

May 23 2007 Budget

23 May 2007

Budget speech delivered by the Executive Mayor, Clr Amos Masondo, Metro Centre, the Council Chamber, Braamfontein – Johannesburg.

Madam Speaker: Councillor Nkele Ntingane
Chief Whip of Council: Clr Bafana Sithole
MECs and Members of the Provincial Legislature
Mayors and Speakers of Municipal Councils
Members of the Mayoral Committee
Members of the Diplomatic Corps
Leaders of all Political Parties
Fellow Councillors
City Manager: Mavela Dlamini
Managers and Officials of Council
Distinguished guests
The media
Fellow Citizens
Ladies and Gentlemen

1. INTRODUCTION

Madam Speaker, it is a great privilege and an honour to address this sitting of council on this important occasion – the presentation of the Budget.

In his book, *'Development as Freedom'* Amartya Sen says "*Development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities as well as systematic deprivation, neglect of public facilities as well as intolerance or overactivity of repressive states. Despite increases in overall opulence, the contemporary world denies elementary freedoms to vast numbers – perhaps even the majority – of people*".

"Sometimes the lack of substantive freedoms relates directly to economic poverty, which robs people of freedom to satisfy hunger, or to achieve sufficient nutrition, or to obtain remedies for treatable illnesses, or the opportunity to be adequately clothed or sheltered, or to enjoy clean water or sanitary facilities".

"In other cases, the unfreedoms link closely to the lack of public facilities and social care, such as the absence of epidemiological programmes, or of organised arrangements for health care or educational facilities, or of effective institutions for the maintenance of local peace and order".

"In still other cases, the violation of freedom results directly from a denial of political and civil liberties by authoritarian regimes and from imposed restrictions on the freedom to participate in the social, political and economic life of the community".

Madam Speaker, we see the budget as an instrument through which we manage public funds in a way that ensures that we improve the quality of life of our people. We see the budget as an instrument of development and as a weapon to deal with sources of unfreedom. We do this through planning, allocation, control and proper accounting for every cent entrusted to this local government.

We are not just concerned with the costs and income of programmes but about their impact and benefit to citizens.

This budget speech puts forward a highly rational approach and urges all of us, all the 217 councillors from across the political spectrum in the City of Johannesburg, to approve both the detail and its broad progressive principles. In this rationally structured budget, we state both the needs of all our communities and provide a clear indication of that which constitutes the priorities.

We continue to strive for a proper administration and sound financial management. We have no doubt that this will be attained.

Not only are we committed to collecting all the money that is due to council but we will continue to review and evaluate each programme identifying those elements that are ineffective or no longer useful and discard them in favour of those that are more useful and relevant to take us into the future.

Apart from seeking to deliver services we remain committed to ensuring that this local government is positioned as an important economic role player of significance. We will therefore continue to strive for a climate in which business and industry as well as modern communication takes root and is deepened.

2. HIGHLIGHTS OF THE CURRENT FINANCIAL YEAR

Madam Speaker, it is worth noting that thus far the year 2007 has been a fairly eventful year.

Apart from the major initiatives that this council has taken to involve the citizens of Johannesburg in the public participation process aimed at ensuring that they take an active part in shaping the City and its future – such as the Inner City Summit and the Stakeholder Summit, we have also had an opportunity to honour those who have helped shape the history of this great City.

In addition, the first-ever Presidential Imbizo was held in Johannesburg from 14 to 15 April 2007. The President did not just show keen interest in the level of socio-economic development and service delivery programmes, but singled out two critical areas that required further and urgent attention.

Firstly, he expressed the view that the local economic development plans for the City were not substantial enough to ensure that the country realises its 6% economic growth. That for it to do so, it will require that Johannesburg grows at 9%.

Secondly, the President reinforced our view that the housing plans were not sufficient to cope with the demands of a City that is faced with the complex challenge of urbanisation and migration.

Madam Speaker, we have taken both points very seriously. In response to these concerns, in the period leading to this day, we convened an important 'economic development' workshop whose outcome has been fed into the IDP and the budget process.

Furthermore, we are also actively seeking to ensure that integrated development and collaboration between our Planning and Housing departments is practicalised and a comprehensive response to the formalisation of informal settlements become a reality.

It is important to state that the President's visit also provided us a platform to consider and reflect on the many challenges we face and the achievements we have made. There was a great hope that this visit would enable us to ensure synergy between plans of all spheres of government: the National Spatial Development Perspective, Gauteng Spatial Development Perspective and the City's Spatial Development Framework. In this regard, all signs seem positive.

3. WHAT INFORMS OUR BUDGET

At the start of this Mayoral Term, on the 12th of May 2006, a Growth and Development Summit which was attended by more than 1500 people was held at Nasrec. The Summit was in response to the call made by the President for such representative gatherings to be held in every metropolitan council and district municipality.

It is no exaggeration to say that we emerged from this aforementioned Summit with a clear and carefully considered citywide consensus on the long-term plan for the City of Johannesburg.

Madam Speaker, the GDS and the IDP provide us with a basis for resource allocation.

The Growth and Development Summit's vision statement declares that:

"In future, Johannesburg will continue to lead as South Africa's primary business City, a dynamic centre of production, innovation, trade, finance and services. This will be a City of opportunity, where the benefits of balanced economic growth will be shared in a way that enables all residents to gain access to the ladder of prosperity, and where the poor, vulnerable and the excluded will be supported out of poverty to realise upward social mobility. The result will be a more equitable and spatially integrated City, very different from the divided City of the past. In this World-Class African City for all, everyone will be able to enjoy decent accommodation, excellent services, the highest standard and safety,

access to participatory governance, and quality community life in sustainable neighbourhoods and vibrant urban spaces".

The IDP may be a five year plan but it is best briefly expressed by the six Mayoral Priorities, which are:

- Economic growth and job creation
- Health and community development
- Housing and services
- Safe, clean and green city
- Well governed and managed city
- Fighting the scourge of HIV and AIDS

4. THE CENTRALITY AND IMPORTANCE OF JOBURG

Given the nature of this City and its importance, it is important to remind ourselves of the following:

- The population grew from 3,225 791 million in 2001 to 3,790 324 million in 2006. This constitutes an average growth rate of 3,5% per annum.
- The strongest growth is taking place in the age groups of 15 to 49 year olds. This increased from 2 059 141 in 2001 to 2 435 335 in 2006.
- A further remarkable trend is that people with an education level of grade 12 and higher are rapidly increasing. Matriculants increased from approximately 850 000 in 2001 to 1,1 million in 2006 while graduates increased from approximately 138 000 in 2001 to 156 000 in 2006.
- The number of people employed grew from 1 084 961 in 2001 to 1 272 340 in 2006.
- Johannesburg accounts for over 16%,9 of South Africa's GDP and employs 12% of the national work force.
- Joburg needs to grow at a much higher pace if the country is to achieve a 6% growth rate (we have set ourselves a 9% economic growth rate).

In order to better appreciate how the City has evolved in the last decade it is important to reflect on some of the following critical challenges we have had to overcome:

- Sandton's rates boycott in the year 1996 against what was perceived as 'unfair wealth tax'.
- The then Political fragmentation that progressively got reduced from 13 to 7 to 5 and ultimately to 1.
- The low payment levels, inability to borrow, historical loans, poor financial management and reporting led to a financial crisis.

Please allow me to confirm that Johannesburg is today financially sound, all governance basis are in place, this City fully complies with the South African Local Government Legislative Framework.

Today, the rating agencies provide us with the following picture:

- I am pleased to report that the City of Johannesburg's long-term rating has been upgraded. On the 30th of May 2006, our rating got up-graded from A flat to A+ by CA Ratings and from A- to A flat by FitchRatings.
- According to the latest credit rating report by FitchRating (April 2007) The Johannesburg's long-term credit rating has been upgraded from A flat to A+ while the City's short term credit rating has been confirmed at F1.

Note that FitchRating is an international rating agency.

5. IDP AND THE STAKEHOLDERS FORUM

The budget and IDP process seeks to translate commitment into action.

Please allow me to highlight some of the comments that were raised by the City's residents:

"The hardships faced in informal settlements is summed by Mapaseka Moloi from Ward 10 (informal settlement), who said that "there are neither lights nor sewage provided in the squatter camps."

We need to remind ourselves that the City is upgrading, renewing and extending its networks in order to scale up its backlog eradication programme. Currently areas with no service – Water is 5% and sanitation 9% - are mostly in informal settlements and unserved areas. The City launched Project Thonifho (a luVenda name for Dignity) to accelerate service in informal settlements. We aim at providing improved water and sanitation to 20 000 additional households by June 2007, and to a further 30 000 in 2007/2008 financial year. This represents a substantial increase on previous years.

She further said 'we currently only have access to taxis, when will our area (Diepsloot) get buses to also benefit from Rea Vaya?'

Madam Speaker, we are one of very few municipalities that have a comprehensive transport policy in place. The City's approach is informed by the Integrated Transportation Plan.

In addition, the Bus Rapid Transit (BRT) will be integrated into the broader transport system with feeder routes being serviced by minibuses and taxis that will link to the Gautrain network. Our objective is to move at least 10 percent of City's commuters from private vehicles onto the public transport network.

The City's transport plan seeks to address transport fragmentation and it focuses on the key economic nodes and those that are currently most travelled. Corridors include a north-south route from Sunninghill to Soweto, as well as an east-west route from Alexandra to Randburg and beyond. Seven routes have been selected in order to give the commuter maximum flexibility with minimum cumbersome transfers. It is our intention to implement this plan not later than 2008.

The City's focus is on strengthening our efforts with regard to ensuring that the BRT programme is effectively implemented.

In Region A, Isaac stated that "People want to work but need help to finance equipment and upgrade their skills. The city has these skills and experience but we need access to them".

Madam Speaker, we have established a full directorate to take responsibility for the growing portfolio of economic development.

Our key programmes range from sector development programme, business process outsourcing, ICT, tourism, trade promotion and investment, assisting with BBBEE, Urban Development Zone (UDZ) Tax incentive, informal trading, skills development programme and LED leanerships including training and placement of youth, the Extended Public Works Programme as well as the establishment and the launch of the SMME Fund.

Miriam Makhubela from Region E asked: "What can we do to intensify the education of the communities? This issue is critical for environmental management issues like promotion of recycling, protection of open spaces from decay and abuse and reduction of illegal dumping problems in the city. All parts of the city are affected."

The City has a comprehensive Environmental Management Framework in place and is committed to pursuing a path of Sustainable Development. Greening programme will be intensified through the planting of 200 000 trees by the year 2010. The City will also encourage developers to plant at least two trees for every house built, these will include fruit trees.

6. 2007/2010 MEDIUM TERM BUDGET

Madam Speaker, I now turn to the 2007/2010 Medium Term Budget. It is my distinct pleasure to table a historic R25 billion budget for consideration at this Council sitting.

As you will see from the figures, the budget is a reflection of a rapidly growing City that is alive with economic activity, bubbly with the spirit and the 'can-do attitude' of its people.

The Budget is made up of a capital budget of R4, 7 billion and a total operating budget of R21 billion. On the expenditure side this constitutes a growth of approximately 19% compared to the 2006/2007 figures. This significant rise is indicative of the broader economic growth and development that is taking place within Johannesburg and within the broader province of Gauteng.

This rapid growth pattern will place significant demands on the City's infrastructure – on our roads network, our electricity grid, our water reticulation network and on the availability of essential services such as waste removal and sanitation.

Let us get used to the idea: this is the league we are playing in and these are the inevitable situations that we have to deal with and that we will be increasingly facing as the City continues to grow. And as a responsible local government and democratically elected

Council we cannot shy away from these issues, or pretend that they do not exist, or fail to plan for future growth.

This R25 billion budget seeks to address these stated challenges and ensure a meaningful advance to the future.

7. REVENUE

Madam Speaker, in terms of revenue the City intends to raise a total of R21,1 billion for 2007/2008 and R22, 3 billion for the 2008/2009 financial years. We are budgeting for a rise of 7,1% in assessment rates, 5,1% for water, 5,9% for electricity, 5,1 % for refuse removal and 5,1 % for minor tariffs. This brings us to an average tariff increase of 6%.

A resident who lives in Diepkloof and was paying R282.55 in the current financial year, will be paying R298.10, and Ivory park resident who was paying R69.22 this year, will be paying R73.36 in the coming year financial year, a resident from Lindhaven who was paying R1011.44 will be paying 1066, 58 in coming financial year and a resident in Rosettenville who was paying R602.63 this year financial year will be paying R638.06.

In addition, we propose that a 2% surcharge be levied on business customers on the tariffs for trading services namely water, electricity and refuse removal. This is being done in terms of Section 229 of the Constitution and Section 4(1)(c) of the Municipal Systems Act. As you are aware that the Municipal Fiscal Powers Bill that is currently being considered by parliament will regulate the powers of municipalities to raise surcharges on fees for services and to charge local taxes and levies.

The proposed surcharge will be an additional 2% of the already determined municipal base tariff. Council will review this surcharge on an annual basis and the percentage increase might vary between services from year to year. Our estimates are that the surcharge will add an additional R67 million to the City's revenue.

Madam Speaker, the intention of the surcharge is to create revenue that will fund and support business growth in the City and to stimulate economic growth. It will be utilised to stimulate urban regeneration and improve our capacity for urban management. It will enable us to fast track the required infrastructure needs that have resulted from rapid economic growth and expansion.

An analysis of our projected sources of income for the coming year shows that electricity contributes 23.9% to City revenue, property rates 19.3%, water and sewerage 17.6%, fines, licences and permits 3.1 % and 27% of our income is derived from operating and capital grants and subsidies while the remainder is made up of other services such as refuse removal and minor tariff charges.

8. OPERATING EXPENDITURE

The City's total Operating Expenditure is set at R21 billion, an increase of R2,9 billion over the 2006/2007 figure.

The Municipal Owned Entities make up 48.8% of the City's total budget. The entities are City Power, Johannesburg Water, Pikitup, the Johannesburg Roads Agency, Metrobus, the Johannesburg Development Agency, the Johannesburg Property Company, the Johannesburg Fresh Produce Market, the Metro Trading Company, the Joburg Zoo, the Johannesburg Tourism Company, the Johannesburg Social Housing Company, the Civic Theatre and the Roodepoort Civic Theatre.

City Power will receive R4.4 billion – an increase of R363 million over the previous year's allocation. Johannesburg Water is allocated R3, 2 billion and Pikitup R808 million. R447 million goes to the Johannesburg Roads Agency, R402 million to City Parks, R350 million to Metrobus and R140 million to the Fresh Produce Market. The Metro Trading Company will receive a budget of R51 million, R42 million will go towards the Johannesburg Development Agency, R41 million to the Property Company and the remainder is allocated among the other entities.

Madam Speaker, Core Administration this year makes up 51.2% of the operating budget. This includes: Office of the Executive Mayor, Office of the Speaker, Finance, Revenue and Customer Relationship Management, Economic Development, Corporate and Shared Services, Urban Management and Development Planning, Transportation, Environment, Infrastructure and Services, Emergency Management Services, Community Development – (including Arts, Sports and Recreation, Libraries, Social Services, Culture and Heritage), Health Services, Housing and the Johannesburg Metropolitan Police Department (JMPD).

Our budget proposal is that Finance will receive R1,5 billion for the coming year that includes the cost of borrowing and provision for bad debts. R898 million is allocated to the JMPD – an increase of R41,3 million on the previous year. Emergency Management Services will receive R439 million, Housing R536 million, Corporate and Shared services R389 million, Health R299 million, Transportation R612 million, Environment R32 million and Revenue and Customer Relations R547 million.

One of the major increase goes to Development Planning and Urban Management. This, Madam Speaker, is our way of emphasising our priority in the growth and development of our Central Business Districts (CBDs). This allocation rises from R381 million in the current financial year to R779 million for 2007/2008, a growth of more than R389 million. Community Development receives R528 million.

Madam Speaker, these allocations support the core functions of the City of Johannesburg and enable us to meet the mandates required of us in terms of the Growth and Development Strategy, the Medium Term Integrated Development Plan and the Mayoral Priorities.

9. CAPITAL BUDGET

Madam Speaker, our proposed Capital spending for 2007/2008 is projected at R4, 7 billion, an increase of R1, 250 billion or 35% over last year's figure. Again this budget is a reflection

of the wide range of economic activities taking place in our City and the significant growth of the City of Johannesburg.

Capital expenditure is a long-term investment in the future of our City and one of the measures of our confidence in Johannesburg's future growth prospects. Over the Medium Term Expenditure Framework (MTEF) period you will notice that we intend to invest about R13.4 billion over the next three years, R4,7 billion in the coming financial year, a further R5.1 billion in 2008/2009 by which time most of the 2010 capital projects would have been completed and a further R3,6 billion in the 2009/2010 budget cycle.

The capital spending will be financed through a combination of borrowing at 34%, cash surplus at 30% and 36% will be financed through grants and subsidies.

Fellow Councillors, if you look at the breakdown as far as Municipal Owned Entities are concerned, you will notice that the bulk of this money, almost R1.6 billion of the capital budget is allocated to our two major providers of basic services to the people of Johannesburg. Joburg Water receives 35,9% (R884 million) of the budget and City Power 35, 6% (R876 million).

Joburg Roads will receive just under 11, 6%, the Johannesburg Development Agency 5, 7% while the remainder goes to the other agencies.

Within the core administration and departments Transportation will receive 37, 8% of the allocation, 9% goes towards Community Development, 7, 4% towards Housing, 21, 6% towards Development Planning and 5, 9 % for Revenue and Customer Relations.

Madam Speaker, I suppose it is again pertinent to point out that capital spending and other expenditure on this event in our City's history is being allocated with the intent to benefit the City well beyond 2010.

The 2010 FIFA World Cup is merely a catalyst to kick-start development that has been on our medium to long term planning for a number of years.

10. ALEX RENEWAL PROJECT, INNER CITY REJUVENATION AND KLIPTOWN DEVELOPMENT

The National Treasury Neighbourhood Partnership Development Grant has allocated some R2.2 million Technical assistance funding to complete some of the outstanding planning work in Kliptown and R30 million for project implementation.

During his State of the Province Address, Premier Mbhazima Shilowa announced the extension of the Alexandra Renewal Project (ARP) to 2011. The City will be investing R88 million in the ARP in the upcoming financial year. One of the key projects for the year is land acquisition in Linbro Park to continue the work that is currently undertaken in Alexandra Township.

Finally, Madam Speaker, the budget process has considered the commitments made by the City at the Inner City Summit. We are now committing R2 billion capital allocation to Inner City rejuvenation over the next five (5) years. In the next financial year we will make a R300 million capital allocation and R100 million operational allocation for improvements in service delivery.

11. JOHANNESBURG METRO POLICE DEPARTMENT

We are committed to building safe and secure communities. Safety and Security remains a priority area of our work. The City of Johannesburg has developed the City Safety Strategy and works closely with the South African Police Service. We are also committed to work with all the other stakeholders including business, civil society organisations as well as communities in the fight against crime.

In this budget we will allocate R38,1 million (2007/2008), R219 million (2008/2009) and R276,892 million (2009/2010)) to increase the number of Metropolitan Police Officers and to support their training and deployment.

We will also make provision of one additional vehicle for every three officers. JMPD will train and employ 840 officers from 1st July 2007, 1160 officers from 2008/2009 and by the year 2010 the total figure would have increased to 4 000 officers.

Please note that we are shortening the period, which was initially expected to end in the year 2011.

12. ECONOMIC DEVELOPMENT

The centrality and importance of Joburg demands that City pays special attention to the question of Economic Growth and Development. In this budget, the City will be investing R50 million to support specific sectors that are deemed critical and catalytic to economic growth. This will include the following: the City's Broadband Network, an SMME Fund (a R500 million enabling fund) and the Soweto Empowerment Zone.

We also need to do the following:

- Accelerate growth and achieve a "Balanced and Shared Growth", whilst at the same time enabling for the "Proactive absorption of the Poor".
- To acknowledge the fact that certain parts of our City are growing at levels beyond 30%. We need to identify which growth should be nurtured and supported.
- To facilitate infrastructure development.
- Use the Tax Incremental Financing Schemes (TIFS) and other land use management tools.

- Encourage Brownfield development initiatives and ensure use of currently underutilised physical and commercial infrastructure, particularly along the mining reef.
- Cease investment opportunities created by 2010 FIFA World Cup, the Gautrain and our own Bus Rapid Transit System.
- Identify areas of opportunity where Public Sector led interventions can enable and facilitate growth, particularly in the Inner City, City Deep and the South, where growth rates have been low.

We also need to look at investing in Freight and Logistics. There has been an acknowledgement of the centrality of the area - City Deep and we need to encourage its expansion. If this is the main inland port in Johannesburg and Gauteng, we need to give this project special attention.

In addition, we will pay special attention to the Orlando Ekhaya more than R1 billion project and further ensure that there is leveraging of the private sector resources to enrich the noble initiative of development.

13. CONCLUSION

Madam Speaker, the financial year 2006/7 has been a fairly eventful year. We have had an opportunity to honour those who helped shape the history of this City.

We paid tribute to the memory of the late Joe Slovo, a true son of Johannesburg, who played an important role on the national scene as a leader of the ANC, the general secretary of the South African Communist Party (SACP) and as the Minister of Housing in the first democratically elected government. Like Walter Sisulu, Nelson Mandela and Beyers Naude' this Council bestowed upon him, the Freedom of the City, the highest honour our City can bestow upon an individual.

The world-renowned palaeontologist, Professor Phillip Tobias was honoured with the Walter Sisulu Award in recognition of the special contribution he has made in promoting the ideals of Johannesburg in particular and that of the country in general. As researcher and lecturer at the University of the Witwatersrand Prof Tobias has, as we all know, dedicated a lifetime of his work to science and humanity.

Sadly, we also had to say our goodbyes to one of our City's most enduring icons, the late Mrs Adelaide Tambo. Throughout the years of struggle Mama Tambo was the voice of the voiceless and with her husband, the late Oliver Tambo provided direction and purpose to the nation's quest for equality, dignity and freedom.

Ours is a great City. Men and women of principles have stood unwavering in the face of persecution, harassment, imprisonment, torture and death to position Johannesburg and South Africa to a place where we should be as a people and as a nation. As elected public representatives we have an obligation not to fail them.

Thank You