

Budget speech by the mayor

29 June 2011

Budget speech by the executive mayor of the City of Johannesburg, Councilor Mpho Parks Tau, Council Chamber, Metro Centre, Braamfontein – Johannesburg.

2011 THEME:

"Focusing on service delivery imperatives and preparing for the City of the future"

Madam Speaker

Fellow Councillors

My fellow residents

Just three days ago, we celebrated the 56th Anniversary of the adoption of the Freedom Charter.

The Freedom Charter, adopted at the Congress of the People in Kliptown on the 26th of June 1955, in its preamble, states that:

"We, the People of South Africa, declare for all our country and the world to know:

that South Africa belongs to all who live in it, black and white, and that no government can justly claim authority unless it is based on the will of all the people;

that our people have been robbed of their birth right to land, liberty and peace by a form of government founded on injustice and inequality;

that our country will never be prosperous or free until all our people live in brotherhood, enjoying equal rights and opportunities;

that only a democratic state, based on the will of all the people, can secure to all their birth right without distinction of colour, race, sex or belief;

And therefore, we, the people of South Africa, black and white together equals, countrymen and brothers adopt this Freedom Charter;

And we pledge ourselves to strive together, sparing neither strength nor courage, until the democratic changes here set out have been won."

The Freedom Charter talks of a non-racial, non-sexist, democratic and a prosperous society as well as one characterised by socio-economic prosperity and advancement. It is these values that had inspired the great leaders of our movement such as Nelson Mandela, Oliver Tambo, Joe Slovo, Walter Sisulu, Lillian Ngoyi and Yusuf Dadoo.

Sthembiso Msomi, a well-known political commentator writing for the Sunday Times, on 26 June 2011: ..."But just as the US Constitution cannot be fully appreciated as a legal document without understanding the importance of the Declaration of Independence as a founding political document, the charter's demand for equal rights, justice and freedom should be seen as being at the core of our founding document .... It ought to be treated as part of our common national heritage, not least because many of the values it espouses are now enshrined in the Constitution."

The new society as envisioned in the Freedom Charter is a response to the legacy of apartheid. This inhuman system institutionalised discrimination and segregation on the basis of race. It denied the majority access to political power and imposed an inequitable socio-economic system.

A clear understanding of our past enables us to frame our agenda of transformation, which includes:

Eliminating poverty and extreme inequalities;

Democratising the economy and empowering the disadvantaged;

Creating productive employment opportunities;

Initiating growth and development to improve the quality of life of our citizens, especially the poor; and

Giving due regard to the implementation of environmental sustainability and the judicious use of resources.

Madam Speaker, in response to these challenges, the agenda of this administration is unambiguously one of fundamental socio-economic transformation and redress.

It does also require, Madam Speaker, that we focus on ensuring improvement in the quality of services we provide. We should ensure this through investment in repairs and maintenance of our current infrastructure. We also need to ensure that all employees in our city serve the people of Johannesburg, with honesty and diligence.

Building on the legacy and high performance levels

Fellow residents, we are building and growing our city on a solid foundation laid over the past years. Over and above extending basic services, as well as providing public transport infrastructure, we have revitalised areas of urban decay, implemented flagship projects and stabilised our City's finances even during the recent harsh economic climate.

Service delivery imperatives: Programme of action

Two weeks ago the Mayoral Committee spent four days at a Budget Lekgotla with Executive Management, Managing Directors of Municipal Entities, and Chairpersons of Boards, deliberating on what needs to be done. We all emerged with a shared perspective and agreed that:

Operational efficiencies and responsiveness to service delivery are non-negotiable; and

Excellence in basic service delivery in Johannesburg must become the norm.

We have focused extensive attention on recognising those areas of our work that need significant improvement, as well as developing concrete plans of action to ensure that our citizens continue to see visible improvements in their daily lives.

We also acknowledge that fundamental transformation of the city depends on a highly efficient and functional environment. The approach adopted in addressing service delivery issues was to develop a comprehensive and integrated approach for each priority area.

Madam Speaker, over the next few months, the city will be seized with getting the basics right. Allow me to spend a few moments outlining some of these focus areas.

#### Billing and call centre

We are all aware that the objectives of the Phakama Project were to redress historical anomalies in our revenue, billing and property value chain and to improve the customer experience. We recognise that although the system has stabilised, there were a number of challenges post-implementation. We intervened and are beginning to see some results in areas such as query resolution and revenue collection.

Although we are seeing some progress, we remain extremely concerned about on-going billing challenges that impact on the quality of services that our customers are experiencing on a daily basis.

Madam Speaker, it is not acceptable for people to wait long periods of time to have calls answered, or have calls dropped when they eventually get through.

Managers and employees need to understand and appreciate the gravity of their actions or non-actions and the implications thereof at a much broader level. Some of these challenges are also gaining attention from quarters such as the Public Protector, the Consumer Council and the Auditor-General (AG).

In fact a meeting in preparation for finalising the Auditor-General's report, revealed some challenges which warranted our urgent attention.

In this new term of office we commit to investing in interventions to ensure, amongst others, the following:

Management turnaround and interventions to sort out the billing challenges;

Enhanced operations and responsiveness to query resolution;

Management and operational improvements;

Turnaround of the City's call centre to ensure that staff attending to queries do so professionally; and

Improving revenue collections levels.

Over the short to medium term, our focus will be on ensuring that we become more responsive to our residents. This means that it cannot be business as usual. We have always said that the issue of systems are distinct from human errors. We will not tolerate incompetence.

Our attitude to our management and employees is that of a partner in addressing these issues. We also extend a hand of partnership to communities and residents to work together with us in finding solutions and to help realise our objectives.

#### Electricity outages

In the last couple of weeks we have witnessed power outages in various areas in the City such as Observatory, Kensington and other areas in the north-eastern suburbs.

Another severely affected community was the suburb of Noordgesig, which had a blackout that lasted for almost 33 hours and as a result turned into a violent service delivery protest. Fellow residents, in the cold months lying ahead, we will do everything in our power to ensure that electricity supply remains uninterrupted across the City. We have also increased our response team's availability on weekends so that there is no repeat of such incidents.

Madam Speaker, cable theft and illegal connections are the biggest contributing factors to power outages. I would like to take this opportunity to express our gratitude to a Johannesburg resident, Ms Gail Otto, who last week single-handedly followed a group of suspected cable thieves allowing the police to execute a raid on the suspected base of operations.

Through the active citizenry of Ms Otto and many others like her, we can continue to crack down on gangs operating to destroy our infrastructure. We will continue to pursue the representation made

to the Minister of Justice by Mayor Masondo in April 2011, motivating for strong prosecution and sentencing of cable theft crimes.

We strongly believe in partnerships and call upon all our citizens and stakeholders to partner us in fighting this escalating problem.

#### Public Lighting

We have received a number of complaints from communities about the functionality of our streets lights, especially along major highways. We will ensure that all public lights in the City are functioning at night and off during the day, including along major highways.

We are mindful of the fact that some of these public lights are on provincial and national roads. We commit to petition the other spheres of government on behalf of the people of Johannesburg to join in this effort to improve these public services.

#### Refuse Removal, illegal dumping and by-law enforcement

We will increase the cleaning of all informal settlements to 5 days a week. Other critical service delivery issues include a focus on by-law enforcement especially illegal posters, illegal dumping and targeted crime prevention measures in all recreational facilities. We will also ensure that we cut grass in open spaces, including private properties, the owners of which will be invoiced; clean pavements and remove alien vegetation.

#### Traffic mobility

Traffic mobility and congestion management will be improved through a focus on repairing traffic lights in all critical intersections in the city and strategic deployment of metro police officers during peak hours. Traffic enforcement will also be intensified, targeting those motorists infringing traffic and city by-laws.

#### Potholes, repairs and maintenance and blitzes

Repairs and maintenance are also high on our list of priorities in the next few months. We will intensify our efforts to refurbish roads, fix potholes and ensure storm water maintenance. Cleaning blitzes and basic maintenance of hostels, community facilities, old age homes and other council-owned stock will be undertaken at scale.

Madam Speaker, we have instructed senior management to ensure that over the next few months, the focus is on addressing these basic service delivery problems. We also advised them that this period should be utilised as an opportunity to raise standards of performance to a new level. We

went a step further to inform management the next phase of performance contracts will be aligned to service delivery imperatives.

We have also cautioned those whose contracts are coming to an end and who cannot rise to the challenge of our expectations, to do the honourable thing. To those few who still have longer term contracts, if you do not meet our expectations – please do not make us ask you to do the honourable thing.

#### Growth and Development Strategy process

Madam Speaker, the Growth and Development Strategy (GDS) approved in 2006 has been the cornerstone of our developmental trajectory. The 2006 GDS principles showed bold commitment to tackling the vast array of challenges facing the city, but more importantly affirmed:

Johannesburg's position as a city that assists those living in poverty by ensuring shared economic opportunities for all;

a city of sustainable human settlements that focuses on resource security and environmental sustainability;

one that will build social cohesion across race, class and gender, and across sectors and faith;

promoting good governance and dealing decisively with corruption;

building a prosperous and safe city that attracts investment and economic growth; and

promoting social inclusion and healing the fractures in our society.

However, there have been massive changes globally, nationally and locally and we believe the time has come for us to have a fresh look at the GDS to ensure that its goals and directives still meet the needs of a dynamic urban environment.

Madam Speaker, we want to have a conversation; with residents of Johannesburg - a meaningful conversation about the challenges in our City, such as:

#### Environmental Sustainability

Possible water scarcity - expected demand will exceed supply shortly and how do we mitigate this;

Rising acid mine water tables in some parts of our City;

Potential dangers for our infrastructure;

The shortage of land fill sites and what this means for our waste management practices;

Energy security and load shedding;

The management of the ecosystem which includes our ridges, rivers and the quality of our air and how these may affect the bullfrogs and butterflies; and

The impact of climate change.

Economic Growth and Development

Youth unemployment and youth development - 30% of Joburg's citizens are unemployed, the especially youth; and

Infrastructure development and the financing – especially key infrastructure such as the southern sewer treatment and electricity intake points.

Health and quality of life

Poverty and under-development - 67.2% of households in the city earn less than R3200 a month;

Food security - 42% of the population are food insecure meaning that households have gone without food for 3 to 10 times in the last four weeks;

Lifestyle diseases – such as diabetes, heart disease and obesity;

HIV/AIDS and manageable diseases such as TB and childhood infections.

Safety

Crime, by-law enforcement and traffic safety.

Governance

Smart technology and what would living in a Smart city mean for Joburg residents;

Civic responsibility and rights; and

Moral regeneration.

Sustainable Human Settlements

Management of residential amenities and instances of collapse in sectional title body corporates; and

People living in the informal settlements.

We have also realised that the future sustainable development of the City requires a concerted effort from all those who have an interest in the future sustainability of the City of Johannesburg.

Social partnerships with residents, communities, businesses, organised civil society, faith-based organisations and other spheres of government, are crucial to address these issues.

It is in the spirit of the Freedom Charter, that we make a clarion call to all our residents and stakeholders of the city of Johannesburg to actively engage and participate in this GDS process.

We will be releasing the first draft of the GDS in the next two weeks for public comment and consultation.

As part of our commitment to inclusivity, we intend to embark on a broad GDS outreach process in order to allow all Joburg citizens to be part of future agenda setting. We want to inspire our citizens and capture the imagination of everyone who calls Johannesburg their home. Through this process we will be bold and open about the challenges we face and work collectively to produce a strategy that is not only visionary and path-breaking but more importantly one that is realistic and implementable.

This intensive city-wide public consultation process will run during the months of July and August and culminate in a GDS Summit in September 2011.

#### 2011/12 Medium Term Budget

Madam Speaker, the 2011/12 medium term budget we are presenting here today attempts to strike a balance between on-going service delivery imperatives and responding to the developmental challenges confronting the City.

This Budget also provides us with an opportunity to assess our service delivery performance and challenges and review the effectiveness of current programmes. It has been prepared within a context of transition.

Fellow residents, I would like to extend my sincere appreciation to all those residents and businesses who continue to sustain this city by paying for their services. I encourage you to continue with this practice as responsible consumers.

Madam Speaker, the underlying principles of this budget are as follows:

Strengthening financial management and accountability;

Achieving financial sustainability; ensuring that the expenditure is aligned to the revenue and that the City has sufficient cash to meet its debt obligations;

Ensuring that the City generates surpluses to build its cash reserves; to ensure positive working capital and thereby reducing the level of borrowing;

Ensuring that the capital investment is within the financial capacity of the City and that there is continuous investment on infrastructure maintenance;

Continue to review all the services and programmes for operational efficiencies; and

Stretching the rand – "doing more with less".



Therefore, in the next financial year, we will ensure that the spending of the budget focuses on service delivery imperatives and takes into account the medium to long term priorities of the City that will be agreed to as part of the GDS process.

#### Operating budget

Let me start by examining the operating budget. Specific details on allocations for each of the departments are contained in the budget book but, at a high level, the operating budget of the city in the next financial year will focus on:

Service delivery imperatives such as traffic management, maintenance of roads and fixing potholes, open space maintenance and grass cutting, repairing street lighting and reducing power outages, informal settlement cleaning and addressing of illegal dumping;

A budgetary allocation has been made for improving the revenue value chain and customer interface; and

Extension of access to health services for the elderly, as well as a focus on vaccine preventable diseases in children, disaster management and maintenance of community facilities.

#### Capital budget

The highlights of the City's capital budget include:

Rehabilitation of Bruma Lake;

Infrastructure and housing developments such as Alexandra hostel, Baragwanath central precinct, Selby Village and Stretford station precinct phase 2;

Installation of smart meters and bulk infrastructure for electricity as part of the demand side management programme;

Upgrading of sewer and water infrastructure;

Upgrading of roads and integrated storm water;

Extension of Rea Vaya BRT infrastructure and implementation of Phase 1 B; and

Development of new parks and upgrading of existing ones.

#### Tariffs

Madam Speaker, the City annually reviews its tariffs in line with the City's Tariff Policy. The policy provides a broad framework within which Council can determine fair, transparent and affordable service charges that also promote the sustainability of service provision, taking into account the social, economic and financial imperatives of the City.

The 2011/12 financial tariff increases were driven by the following broad considerations:

Input costs from suppliers – Eskom tariff (26.7%) and Rand Water increases tariff (12.1%);

Current national electricity constraints;

Projected shortage of water resources;

Need to continue the roll out of demand side management programmes;

Stepped tariff, to afford the opportunity to consumers to manage their bill by changing consumption patterns to levels affordable to them;

Development needs, and therefore the funding requirements to ensure sustainability of services;

Social considerations including the Expanded Social Package; and

Impact of inflation; and

Cost of providing services.

The proposed tariff increases for the major services are therefore as follows:

Property rates will increase by 6.7% for all categories of properties;

An average increase of 14% for water and sanitation services;

Refuse removal tariff increase of 6.7%;

An average increase of 27.7% for electricity ranging from 5% for prepaid customers to 31%; and 28% for business and industrial customers respectively; and

Lifeline customers receive a favourable tariff increase of 8%.

Madam Speaker, one of the principles of the City's Tariff Policy is premised on social considerations. This calls for tariffs that are equitable, affordable, and that promote access to basic services for everyone, including the poor. In addition, the City has the Expanded Social Package Policy which provides differentiated service subsidies for varying poverty levels as determined by the poverty index.

The following provisions are made in the 2011/12 tariffs to give effect to the social principle:

Varying property rates rebates are given to residential property owners who are registered on the City's Expanded Social Package, pensioners and sectional title residential property owners, subject to conditions detailed in the City's Property Rates Policy;

Residents with a property value less than R150 000, pay an annual rate of R60.00 (R5 per month);

Residential properties valued at less than R150 000 will continue to receive free refuse removal service;

The first R150 000 of the value of all residential property is exempted from rating; and

All households within the City will continue to receive 6kl free water every month.

Proposed budget for 2011/12 financial year

Madam Speaker, we present today an operating budget of approximately R29.4 billion and a capital budget of R3.7 billion for the 2011/12 financial year. In total we are presenting a R33 billion spending plan. The details of the allocations are attached in the annexure.

## Conclusion

In closing I would like to remind this Council that this event is taking place at a time when we mourn the loss of Mama Albertina Sisulu and Professor Kadar Asmal, two stalwarts and tireless champions of the Freedom Charter. As President Jacob Zuma said at Mama Sisulu's funeral, "Very few people can be said to have served their country and people with dedication, commitment, sacrifice, loyalty, respect, selflessness and patriotism like Mama Sisulu has done."

Professor Asmal's death last week was another blow to the country. As the President again stated, "He will be remembered for his energy, forthrightness, efficiency and commitment to making the country a better place each day. He will also be remembered for his passion for human rights for all."

Madam Speaker, I stand here today again grateful for the trust bestowed in us to lead this city. We have a duty to ensure that the values that they stood for remain at the centre of our work - and we dare not disappoint them.

I reiterate my willingness to work together with all political parties, stakeholders and communities to find workable solutions for the diverse range of developmental challenges facing the City of Johannesburg.

We are convinced that the City has a clear roadmap for delivery – both in the immediate and short term as well as in developing a process for long term development. The City of Johannesburg is poised for an exciting new chapter in its history and let us all work together to help create a better Joburg through the building of better communities.

Madam Speaker, I will be remiss if I do not report to this Council on a historic event that took place yesterday - the naming of the Lufthansa A380-800 Airbus to Johannesburg, following this Council's approval. The naming of this airline to Johannesburg, is testimony that indeed, we are recognised by the international business community as an economic hub and an undisputed headquarter of regional trade, commerce and industry - a World Class African City.

Thank you