategy of convenience and self-interest. (123)

To top it all, the average annual delivery rate of houses in the five years before the election in April was only 25 000 — barely 10% of the annual increase in demand.

Slovo admitted in the Senate last week that the goal of 1m houses within the next five years is "undoubtedly very ambitious" and will simply have the effect of freezing the backlog at current levels. Speaking in the National Assembly the next day, he was more pessimistic. The target, he said, would not be met unless the Budget allocation for housing was "significantly increased" in the coming years.

He warned that the Government of National Unity would, to a large extent, stand or fall on its ability to provide houses. Success would determine economic growth and lay the basis for stable family life and the cohesion of communities.

Instead, he said, the role of the government both at national and provincial level was to facilitate the freest possible participation in the housing process by communities and the private sector. "That is precisely what we have done."

However, he argued that everything could not be left to the market which, he contended, had been "notoriously unsuccessful" all over the world when it came to helping the poor. ■

HOUSING Fin 28/10/94

Time for tough love

(123)

The sobering prospect of trying to provide 1m houses within the next five years probably contributed to the remarkable degree of unanimity in parliament last week, when Housing Minister Joe Slovo outlined his vision for accommodating the nation's homeless. It's a daunting task with implications stretching far beyond the relatively narrow field of building houses. Slovo's success depends heavily on the ability of political leaders to restore sta-

Nine key sectors commit themselves to action

Slovo hails housing accord as unrivalled

Star 28/10/94

(123)

BY JO-ANNE COLLINGE

Botshabelo — Housing Minister Joe Slovo hailed the signing of the Housing Accord yesterday with the declaration that "the time for strategy is over — now is the time for beginning delivery".

The endorsement of the accord by all key sectors in housing took place at the National Housing Summit held in Botshabelo near Bloemfontein.

An elated Slovo described the accord as a "people's housing charter" and a social compact unrivalled in SA in the range of social forces it united.

In his keynote address, Deputy President Thabo Mbeki stressed that housing was now a fundamental right, not a privi-

lege to be manipulated as in the apartheid era.

Introducing the accord, Slovo urged the 1 000-odd delegates to reflect on the fact that housing was more than a physical requirement.

Throughout the day, delegates debated the terms of the pledge each sector proposed to make. The overall mood was one of unity, although at times those speaking for the disadvantaged urged groups on the supply side to stake more.

In the late afternoon, representatives of nine sectors presented undertakings and signed the accord. Included was:

■ The homeless, South Africa's largest supplier of housing, pledging to continue to meet their own housing needs "with

very limited resources ... initiatives and collective strength".

■ The Government undertook to mobilise funds to bear responsibility for the very poorest.

■ Communities and civil societies pledged to launch an intensive campaign to reverse hostilities between communities and banks and local government.

■ The financial sector undertook to resume large-scale lending in the lower end of the market.

■ Building material suppliers pledged a regular, reasonably priced flow of goods, and price discipline even in boom times.

■ Employers promised to pursue appropriate policies to help satisfy housing needs.

■ Developers pledged continued innovation to house the poor and integrate them into communities.

Sanco plan to end boycotts

(123)
CT 31/10/94

Own Correspondent

JOHANNESBURG. — The SA National Civics Organisation (Sanco) has devised a new strategy to try to break the culture of non-payment for services in townships, including the use of teams of civic leaders to visit residents and persuade them to start paying.

Sanco said at the weekend it would lean on residents to end payment boycotts, and urged authorities to come up with a negotiated tariff structure, or flat rate, for all communities still engaged in boycotts.

Efforts would be made to raise money to cover service payment arrears that had accumulated as

a result of boycotts, Sanco said. This could be done through the establishment of trust funds to channel direct donations and money raised through activities such as music festivals.

Sanco PWV president Mr Ali Maziya said his organisation understood misgivings about resuming services payments before delivery of services had improved.

However, people needed to understand that matters would improve only if payments started flowing in.

Civic structures would try their best to assist people who could not pay, such as the unemployed.

He said his organisation had proposed to the ANC, which was also anxious for payments to start, that a negotiated tariff structure, or flat rate, would lay a

sound basis for communities to start payments.

Alluding to demands by Indian and coloured communities that they should also be granted flat rates, Mr Maziya said such a dispensation should apply only in areas where boycotts had been a tool to "achieve political liberation".

He said that in return for the granting of flat rates, his organisation would try to set up special task teams, made up of representatives from all interested parties, to visit boycotters and persuade them to pay.

He was confident people would start paying once they had been assured of the authorities' commitment to flat rates. But these would not last forever.



Property Perspectives

by MAGGIE ROWLEY

CT 31/10/94 (123)

Slovo pulls off laudable housing coup

WITH the signing of the Housing Accord between hundreds of key players in the housing delivery process at the summit meeting at Botshabelo outside Bloemfontein last week, Housing Minister Joe Slovo has pulled off a coup of mammoth proportions — something his predecessors could only have dreamed of.

The accord, which paves the way for the White Paper on housing due to come before Parliament on November 9, is as much a tribute to Slovo the man as it is to the hundreds of stakeholders in the industry who have been working towards the creation of a national housing policy — particularly through the National Housing Forum — over the past couple of years.

What Slovo has achieved in the few months he has headed up the Housing Ministry is no mean feat and has much to do with his own commitment, perseverance, leadership skills and his ability to defuse potentially divisive and explosive situations and get the process back on the road.

Housing has become a highly politicised issue in recent years and where some of his predecessors might have been tempted to take credit for achievements along the line, Slovo if anything has erred on the other side. The standing ovation awarded him at the summit could not have been more deserved.

But that aside. While the policy and strategising ground work is now almost in place, building has yet to get off the ground in any meaningful way and herein lie the major challenges.

Last week's housing accord — which embraces a multi-faceted approach to housing delivery — was pre-empted by a breakthrough agreement with mortgage lenders the previous week paving the way for their re-entry into the low end of the housing market. This however is dependent on leaders at all levels of government to break the boycott culture and is singularly the most important challenge lying ahead.

At the summit, the construction sector committed itself to supporting a builders' warranty mechanism to protect consumers against bad workmanship which will hopefully be in place by January. This was another key pre-requisite for the mortgage lenders to re-enter the market.

Two further goals need to be put in place to kick-start the mass delivery of houses.

Firstly, the White Paper must come before Parliament as it is this document which will provide the framework within which the nine provincial governments will be empowered to start putting their individual housing policies into practice. A National Housing Corporation to promote and facilitate the mobilisation of all types of housing credit also has to be set up and it is unlikely that this will be in place before early in the new year.

All the sectors of society from government, civics, the homeless, the construction industry and banking sector which committed to the accord will have to rise to the challenge of meeting their commitment.

The enormous housing backlog exacerbated by the mass urbanisation being experienced at all major centres, will ensure they will have their work cut out for them. But as Slovo has proved, where there is a will, there's a way.

Homes plan comes with a guarantee

THE proposed building warranty scheme — an integral part of the government's low-cost housing programme — could add significantly to the cost of homes for low-income groups.

But industry sources also believe that the scheme, which aims to protect homeowners from shoddy workmanship, will "clean up the homebuilding industry once and for all".

Contractors who opt not to participate or are blacklisted by the scheme will effectively be locked out of bank financing for homes valued at less than R100 000.

The scheme was agreed in principle this week by the building industry, the Department of Housing and the Association of Mortgage Lenders, which represents the country's banks.

However, substantial details are still being hammered out as the parties try to reach agreement before January 1, the proposed start-up date for the AML supported housing drive.

The AML, backed by consumer bodies, has insisted on quality guarantees from builders before they re-enter the low cost housing market. They have already

By SVEN LUNSCHÉ

received indemnity from the government in case of politically motivated bond boycotts in the townships.

The building warranty scheme will be financed through a central fund, to which all contractors have to contribute a percentage of the house price.

The percentage, still to be finalised, is likely to be set between 2,5% and 5% depending on an actuarial valuation of the potential claims, say sources close to the negotiations.

What seems certain, though, is that the cost of the fund will be added by the contractor to the final price of the house. "The free market is in play here and it is only natural that contractors will try to retrieve their contribution to the scheme by adding it to their costs," says Ian Robinson, executive director of the Building Industries' Federation (Bifsa).

The scheme, while aimed at all homes costing less than R100 000, could have a severe impact on the R1 500-R3 500 a month income bracket, whose bond payments are already sup-

plemented by a government-sponsored subsidy grant.

It is feared that the additional warranty costs could make low-cost homes less affordable for people in the lower segment of this income bracket.

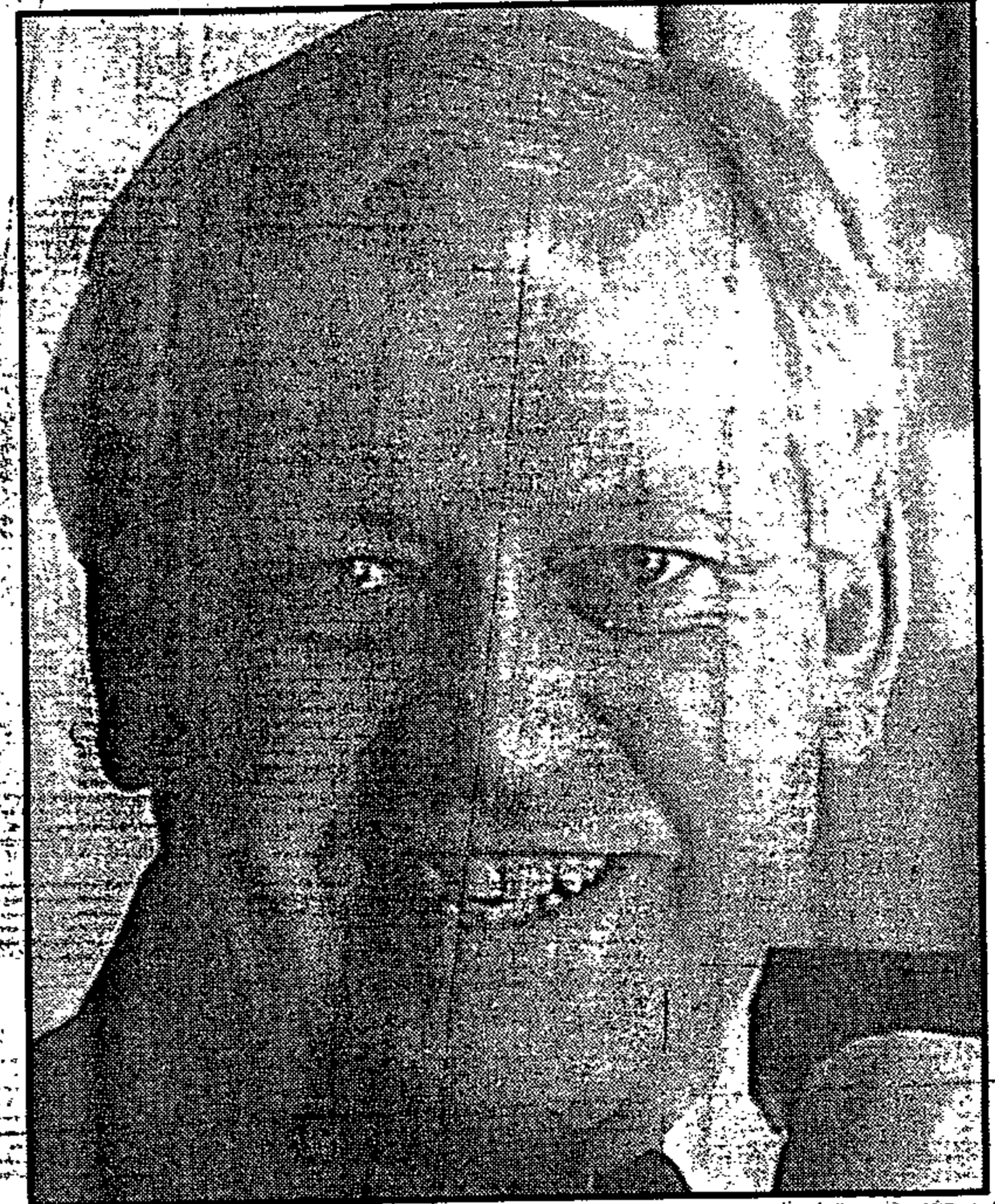
Explaining the mechanisms of the warranty scheme, Mr Robinson says the warranty fund would be administered by a board dominated by the building industry but including government and the banks.

The board will decide whether to accredit contractors based on their financial well-being and their track records.

The scheme, says Mr Robinson, "aims to be preventative rather than reactive" by establishing teams of inspectors, paid for by the fund, to pass structures and delist contractors not conforming to specifications.

During the three years after completion of the house, contractors will be forced to remedy the faults at their own cost. "The fund is supposed to be a last recourse as contractors will be compelled to provide their own warranty," says Mr Robinson.

If the contractor cannot



BUILDER Bifsa's Ian Robinson, who says warranties will add to costs

repair the damage, the fund will pay for another contractor to do so.

The original contractor, however, will be permanently or temporarily blacklisted, thus effectively banned from operating in the homebuilding industry.

"By setting appropriate goals and entry requirements and regulating contractor performances the

fund will clean up the homebuilding industry," says housing consultant Johan de Ridder, who represents the Department of Housing in the negotiations.

Some of the more detailed mechanisms of the scheme include opt-out provisions for consumers, possible government support for emerging contractors, excess payments to prevent

abuse, no claim bonuses and a grading system to determine the number of units a contractor can insure with the fund. (123)

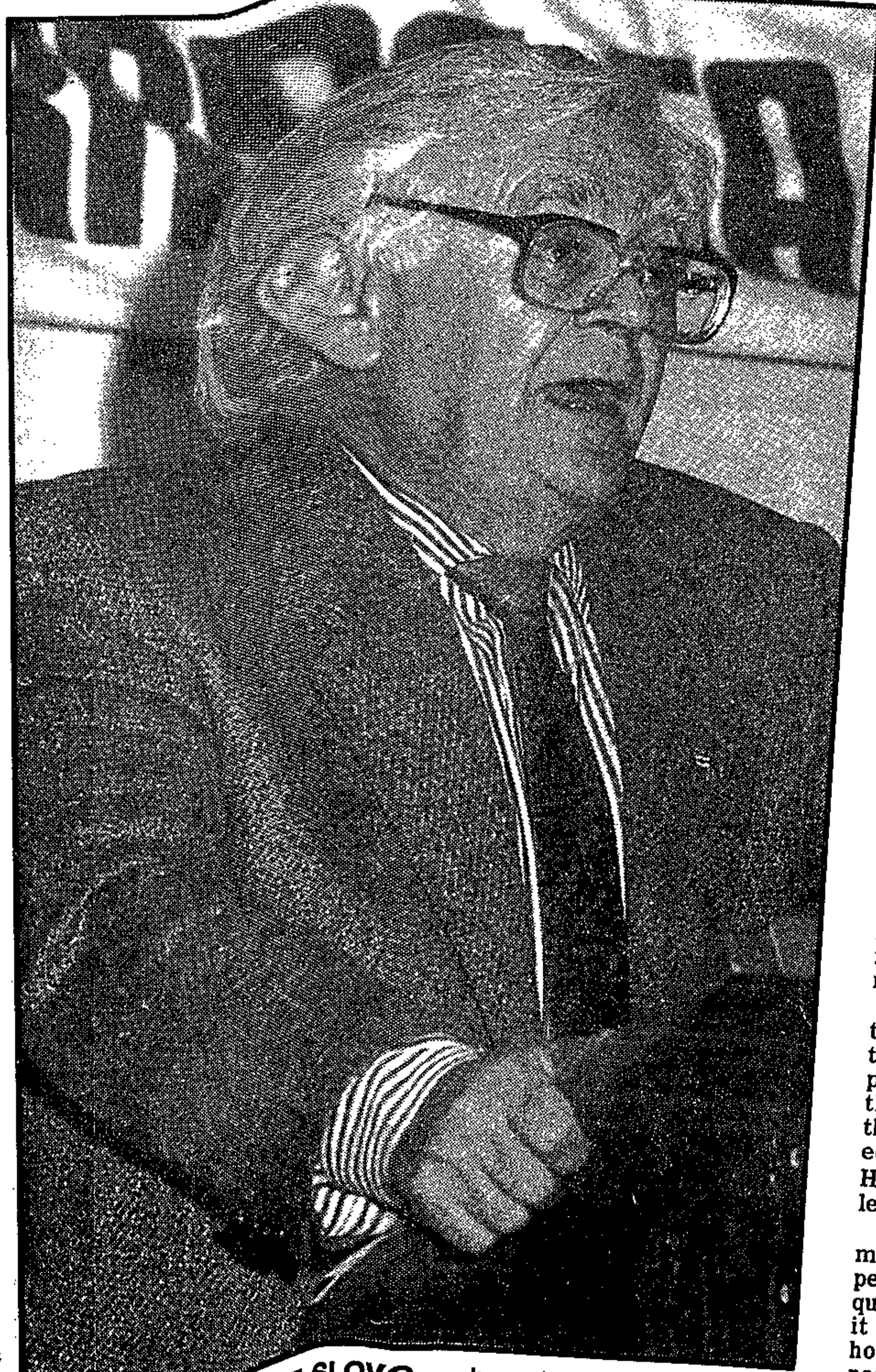
The warranty scheme is one of the final policies to be put in place before Housing Minister Joe Slovo can begin delivering low-cost houses. The Cabinet is set to approve the Housing White Paper on November 30.

Laying the foundations

The housing plan that Joe built: Astonishing agreement at Botshabelo summit

(123) ARG 1/1/94

JO-ANNE COLLINGE
Argus Correspondent



Housing Minister JOE SLOVO ... has given priority to negotiating components of the strategy with relevant players.

THE housing summit held in Botshabelo last week was an astonishingly tangible case of a plan coming together.

Prominent figures from many sectors — including the banks, the federation of the homeless, central and provincial government, the civic movement and the construction industry — got up to announce what they would do to help wipe out homelessness. In effect, they were outlining the roles which will be demanded of them by our first national housing policy.

Now, this may sound curious, since the housing policy is not yet written. It is expected in White Paper form only later this month.

But Housing Minister Joe Slovo and director-general Billy Cobbett haven't made a written plan their starting point. They have given priority to negotiating components of the strategy with relevant players.

The Ministry has formally negotiated an agreement with the banks to extend credit on scale to low-income groups previously seen as unbankable. It has thrashed out most of its differences with provincial governments in a series of urgent talks. And it has fulfilled a standing agreement with the multi-sector National Housing Forum to consult regularly at technical level on all major policy areas.

This meant that participants in the housing summit knew the plot thoroughly enough to play their parts without the final script before them. They confirmed, in action, the key points contained in a latest edition of the Proposed National Housing Strategy which was released on the eve of the summit.

The document is a revised and much-expanded version of the paper which earlier gave rise to disquiet among housing MECs who felt it offered too low a standard of housing for the poor. This time round, the strategy document stresses flexibility, asserting that "there is no single formula for solv-

ing South Africa's housing dilemma. One single or a limited number of rigid approaches will do the enormity of the challenge ... an injustice".

The term "incremental housing", which was advanced as the only practical way of housing the vast number of people earning downwards of R800 a month, has been scratched from the new document, which also says flatly that the old site-and-service strategy will not be replayed.

But it still states upfront that the reality is that it is impossible within the bounds of the budget to provide a "minimum standard complete house for each household at state expense". The burden of mass housing is clearly posed as a shared responsibility of government, the homeless themselves and the private sector.

The strategy document promises precisely what the housing summit delegates underwrote in the accord which they signed.

Namely, that the government will strive for "the establishment of viable, social and economically integrated communities ... within which all South Africa's people will have access on a progressive basis to: a permanent residential structure with secure tenure, ensuring privacy and providing adequate protection against the elements; and potable water, adequate sanitary facilities, including waste disposal, and domestic electricity supply."

The summit made it clear that while all key players agree on the big picture, there is still a lively debate — largely among the traditional supporters of the ANC — about how this goal is to be achieved.

While representatives of the PWV government indicated that they were still struggling to live with the idea of the "progressive" provision of housing, the Cosatu delegation, led by secretary-general Sam Shilowa, was firmly for the State limiting its role.

Trade unionist Gwede Mantasha argued that it was contrary to the

notion of people-centred development for the government to create the impression that it was "going to deliver ready houses like food parcels". It was more appropriate for the State to facilitate efforts by the homeless themselves.

Moses Mayekiso, former president of the South African National Civic Organisation (Sanco) and now an MP, argued seriously that the scorned site-and-service approach should be reconsidered as a first step.

He issued a formal paper, penned jointly with Tobie de Vos, in which they argue that the demand for housing is substantially greater than the one million homes which the government aims to build in five years under the RDP.

"The subsidy policy presently being introduced by the government in terms of which serviced stands with top structures are to be provided will not solve the housing problem in South Africa timeously," argue Mr Mayekiso and Mr De Vos. "It will meet the needs of only a relatively few households. It will be impossible to catch up the backlog before chaos and revolt breaks out."

They push for more rudimentary state assistance, to many more people, more rapidly. Like the Housing Ministry, they view housing as a process, and they calculate that their scheme would at least bring the entire homeless population into process before the first five years of the RDP expired. It would give them access to housing, if not housing per se.

In effect, the proposal means that the homeless would initially be helped to relocate shacks onto serviced state-owned land where they would have security of tenure in perpetuity. Then the housing process would begin immediately, progressing from the upgrading of informal structures and services, through to the erection of a starter home, the expansion of this unit and the eventual achievement of a complete house.

As in the government housing strategy, it is proposed that there

be state-sponsored programmes to assist residents in the upgrade process and access to conventional and less conventional forms of credit.

"The proposed process is typical of Africa where tribal chiefs make land available to their people for the self-help erection of homes," Mr Mayekiso and Mr De Vos argue.

Sanco kept out of this debate on starting points and levels of state assistance, focusing its contribution on steps to end the rent, service and bond boycotts.

However, Ruth Molokoane, as spokesman for the South African Federation for the Homeless, suggested that the essential question for her constituency was to be "at the centre of the low-cost housing process". Given this element of consumer and community control, the homeless were prepared to continue to make a huge effort to house themselves.

"We will continue to demonstrate to the formal world that in spite of extremely limited support we, the homeless poor, remain by far the biggest providers of the country's housing stock," she asserted in presenting the pledge of her sector.

The government had a duty to "provide us with the resources that we identify as necessary" and the private sector had a responsibility to "support a people-centred social housing policy", recognising that the security to be achieved by a decently housed population was more precious than profits.

"If we have managed, however, inadequately, to house ourselves in spite of years of violence and neglect from government and the formal world, imagine how effective we will be once the other players begin to actively support our mechanisms for housing delivery."

Without doubt, the housing summit's grand message of inter-sectoral cooperation, embodied in the signing of the housing accord, will withstand the storms and the squalls of further policy debate. But, the sub-text of the conference suggests, the Draft White Paper will not pass unchallenged through the process of public comment.

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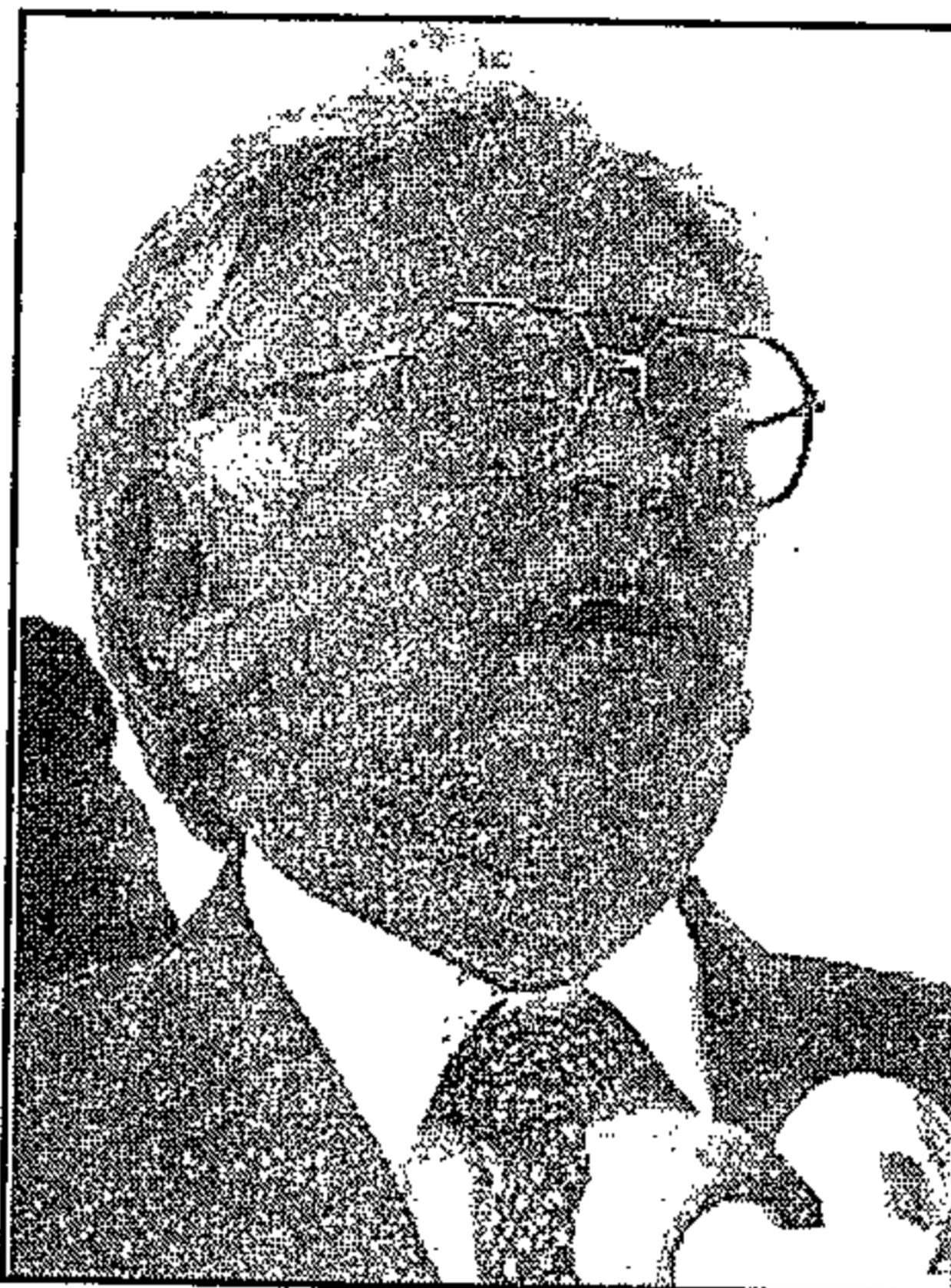
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Sowetan 11/11/94
A Housing Summit involving prominent figures from many sectors, including government ministers, announce what they will do to wipe out homelessness in South Africa. *Sowetan* correspondent **Jo-Anne Collinge** reports:



Housing Minister Joe Slovo

Government will strive for "the establishment of viable, social and economically integrated communities ... within which all South Africa's people will have access on a progressive basis to: A permanent residential structure with secure tenure, ensuring privacy and providing adequate protection against the elements and potable water, adequate sanitary facilities, including waste disposal, and domestic electricity supply.

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"The subsidy policy presently being introduced by the Government in terms of which serviced stands together with top structures are to be provided, will not solve the housing problem in South Africa timeously," argue Mayekiso and De Vos. "It will meet the needs of only a relatively few households. It will be impossible to catch up the backlog before chaos and revolt breaks out."

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Poorer areas missing out

Business Staff

(123)

THE new government continues to discriminate against poorer South Africans, according to Institute of Race Relations executive director John Kane-Berman.

The two richest regions, the PWV and the Western Cape, had been allocated a third of the government's housing subsidy, he told a Cape Town investment conference yesterday.

This proportion was higher than the two regions' share of the country's population and contrasted with the poorest province, the Northern Transvaal, where 13 percent of South Africa's people lived but which was allocated only 10 percent of the housing money.

ARG 2/11/94
This imbalance was not deliberate government policy but partly reflected the superior bargaining power of urban politicians.

He called on the government to divert government spending to the poorest parts of the country.

technical detail appear in the White Paper due to be unveiled in parliament on Wednesday. It is to be gazetted for comment and is expected to become official policy in January.

Meanwhile, the establishment of a national housing finance corporation, which could be headed by banker Chris Ball, is on the cards with a mandate to promote and facilitate the mobilisation of all types of housing credit. The corporation is envisaged as a wholesale institution and will establish a relationship with existing or future State corporate structures created in the provinces.

According to the housing strategy document, which is part of the White Paper and has been fully endorsed by all the provinces, many of whose concerns have been accommodated in it, "there is no single formula" for solving the housing dilemma.

"It is only by mobilising and harnessing the full diversity of resources, energy and initiative of individuals, communities, the State and the private sector, that the challenge can be met effectively." National housing policy will take a "multifaceted approach serving all segments of market with particular emphasis on the poor, and essentially driven at local and provincial level."

Housing will depend on what people can

afford, with the State's role aimed at "maximising options available," within a "normalised market," to enhance private efforts at reaching self-sufficiency. Government's vision is to strive to establish "viable, socially and economically integrated communities, in areas allowing convenient access to jobs, health, educational and social amenities." This is so that on a "progressive basis" all will gradually have access to permanent homes with secure tenure ensuring privacy and protection, potable water and electricity.

HOUSING

A good start

"We have armed ourselves with what could be a workable strategy to house the nation," said Housing Minister Joe Slovo at the end of the landmark housing summit held, for symbolic purposes, at Botshabelo last Thursday.

For the first time in the country's history, Slovo added — in a voice frail with illness, somehow adding greater poignancy and authority to his address — "a social compact has been entered into between every segment in our society concerned with housing."

The time for making strategies was over: "Now is the time for delivery."

The accord is seen as marking a decisive break with the past — especially the habit of rent boycotts and nonpayment for ser-

crowded by its "spirit," which entails "an implicit commitment to help the working poor and to increase year by year the additional resources to be made available by the banks to people with housing subsidies."

Duly signed by all participants — government, provinces, civics, the financial, construction and building supply sectors, developers and the homeless — the accord amounts to a moral and political, rather than a legally binding, commitment to pull in the same direction. So while stakeholders' noble declarations to that effect may sound like motherhood and apple pie, it is more than that, argue officials like director general Billy Cobbett.

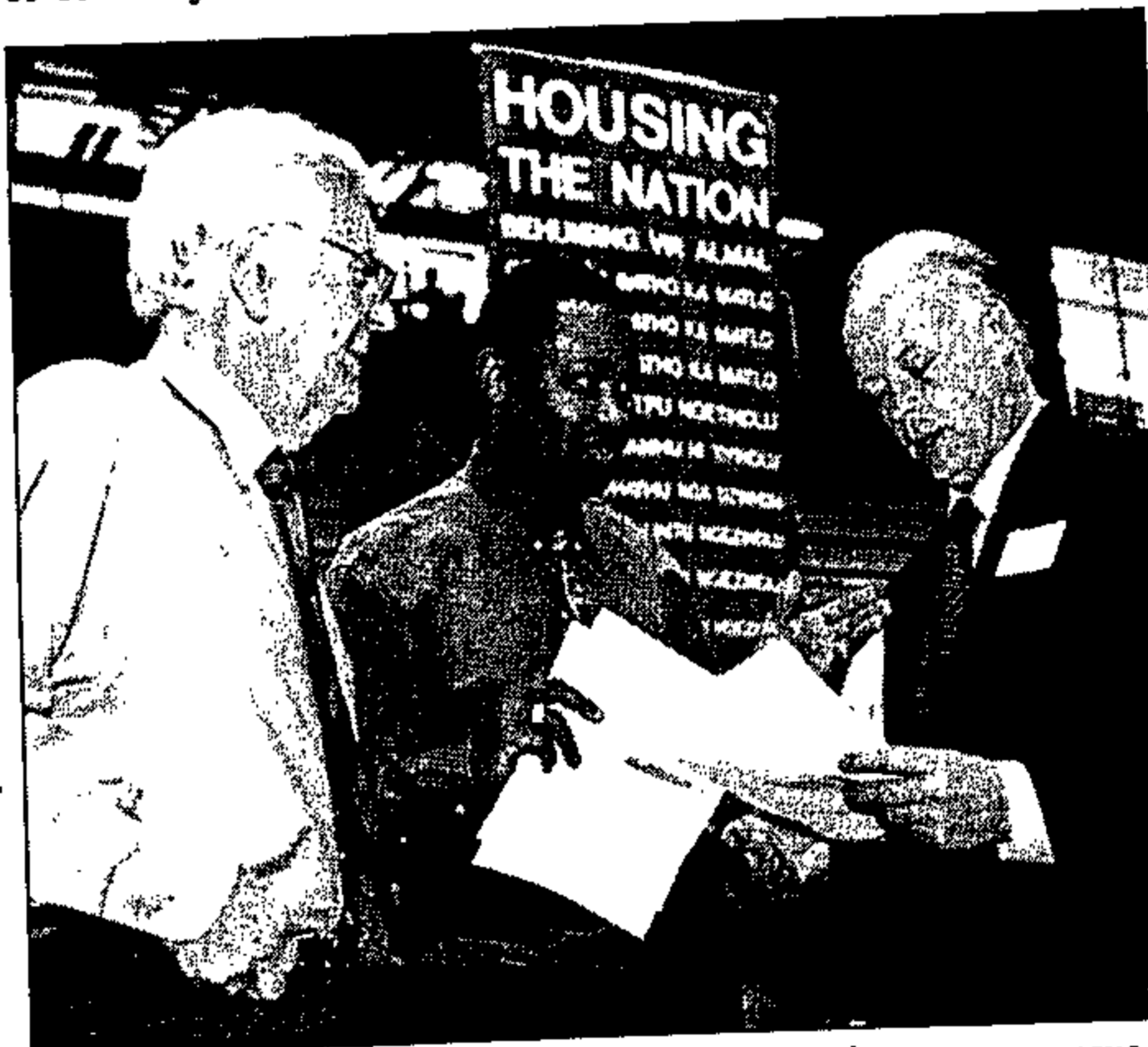
They have a point: primary consensus, crafted over months amid controversy over incremental or starter homes, is no mean achievement. Slovo rightly regarded achieving a common commitment to "the biggest housing thrust SA has ever seen" as the most important aspect of the summit.

He went on to state explicitly: "There is no longer any gap between the Minister and the MECs (of provincial housing)" — a reference to PWV's Dan Mofokeng and Free State's Vax Mayekiso, who had been the main champions of providing completed houses, rather than core dwellings advocated by the Ministry as a start for the poorest.

Powerful endorsement came from Moses Mayekiso, the former leader of the SA National Civics Organisation (Sanco) now an

ANC MP and member of parliament's housing standing committee. "There can be no-one better placed or qualified" to read the declaration on behalf of community organisations, observed Thozamile Botha, chairman of the Provincial Affairs Commission, at that stage of the proceedings. Mayekiso (a brother of Free State's Vax Mayekiso) duly read out the pledge formally committing the civics "to bring to an end the tradition of nonpayment." He went on to argue in favour of the incremental approach — a position backed by the NUM's assistant general secretary Gwede Mantashe who believed the pledge would be better if signed by Sanco's incumbent chairman, which it later was. Another reason for taking the incremental route, Mayekiso added, was that "when we go to elections in five years, we'll have delivered. People will make a start on improving their core houses," he asserted.

While the accord represents a handy popular document, the legal, financial and



Slovo, Vax Mayekiso and Cobbett ... primary consensus

vices. "The time has come for an end to the boycotts," Slovo urged, including, as he had to, the practice of the red-lining of problem areas by banks. "The time has come for loans, bond repayments and quality building." While paying full tribute to the role of boycotts in the past, he challenged those who still clung to them: "What and who are your targets today? I'll tell you who the boycotters are knocking: Nelson Mandela, our first democratically elected President! And in many cases now, all for some private strategy of convenience. It is time to recognise that we are living in a new era. It is time to start paying so that resources can be made available to those who are still in the queue waiting for land, housing subsidies and loans."

Slovo described the agreement signed with the banks the previous week, which brings them into the lower end of the housing market, as a milestone. It was a good agreement made better by the reporting mechanisms built in to it and

Housing bill cuts out middleman

Political Staff

CF 10/11/94 (123)

LEGISLATION authorising the payment of housing subsidies directly to individuals, rather than through third parties such as housing developers, was tabled in Parliament yesterday.

Housing department officials expect that the Housing Second Amendment Bill will substantially reduce the procedural barriers to claiming housing subsidies from the National Housing Fund.

Under existing legislation, subsidies from the R2-billion fund, which consists of almost the whole of the housing department's current budget, can only be paid out to third parties such as township developers. The bill proposes the authorisation of payment of a subsidy in cash or kind directly to a natural person or his nominee.

In the current housing subsidy scheme, announced shortly before the election, households with an annual income of less than R15 000 qualify for a maximum R12 500 grant from the fund.

The legislation provides for the delegation of powers contained in a broad variety of existing housing legislation to provincial housing authorities.

Green light for low-cost housing warranty

From SAMANTHA SHARPE
JOHANNESBURG. — Banks, the construction industry and the Housing Ministry yesterday reached a long-awaited agreement in principle on a building warranty mechanism, said to be crucial to the resumption of mortgage lending in low-income areas, Building Industries' Federation of SA (Bifsa) executive director Ian Robinson said.

Robinson said the warranty scheme would see the creation of a centralised fund financed by compulsory contributions from contractors. A warranty board

would decide which contractors could participate in the scheme and what the size of their contributions would be.

Banks have been reluctant to provide mortgage finance in low-income areas without a quality guarantee from construction companies, despite recent agreements between government and mortgage lenders on a mortgage indemnity scheme.

While government could guarantee the mortgage lenders' political risks, the construction industry still had to convince financial institutions that it could provide

homes of a quality worth financing.

Robinson said the scheme's emphasis would be preventative, with the establishment of a team of inspectors who would be able to pass structures meeting specifications and delist contractors not conforming to the requirements of consumers.

The finer details of the scheme would be worked out by a professional steering committee born of a merger between the building industry's task group and the National Housing Forum's task group. It would aim to provide a workable scheme by January. (23) CTIS/11/94

CAMPAIGN
designed to ensure
communities pay up
may be unveiled at
end of month

■ BY CHRIS WHITFIELD
POLITICAL CORRESPONDENT

Cape Town — The Government, concerned that the Reconstruction and Development Programme could founder on continued rent and services boycotts, is set to launch a major drive to ensure that people pay up.

Details of a Department of Constitutional Development campaign designed to ensure services are paid for at local government level is scheduled to be unveiled at the end of the month.

Housing Minister Joe Slovo has also indicated that legal steps could be taken to end township rent and services boycotts.

Provincial Affairs and Constitutional Development Minister Roelf Meyer said in the National Assembly during debate on the Local Government Transition Act Amendment Bill that a major announcement could be expected within weeks.

Government sources have indicated that Thozamile Botha, deputy director-general in the Department of Constitutional Development, is thrashing out details of the campaign.

"They are finalising it at the moment... it will be aimed at getting people to start paying again," a source said.

Minister without Portfolio Jaftab yesterday said continued rent and service boycotts would sink the RDP.

And Water Affairs and Forestry Minister Kader Asmal, in the preface to his White Paper on Water Supply and Sanitation Policy which was tabled yesterday, said: "The communities served by water schemes must take ownership of them and take responsibility of them."

"Water tariffs must be paid so that there are enough funds for those who have no water supply. We must all play our part."

Slovo told a parliamentary debate on the Housing Second Amendment Bill: "We are going to do everything in our power, including, at the end of the day, to consider legal sanctions to ensure there is an end to the culture of boycotts."

It has been estimated that up to R2 billion could have been lost through rent and service boycotts.

Star
11/11/94

Crackdown on boycotts

ARG. 16/11/94

Banks asked to drop bond limits still lower

123
 State seeks help for bottom income groups

JOHN VILJOEN
 Business Staff

THE state wants banks to lower their home loan requirements still further to assist low-income groups, says national housing director general Billy Cobbett.

At last month's national housing summit banks agreed to grant loans as low as R10 000.

"We believe we can still go lower," said Mr Cobbett.

At an investment conference for United States pension fund managers in Cape Town yesterday, Mr Cobbett said his department wanted banks to push lending limits "lower and lower".

Statistics on South Africa's housing needs were "useless", Mr Cobbett conceded. "The backlog is so big that we just

have to get on with the job."

The white paper on housing would be tabled in parliament in two weeks. The result of six months of the most intense negotiations, its guiding principle was a partnership between the state, the private sector and communities.

The white paper would include details of the government's housing subsidies.

The National Housing Finance Corporation, intended to be "a people's champion", should be operating within the first months of next year and would provide an opportunity for foreign investors, he said.

Although foreign investors had a significant role to play in tackling the housing crisis, his department's first goal was to secure domestic investment.

The government's underfunding of housing had to be addressed and this area's budget share was expected to grow from one percent to five percent by the end of the government of national unity's tenure.

If the government achieved its target of building a million houses by the end of the century it would merely be freezing the backlog at this year's level.

Hopefully this effort would ensure that the building sector developed the capability to cope with the demand for housing after 2000, Mr Cobbett said.

He repeated the call for the re-establishment of a culture of payment for bonds and services. Boycotts were an effective means of striking at the government in the past, but a campaign was now needed to end them, Mr Cobett said.

ARG. 16/11/94

Asmal plans to get water to all in SA

(123)

AN additional one per cent of South Africa's national budget over the next seven years would meet the goal of providing a basic water and sanitation services to all citizens, according to the Department of Water Affairs and Forestry's white paper on *Water Supply and Sanitation Policy*.

At a Press conference to publicise the white paper, Minister of Water Affairs and Forestry Kader Asmal said the government was considering issuing water bonds as a method of raising funds to meet this goal. A national water conservation campaign would also be launched soon.

According to the white paper, more than 12 million South Africans do not have access to adequate drinking water and nearly 21 million lack basic sanitation.

Basic water supply is defined as 25ℓ a person a day, which should not have to be carried more than 200m — less in steep areas — to dwellings.

The department's annual budget will have to increase from an estimated R1,6 billion a year to about R2,8 billion if most citizens are to get at least basic services in the next seven years.

Conventional water-borne sanitation is, in most cases, not a realistic, viable goal in the short term because of the cost.

The ventilated improved pit toilet — if constructed to agreed standards and maintained properly — provides an appropriate and adequate basic level of sanitation, the white paper states.

Professor Asmal said the cost of providing basic water and sanitation to all South Africans was somewhere between R7 billion and R19 billion, depending on sources of funding. These included a re-allocation of existing funds, foreign loans and grants,

Reports by **JOHN YELD**,
Environment Reporter

private capital and the issue of water bonds.

One of the terms of reference of the new National Water Advisory Council was water conservation and a major campaign — possibly involving President Mandela — would be launched.

Responding to a question about the culture of non-payment, Professor Asmal said he had found "an extraordinary pride" in people who had been newly supplied with water and water meters: "In my experience, they will pay."

The question of who paid for water was a sensitive issue, Professor Asmal said. "The bottom line is that we must all pay. Water tariffs must be paid so that there are enough funds for those who have no water supply."

Nominations sought for new advisory council

NOMINATIONS for the new National Water Advisory Council are being sought.

Water Affairs and Forestry Minister Kader Asmal says the council's 15 to 20 members will comprise a cross-section of people with varying interests in water to advise him on issues from policy to the "prioritisation" of development projects.

Membership of the council would be regarded as a community service and no compensation would be paid except for subsistence and travel.

● Nominations should be sent to Kader Asmal, Department of Water Affairs and Forestry, Private Bag X313, Pretoria 0001, before December 31. They must include motivation, CVs and the names, addresses and telephone numbers of two referees.

New bill 'will speed up electrification'

(123)

CT 16/11/94

THE Electricity Amendment Bill would make it possible for 500 000 new electricity connections a year, extending additional connections to 2,5 million, Minister of Mineral and Energy Affairs Mr Pik Botha said yesterday.

The bill would restructure the industry and set up a national regulator to oversee it, he said, introducing the second reading debate on it.

The electricity supply industry had been beset with problems where Eskom and about 300 local authorities were distributing electricity. Fragmentation had led to too many distributors with too small a consumer base operating inefficiently.

This had resulted in a poor supply to consumers, about 2 000 different electricity tariffs, difficulty in raising finance to expand electricity systems

and the politicisation of electricity supply by having it identified with local government, Mr Botha said.

The bill was an important step in providing electricity needs in a new South Africa where efficiency, economy and fairness would rule.

It would bring uniformity, equity and regulation to the industry plagued by diverse and antagonistic interests, Mr Marcel Golding (ANC) said.

"The supply of reliable, cost effective electricity is fundamental for the growth of our economy," he said.

● The acts — 139 of them — which had regulated the mineral and energy affairs of South Africa, TBVC states and self-governing homelands were absorbed by the Mineral and Energy Laws Rationalisation Bill approved yesterday.

R19bn water, sanitation plan

ET 16/11/94 (123)

By ANTHONY JOHNSON

THE government plans to spend up to R19 billion over the next five to seven years to bring adequate drinking water and basic sanitation to all.

The White Paper of the Department of Water Affairs and Forestry tabled in Parliament yesterday envisages providing — for the first time — clean drinking water to one-third of the nation's 40 million citizens and sanitation to half of the population.

The document also proposes a new system of tariffs that require payment by all users, with charges escalating along with usage.

Water Affairs Minister Prof Kader Asmal told a press conference the basic aim was to provide about 25 litres of potable water per person per day within five years.

Estimates of what this would cost ranged from between R7bn and R19bn over the five- to seven-year period.

On tariff policy, Prof Asmal said there were widely differing tariffs im-

posed for water supply. "In some of the cases the anomalies border on the immoral because the poorest communities are paying the highest tariffs."

He emphasised that everyone would be required, within the next two years, to pay for their water supply, albeit at differing rates.

Three tariffs are suggested:

- A life-line tariff to cover basic human needs. The quantity will not exceed 25 litres per person per day and the tariff will cover only operating and maintenance costs.

- Normal tariff, not exceeding 250 litres per person per day. The tariff will be set at cost (operation and maintenance plus capital) including the losses incurred through the life-line tariff.

- Marginal tariff, which is for water consumption exceeding 250 litres per person per day, which will be charged at "marginal cost" defined as the present day cost of the latest or next augmentation scheme.

R115m for SA farm housing

A HOUSING grant of R115 million for South African farm labourers has been agreed to by the German government, it was announced yesterday. (123) (6)

The SA Ministries of Housing and Land Affairs and the Minister in the Office of the President have agreed to formulate a detailed application for the aid to the German government.

A Finance Department committee will oversee the application of the grant, which will include several pilot projects to house farm labourers. — Sapa

ET 17/10/94

Sanco slates govt plan for township rents

(123)

27/11/94

JOHANNESBURG. — The South African National Civics Organisation (Sanco) criticised yesterday a planned government campaign to encourage the payment of township rent and service charges.

Sanco said the government's emphasis on breaking the boycott was misguided.

The focus should rather be on why people could not afford to pay their rents.

Sanco officials said here payment for services and rent should be seen within the context of a larger campaign to rebuild local government and local economies, and substantially improve the living standards in townships. — Sapa

Let the poor drink water, says Asmal

WM 18-24/11/94

Justin Pearce

FIFTEEN thousand communities without basic water services, and a bureaucratic labyrinth designed to keep things that way: these are the twin conundrums faced by Water Affairs and Forestry Minister Kader Asmal — which he takes on in the White Paper on Water Supply and Sanitation Policy published this week.

The White Paper is founded on the premise that basic water and sanitation services are a human right, and that water is a national resource. This is in marked contrast to previous water planning, which was conducted in an ad hoc way, with little if any regard for the needs of the poor.

The poor are the first concern of the White Paper, which sets out principles designed to ensure all citizens will gain access to "adequate basic services" — a potable water supply of 25 litres of water per person per day within 200m of home, and a ventilated pit latrine.

Together with this approach goes the recognition that the poor know best how to meet their own requirements. Asmal insists that those who will use the services be drawn into making decisions on water supply, particularly women who carry most of the water from communal taps, and the disabled who are the most disad-

vantaged by not having water on tap. To ensure all people have access to water Asmal envisages profound changes to the 16 water boards, responsible for the provision of water to local authorities. While the paper provides for the retention of the boards in the short-term, he has promised their composition will change to become representative of the population served by the board.

In certain areas, water has already been allocated — and if subsistence farmers are to get their share, commercial farmers and industrialists are going to have to learn to make do with less. The South African Agricultural Union has yet to comment on the White Paper, but spokesman Kosie Visser told the *Mail & Guardian* that the SAAU's priority would be to safeguard farmers' irrigation rights.

At a local level, the White Paper provides for statutory water committees, representative bodies which would convey the needs of each community to the regional water board. Such committees will be crucial to the provision of services in rural areas.

Although the White Paper's plan favours the poor, it is blunt about the fact that people must pay their own way. Only in the very poorest areas will the initial provision of basic services receive a state subsidy.



Women at the pump: The community will be drawn into decision-making around the distribution of water.

PHOTO: GUY ADAMS

Arrears in African areas not yet scrapped

BY SABATA NGCAI

RENT and service arrears in African townships have not been scrapped despite widespread reports that the money had been written off by the government.

Township residents owe more than R75 million in rent and service charges arrears to the Ikapa, Lingeletu West and Mfuleni Town Councils.

And the figure is likely to increase to a staggering R84 million by the end of the year if the government does not act, officials from the local councils say.

At the same time, the townships

need services which will cost at least R1,7 billion to provide.

Following the announcement that arrears in African areas would be scrapped, coloured township residents called for their arrears to be written off as well.

In terms of an agreement signed by the current and former state presidents, the arrears were supposed to be scrapped in African townships first.

This was to pave the way for people to start paying rent and service charges.

Before the agreement was signed, councils were owed more than R60 million in arrears.

This figure had increased by a

Southeaster (Suppl. to South)

further R15 million by the end of September. 18/11 - 22/11/94

Council officials from Ikapa and Lingeletu West conceded that it was difficult for them to implement the decision.

As a result of the collapse of Black Local Authorities, council officials need guidance from the government.

The officials said arrears could only be written off by a competent authority — the Transitional Local Councils. (123)

Officials from all the councils said it was difficult to scrap arrears because some people paid rent and service arrears while others did not.

ARG. 19F 20/11/194.

Families battling to get credit for houses

123
JOHANNESBURG. — Delivery of houses to lower-income people and the poor has come to a virtual standstill, says Johan Wallis, director of residential development.

He told delegates to a Reconstruction and Development Programme summit that the government's first priority was to supply homes for the poor.

"Delivery of housing to lower-income earning people and especially the poor, has come to a virtual standstill," said Mr Wallis.

A number of complicating factors, including political transition, environmental conditions and economic adversity "have lead to virtual market failure in many areas of the country".

At least 1.5 million homes were needed to address the housing backlog for blacks in South Africa. According to official statistics, the backlog was growing at a rate of 200 000 units a year.

The provision of housing and services was a key component of the RDP, he said, adding that future housing strategies had direct bearing on the success of the RDP's key programmes.

The government aimed to stabilise the living environments "for many communities living in unstable and degenerating residential areas".

Mr Wallis said the government planned "an unprecedented national and provincial campaign aimed at the resumption of payment for goods and services" in black townships.

Private-sector investment would have to be promoted in areas where townships has been stabilised.

He said the biggest challenge facing the government was dealing with households which could not get credit or did not have enough savings to buy houses.

"Until such time as the RDP has started to make inroads on the problems of poverty and unemployment, the state has to accept the responsibility to meet at least the basic needs of these households," he added.

In October, the government signed an agreement with commercial banks which would open the way for thousands of blacks to enter the housing market.

The agreement would see the banks extend about 50 000 home loans for low-cost housing worth about two billion rand. — Reuter.

Rent arrears plan on cards

THE government will reveal details this week of how new local government structures, which come into operation on December 1, will deal with the millions of rands owed countrywide in arrears rents and services.

The announcement will be part of a mammoth programme backed by central government, the nine provincial governments and the influential South African National Civic Organisation (Sanco) to restore a culture of payment for services.

Although the government is adamant that only arrears accumulated up to the end of January 1994 by Black Local Authorities (BLA's) will be written off, one concession expected to be agreed upon this week would mean this will also apply to coloureds and whites.

However, the debts of "deserving cases" — based on individual assessments — may be written off by the new local structures and offset by utilising their own resources, according to informed sources.

But arrear rates will not be written off under any circumstances, it is understood.

By **NORMAN WEST**
Political Reporter

The nine provincial premiers will meet in Pretoria this week to ratify the programme. They will meet the following day with Minister of Provincial Affairs and Constitutional Development Mr Roelf Meyer before a final announcement is made.

An announcement that members of provincial parliaments will not be allowed to hold seats on local government structures is also expected.

The meetings will also approve a Bill giving the president the power to amend the Local Government Transition Act by proclamation in order to deal with possible incidental obstacles during the countdown to the October 1995 local government elections.

In terms of an agreement signed by former President F W De Klerk and President Nelson Mandela, all arrears owed to BLA's at the end of January 1994 were to be written off.

However, the "culture of non-payment" continued after that agreement was reached and the debt ballooned as whites and coloureds also began refusing to pay for services.

(123)

Govt plan to end boycott

B. Day
Political Staff *21/11/94*

CAPE TOWN — Government will launch Operation Self-Reliance in January in a bid to break the continuing township rent and service boycotts.

The plan, which will come on stream exactly a year after Nelson Mandela and FW de Klerk signed an ill-fated pact in January designed to end the boycott, will link the provision of services to the payment of levies. Non-payments in townships have jumped from 66% to 80% since the Mandela/De Klerk accord.

Local Government Commission chairman Thozamile Botha said yesterday that township residents would be asked to begin payment at the end of January 1995. Botha said that the launching of Operation Self-Reliance would coincide with functioning office administrations, trucks collecting refuse, engineers unblocking pipes and other services.

As soon as residents saw the new structures in place, they would begin to pay, he argued. It is understood, however, that government is considering a range of punitive options to break the culture of non-payment, including barring defaulters from standing for local government elections. (123)

Thumbs-down for hostel plans

Star 25/11/94

BY ANNA COX

The National Hostel Residents' Association (NHRA), representing about 1,3 million hostel dwellers, has rejected the Government's new Hostel Redevelopment Programme, saying it was drafted without consultation with residents.

Speaking at a news conference on the East Rand yesterday, chairman Zokhele Mlambo said that if the Government went ahead with its proposals, "serious action" would be taken by hostel dwellers.

The main complaint was that the new plan called for the conversion of the hostels into family units, something that most

dwellers did not want.

"We were not consulted and we outright reject the upgrading programme as recommended in the programme.

We want the hostels upgraded and maintained to decent living standards but they must be kept as single-sex units."

He added that if particular hostels wanted to be converted into family units, their wishes should be respected.

"This Government is imposing things on us which we do not want, just like in the days of apartheid," Mlambo said.

The NHRA had never supported a rent boycott and had always encouraged its members to

pay rent to the local authorities, he added. (123)

But despite regular payments, there had been no maintenance for years, said Mlambo.

The average monthly rental for a bed was R20.

The new programme was released in July but despite many letters of complaint to various members of the Government since then, there had been no response, said Mlambo.

The NHRA will meet its members in Alberton tomorrow to list its proposals and recommendations for hostel upgrading.

It will also decide on what action to take in the event of its proposals failing.

Application for... and this had been a roof

Boycott

(123)
CT 24/11/94

'pay-up'

By ANTHONY JOHNSON
Political Correspondent

THE government will launch "Operation Self-Reliance" in January in a bid to break the debilitating multi-billion-rand township rent and service boycotts that are threatening to derail the RDP.

The plan — which will come into effect exactly a year after President Nelson Mandela and Mr F W de Klerk signed an ill-fated pact in January this year designed to end the boycotts — will link the provision of services with the payment of levies.

Non-payments in townships have jumped from 66% to 80% since the Mandela/De Klerk accord.

But the chairman of the Local Government Commission, Mr Thozamile Botha, said yesterday that township residents would once again be asked to end their rent and services charges boycott at the end of January 1995.

This time, however, the necessary infrastructures would be in place and residents would not be asked to pay if there was not a visible delivery of services.

Hints of how the plan will work were seen yesterday in an announcement by Minister of Mineral and Energy Affairs Mr Pik Botha that the government is to restructure the nation's electricity supply industry.

The revamp could end the "crisis" that has developed in many financially weak local government authorities by reducing consumer resistance to the existing system through ending the "inefficient, uneconomical and poor quality" of supply in many areas. (See Page 5).

The new dispensation is also aimed at countering the resentment created by South Africa having about 2 000 different electricity tariffs, with township residents at times paying more than well-heeled suburbanites.

Speaking on the Radio Metro/Sowetan talk-back show, Mr Thozamile Botha said the launching of Operation Self-Reliance would coincide with functioning office administrations, trucks collecting refuse, engineers unblocking pipes and other visible new conditions.

As soon as residents saw the new structures in place, they would begin to pay, he argued.

It is understood, however, that the government is considering a range of punitive options to break the culture of non-payment, including barring defaulters from standing for local government elections next year.

Questioned during the radio programme about corruption in the former TBVC states, Mr Botha acknowledged that many millions of rands had been stolen.

Cars, computers, furniture and other property had been taken without permission, he said.

The yielding of all powers to the central government, when no one was responsible for the old administrations, was to blame, he said.

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AR6.

26-27/11/94

Banks ready to help fulfil housing dream

123

THE national housing accord signed at Botshabelo in the Free State recently is a massive breakthrough. Not only does it pave the way for the re-entry of commercial banks into the lower end of the mortgage market, but it also signals a major milestone on the road to housing the nation.

The accord will aid in the extension of credit for housing to a sector of the population for whom formal housing is presently only a dream.

The real breakthrough, however, is that the agreement involves all the parties. It indicates to communities the need to settle down and rebuild themselves.

Most importantly, government has undertaken to influence and educate communities regarding co-operating with it and the banks. The major challenge to government is to restore the due process of law and order in areas where development has taken place.

Failure will be costly to the fiscus. For communities the benefits will be felt when they see development and upgrading taking place within their immediate environs.

For banks re-entering the market the incentive is the prospect of properties regaining value. While the intention is not to profit excessively, they must still provide depositors and shareholders a reasonable return on their investment funds. They, together with the government and the communities must make this initiative work: if the agreement fails, the chance of economic recovery in the new South Africa becomes very slim indeed.

■ Our vision is to promote a new spirit of banking in southern Africa, says **PIET LIEBENBERG**, chief executive of the Council of SA Bankers.

Although the agreement is aimed at those who can afford credit, it could have a significant multiplier effect on macro-economic issues and could be the stimulus to unlocking the economic revival of South Africa. In addressing the market segment able to afford credit, the banks' initiative will create significant economic opportunities for the unemployed.

But, as Minister Slovo commented, there is not time for complacency.

All sectors of society committed to the accord will be challenged to live up to their promises. That is exactly what the banks are planning to do.

They were always willing and able to play a major role in the provision of funds for housing as part of the reconstruction and development of South Africa, but they could not place funds entrusted to them by depositors in areas where the risks are considered abnormally high.

The bank sector in its role as major provider of credit in South Africa will be advancing mortgages of up to some R2 billion on housing which compares very favourably with funds that government has committed to the RDP. For banks to keep their side of the bargain, a stable public environment is vital.

This will hopefully be achieved by a vigorous and unprecedented national and provincial campaign to be launched by government to convince people to resume paying for goods and services received and generally to respect the reinstatement of the due process of law.

A realistic target of 50 000 loans of amounts ranging from R10 000 to

R100 000 will be granted in the 1995 calendar year. These could total between R1 and R2 billion or thereabouts depending on take-up and the ability of the construction industry to deliver homes.

Many loans will no doubt be linked to government housing subsidies so that money will become available to developers once transfers take place. Banks and government will review the process within 12 months and, depending on their experiences, decide on the number of loans they will grant the following year.

Banks aim to increase their exposure on a sustainable basis. They will not cross-subsidise a market that US experience has shown to be non-profitable. Banks will only become involved in commercially viable business and receive a reasonable return on funds invested.

As banks realise that borrowers at the lower end of the market cannot readily absorb fluctuations in instalments, they are investigating providing these loans through a fixed instalment instrument.

Two distinct categories of borrower have emerged: those who can cope with fluctuating interest rates and those who cannot. It is, however, important that people in the fixed instalment category understand why they may pay a higher interest rate. Detailed financial modelling for fixed instalments is expected to be ready by the end of the year.

The banking sector will continue to work closely with government to find solutions for those people illegally occupying properties and those who historically have trouble in meeting mortgage obligations. Potential borrowers will be educated about what their obligations and rights

are regarding mortgage loans. Banks will also introduce a savings programme under which subsidy applicants wishing to obtain finance will be required to display a monthly savings pattern over a defined consistent period. The savings plus proven rental paid during this period will then indicate that the applicant can afford the mortgage payments, rates, service charges and house maintenance.

These savings will become the owner's equity in the property purchased. Coupled with the capital subsidy by government to qualifying individuals, loans could be as low as 50 percent of property value.

The basis of mortgage lending is that a loan is granted against the security and value of a fixed asset, normally residential property, which in effect can be classified as collateral to support the loan.

A service company, jointly resourced by the banks and government, will investigate methods of helping those illegally occupying properties and those encountering difficulty in meeting mortgage obligations to find more affordable accommodation through a process of "rightsizing".

The services of this company will be utilised to deal with households currently occupying properties in possession of the banks, and some of them are properties that they cannot afford or are too large for these households.

Until adequate rental housing is provided, other sources of accommodation will remain a concern. Vital to the success of the scheme will be the enforcement of the bank's right to vacant possession, to aid resale after all possible help is given.

The record of understanding has cemented a partnership between government and the banks that should hold firm during the years of the RDP.

January 31 1994 cut-off date

All service arrears to be written off

Star 26/1/94

LOUISE MARSLAND

THE service payment arrears for all communities — black and white — as of January 31 this year will be written off, Constitutional Development and Provincial Affairs Minister Roelf Meyer and local government MECs agreed in Pretoria yesterday.

The decision to write off the contentious debts of all South African communities was made after a lengthy meeting at the Union Buildings when the debts of local authorities and the local government elections were discussed.

In a joint statement, Meyer and the MECs said the significant debts of black local authorities and the service arrears due to non-payment in various communities were major factors impeding the implementation of a new dispensation regarding local government.

The Agreement on Finance, Services and Service Rendering, provides for certain arrangements in the financial affairs of local government, with January 31 as a significant cut-off date.

Transitional councils are advised to write off service payment arrears for coloured, Indian and white local authorities, while central and provincial governments will assess the resultant financial position of the transitional councils

and negotiate forms of financial assistance where necessary. (123)

Meyer and the MECs gave the assurance that central and provincial governments will assist transitional councils to settle external debts.

It was also agreed that, from February 1 1994, transitional councils would be responsible for dealing with arrears accumulated since this date and should do so on the basis of various options.

Central government will, however, ensure that no transitional council inherit any external debts of the black local authorities up to the promulgation of the transitional council concerned.

Registration

The statement concluded: "It is therefore clear that the period for the writing-off arrears has lapsed on January 31 1994. In the light of this, residents should now start making necessary arrangements with their transitional councils to pay off arrears accrued after 31 January 1994."

In an earlier press conference yesterday, Local Government Task Force co-chairman Dr. Van Zyl Slabbert, said the registration of South Africa's 22 million eligible voters will have to begin before the end of January for local government elections to take place by October 1995.

Association urges residents to pay for services

Plan to transfer houses

By Joshua Raboroko

SCRAPPING ARREARS Old service

charge debts from January to be written off:

PROVINCIAL governments are to establish bureaux in cities and townships where residents will be advised how their service charges will be scrapped and their houses transferred to them.

Spokesman for the National Housing Ministry Mr Stephen Lauffer said yesterday that service payment arrears for all communities as of January 31 would be written off.

He said the bureaux would, depending on each province's decision, deal with various methods on how arrears would be written off.

He did not rule out the possibility that the offices of black local authorities would be used for this purpose. No official dates had been set but advice could be obtained from local govern-

ments and civics.

Central and provincial governments would assist transitional councils to settle external debts.

He said transitional councils would be responsible for dealing with arrears accumulated since this February 1 1994 and should do so on the basis of various options.

The central Government would, however, ensure that no transitional council inherits any external debts of Black Local Authorities up to the promulgation of the transitional council concerned. Regarding the transfer of houses to tenants, he

said transitional councils would work out how these will be transferred to the owners.

All State-owned homes in black areas would be transferred to owners in terms of the "extended benefit scheme" announced by the Government this year.

The scheme involved a R7 500 discount which the Government would grant to householders. Residents would have to apply to qualify for the scheme.

All residents whose houses cost less than R7 500 would be paid off in terms of the scheme, but those valued at more than that amount would have to pay the balance.

By **MAGGIE ROWLEY**
Property Editor

Black homebuyer (123) CT 2/12/94 claims flood EAB

ABOUT 65% of the nearly 1 000 claims totalling more than R10m lodged with the Estate Agents Board (EAB) this year had come from the emergent homebuying market, says chairman Piet Botha.

Hitting out at the anti-EAB lobby which has been campaigning for the abolition of the board, Botha said the strong growth in complaints from the emergent property market underlined the vital need for the EAB to remain a strong and effective watchdog for the real estate industry, "particularly if the implementation of the government's new housing initiative is to be successful".

Interviewed in the latest issue of *The Agent*, he said the board was likely to undergo changes shortly to ensure that it became more representative of the communities it served. Its primary role of consumer protection was likely to be strengthened and extended.

The EAB had recently requested that Trade and Industry Minister Trevor Manuel delay the publication of a draft Bill which would amend the Estate Agent's Act, pending further input from the industry.

"One of the most contentious suggestions made in the draft

is that the Code of Conduct for Estate Agents be scrapped, and that the real estate industry be encouraged to self-regulate."

GM of the board, Andrew Harrison, said the timing of the recent anti-EAB campaign had been particularly poor because it coincided with the entry into the housing market of large numbers of disadvantaged people.

"The unfortunate perception might arise that the protection whites have enjoyed will not now be extended to those people most vulnerable to exploitation," he said.

'Self-regulation'

Botha said that regarding the view that the estate agency industry should practice self-regulation and not have to submit to the disciplinary measures of the EAB, this sort of voluntary regulation had failed in other countries and was "doomed to failure here because of the inherent conflict of interests at play".

"And with record numbers of agents' defaults being reported to the board, and fidelity fund payouts to consumers soaring, its protagonists will certainly find it difficult to prove that the industry is cleaning up its act."

The EAB currently has the power to deal with the malpractices occurring in the emergent market and was also carrying much of the cost of consumer education in this sector in order to reduce the future potential for malpractice.

"The board has also taken it upon itself to interest and educate blacks in estate agency practice, with the purpose of preparing them to play an important role in their own communities.

"This task could well become the biggest undertaken by any organisation in the real estate industry and is likely to be given the full support of a government keen to develop a more formal homeownership market in pursuit of its upliftment policies."

Pik promises power to people living in shacks

PRETORIA. — People living in shacks also are to benefit from the government's plan to supply electricity to 2,5 million households in the next five years, said Minister of Mineral and Energy Affairs Pik Botha.

He told a news briefing in Pretoria yesterday that many informal shelters were only temporary structures, but there was "nothing temporary about the needs of a human being".

"Wherever possible we would not hesitate to supply electricity to these households to improve their quality of life."

A pilot project to provide 20 000 informal shelters in Cape Town with electricity had proved successful and would be expanded to other parts of South Africa.

Mr Botha recently announced that the government planned 500 000 new

electricity connections annually in the next five years. For every 100 domestic connections at present, there would be an additional 114 within five years. ARG 3/12/94

Mr Botha said this was the most important task facing South Africa.

"This is the story that has to be, and will be, a success. A massive expansion of household electrical connections is essential to the success of rebuilding our country."

Mr Botha said the new body regulating electricity supply, the National Electricity Regulator (NER), would have the legal powers necessary for success.

The NER's first and main task was to set new and uniform tariffs.

"There should be justice, equality and no discrimination in specific tariff categories," he said.

Omar considering new landlord-tenant courts

DURBAN. — The exploitation of tenants by unscrupulous landlords was discussed here at the weekend by Justice Minister Mr Dullah Omar.

Mr Omar had informal talks with Organisation for Civil Rights officials and asked for ideas on tenancy laws and possibly setting up landlord-tenant courts.

OCR chairman Mr Sayed Iqbal Mohamed said Mr Omar had been very receptive. (123)

Over coming months the OCR would develop a plan for the revision of laws and regulations protecting tenants including rent-control legislation.

Megan Meredith (behind). About R177 000 was raised. (123) AT 8/12/94

SLOVO'S CALL

Own Correspondent
JOHANNESBURG. — Housing Minister Mr Joe Slovo said yesterday the cabinet had accepted the Housing White Paper, which included an extra subsidy for the poor which was likely to cost about R270 million a year.

Mr Slovo said the decision indicated the government's acceptance of a host of schemes to increase the country's housing stock, including the mortgage indemnity scheme and its linked

'More cash for homes'

The White Paper confirmed the government's commitment to the end-user capital subsidy programme, which included a new subsidy for people who earned less than R800 a month. Previously, those earning less than R1 500 qualified for a grant of R12 500. Now those earning between R800 and R1 500 still qualify for a R12 500 subsidy, but those earning below R800 can claim R15 000.

The White Paper said this measure would enable households at the bottom end of the market to obtain access to at least a basic structure. It was introduced in expectation of an increased budgetary allocation, as the present one percent was "inadequate to support the housing programme envisaged in the RDP".

Mr Slovo said he was feeling "chirpy" about an increase in the housing budget, which the ministry hoped would be increased to

sure would enable households at the bottom end of the market to obtain access to at least a basic structure. It was introduced in expectation of an increased budgetary allocation, as the present one percent was "inadequate to support the housing programme envisaged in the RDP".

Mr Slovo said he was feeling "chirpy" about an increase in the housing budget, which the ministry hoped would be increased to

about five percent within five years.

He was "pretty confident" the White Paper's target of a million houses built over five years would be reached.

The White Paper said the high levels of bond, rent and service charge non-payments posed a "severe threat" to the government's housing plans. To reverse this trend a carrot and stick approach would be used, providing development and housing assistance and civic organisations.

tance in exchange for increased fiscal responsibility.

If this did not work legal action would be taken, he said.

The mortgage indemnity scheme included a provision that financial institutions would not have to provide housing loans in areas where bond boycotts were in place. So if residents in a particular area refused to pay their bonds they would only be harming their own community.

He warned the government would never be able to meet every incoming application for subsidies, even if the housing budget was quadrupled.

The White Paper had the support of all provincial administrations and civic organisations.

Cabinet approves housing plan

PRETORIA. — The cabinet has adopted a housing white paper which outlines a strategy for delivering a million homes to low-income earners.

Housing Minister Joe Slovo said at a news conference after the cabinet met yesterday that ministers in the government of national unity had also approved the adoption of the housing mortgage indemnity scheme.

The scheme is at the core of an agreement signed between the government and commercial banks in October in terms of which banks will provide about 50 000 loans for low-cost housing worth about R2 billion.

It covers the banks in cases where the

state is unable to ensure that people repay their loans.

At least 1,5 million homes need to be built to address the housing backlog for blacks, according to official statistics, and the shortfall is growing at a rate of 200 000 units a year.

Mr Slovo said the white paper was "the blueprint for the achievement of the government of national unity's goal of one million houses within five years".

He cautioned that his ministry would never be able to meet all applications for subsidies in 1995 even if that portion of the housing budget was "doubled, trebled or even quadrupled".

ART 8/12/94 (123)

**PUBLIC comment
will be invited on
Cabinet-approved
White Paper**

(23)

■ BY JO-ANNE COLLINGE

The White Paper on Housing provides that one-off capital subsidies to families earning below R800 a month will be stepped up to R15 000 from R12 500 in an attempt to ensure even the poorest will get a roof over their heads and not just a serviced site.

Housing Minister Joe Slovo presented the White Paper to the Cabinet yesterday and emerged, as he put it, "unscathed" to announce its acceptance to the media. The document will now be published for public comment.

The White Paper includes all the major elements of the Botshabelo Housing Accord signed nearly two months ago by "major stakeholders" in the housing field. It is a document which views housing as a means of relieving poverty and redistributing resources — but which is aware that the broader economy and the fiscus place heavy constraints on achieving this.

The White Paper reiterates the Botshabelo undertaking that "Government's housing goal is to increase housing's share in the total State Budget to 5 percent and to increase housing delivery on a sustainable basis to a peak level of 350 000 units per year, within a five-year period, to reach the target of the Government of National Unity of 1 million houses in five years".

Figures in the paper make it clear that even these rates of delivery will not wipe out homelessness. It estimates the housing backlog at the beginning of next year will be 1,5 million units — without taking into account homes and hostels that need upgrading, or basic services laid on.

The estimated cost of increasing the subsidy for those earning downwards of R800 by R2 500 a family will be about R270 million a year, the Ministry of Housing estimates. Approximately 40 percent of the total population falls into this class of extreme low income.

The Government will withhold mortgage indemnity cover from areas where payment levels are unsatisfactory and where civil order does not prevail. This will keep private investment out of such areas.

Elements of the White Paper which are already well-known include the mortgage indemnity scheme to safeguard bankers; the consumer protection scheme for home-buyers; the concept of ongoing Government support for home upgrading; and the fast-track release of land.

► **Holiday health hazard
for Slovo - Page 2**

Slovo aims at houses for all

Slovo
8/12/90

Increase in capital subsidy for the poor

Housing subsidy for the poor expected to cost govt an extra R270m

HOUSING Minister Joe Slovo said the Cabinet had yesterday accepted the Housing White Paper, which included an extra subsidy for the poor which was likely to cost about R270m a year.

Slovo said the decision indicated government's acceptance of a host of schemes aimed at increasing SA's housing stock, including the mortgage indemnity scheme and its linked company, the National Housing Finance Corporation.

The White Paper confirmed government's commitment to the end-user capital subsidy programme, which included a

new subsidy band for people who earned less than R800 a month. Previously, those earning less than R1 500 qualified for a grant of R12 500. Now those earning between R800 and R1 500 remain qualified for R12 500 but those earning below R800 can claim R15 000.

The White Paper said this measure was introduced to enable households at the very bottom end of the market to obtain access to at least a basic structure. It was introduced in expectation of an increased budgetary allocation, as the present 1% was "entirely inadequate to support the

housing programme envisaged in the reconstruction and development programme". Slovo said he was feeling "chirpy" about an increase in the housing budget, which the ministry hoped would be increased to about 5% within five years.

The White Paper recognised that the prevailing high levels of bond, rent and service charge non-payments posed a "severe threat" to government's housing plans. It committed government to an "unprecedented" campaign to reverse this

trend. A carrot and stick approach would be used, providing development and housing assistance in exchange for increasing fiscal responsibility.

Slovo said while evictions of homeless people were "tragic", and although he had never been a great supporter of the rights of private property, "there will have to be some law enforcement in this area."

The mortgage indemnity scheme included a provision that financial institutions would not have to provide housing loans where bond boycotts were in place. So, if residents in an area refused to pay, their

TIM COHEN

bonds, they would be harming the interests of members of their own community.

Slovo said government would never be able to meet every incoming application for subsidies, even if the housing budget was quadrupled. When government allocated the first tranche of the subsidy, there were 220 000 applications just in the former Transvaal, which would have cost R7bn. "That is the scale of the problem."

He said the White Paper was supported by all provincial administrations and civic organisations.

BD 8/12/94
Picture: Page 3

NEWS Increased subsidies proposed for couples earning less than R800 a month

105 000 applications approved

By **Joshua Raboroko**

HOUSING HINT Joe Slovo says

More than 105 000 applications for new houses have been approved by the nine provincial governments in an attempt to reduce the housing backlog. A spokesman for the Housing Ministry, Mr Stephen Lauffer, said in Pretoria yesterday that the regional governments

time for delivery of houses has come: were receiving more applications at an alarming rate. He said new houses could be built anytime, depending on each province. No exact figure was available on the number of houses already built. According to the Government's White Paper on housing, released in Pretoria this week, housing's share of the total State budget should increase from one to five percent. Housing Minister Mr Joe Slovo said time for policy

debate and analysis was now over and time for delivery of houses had come. The White Paper proposed increased housing subsidies for couples earning less than R800 a month—to ensure that even the “poorest of the poor” obtained a house. “Set at a level of R15 000, it will enable households at the very bottom end of the market to obtain access to at least a basic structure,” the White Paper said. However, this quota would

not address the housing backlog estimated at 1,5 million. To clear the shortage, the government needed to build 150 000 houses each year during the next five years. To prevent another backlog, 200 000 houses needed to be built each year. The paper also proposed increasing housing construction to 350 000 units each year in the five-year period to reach the one-million target.

SAA training

controversy
BD 12/12/94
STEPHANE BATHINA

THE local aviation training industry plans to take SAA to task over a decision to send cadet pilots to Australia for training while facilities of a high standard are available in SA.

SAA would be sending 12 cadet pilots to Australia next year — a move the industry believed was not only taking money away from it, but also cast doubt on training facilities and standards in SA.

Aerospace Industry Training Board executive director Gayle Newby said the industry planned to take the issue to the Transport and Labour Ministers.

SAA spokesman Leon Els said at the weekend certain aspects of training could not be done locally.

The airline said cadet pilots would undergo a rigorous 18-month training programme at Australian Aviation College.

Local flying schools were unable to offer the "same holistic airline-specific training" as Australian Aviation College.

Furthermore, if a local school had been used the programme would have been delayed by about 12 months "while the serious deficiencies were either first removed or the course duration extended".

Sanco to urge banks to scrap bond arrears

(123) BD 12/12/94

THE SA National Civic Organisation wants banks to scrap arrears resulting from bond boycotts, saying this would go a long way towards easing tensions between itself and the financial sector.

Sanco, PWW secretary-general Linda Mngomezulu said at the weekend it would convene a summit next month to discuss mechanisms to normalise society. Financial institutions would be invited.

The summit would be attended by communities which had boycotted bond repayments. These would include people living in Sebokeng, Palm Springs, Etwatwa, and Chiawelo.

People who were boycotting bonds were — to a large extent — those who took part in the SA Housing Trust's projects.

Tension between Sanco and banks rose when no agreement could be reached on how to deal with arrears accumulated as a result of bond boycotts.

Banks wanted an arrangement whereby people would pay off their arrears, but Sanco was opposed to this, saying it would perpetuate mistrust between banks and township residents.

WILSON ZWANE

"The scrapping of arrears will remove tensions between the banks and communities," Mngomezulu said.

Sanco would — in return for banks' commitment to scrapping bond arrears — embark on a campaign to persuade residents to honour their bond repayments.

The summit would also look into banks' tendency to get prospective home buyers to commit their pension funds as collateral. "What we have seen is that when people who have signed away their pensions as collateral get retrained, they lose everything — jobs, houses and pension benefits."

The campaign to get people to honour their bond repayment obligations would complement the one aimed at restoring the culture of paying for services in townships.

This campaign to restore the culture of services payment would be driven by Constitutional Development Deputy Director-General Thozamile Botha.

It has been dubbed Operation Self-Balance and is expected to be launched early next month.

Tractor sales likely to stay at new highs

TRACTOR sales had hit new highs this year and were likely to remain at their current levels during 1995, SA Agricultural Machinery Association chairman Jim Rankin said at the weekend.

Sales this year could be up by as much as 60% on last year, but December sales figures would only come through by mid-January. "On a year-to-date basis, tractor sales are almost 58% up on last year."

It was likely that 4,800 tractors could be

LOUISE COOK

sold this year — 60% up on the 3,122 units sold last year.

Sales of combine harvesters in November outstripped those of tractors by 72%. Only three units were sold during November 1993, but last month 17 were sold.

Baler sales were lagging 14% behind 1993 sales at 325 units. The reason for this was sporadic and late rains.

Call to scrap debt surprises banks

123

BD 13/12/94

GRETA STEYN

BANKS would discuss the SA National Civic Organisation's (Sanco) proposal to scrap arrears resulting from bond boycotts, at a meeting of the Association of Mortgage Lenders today, AML spokesman Martin Milburne-Pyle said yesterday.

He said no formal approach had been made by Sanco, but the suggestion would come up at a scheduled AML meeting. "The proposal comes as a surprise as we had no idea that Sanco believed it was possible to scrap arrears."

Sanco said at the weekend it wanted banks to wipe out arrears as a means of easing tensions between itself and the financial sector.

The SA Housing Trust's new chairman, Chris Ball, said discussions were taking place to deal with the arrears problem — which had been the reason why the trust's lending had virtually dried up. "Arrears have to be dealt with in a sensible and practical way. It is not appropriate to write them off," he said.

Standard Bank GM Jopie van Honschooten said the writing off of arrears owed to banks could not be compared with the scrapping of debt owed to local authorities for services.

"The money banks lend out is not their own. It belongs to the banks' depositors," he said. "Debt forgiveness would destroy the fundamental basis of banking, which is trust."

Asked when the banks would be able to return to the low end of the home loans market, he said several factors were not yet in place. "We will start lending when the mortgage indemnity scheme is in place. One of the conditions for the scheme is that there is a level of performance in communities."

Other factors blocking the resumption of bank lending were the need to administer government subsidies, and the builders' warranty guaranteeing the quality of housing. The warranty had been agreed on in principle by the building industry, but had still to be finalised.

Asked whether there was any chance of resurrecting the 1993 agreement between the banks and Sanco on arrears, he said that agreement had been reached in a different political and policy context. "The agreement fell apart because the banks did not want to fund Sanco's infrastructure." Banks now wanted to "get on with the job" of financing 50 000 homes in the next year.

For the indemnity scheme to work, a mechanism was needed to deal with people who had difficulties in meeting payments. The banks had jointly established a "right-sizing service organisation" to deal with the issue.

● Comment: Page 8

ARG. 15/12/94

German MPs set to approve aid to SA

VUYO BAVUMA
Political Staff

123
BONN.— The German parliament is set to ratify next year a decision to grant R115 million for low-cost housing for South African rural farmworkers.

Rolf Baldus, of the German Ministry for Economic Co-operation and Development, said the aid would be the first "government-to-government" agreement to help to break down the buffer of poverty in South Africa.

Speaking to South African journalists, Dr Baldus said his ministry had noted that farmworkers lived in poor conditions without secure tenure and without basic facilities such as water and electricity.

During the anti-apartheid struggle the ministry had sup-

ported several developmental programmes of South African non-governmental organisations and churches.

Now it was important to note that the bulk of the funds to implement the reconstruction and development programmes should come from within the country, he said.

Last month, German government representatives discussed the proposed aid with the South African ministries of land affairs and housing.

Another German official, Bernd Morast of the Foreign Office, said should South Africa fail, the whole of Africa would follow.

Many South Africans might be disappointed because there was no flood of investment into their country, but this was not necessarily a death knell.

South Africa had good infra-

structure, such as its banking and transport systems. And if the government continued its present course, it stood a good chance of winning the battle against poverty.

Commenting on the presence of communists in the South African government, Dr Morast said there was no cause for concern.

Once the country's economy developed and provided jobs and houses, the radicals both from the left and right would not have a chance.

The RDP, which was a pragmatic way of fighting apartheid ills, proved the moderates were in charge.

"If the leftists were in control, the RDP would certainly have had a different profile."

But South Africa had to overcome the spiralling problem of crime and contain labour strikes.

Eskom puts 250 000 more homes on grid

Star 15/12/94

Eskom had met its commitment to connect 250 000 homes to the electricity grid during 1994, chairman of the Electricity Council, John Maree, said at Eskom's Megawatt Park headquarters yesterday.

"At the end of November, the total stood at 241 000, so we had just 9 000 to do in December. Returns to date show that we have met this.

"When you give a person a light switch, you enable him to link into all the benefits of modern living," Maree said.

He said Eskom had committed itself to supporting the government's RDP in several ways, chief of which was the electrification programme.

Despite formidable dif-

iculties, the teams had laboured hard to ensure they lived up to their undertaking, he said.

"From next year, our targets move up to 300 000 homes a year. This means that we will have to connect more than 1 250 homes each working day — no small undertaking. (123)

Undue load

"And, at the same time, we are ensuring that money spent on electrification is not putting an undue load on Eskom's finances.

"Proof of this can be seen in our commitment to reduce the real price of electricity by 15 per cent between 1994 and 2000," Maree said. — Sapa.

Eskom connects 250 000 homes

ESKOM said yesterday it had connected 250 000 homes to the national grid this year, which completed its 1994 commitment to the Reconstruction and Development Programme's (RDP) electrification targets.

Eskom chairman Mr John Maree said the national power supplier planned to make 300 000 new connections to the grid next year. The programme was "not putting an undue load on Eskom's finances".

"Proof of this can be seen in our commitment to reduce the real price of electricity 15% between 1994 and 2000," he said.

An Eskom spokesman said funding was not a problem, as the electrification programme was being financed through Eskom's electrification bonds or Electrification Participation Notes.

He said the connections had been made despite technical problems and other "formidable

300 000
planned
for '95

difficulties", including getting access rights to land on which it wanted to make the new connections.

The electrification programme aims to make 500 000 new connections a year for the next five years at an annual cost of about R1bn.

The programme has been co-ordinated by the National Electrification Forum (Nelf), whose recommendations spawned the National Electricity Regulator, scheduled to start operating in January.

A Nelf spokesman said yester-

day Nelf was encouraged by Eskom's performance. Local authorities supplying electricity had also contributed well and had made about 50 000 new connections this year. The regulator — which would be chaired by Nelf chairman Mr Ian McRae — would probably iron out many of the problems facing Eskom and local authorities supplying electricity.

Licences to distribute electricity would go to only those local authorities which could deliver a reasonable service and meet their electrification targets. Those unequal to the task would have their supply rights handed to either Eskom or a suitable local authority.

Next year's political rationalisation of local authorities would probably cut the number of local authorities supplying electricity from 300 to 250, he said.

Electrification would probably be higher on the agenda of the "new" rationalised local authorities.

(123)

ET 15/12/94

Soros gives

R20m for

(123)
SA housing

CT 15/11/2/90
JOHANNESBURG — In-
ternational financier
and billionaire Mr
George Soros has com-
mitted R20 million for
housing in South Africa.

A further R200m guar-
antee facility will be
made available, to pro-
vide 200 000 homes for
poor families over the
next five years.

In an address here yes-
terday to the Open
Society Foundation of
South Africa, of which
he is the sole benefactor,
Mr Soros said: "I believe
South Africa has a good
chance to make the tran-
sition to an open society
— a better chance than
most countries in east-
ern Europe." — Sapa

Banks say no to arrear scrapping

Soweto

5/12/94

■ **DEPOSITORS' CASH** Write-off

will be destructive to banking: ~~123~~ 123

By Joshua Raboroko

BANKS AND BUILDING societies have refused to scrap millions of rands in arrears resulting from bond boycotts.

A meeting of the Association of Mortgage Lenders concluded yesterday that the move would "destroy the fundamental basis of banking — which is trust".

AML spokesman Mr Martin Milburne-Pyle said the arrears, resulting from various causes including boycotts, amounted to R90 billion.

He confirmed that most of the arrears were a result of township violence.

Most residents living in the East Rand townships of Thokoza, Natalspruit and Spruitview and in Soweto and parts of KwaZulu-Natal, fled their homes as a result of violence.

The AML's decision comes after the South African National Civics Organisation proposed that arrears of bond boycotts be scrapped.

Milburne-Pyle said Sanco had not approached the association, but "we discussed the matter at a meeting on Tuesday".

He said the money that banks had lent to bond-holders belonged to depositors who expected interest.

"Writing off arrears is dangerous because we will be playing with depositors' money," he said.

He encouraged those people whose homes were destroyed during the violence to negotiate with banks. Most of the homes had a political riot insurance or "a special risk cover".

He said different banks would deal with individual cases on merit. Arrangements would have to be for repayment.

He added that banks could help if people were jobless or who through some other circumstance were unable to repay.

The South African Housing Trust's new executive chairman, Mr Chris Ball, said arrears would have to be dealt with in a sensible and practical way, but that it was not appropriate to scrap them.

Soros gives R220m boost to housing drive

INTERNATIONAL financier Georg Soros has committed R20m in start-up money and a R200m guarantee facility for the delivery of 200 000 homes for low-income families during the next five years.

Soros said in Johannesburg last night that he had singled out a presidential project to which the SA government had also committed R20m in start-up capital. "I'm prepared to match this amount."

The National Urban Reconstruction and Housing Agency project would start with R40m seed capital for grants and overheads. Soros's R200m guarantee facility was contingent on the agency's ability to

MADDEN COLE (123)

raise an extra R600m guarantee facility.

Soros said there was concern about the critical need for housing, especially among low-income families, which made up about 70% of SA's population.

The agency would aim to speed up housing delivery in the short term and would take financial risks to unlock private capital. It would seek to mobilise a guarantee facility of R800m in the form of acceptable paper guarantees to enable it to underwrite working capital and home loan

BD 15/12/94 To Page 2

Soros

finance risks.

"Over the next five years I undertake to provide up to R200m towards such a guarantee facility, subject to my contribution at no time exceeding one-quarter of the total guarantee facilities mobilised."

To deliver 200 000 houses in five years, housing investment of R4,8bn would have to be mobilised, and grants of R30m and guarantees of R920m provided.

From Page 1

In a lecture arranged by the Open Society Foundation of SA, Soros said SA had a better chance than most eastern European countries of making the transition to an open society. Most of the institutions necessary for such a society were already in existence. "They were in the power of the white minority, but it should be easier to integrate them than to set them up afresh," he said.

Home loan advances soar by 17%

(123)

CT 15/12/94

By MAGGIE ROWLEY
Property Editor

MORTGAGE advances have continued to soar during 1994 with new advances rising 17% or R15,5bn in the 12 months to end September, figures released by the South African Reserve Bank show.

Total mortgage advances now stand at R108,9bn against R93,35bn in September last year.

New advances account for both new bonds and extensions on existing bonds with no breakdown being given by the institutions.

As such it is impossible to tell what percentage of new advances have been ploughed into housing and how much has been used to pay for other big ticket items — a growing trend in recent years.

In fact the increasing use of mortgage bonds to finance other expenditure such as buying cars, overseas trips and the like, has been a major reason behind the swelling mortgage advances since 1988 when they jumped 28,5%, says Reserve Bank senior economist Johan van der Heever.

Since then an average annual growth rate of between 17% and 18% has been achieved in mortgage advances.

"It is impossible to tell how much of

this has been ploughed into financing housing and how much has been used on other expenditure, as the banks do not keep a breakdown of this, although there are no moves to do so.

"It actually benefits both banks and borrowers to use a mortgage facility for other expenditure, as the banks have greater security and borrowers also benefit by relatively favourable interest rates of around prime against prime plus about 3% on overdraft facilities," he said.

The only figures available giving some breakdown are those contained in the Reserve Bank's quarterly bulletin which shows that R4,4bn was advanced for construction during 1993 which is roughly 10% of total new advances of R39,5bn during that period.

"That applies only to new housing but we assume the bulk of new advances are used for housing purposes," he said.

Absa economist Christo Luus and senior Absa economist Hans Falkena said they were optimistic that demand for housing would continue throughout 1995, given an expected economic growth of 3% and the bank was expecting a further 15% growth in mortgage advances during 1995.

Luus said that after 10 years of house prices taking a beating and failing to keep pace with inflation, real growth was now evident and this could partly explain the surge in home loan advances this year.

HOUSING WHITE PAPER

Fun 16/12/94

Are we up to the challenge?

The fiscal implications of government's White Paper on housing — released for comment last week — are yet to be revealed. Some light will no doubt be shed on the issue in next year's Budget but questions on the cost of the measures persist.

Any attempt to quantify the resources needed to adequately house the nation and create stable communities — not only through the efforts of the Department of Housing (DoH) but by government departments at all tiers — is an almost impossible task.

Housing is clearly intended to be the pathfinder in the war against poverty in SA. Winning that war will require government co-ordination at every level. Even local authorities will have to function effectively as providers of land and services so that they can benefit from State housing assistance.

Until recently, there was an uneasy relationship between central and provincial authorities over housing ideology. But the united stance which they have taken recently against land invasions and squatting indicates they're finally pulling together.

The decision of Housing Minister Joe Slovo and the DoH not to focus on the cost implications, considering the breadth of the job at hand, may be understandable but is nonetheless frustrating.

What, for example, will be the cost of:
 The proposed National Housing Finance Corporation (NHFC) — however lean? Among other things, it must raise wholesale finance for the low-cost housing market? Housing Minister Joe Slovo has indicated the State will have to capitalise new institutions;
 Establishing the advice centres and supply depots envisaged around SA to help

communities build their own homes?

The mortgage indemnity cover government will provide banks unable to repossess homes in areas where law and order have broken down? (123)

The cost of the service company set up by banks and government to provide affordable housing options for defaulting bond payers? Slovo says the cost has been quantified but he does not reveal it;

The opportunity cost of using State land for low-cost housing and associated facilities? Policy priority is to identify and make the land available for development;

Operating provincial planning tribunals to enable fast-track development?

Creating reconstruction areas or RDP temporary relief zones equipped with services for squatter communities as seen by Gauteng MEC for Housing and Local Government Dan Mofokeng at a Land Crisis Summit last week?

It is a sobering reality that the housing allocation, now 1% of the Budget (R1,4bn in new allocations), cannot meet the ANC's electoral promise of 1m homes in five years. That target will be met only if the allocation is increased to 5% — in line with international norms — and provided there is economic growth.

The NHFC is to be set up to leverage wholesale finance from the private sector. This will most likely come from the contractual savings industry and foreign aid donations. It has the potential to raise R6bn over the next five years.

Despite these efforts to channel cheaper money through traditional and nontraditional retail lending institutions to low-income earners, however, about 60% of South Africans have no access to bank housing loans.

If all government interventions work, in the short and long term, up to half of these people could gain access to credit.

One of the co-ordi-

nators of the paper, government consultant Johan de Ridder points out that the corporation must still factor in the cost of administering small loans, which take as much time and effort to look after as the big loans do.

As the NHFC goes into a detailed design stage, the challenges of its financial modelling will become clearer.

More important is the economic growth on which the White Paper and the RDP's objectives are so dependent. The signs of growth already evident in the economy are encouraging and imply there is potential for increased savings among low-income earners, which in turn should unlock further credit.

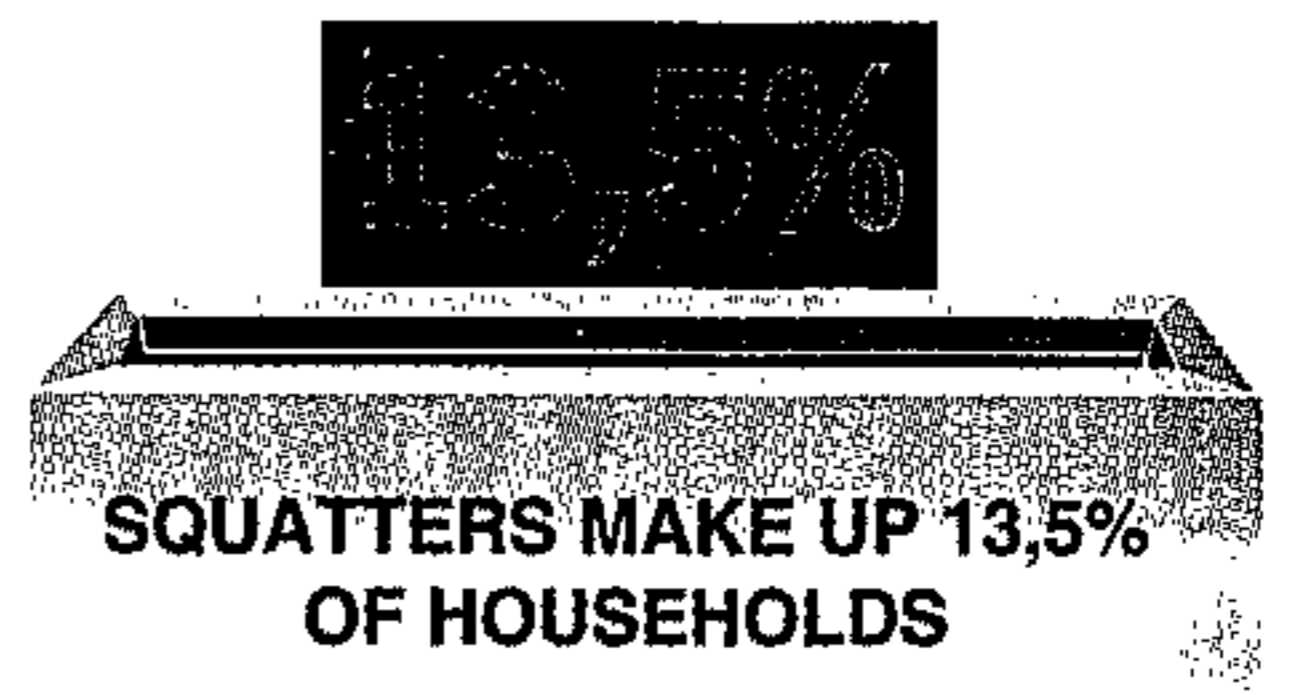
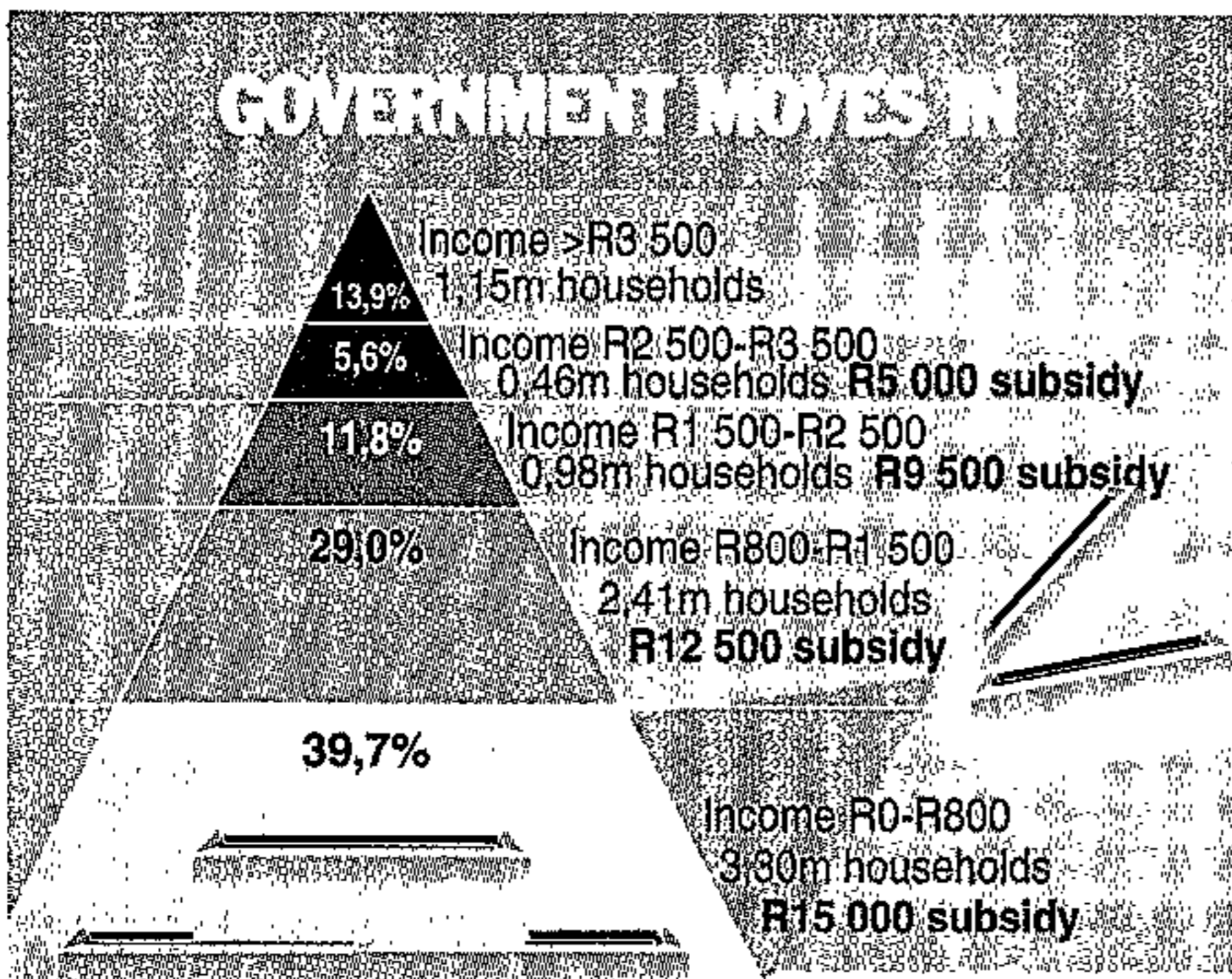
The White Paper provides the procedures for unlocking this credit.

Still to be resolved is the question of rental housing, which Slovo says will be dealt with early in the new year. But a clearer definition of how government should approach the issue and what it will cost the State is being arrived at.

Finalising the operation and size of State subsidies in the White Paper will help to clarify the issue. So far, as in the case of



Slovo ... let the talk end and delivery begin



social or co-operative housing schemes, subsidies for rental homes would go to institutions as the providers of homes. Local government or its appointed agencies are mainly charged with providing welfare housing.

Four, as opposed to the previous three, monthly, income-linked, once-off capital housing subsidies are provided for. A fourth subsidy of R15 000 for those earning below R800 has been introduced. It has a fiscal implication of R270m but will be built into the current national subsidy allocation of R1.4m.

Presumably, the allowance of a 15%

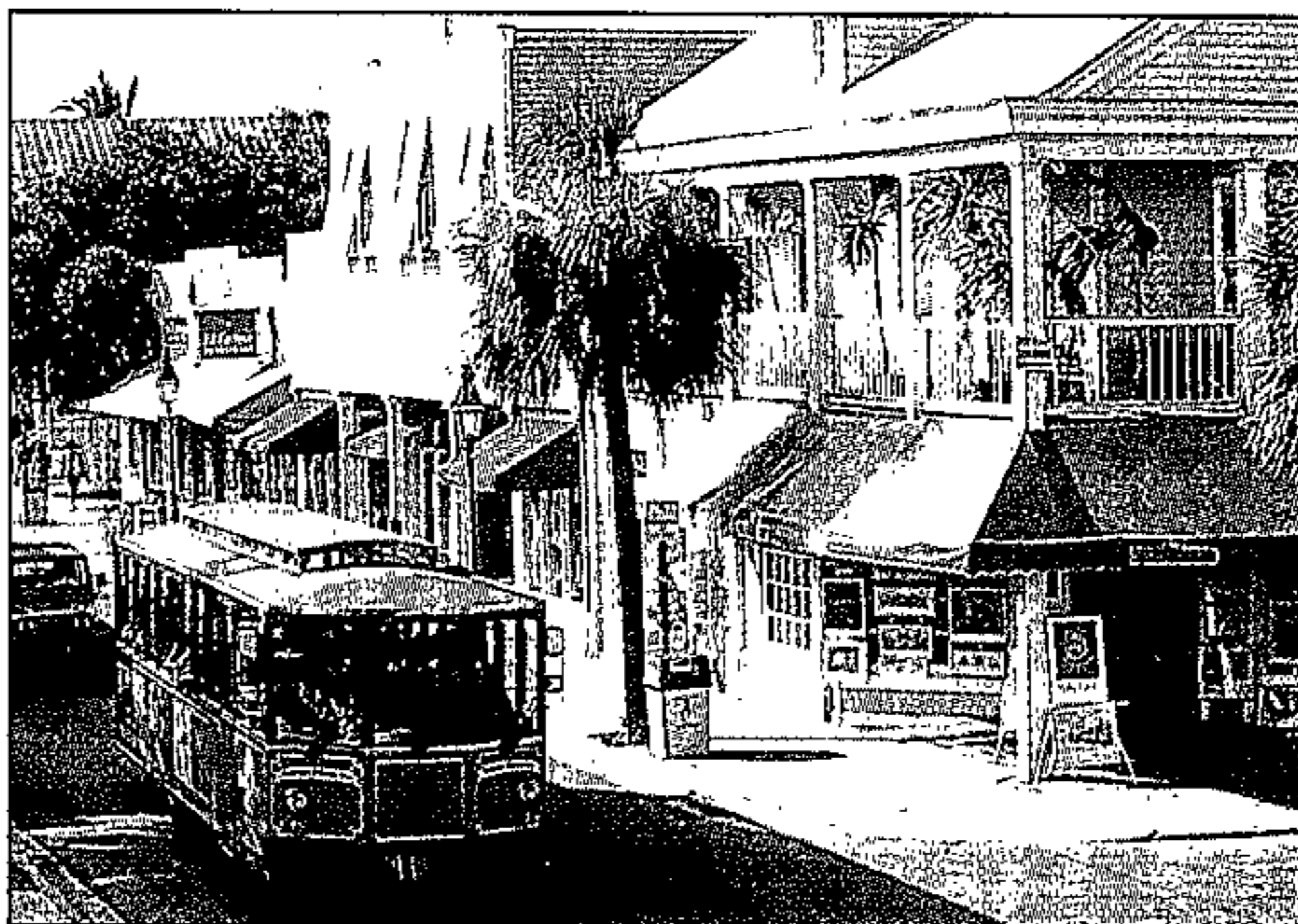
Continued from Page 35

3 km by 6 km area it packs 25 000 residents, an eclectic blend of Spanish, Caribbean and American architecture and a singularity redolent of a time and place long lost. A stroll from Mallory Square down Duval Street in Old Town, is the best way to absorb its atmosphere.

The Florida Keys is a ribbon of 800 coral islands (the only living coral attached to the US mainland) linked by the Overseas Highway. This was built in 1938 after a hurricane destroyed the railroad that was the realisation of Henry Morrison Flagler, a pioneering engineer. The highway starts at Jewfish Creek, linking Key Largo to the mainland and, with the help of 42 bridges, swings 200 km south to Key West through dozens of such evocatively named islands as Plantation Key, Islamorada, Marathon, Bahia Honda Key and Sugarloaf Key.

Key Largo, celebrated in song and movie titles, is also where they keep the *African Queen*, the actual boat Humphrey Bogart skippered in the movie of that name. It has an underwater hotel and is adjacent to two marine sanctuaries where scuba divers can examine 55 varieties of coral and 500 species of fish. If it's game fishing you're after, Islamorada is the main centre.

The highway has been described as a 200 km traffic jam, which is a solid argument for going there out of season.



Key West ... redolent of a time and place long lost

October is a good time, when the temperature cools a little from the daily average of about 30 degrees (July-August) to around 26. Humidity is always high, so the keys are not dissimilar to Durban.

Key West natives are called Conchs, incidentally, after the shellfish which abounds in the area (and on menus). And it's pronounced "Conk."

It's characteristic of their quirkiness that their cemetery has become a tourist attraction. With stone-encased caskets resting above ground (because the rocky base of

the island is too hard), the headstones reveal the Conchs' sense of humour. "I told you I was sick," reads one. "At least I know where he's sleeping tonight," says another.

There are many ways to get there. I flew US-Africa Air, the new airline dedicated to this traffic, which flew us into Washington, and then US Air to Florida. Compared with flying via London, the direct flight gives

you an extra day, and US-Africa's business class seats are wider than normal so 16 hours in the air is not as tiresome as it otherwise would be. A stopover in Washington, with its history and grandeur, is a perfect complement to Florida.

Tourist information in Florida is abundant and it's well worth boning up in advance on what to do and how to get value. Our host was the Tourism Department of the Florida Department of Commerce. Local contact is Imagination Projects: (011) 442-4920. *Tony Koenderman*

The Standard Bank Group's world-wide presence in Fixed Interest is to be centralised in and co-ordinated from Standard Capital Markets ("SCM") in Johannesburg. SCM is the group treasury operation responsible for the central management of investment products and the more complex treasury activities. As a core activity within SCM, the South African Fixed Interest activity covers a range of products and services including market making, research and strategy formulation, international marketing and distribution, derivative products and primary issue origination.

We are seeking to appoint a suitably qualified

Standard
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Head of
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individual to head up an already successful team currently operating out of Johannesburg, London and New York. The post is a key senior appointment and candidates will have extensive experience of Fixed Interest markets both in South Africa and abroad and will be capable of leading and co-ordinating this significant group initiative world-wide.

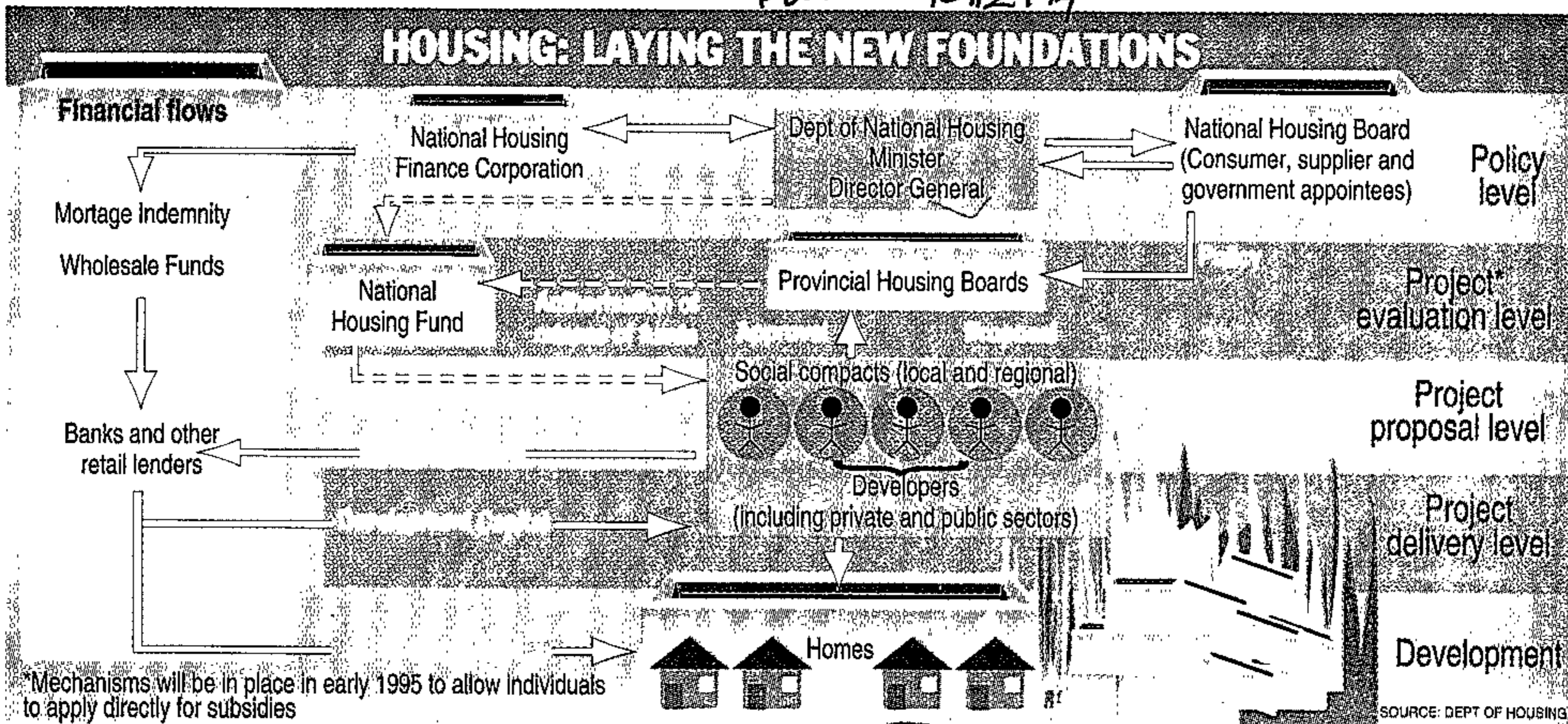
Individuals wanting to pursue this challenge are urged to make

direct contact with Mark Barnes, Chief Executive Officer, Standard Capital Markets, PO Box 61344, Marshalltown 2107, South Africa, Telephone no: (27) (11) 636-2947 to arrange a personal and confidential interview.



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FM 16/12/94



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subsidy top-up in cases where geographical or topographical conditions cause higher land servicing costs, is also included in this figure. To co-ordinate local and central government housing efforts and avoid duplicated subsidy grants, a data bank is being established by the DoH in co-operation with the Department of Home Affairs and deeds offices.

As far as bank involvement is concerned, in terms of the Mortgage Indemnity Scheme agreement reached in October between government and the Association of Mortgage Lenders, the banks are prepared to put up R2bn to provide 50 000 loans this year — provided they are covered by the indemnity scheme. This figure is set to rise to R8bn in five years' time, at which point 100 000 loans a year ranging from R10 000 to R100 000 will be provided.

The word is that Vat will be payable by subsidy beneficiaries on transfer of their houses. DoH director-general Billy Cobbett says the thinking behind this is that its exclusion would merely benefit contractors and not reach those most in need.

He also told the *FM* government does not intend to offer financial guarantees — at least at this stage. This may be disappointing news for investors eager to see government underpinning their risk. It is possible that, without guarantees, the NHFC could replicate the workings of US government-sponsored housing finance corporations which have enabled a thriving secondary mortgage market. Securitisation (the creation of an investment vehicle providing mortgage-



De Ridder ... a candidate for NHFC's top post

backed securities) is clearly an intention of the NHFC as it is mentioned in the White Paper. But, considering the ground still to be covered by the corporation, a delay in its implementation is likely.

The White Paper makes it clear that much work still needs to be done in respect of further legislation — particularly regarding the setting of national standards for the provision of water and sanitation services — and in rationalising the still numerous semi-State organisations providing, in a fragmented fashion, a range of services to the housing market. Funding is provided by as many as 64 different bodies for the full range of services. They include the SA Housing Trust, the Independent Development Trust, the Development Bank of Southern Africa and the Small Business Development Corporation.

It is suspected that as much as 60% of development funding is gobbled up by such structures and a lot of money is expected to be saved by giving clear mandates to structures that are charged with providing housing and related services.

Introducing special tariffs for water, sanitation and roads for the poor is an interesting new element in the debate and one which is likely to arouse much comment.



Cobbett ... no guarantees and Vat must be paid

Also startling are the White Paper's proposals on State-owned land. The priority, it says, should be RDP initiatives or low-cost housing. It goes as far as saying that plans to alienate State land for use other than low-cost housing should be brought to the immediate attention of a proposed review body to be set up at local government level. If the land is deemed more suitable for low-cost housing, the review body will notify the appropriate provincial MEC who will instruct the authority not to proceed with the non-housing land use. It sounds like strong stuff

and it is. But given the antipathy of many local authorities towards releasing land for low-cost housing and the "not-in-my-backyard" syndrome, perhaps it's needed to get the job done. It could thus be fair to conclude that the notification by public authorities of land to be released for low-cost housing and disputes arising from this are likely to be striking features of life in SA early next year.

The White Paper admirably achieves its aims of clearly defining the problems which SA faces in housing its people. It also proposes a broad and in-depth strategy to resolve the housing crisis. What will make or break it is intra-governmental co-ordination and an end to the culture of nonpayment of bond obligations.

SA's economic performance will also be a factor. Without growth, budgetary targets will not be met; nor will delivery targets. Meanwhile, it would help if more information on the cost implications of government's housing proposals was made available as soon as possible.

Financier pledges R220 m housing scheme kickstart

PRETORIA. — Deputy President Thabo Mbeki has commended financier George Soros for initiating the National Urban Reconstruction and Housing Agency (Nurcha).

The government of national unity has pledged R20 million to the agency and Mr Soros has declared his willingness to contribute a similar amount.

"The establishment of Nurcha will provide an effective and sustainable housing delivery process for low-income families in South Africa," Mr Mbeki said in a statement.

"The government is calling on business people and the private sector to support this noble initiative, which is a

contribution towards the solution of the housing shortage in the country."

In Johannesburg, Mr Soros said South African policy-makers needed to fulfil the hopes of ordinary South Africans during the transition period.

Hungarian-born Mr Soros, said to be the most powerful influence on world gold and currency markets, on Wednesday pledged R220 million towards housing in South Africa.

At a Press briefing on Thursday, Mr Soros said housing was one area where people's hopes of a better life could be achieved.

"It's an area where we can create jobs as well as homes," Mr Soros said.

A sum of R20 million in start-up money and a guarantee facility of R200 million will be added to a R20 million commitment by the South African government to bolster a presidential project to supply 200 000 low-cost homes over the next five years.

The project will start with R40 million seed capital for grants and overheads. Mr Soros' R200 million guarantee facility was contingent on the agency's ability to raise an additional R600 million in guarantee facilities.

Mr Soros' Open Society Foundation of South Africa (OSF-SA), founded in 1993, will be used to allocate funds to the

agency.

Former parliamentarian and chairman of OSF-SA Dr Frederik van Zyl Slabbert said housing had the most potential for value-added impact on the developing local economy.

However, Mr Slabbert warned that the provision of housing was inextricably part of broader political issues such as the bond-payment standstill and the lack of local government structures.

"We're not being romantic about housing — we're aware of the dilemmas," he said.

"Somehow we've got to break the deadlock of talking about housing and start delivering.

"We're caught up in an enormous challenge where we have to deal with an enormous number of issues concurrently, and we have to do that within 18 months.

"The real test of transition will be constitutional transition at a local level. That's where the people try to measure what has happened," said Mr Slabbert.

In his address to the foundation, Mr Soros emphasised the need for a lawful, open society which could promote economic growth. He said South Africa had a good chance of success and ranked it higher than most East European countries in terms of becoming a truly open society. — Sapa.

to the body of

ARG. 16/12/94

Employers told to help house staff

□ Buying land near workplace one option

JOSEPH ARANES
Municipal Staff

FROM helping shackdwellers buy materials for permanent houses to buying land near workplaces for staff to build homes, there is a range of options for employers to help staff become homeowners.

This is the advice of Euurick van der Merwe, senior manager of Communicare, which has been providing affordable housing for Cape Town residents since 1929.

Mr Van Der Merwe said at a Cape Chamber of Industry and Commerce seminar on affordable housing that it was not envisaged that employers should provide each worker with a free-standing house complete with services, but they could play an important role.

"Employers could for example begin by assisting a shack dweller to purchase a new roof and then a piece of land which could be serviced and on which a formal dwelling could ultimately be built.

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"They can also help by buying land near the place of work and helping employees build their homes on it, and by giving workers low-interest loans.

"Other options could include giving workers access to provident and pension funds, subsidising their instalments, providing them with legal advice or using a combination of the various approaches mentioned."

He said workers could benefit from government funding and an employer's housing scheme with the proviso that if an employee was getting a recurring benefit, this would be added to his income, which in turn would affect his eligibility for a state subsidy.

"The employers would also benefit from tax incentives as they would qualify by offering housing assistance and could get a 50 percent tax reduction on cost incurred up to R6 000."

Mr Van Der Merwe also outlined the government's new housing subsidy scheme — project-based subsidies — which replaced the first-time home

owner's subsidy.

"Workers earning R1 500 and less will get a R12 500 subsidy, those earning between R1 500 and R2 500 will get R9 500 and those in the R2 500 to R3 500 bracket will get R5 000 — on condition the house does not cost more than R65 000."

"Other subsidies in the pipeline are the social housing subsidies in which rents will be subsidised with the option of converting to ownership at a later date."

He said employers should not sit back and wait for the government to build houses, but should create their own housing schemes.

"Work with the unions, identify the best option for the company and explain it to the workers."

"Design a housing assistance package that addresses the needs of the workers and work closely with them during its formulation, and make up the rules as you go along as this is the key to the success of a good company housing scheme," Mr Van Der Merwe said.

Billions required to house all farm workers

IT WILL cost R100m to provide houses for just 9 000 farm workers at R11 000 a house under government's proposed subsidy scheme, the SA Institute of Race Relations has estimated. Therefore, the cost of housing all of the approximately 1,5-million people employed on farms will run into billions of rands.

Farm-worker housing is being discussed by a joint technical committee of the National Housing Forum. The forum says there should be security of residential tenure for people working on farms.

The institute says the use of housing to tie farm workers to employment on a farm should be combated.

Housing is one of farm workers' most important demands. Since the mid-1960s, when labour tenancy was outlawed and gradually replaced by full-time paid labour, farmers had been responsible for providing housing for their workers.

Housing has, therefore, become an indirect part of farm workers' wage packets and is tied to their employment. Taking dependants into account, about 6-million people rely on farms for their survival.

Very little research has been carried out

on the size of the housing shortage for workers on farms.

Farm worker organisations are concerned that government's national housing programme will focus only on Gauteng and urban areas.

They have suggested that farmworkers and other rural dwellers should qualify for the same shelter/basic needs subsidy as urban dwellers; that farmworkers should have the choice of investing the subsidy on or off the farm where they work; that farmers should continue providing seasonal workers with accommodation on their farms; and that farmers should receive tax incentives to invest in social infrastructure on their farms.

On the other hand, the SA Agricultural Union believes that housing is the joint responsibility of farmers and government and that the current system of employment-linked housing for farm workers should continue.

The Agriculture Department has proposed that farmers should receive a subsidy of up to R9 500 a family.

BD 23/12/94
NOMAVENDA MATHIANE

Sactwu provides loans security

BD 23/12/94

WILSON ZWANE

THE SA Clothing and Textiles Workers Union (Sactwu) is to lodge R20m with the Community Bank for use as collateral for union members applying for home loans. Sactwu Western Cape official Richard Kawie said this week the money would be diverted from the clothing sector's provident fund. Employers and workers had agreed to this in principle, and details were being finalised with the bank. (123)

Initially, the scheme would operate in the Western Cape. If successful, it would be extended to other regions, Kawie said. The Community Bank was chosen because it speaks the language of our members. It is accessible to our members and is the only bank which has not sought securities when processing loan applications from our members," he said.

Bank CEO Cas Coovadia said it was

seeking a similar arrangement with the NUM, focusing on the Rustenberg area. Discussions would be held early next year. While the bank wanted a presence throughout the country, it would concentrate on Gauteng, the Eastern Cape and the Western Cape in the next two years.

The bank has branches in Hillbrow, Johannesburg's central business district, Benoni on the East Rand and Athlone in Cape Town. In addition, it has a community outlet in Daveyton on the East Rand. Coovadia said there were plans to set up six to eight more East Rand outlets.

The bank was also looking at serving Alexandra through its Hillbrow branch. A branch could be established in Alexandra in six to seven months' time.