

ANNEXURE 8
CITY OF CAPE TOWN
TARIFF POLICIES
2009/2010

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CHAPTER 1 GENERAL TARIFF POLICY

1. LEGISLATIVE COMPLIANCE

- 1.1. The Municipal System Act requires that Council adopt a Tariff Policy.
- 1.2. The general financial management functions covered in section 62 of the Municipal Finance Management Act includes the implementation of a tariff policy.
- 1.3. Specific legislation applicable to each service has been taken into consideration when determining this policy.

2. SCOPE OF THE POLICY

- 2.1. It is intended that this policy document guides the annual setting (or revision) of tariffs, hence the policy does not make specific tariff proposals, nor does it deal in any detail with the implementation of specific tariff proposals. Details pertaining to specific levels and applications of the various tariffs are published in the Schedule of Tariffs, which must be read in conjunction with this Policy.
- 2.2. The policy is applicable to all tariffs for electricity, water, sanitation and solid waste services provided by the City of Cape Town.
- 2.3. This policy is also applicable to all sundry tariffs, as provided for in the Schedule of Tariffs of the City.

3. OBJECTIVE

- 3.1. The tariffs approved during the Budget process by Council to fund services must be consistent with this policy.
- 3.2. Where a service is provided primarily for the benefit of an individual user and the actual service or consumption can be accurately measured, the cost of providing the service should be recovered from the individual by means of tariffs.
- 3.3. When a service connection is made a *sundry tariff* should be used and when a metered amount of a service is consumed a *consumption based tariff* should be used. Where *sundry tariffs* and *consumption based tariffs* are used, they must comply with this *Tariff Policy*.

- 3.4. Some services, although provided primarily for the benefit of individual users have important community benefits and, particularly where these services can not be accurately measured, the cost of the service should be recovered by a combination of tariffs and rates. The provision of solid waste collection is such a service.
- 3.5. Where a service is provided primarily for the benefit of the community and an individual's use cannot be accurately measured, the cost of providing the service should be recovered by means of rates. For example, street lighting benefits the community but an individual can use the light by standing beneath it. How much light the individual uses cannot be measured and thus rates are used to fund this service. The rates must comply with the City's Rates Policy.
- 3.6. Poor people should have access to free basic services in line with national government policy, taking into consideration the affordability constraints for the municipality.

4. DEFINITIONS

All terms used in this policy, unless the context indicates otherwise, have the meaning ascribed to them in Local Government legislation or hereunder.

- 4.1. *"Total Municipal Account"* means a postulated current account based on median bills for water, electricity, sanitation, solid waste services and rates. Sundry charges and interest on debt are excluded.
- 4.2. *"Indigent Fund"* means a budget provision, funded from National Government transfers and Municipal rates, used to subsidize basic services.
- 4.3. *"Rates and General Account"* means a budget provision used to fund other City services excluding the electricity, water, sanitation and solid waste services.
- 4.4. *"Sundry Tariff"* means a tariff set as a fixed Rand amount.
- 4.5. *"Consumption based Tariff"* means a tariff set as a Rand amount per measurable unit of service.
- 4.6. *"CPIX"* means the consumer price index excluding mortgage costs as measured by STATSSA.
- 4.7. *"Homeless people Shelters"* means bona-fide non-profit organisations used primarily for the accommodation of homeless people and who have applied for and been registered as such shelters by Council on an annual basis and have inter alia indicated by affidavit how many people they normally shelter. This also includes organisations accredited by HOMAC, who care for homeless children as stipulated in the Children's Act No. 38 of 2005.

- 4.8. “The City” as in “at the discretion/decision of the City” shall mean the delegated official responsible for the specific service or function within the City of Cape Town, unless specifically indicated otherwise.
- 4.9. “Vulnerable groups” means bona-fide non-profit organisations operating subsistence survival gardens supporting certain categories of poor people as defined in the Urban Agriculture Policy for the City of Cape Town, 2007 and who have applied for and been registered by Council on an annual basis to qualify for special tariffs.

5. PRINCIPLES

- 5.1. The basic principles and long-term goals for the City include equity in service provision, sustainability of service levels through economic and effective funding of efficient services.
- 5.2. Where a service is provided primarily for the benefit of an individual user and the actual service or consumption can be accurately measured, the cost of providing the service should be recovered from the individual by means of tariffs.
- 5.3. When a service connection is made a *sundry tariff* should be used and when a metered amount of a service is consumed a *consumption based tariff* should be used. Where *sundry tariffs* and *consumption based tariffs* are used, they must comply with this *Tariff Policy*.
- 5.4. Some services, although provided primarily for the benefit of individual users, have important community benefits. The cost of these services, particularly where the use cannot be accurately measured, should be recovered by a combination of tariffs and rates. The provision of solid waste collection is such a service.
- 5.5. Where a service is provided primarily for the benefit of the community and an individual’s use cannot be accurately measured, the cost of providing the service should be recovered by means of rates or a “basic charge”. For example, street lighting benefits the community but an individual can use the light by standing beneath it. How much light the individual uses cannot be measured and thus rates are used to fund this service. The rates must comply with the City’s Rates Policy.
- 5.6. Where an individual user’s consumption can be metered, electricity and water will be charged for using *consumption based tariffs*. These tariffs must be structured to accommodate the provision of basic electricity and basic water supply as defined in the *Indigent Relief measures as contained in the Credit Control and Debt Collection Policy*.
- 5.7. Solid Waste will be charged for using a tariff. Rebates are applicable for property values between R0 and R300 000.

6. APPLICATION OF TARIFF PRINCIPLES

Section 74(2) of the Municipal Systems Act sets out principles that must be reflected in the *Tariff Policy*. These principles are applied in the following manner:

- 6.1. Users will be treated equitably through the differentiation for tariff purposes being limited to that set out in Section 7 of this policy.
- 6.2. Where appropriate and possible the amount individual users pay for services will generally be in proportion to their use of that service by using *consumption based tariffs* as defined in Section 4 of this policy. This will be dependant on the service being able to provide discernable, universal and regular metering and reading.
- 6.3. Poor households and Homeless people, as defined in the City's Indigent Relief measures as contained in the Credit Control and Debt Collection Policy, from time to time, will have access to basic services through subsidized tariffs as defined in Section 7 of this policy.
- 6.4. Tariffs will reflect the costs reasonably associated with rendering the service. The budgeted income and expenditure of the Service, showing any contributions to *Rates & General Account*, Support Services Recharges and contributions from the *Indigent Fund* must be provided as part of the annual report on the revision of rates and tariffs.
- 6.5. Tariffs will be set at levels that facilitate the financial sustainability of the Service, taking into account subsidization from sources other than the Service concerned.
- 6.6. Provision may be made in appropriate circumstances for a surcharge on the tariff for a service as set out in the Municipal Service By-law.
- 6.7. The promotion of local economic development through special tariffs for categories of commercial and industrial users may be provided on the basis set out in the City's *Economic Incentive Policy*.
- 6.8. Support for Vulnerable Groups through a free allocation may be provided on the basis set out in the City's Urban Agriculture Policy.
- 6.9. The economical, efficient and effective use of resources will be encouraged through the use of rising block tariffs, time of use tariffs, and tariff options linked to solid waste minimization for certain categories of user where appropriate.
- 6.10. Where free basic services or services subsidized from the *Indigent Fund* are provided to individual users, these will be shown on the monthly bill of those users. The extent of the annual subsidization to all subsidized users will be reported to council.

- 6.11. In addition, the amount that users pay for services, as measured through the *Total Municipal Account*, should generally be affordable for different categories of users and annual tariff increases should be benchmarked against inflation measured by *CPIX*.

7. DIFFERENTIATION FOR TARIFF PURPOSES

Section 74(3) of the Municipal Systems Act allows for the differentiation between different categories of *users*, debtors, service providers, *services*, *service standards*, *geographical areas* and other matters for tariff purposes as long as the differentiation does not amount to unfair discrimination. The nature and basis for differentiation for tariff purposes in the City of Cape Town is set out below. Each Municipal Service is not compelled to differentiate for tariff purposes, but where it does; the differentiation must be consistent with the framework set out below, categories must be defined in the Municipal Service By-law and a separate tariff must be applicable for each category that is defined.

7.1. Categories of Users

The following categories of *user* may be defined provided that they are defined in the City's *Rates Policy*:

- (a) Residential or Domestic
- (b) Commercial
- (c) Industrial
- (d) Farming
- (e) Government
- (f) State owned enterprises

- 7.2. In addition, a special category of subsistence gardening may be defined on any Land Use, based on the criteria for Vulnerable Groups in a manner defined in the City's *Urban Agriculture Policy*.

- 7.3. In addition, sub-categories of residential or domestic *users* may be defined based on any one or more of the following criteria in a manner defined in the City's *Indigent Relief measures as contained in the Credit Control and Debt Collection Policy*.

- (a) Settlement type (which must include informal settlements)
- (b) Property value
- (c) Service consumption level
- (d) Payment levels
- (e) Household income
- (f) Type of connection

7.4. Categories of Service

- 7.5. Different categories of *service* may be defined but only if the *basic service* is defined for that municipal service in the City's *Indigent Relief measures as contained in the Credit Control and Debt Collection Policy*.

The following criteria may be used in defining different categories of *service*:

- (a) Type of service
- (b) Category of *user*
- (c) Level of consumption
- (d) Type of connection
- (e) Time of use

Certain categories of *service* may be restricted to certain categories of *user*. The *basic service* will be restricted to residential / domestic users or Homeless people shelters.

7.6. Categories of Standard of Service

Different categories of *standard of service* may be defined for different categories of *users* or *services*. They may be based on:

- (a) Access
- (b) Frequency

Categories of *basic service* may not have different *standards of service*.

7.7. Categories of Geographical Area

Differentiation based on *geographic area* may be used if the service provided is at least the *basic service* and one of the following criteria is met:

- (a) Topography must have significant impact on the cost of delivering the service
- (b) Significant capital costs are needed to develop service infrastructure in the area
- (c) The *Integrated Development Plan* identifies the area as having strategic developmental importance.

8. **SUBSIDIZATION OF BASIC SERVICE TARIFFS FOR RESIDENTIAL / DOMESTIC USERS OR HOMELESS PEOPLE SHELTERS**

8.1. Basic level consumption of any service **may** be subsidized by a higher level tariff, dependant on legislative requirements and national acceptance.

8.2. Individual domestic users or Homeless People shelters **may** have consumption subsidized from the *Indigent Fund* as classified in the City's *Indigent Relief measures as contained in the Credit Control and Debt Collection Policy*, which may be amended from time to time.

9. **ACCESS TO SERVICES BY POOR HOUSEHOLDS**

9.1. Council currently accepts the standards for basic service levels as stated in National Government documents related to free basic services, which may change from time to time.

- 9.2. The free and subsidised basic services provided to poorer households are as follows:

| Service | Basic Level |
|----------------|---|
| Water | <ul style="list-style-type: none"> ○ A 100% subsidy up to 6kl of water per household per month will apply for all Domestic tariff categories. Any consumption exceeding 6 kl per month will be charged at normal tariffs. ○ In the case of Homeless People shelters, an equivalent free allocation of 25 litres per person per day or 750 litres per person per month will apply. ○ In the case of Vulnerable Groups, an equivalent free allocation of 10kl per month per institution will apply. ○ In cases where domestic customer(s) reside(s) in cluster units on mixed use zoned properties, they may apply for a free 6 000 litres per unit per month, ○ Any free water not utilised will be forfeited at the end of each month/metering period/billing cycle. |
| Electricity | <ul style="list-style-type: none"> ○ Where the electricity purchased does not exceed 400 kWh per month, consumers will receive a free basic allocation of up to 50 kWh, bringing the total electricity provided to a maximum of 450 kWh per month. Should the electricity purchased exceed 400 kWh per month, then the free electricity portion will no longer be made available to the household. <p>NOTE: The electricity purchased of 400 kWh per month is an average measured over the twelve months up to June of the completed financial year.</p> <ul style="list-style-type: none"> ○ Any free electricity not claimed will be forfeited at the end of each month/billing cycle/metering period. |

- 9.3. Any changes to these standards will only be considered as binding on Council after acceptance by Council to change the minimum standards set out above.

- 9.4. The level of free or subsidised services for other services, is as follows:

| Service | Basic Level |
|------------------------|--|
| Solid Waste/ Refuse | <ul style="list-style-type: none"> ○ Sliding scale charged for all properties with a total site and improvements valuation of up to R300 000 (excluding Homeless People Shelters). ○ In respect of Homeless People Shelters, the first 15 bins will be rebated at 50% of the Refuse Collection charge. |

| | |
|-------------------------|---|
| Sanitation/ Sewerage | <ul style="list-style-type: none"> ○ The first 4,2 kl per household discharged into the sewer system each month is free for all Domestic tariff categories, based on 70% of the 6 kl free water made available on a monthly basis ○ In the case of Homeless People shelters, an equivalent free allocation of 17.5 litres per person per day or 525 litres per person per month will apply. ○ In cases where domestic customer(s) reside(s) in cluster units on mixed use zoned properties, they may apply for a free 4 200 litres per unit per month, |
|-------------------------|---|

- 9.5. Access to Council owned and operated Parks, Libraries, Clinics and other public places will be as determined in Council policy for those places as may be amended from time to time.
- 9.6. Relief available to the indigent in Council owned-housing rental and selling schemes will be as outlined in the Housing chapter of the Credit Control and Debt Collection Policy adopted by Council, as amended from time to time.

CHAPTER 2

WATER AND SANITATION TARIFF POLICY

10. DEFINITIONS

| | |
|--|---|
| Average Historic Cost of Water (AHCW) | The total current annual cost of the water service (including capital charges but excluding surcharges and contributions to a capital development fund) divided by the total volume of billed water sales for that year. |
| Commercial water use | Water supplied to premises predominantly of a commercial nature (for example, shops, offices, showrooms, service stations, hospitals). |
| Domestic water use | Water that is used predominantly for domestic purposes, including garden irrigation. |
| Industrial water use | Water which is used in mining, manufacturing, generating electricity, land-based transport, construction or any related purpose (follows definition in Water Services Act). |
| Other water use | All water use not defined as domestic, industrial and commercial water use. |
| Bulk water use | Potable water supplied to a water services authority (as defined in the Strategic Framework for Water Services) for the purposes of conveying and supplying water to individual consumers within its area of responsibility, as well as by agreement with some consumers outside the City of Cape Town municipal area |
| Future Incremental marginal cost | The Average Incremental Cost of system expansion, taking into account the next large scheme or schemes to be built to meet current and future increases in water demand. |
| Residential Unit | Means a group of rooms, used for residential purposes, contained within a block of flats, and which includes any undivided share of common property or any other portion of the property apportioned to that unit in terms of exclusive use, which shall include a garage or any other outbuildings. |
| Average historical cost of Sanitation (AHCS) | The total annual cost of the sanitation service (including capital charges but excluding contributions to a capital development fund) divided by the total volume of sewage discharged for that year. |
| Commercial Wastewater | Effluent discharged from a premise predominantly of a commercial nature (for example shops, offices, showrooms, service stations). |
| Industrial Wastewater | Wastewater arising from mining, manufacturing, electricity generation, land-based transport, construction or any related activities. <i>(Consistent with definition of disposal of</i> |

industrial effluent in the Water Services Act.)

Domestic Wastewater Effluent discharged from a premise not defined as commercial or industrial.

Other Wastewater Effluent discharge from a premise not defined as domestic, commercial or industrial.

11. SPECIFIC POLICIES FOR WATER TARIFFS

11.1. Consumer categories

Water tariffs shall distinguish between at least three categories of consumers: Domestic water use, Industrial / Commercial water use and Other water use.

11.2. Domestic consumer categories

Water tariffs for domestic consumers shall distinguish between significantly different levels and standards of services provided and shall include at least the following four categories of domestic consumers:

- (i) **Domestic communal:** consumers (households) with access to communal water services (for example, a public-standpipe or a water-tanker service)
- (ii) **Domestic controlled:** consumers with access to a controlled volume of water supply.
- (iii) **Domestic full:** consumers with access to an uncontrolled volume of water supply that is metered.
- (iv) **Domestic cluster:** where one metered connection point serves a multi residential unit development.

11.3. Metering

All connections providing an uncontrolled volume of water supply shall be metered and tariffs shall be applied in proportion to water use. The amount of water feeding standpipes in informal settlements without title deeds should also be measured to assess the impact of this free water on the service, but should not be billed.

11.4. Consumption tariffs – Domestic communal

Where communal water supplies provide water for domestic use, and where this water use is, on average, less than 6 000 litres per household per month, then no charge shall be levied on domestic households for this water.

11.5. Consumption tariffs – Domestic controlled

Where water use is controlled to less than 6 000 litres per month per connection, then no charge shall be levied on domestic households for this water. Where water in excess of 6 000 litres per month is used, a flat monthly rate shall be applied to this additional water use, based on the AHCW.

11.6. Consumption tariffs – Domestic full

Consumption tariffs for uncontrolled volume metered, domestic connections shall be based on an increasing block structure with the first block set at 6 000 litres per connection per month with a zero charge and the last block set at an amount that would deter unnecessarily high water use and would reflect the incremental cost that would be incurred to increase the water supply infrastructure to meet an incremental growth in demand. The rising block tariff structure should consist of at least five steps. The consumption level at which the last step begins should be at an amount that would encourage water conservation and should not be greater than 60 kl per month.

11.7. Consumption tariffs – Domestic cluster

Consumption Tariffs for multi residential unit developments served by one metered connection point will be set to recover at least the Average Historical Cost of Water once allowance is made for the free water allocation. An allowance of 6 000 litres per unit per month will be made available at zero cost from the date of application upon acceptance of a sworn and signed affidavit stating the number of residential units supplied from that metered connection.

11.8. Consumption tariffs – Industrial, Commercial and Other

Apart from instances where special tariffs are applied in terms of 6.7 above, the consumption tariffs for all other consumers should be set equal to at least the Average Historical Cost of water (AHC). Separate consumption categories should be kept for Sporting bodies/Schools and Municipal consumption to assist in Water Demand Management measures.

In cases where domestic customer(s) reside(s) in cluster units on mixed use zoned properties, they may apply for a free 6 000 litres per unit per month, by submitting an affidavit to this effect where the number of units are specified.. An investigation will need to be performed to confirm the information and consider whether such application can be approved by the Director: Water and Sanitation, based on the proportion of predominant use.

11.9. Consumption tariffs – schools, sports fields, clubs, churches, charities etc.

Any subsidies to these groupings should be made through transparent mechanisms other than tariffs lower than the AHC, so as not to negate the incentives for the wise and economical use of water.

11.10. Consumption tariffs – Homeless People Shelters

In order to provide free basic services to people without title deed or indigent people living in Homeless People Shelters, a special subcategory shall be used. It shall be based on the number of people or beds normally accommodated in each residence as defined in a sworn affidavit upon annual application for such residence to be registered with Council, and receive a free water allocation of 25 litres per person per day or 750 litres per person per month. Beyond such consumption the specific defined consumption sub-category, equal to the Municipal tariff for Water, shall be applied.

To allow for the approval process, the free allocation will be backdated to the start of the financial year in which an approved application was received.

11.11. Consumption tariffs – Vulnerable Groups of subsistence farmers

The City will subsidize the provision of water to the gardens of vulnerable groups as defined in the City's Urban Agriculture Policy of 2007. These include survival gardens of women, gardens for indigent old age homes, gardens for HIV/AIDS facilities, gardens for soup kitchens at schools and gardens at orphanages.

Such groups have to apply annually for registration to the controlling department (Economic Development).

Each qualifying group will receive a free provision of 10 kilolitre of water per month for free but with no free provision of sanitation. Beyond such consumption the normal consumption category for the property on which the garden is located shall be applied.

To allow for the approval process, the free allocation will be backdated to the start of the financial year in which an approved application was received.

11.12. Consumption tariff for the provision of a bulk water supply

The bulk water tariff is used to charge for the bulk supply of potable water to consumers external to the City such as other Local Authorities who are dependent on part or all of their potable water supplies from the City of Cape Town and is also used as the basis for internal charges for the bulk supply of potable water within the Water and Sanitation Department.

The bulk water tariff is set on an annual basis to ensure full cost recovery for the provision of the bulk water service as well as the long term sustainability of this service.

11.13. Surcharge

The water tariff may include surcharges subject to Council approval.

11.14. Fixed Service charges – Domestic

There shall be no fixed monthly charge for Domestic Consumers. The domestic water tariff should, however, take into account and reflect the cost of maintaining the water connection.

11.15. Fixed Service charges – Industrial and Other

Monthly fixed Service charges for Industrial and Other connections shall be related to the size of the connection. The charge shall be based on the historic costs of maintaining the connection to ensure it is truly cost-reflective. *Note: It is essential that this component of the tariff be retained otherwise an important equity principle is compromised – domestic consumers pay for this cost through the highest block consumption tariff. Other consumers pay for this cost through the fixed service charge.*

11.16. Connection charges

Connection charges for all consumer categories other than Domestic communal shall recover the full costs of installation of a connection.

11.17. Flow Restriction for non-payment

Domestic consumers who fail to pay shall, after due process, have their uncontrolled water connections restricted by a flow-limiting or water management device at the sole discretion of the City.

11.18. Illegal re-connections

Consumers who reconnect illegally, after having been disconnected or flow-restricted for non-payment, shall forfeit the right to the free basic water allocation until such time as the outstanding debt has been paid in full.

11.19. Disconnections – other

All non-domestic consumers shall be disconnected for failure to pay after due process has been followed.

11.20. Installation of water management devices

A water management device that can be set to control the total daily and monthly volume of water that can be delivered through a connection, may be installed at the discretion of the Director Water and Sanitation.

A domestic consumer may apply to be considered for the installation of a water management device at the applicable miscellaneous tariff which that consumer will be liable for.

The consumer may request a specific volume setting for consideration by the Director.

11.21. Repairing of leaks in indigent homes combined with the installation of water management devices and the writing-off of bad debt

Steps taken by the City to reduce losses through leaks in private indigent homes and prevent further bad debts from such consumers are defined in the City's Policy on the Integrated Water Leaks Project, The administrative and financial aspects of this initiative is defined in the City's Credit Control and Debt Collection Policy.

11.22. Water restriction tariffs

Special tariffs may be introduced during periods of water restrictions to reduce water use to within sustainable limits. A separate tariff schedule for water restrictions shall be approved in addition to the normal tariff schedule.

11.23. Billing of estimated consumptions

11.23.1.The need to estimate consumption

Notwithstanding all the City's attempts to take monthly meter readings of all water supplied, should it not be possible to take a reading on the appropriate date, the City reserves the right to calculate an estimated consumption from the previous actual reading to the billing date. The estimates are normally based on the seasonal historical average consumption at the property, but may be adjusted by the City to reflect its best estimate of what the consumption may have been.

11.23.2.Adjustment to estimated account

As soon as a new actual reading has been taken, the previously estimated consumption will be recalculated and an adjustment, either positive or negative, to the next account issued.

11.23.3.Failure of meter

During the period from identification of a meter having ceased reading, to when it is replaced and a reading can be taken, an estimated consumption will be applied.

Should a consumer have been billed a zero consumption for any period of time and it is subsequently found to have been due to a ceased water meter and the property was not vacant at the time or the usage pattern had not changed, the City shall bill retrospectively from the time that the meter had ceased until the time it has been replaced. Should the property have been vacant or where the usage pattern had changed, a signed and sworn affidavit needs to be provided for consideration.

11.23.4.No account received

In the event that an owner or occupier has consumed water but has never received an account, the onus will be on the owner to make representations to the City to request that an account be sent. Should the City not be able to verify that an account was indeed issued to either the owner or occupier, the City may bill for a period not greater than three years and the consumer may make arrangements with the City to pay off the amount.

Any person who has stopped receiving an account that had previously been received, should immediately request the City in writing via registered post to remedy the omission.

11.24. Disputed consumption

A consumer who doubts the validity of the consumption stated on any account may apply for the meter to be tested at his or her cost as per the Miscellaneous Tariff Schedule. Only if the meter has been found to be faulty will the cost be reimbursed and the account adjusted to an estimated consumption for the period the meter was found to have been faulty.

11.25. SPECIFIC POLICIES FOR BULK WATER TARIFFS

11.25.1. Description of the type of service

The Bulk Water Branch forms part of the City of Cape Town's Water and Sanitation Department and is responsible for the bulk supply of potable water to the City of Cape Town Municipal Area as well as some adjacent Local or Regional Authorities who are dependent on the City of Cape Town for all or part of their water supplies. The bulk supply of potable water entails the storage of raw water in City of Cape Town-owned dams, the conveyance and treatment of raw water from these and Government Water Schemes, and the distribution and bulk storage of the treated water enabling the optimisation of the water resources for the region.

11.25.2. Generic description of the tariff

The bulk water tariff is the tariff which the City of Cape Town charges its external bulk consumers for the purchase of bulk potable water. The unit of the tariff is cents/kilolitre. The tariff is used as a basis for the internal charge between the Bulk Water and Reticulation Branches within the Water and Sanitation Department. The Bulk Water Branch also has miscellaneous tariffs relating to charges for non-core functions.

11.25.3. Existing legislation

Included in the Bulk Water Branch's total expenditure is the cost of raw water which is payable to the Department of Water Affairs and Forestry (DWA). The cost of this raw water is governed by DWA's Pricing Strategy for Raw Water use charges (November 1999), which was gazetted in terms of Section 56(1) of the National Water Act (Act No. 36 of 1998). Water is supplied to other Local Councils or water services authorities (WSA) through contracts in terms of the Water Services Act (Act No. 108 of 1997).

11.25.4. Bulk Water Users

The users of bulk water are the Reticulation Branch of the Water and Sanitation Department, responsible for distribution to end-users within the City of Cape Town Municipal Area, as well as a number of adjacent Local or Regional Authorities responsible for distribution of water to end-users within their area of responsibility, as well as by agreement

with some individual consumers (such as farms and riparian owners) outside the City of Cape Town Municipal Area.

11.25.5.Method used to determine the bulk tariff

The bulk water tariff is determined by dividing an estimate of the net expenditure of the Bulk Water Branch in that financial year by an estimate of the expected total volume of water to be produced in that financial year less the water allocated by special agreements and unaccounted-for water. The estimate of the total amount of water produced is based on short-term and long term water demand projections for the area of supply of the Bulk Water Branch including the areas external to the City of Cape Town Municipal Area. The effect of the City's Water Demand Management Strategy is taken into account in determining the water demand projections. The total expenditure comprises the following:

- the cost of raw water purchased from the Department of Water Affairs and Forestry (DWAF).
- water treatment costs and all other operational costs associated with the bulk water system
- the cost of augmentation of the bulk supply system.

11.25.6.Additional charges

An additional charge is added to the bulk water tariff to cover the levy payable to the Water Research Commission.

11.25.7.Other factors affecting revenue and possible tariff setting

The effect of having to impose water restrictions may effect the tariff setting of the Bulk Water Branch. If sustained low level water restrictions or medium/high level restrictions are imposed, the bulk water tariff would have to be determined based on a reduced total volume of water supplied as a result of the restrictions being implemented. This will support the principle of full cost recovery and long-term sustainability of the service.

The Bulk Water Branch may also increase its bulk water tariff during periods of water restrictions should the need arise, in order to restrict consumption and discourage wasteful water practices.

Other factors which could affect the tariff setting are the introduction of more stringent water quality standards and the construction of new water supply schemes by DWAF.

11.25.8.No basic free allocation

No monthly domestic basic free allocation is granted to consumers supplied outside the City's area of jurisdiction.

11.26. UNDERGROUND LEAKAGE REBATES ON WATER ACCOUNTS

11.26.1.Philosophy

The City should seek to address the problem of underground leaks or otherwise not visible to the eye on private property in a caring and understanding manner by granting an “underground rebate” for bona fide claimants of such plumbing leaks, who have made appropriate application for a rebate, where the City should share the costs on an equal basis with the consumer. Care needs to be taken to prevent the abuse of the rebate system by excluding leaks on plumbing to convenience fixtures such as irrigation systems, automatic filling systems to ponds, pools, fountains and similar, where the possibility of the disconnection of those systems from the primary erf plumbing would have prevented the water waste in the first instance.

11.26.2.Plumbing leaks subject to the rebate system

Rebates shall only be granted in the case of leaks that are underground or not otherwise visible to the eye on the erf’s primary plumbing which would normally be kept pressurised for normal activity requirements.

11.26.3.Derivation of rebates for underground leaks

Rebates for underground leaks or leaks not visible to the eye shall be determined by establishing the difference between the “average” consumption over a corresponding consumption period and the increased consumption resulting from the leak.

This difference shall be then halved and the consumer shall be charged for half the consumption associated with the leak at a rate deemed to be the average Reticulated Water Cost for the City for the financial year.

The Reticulated Water Cost, (Rc), shall be derived as equal to:

Bulk Water cost (R/kl) plus
Estimated distribution cost (excluding contribution to any Rates account, Tariff stabilization or Capital Replacement Reserve fund or Budgeted Surpluses, in Rand),
divided by
Estimated water sales in kl.

11.26.4.Time period over which the rebate will extend

It is considered reasonable that two months of actual metered high water consumption would be sufficient time to alert a consumer to the possibility of water leakage. A further month is considered a reasonable time to have this leakage repaired. Accordingly, the total period over which the rebate will extend is defined as the period covering the last three municipal bills based on actual water meter readings. (This period may be in excess of three months if bills are based on estimated consumption).

11.26.5.Steps to prevent abuse of the rebate system

All rebate claims will be subject to the production of a certificate by the claimant detailing the exact location of the leak on the property, the nature of the leak and the steps taken to repair the leak. The City reserves the right to inspect the plumbing prior to and after repair of leakage that are subject to rebate claims. The Director of Water and Sanitation shall have delegated authority to grant rebates at the discretion of the City.

Each erf shall be limited to two rebate claims in each twelve-month period. A property shall also be limited to a maximum of 3 rebates.

All documentation around rebate claims shall be filed for audit scrutiny as and when required.

12. SPECIFIC POLICIES FOR SANITATION TARIFFS

12.1. User categories

Sanitation tariffs shall distinguish between at least three user categories: Domestic users, Industrial / Commercial users, and Other users.

12.2. Domestic user categories

The sanitation tariff structure for domestic users shall distinguish between significantly different levels and standards of services and shall include at least the following five categories for domestic users.

- (i) **Domestic communal:** Users (households) with access to Communal sanitation facilities (Rudimentary sanitation and communal ablution facilities).
- (ii) **Domestic full:** Users with waterborne sanitation and uncontrolled discharge to a sewer network.
- (iii) **Domestic On Site waterborne:** Users with waterborne sanitation collected on site (Septic tanks).
- (iv) **Domestic On Site:** Users with a non-waterborne system collected on site (Black bucket, container or VIP).
- (v) **Domestic cluster:** Where one connection point serves a multi residential unit development (Flats, Townhouses).

12.3. Universal Billing

All users are to be billed unless provided with a rudimentary or basic service such as communal facilities.

12.4. Volumetric domestic tariffs - Domestic communal

No charge shall be rendered for the use of communal facilities.

12.5. Volumetric domestic tariffs - Domestic full

Volumetric sanitation tariffs for domestic users shall be based on the estimated volume of wastewater discharged into the sewerage system, deemed at 70% of the user's domestic water consumption and shall be limited to a maximum billable volume of 35 kl per month. An allowance of 4 200 litres per month will be made available at zero cost.

12.6. Volumetric tariffs - Domestic on site waterborne

Volumetric sanitation tariffs for this category of user shall be based on a volume as measured in the tank of the truck. The tariff shall be a tariff per kilolitre of wastewater. Users will be permitted to make use of private contractors.

12.7. Basic Sanitation Tariff

This tariff shall be a fixed charge where necessary in informal areas depending on the mechanism. Different tariffs may apply for different systems.

12.8. Volumetric Tariffs – Domestic cluster

Volumetric sanitation tariffs for users in multi-residential unit developments shall be based on the estimated volume of wastewater discharged into the sewerage system, deemed as 90% of the monthly metered water consumption and subject to a maximum allowable volume of 35 kl per unit per month. An allowance of 4 200 litres per residential unit per month will be made available at zero cost upon submission of a signed affidavit stating the number of residential units supplied from that metered connection.

12.9. Volumetric Tariffs - Industrial and Commercial

Volumetric sanitation tariffs for Industrial and Commercial users shall be based on the estimated volume of wastewater discharged into the sewerage system, deemed as 95% of the monthly metered water consumption.

In cases where domestic customer(s) reside(s) in cluster units on mixed use zoned properties, they may apply for a free 4 200 litres per unit per month, by submitting an affidavit to this effect where the number of units are specified. An investigation will need to be performed to confirm the information and consider whether such application can be approved by the Director: Water and Sanitation, based on the proportion of predominant use.

12.10. Volumetric Tariffs - Other: Schools, Hospitals, Municipal users, churches etc.

Volumetric sanitation tariffs for all other users shall be based on the estimated volume of wastewater discharged into the sewerage system, deemed as 95% of the monthly metered water consumption.

12.11. Volumetric Tariffs – Homeless people shelters

In order to provide free basic services to people without title deed or indigent people living in Homeless People shelters, a special subcategory shall be used. The Volume of Sanitation shall be deemed to be 70% of water consumption with no capped maximum.

The consumption tariffs for this consumer subcategory shall be based on the number of people or beds normally accommodated in each residence as defined in a sworn affidavit upon annual application for such residence to be registered with Council, and receive a free sanitation allocation of 17,5 litres per person per day or 525 litres per person per month. Beyond such consumption, the specific defined consumption sub-category equal to the Municipal Tariff for Sanitation per kl shall be applied.

To allow for the approval process, the free allocation will be backdated to the start of the financial year in which an approved application was received.

12.12. Surcharge: extraordinary treatment cost for Industrial Effluent

Where the pollution loading (quality) of wastewater discharged into the sewerage system exceeds the pollution loading of ordinary domestic wastewater, the specific user or industrialist will have to accept responsibility for the additional treatment cost.

This additional charge shall be based on the Industrial Effluent Miscellaneous Tariff as well as the Industrial Effluent formulae as stipulated in the applicable Sanitation By-Law. This additional charge shall be billed monthly.

12.13. Surcharge: Storm-water Discharges into Sewer

Where an unauthorized discharge connection for storm-water runoff into the sewer is found, the owner of the premises will be given a notice period to either amend the connection to discharge it in an approved manner into the storm-water/ road drainage system, or reach agreement for condoning the existing connection. An agreement is an option if a connection to the sewer is not deemed practically possible at the discretion of the Director: Water and Sanitation. The applicable Miscellaneous Tariff for either case will be charged on a monthly basis.

12.14. Fixed Service charges

No fixed monthly Service charge will be levied on users who discharge wastewater into a sewer system.

12.15. Connection charges

Connection charges for all consumer categories shall recover the full costs of the sewer connection installation. Correct cost allocation should be set up in the financial system to ensure that costs are recovered by the relevant tariff, and that no inappropriate subsidization occurs.

12.16. Disconnections

Domestic Users - Due to the health risk related to effluent, a sewerage connection should not be disconnected if a user fails to pay. The water supplied to the user may be restricted in terms of the Credit Control and Debt Collection Policy that in turn will minimize the effluent discharged.

12.17. Adjustment to the calculated volume

For Industrial, Commercial, Domestic (cluster) and Other Rates categories only and specifically excluding the Domestic Full Rates Category, the Director of Water and Sanitation shall have delegated authority to adjust the deemed percentage of water used which is discharged into the sewerage system as wastewater. Scientifically-based calculations undertaken or accepted by a delegated official shall determine the adjustments which should more closely predict or measure the actual wastewater discharged.

12.18. Contributions

Income from sanitation charges should not be used to subsidize other services.

12.19. Relationship between rebated water for underground leaks and volumetric sanitation charge

Any water deemed to be lost through a leak on the primary plumbing of an erf, as provided for in Section 11 of the policy, shall be deducted from the volume of water used to compile the volumetric sanitation charges, taking into account the sanitation charge capping that exists on relevant tariff categories.

13. GENERAL POLICIES FOR WATER AND SANITATION TARIFFS

13.1. Contributions

As a general principle there will be no contribution from Water and Sanitation to the Rates and General fund, unless specifically imposed by Council for a specific financial year.

13.2. Subsidies

Reasonable and appropriate cross-subsidization may be applied between consumer categories. All applied subsidies (including those within and between consumer categories) must be disclosed to the extent that this is practical.

13.3. Departures

Departures from any of the principles in this policy may be made at the discretion of the Director of Water and Sanitation, only where there are sound practical reasons that prevent the implementation of the policy at the present time and/or where the phased adoption of the policy or policies would reduce an otherwise onerous burden on Council and/or consumers. A financial burden on an Indigent Household under specific exceptional circumstance could also be a valid reason for authorising a departure. The reasons for any departures must be recorded in writing.

13.4. Principles upon which tariff policy is based

The calculation of all tariffs is based on the general principles of full cost recovery and long-term sustainability of the service.

13.5. Frequency of tariff setting

All tariffs are determined on an annual basis, except where adjustments are necessitated by water restrictions or other justifiable imperatives.

13.6. VAT

VAT is charged as per the existing national tax legislation on all consumptive tariffs and all miscellaneous tariffs as indicated in the schedules.

13.7. Availability charge

An availability charge shall apply to serviced vacant or undeveloped land for both the water and sanitation services.

13.8. Consumer deposit

A Consumer deposit will be levied with the commencement of services to a consumer, to allow for unpaid bills that may arise later, especially during ownership transfer periods, except for Indigent Households where the connection is also equipped with a water management device, where the deposit may be waived.

**CHAPTER 3
ELECTRICITY TARIFF POLICY**

14. DEFINITIONS

In this Policy, unless the context otherwise indicates-

| | |
|---------------------------------------|--|
| Commercial/Industrial Customer | <i>Customers that are not defined as Domestic Customers and includes halls, churches, schools, sports clubs, restaurants, theatres, consulting rooms, all other commercial and industrial premises and residential establishments where a business license exists (such as hotels, bed and breakfast premises, hostels, retirement homes etc).</i> |
| Connection Fee | <i>The fee payable as a contribution towards the cost of providing a supply. This may be subsidised to facilitate electrification of poor households.</i> |
| Cost Reflective Tariff | <i>A two part tariff consisting of a Service Charge and an Energy Charge or a three part tariff which includes a Demand Charge.</i> |
| Credit Meter | <i>A meter where an account is issued subsequent to the consumption of electricity.</i> |
| Customer | <i>A person purchasing electricity</i> |
| Demand Charge | <i>The charge payable for each kilovolt-ampere of the maximum demand supplied during any 30 consecutive minutes of the month</i> |
| Development Levy | <i>A charge made to cover the costs incurred to increase the capacity of existing networks due to the additional demand imposed by new developments.</i> |
| Domestic Customer | <i>Customers in private residential establishments including houses, blocks of flats and town house complexes and including Bona fide residential establishments registered by the Welfare Department</i> |
| Energy charge | <i>A charge for each kilowatt-hour (kWh) of electrical energy</i> |
| Green Energy | <i>Energy generated from a sustainable source such as solar, wind or wave.</i> |
| Low Voltage (LV) | <i>230 volts single phase / 400 volts three phase</i> |
| Medium Voltage (MV) | <i>The set of voltage levels greater than 1 kV up to and including 44 kV</i> |
| Meter | <i>A device that records the demand and/or electrical energy consumed and includes Credit and Prepayment Meters.</i> |

| | |
|----------------------------|--|
| Municipality | <i>The City of Cape Town</i> |
| NERSA | <i>The National Energy Regulator of South Africa</i> |
| Prepayment Meter | <i>A meter that can be programmed to allow the flow of a pre-purchased amount of energy in an electrical circuit</i> |
| Point of Supply | <i>The point determined by the Service Provider at which the Service Provider supplies electricity to any premises.</i> |
| Schedule of Tariffs | <i>Schedule containing details pertaining to levels and application of the various tariffs as approved by the Municipality from time to time.</i> |
| Service Charge | <i>A fixed charge to recover fixed costs such as capital, meter reading, billing, vending, maintenance, etc. It may be recovered as a daily or monthly charge but it is not applicable to subsidised tariffs. It is applicable throughout the entire period during which the relevant premises are connected to the supply mains irrespective of whether any electricity is used or not.</i> |
| Service Provider | <i>The Institution authorised by the Municipality to provide electricity distribution services</i> |
| Service Consumption | <i>The electrical energy and/or demand capacity installed, required or supplied to the Customer.</i> |
| Special Tariffs | <i>Special tariffs may be introduced from time to time in terms of sub-paragraph 74(2)(g) of the Municipal Systems Act.</i> |
| Subsidised Tariff | <i>One part tariff consisting of an Energy Charge only intended for use by Customers whose consumption is lower than the energy consumption level at which the relevant two-part tariff is advantageous</i> |
| Sundry Tariff | <i>Cost Reflective and subsidised charges for additional general services rendered such as reconnections, disconnections, meter testing etc. These will be published in a tariff schedule, which may be adjusted from time to time.</i> |
| Type of Connection | <i>The Low Voltage or Medium Voltage supply provided at the Point of Supply.</i> |
| Wheeling | <i>The transport of electrical energy over the Service Provider's network infrastructure</i> |

14.1 ELECTRICITY TARIFFS

Electricity tariffs may consist of Cost Reflective Tariffs, Connection Fees, Sundry Tariffs, Special Tariffs, Development Levies and Subsidized Tariffs as contained in the Schedule of Tariffs.

Any approved increases in the tariff shall be applied to monthly accounts on a pro-rata basis from the day on which the revised tariff is implemented.

New domestic consumers in low cost housing schemes or informal settlements will pay a subsidized connection fee as approved by Council from time to time and published in the schedule of miscellaneous electricity tariffs. The payment may be made in cash or recovered via the pre-payment system.

14.2 CATEGORIES OF USERS

Electricity Consumption Based Tariffs shall distinguish at least between Domestic Customers and Commercial /Industrial Customers and shall have sub-categories for Domestic Customers based on levels of Service Consumption and/or Type of Connection. Domestic Tariffs are not dependant on the type of meter installed.

14.3 CATEGORIES OF SERVICE

Electricity tariffs shall be defined for different categories of *service provided where these categories of service are based on:*

- (a) Type of service (may include Wheeling and the supply of Green Energy)
- (b) Level of Service Consumption
- (c) Type of Connection
- (d) Time of Use

14.4 APPLICATION OF TARIFFS

Electricity tariffs shall be applied consistent with the categories of users and categories of service, provided that final discretion resides with the Service Provider.

14.5 CONSUMPTION BASED TARIFFS

Electricity consumption based tariffs shall include cost reflective tariffs and subsidized tariffs.

14.6 NERSA APPROVAL

Electricity Consumption Tariffs shall be approved by NERSA.

14.7**UNIVERSAL METERING**

The supply of electricity will be metered by means of a Meter at the Point of Supply or at an alternate point determined by the Service Provider.

CHAPTER 4 WASTE MANAGEMENT TARIFF POLICY

15 PREAMBLE

- 15.1 The policy deals with both residential Waste Management and non-residential Waste Management services, as provided by the City of Cape Town or on behalf of the City of Cape Town. Fixed costs for services rendered on behalf of the City Of Cape Town by another entity are not determined by this policy, as they will be subject to the City Of Cape Town's normal tender and procurement procedures and the policies associated with these processes. This policy, however, establishes the principle that the cost-benefit of services provided on behalf of the City Of Cape Town should be equal to or better than the cost benefit of the City Of Cape Town-provided services.
- 15.2 The policy does not deal with the cost for services rendered by another entity where the City Of Cape Town does not render a service due to a decision of the City Of Cape Town.

16 DEFINITIONS

In this Policy, unless the context otherwise indicates-

| | |
|-----------------------------------|---|
| Availability Charge | A charge payable on all vacant land. |
| Residential properties | All improved properties, that are: <ul style="list-style-type: none">- Used predominantly for residential purposes, with no more than three dwelling units per property;- Registered in terms of the Sectional Title Act;- Owned by a share-block company, Flats, Hostels, Old age homes, Guesthouses and Retirement villages used for residential purposes irrespective of the Usage Codes;- A rateable residence on property used for or related to educational purposes; and- Homeless People Shelters accredited by the City Of Cape Town irrespective of the Usage Code. |
| Non-Residential properties | All developed properties not used for Residential purposes and includes "Agricultural land" and "Vacant land". |
| Vacant land | All properties without any buildings or structures that could be used for residential or other purposes, as determined by the Director: Valuations. |
| Agricultural land | All property classified as agricultural on the Valuation Roll and includes Small Holdings. |
| Rebates | Rebates are granted to certain "Residential properties". Rebates |

do not apply to Vacant land and other “Non-Residential” properties. Residential Sectional Title properties are also excluded.

| | |
|--|--|
| Sectional title properties | All properties registered in terms of the Sectional Title Act. |
| Usage code | Code that identifies properties per their evaluation status on the City’s SAP system. |
| 240 L Container (Wheelie bin) | A wheeled waste container with a capacity of 240L, provided by the City of Cape Town for the storage and disposal of waste in areas identified for containerisation. The container, which remains the property of the City of Cape Town, would be the liability of the Property Owner and which may only be used for the intended purpose of waste service provision by or through the City of Cape Town, is provided at no cost to the property owner. The Container would be replaced at no cost to the Customer when damaged or stolen and negligence can not be proven. In the case of a stolen container a SAPS case number must be supplied. |
| 85L Bin/Bag | A waste bin or black refuse bag with a capacity of 85L, provided by the property owner, for the storage and disposal of waste. The City of Cape Town to provide 85L bags for informal areas. |
| 660L, 770L and 1100L Containers | A wheeled waste container with a capacity of 660L, 770L and 1100L, provided by the City of Cape Town for the storage and disposal of waste. To be used for Informal Traders’ Waste or Special Events. |

17 CITY OF CAPE TOWN CONTEXT

17.1 Waste minimisation

The demand for waste disposal has grown in recent years due to economic and population growth in the City. This has placed strain on the available airspace resources of landfill sites in the area and the City of Cape Town is rapidly running out of available airspace for the disposal of waste.

To combat this trend, the National Waste Minimisation Strategy has determined various principles and objectives that must be implemented by local government. To achieve this, the City is in the process of restructuring and realigning its services. The latter will include partnership arrangements and local economic development initiatives focussed on community, business and industry involvement linked to various technical solutions and financial mechanisms to achieve the strategic objective of minimising waste as far as possible.

Waste minimisation comprises any activity to prevent or reduce the volume and/or environmental impact of waste that is generated, treated, stored or disposed of through mechanisms such as reusing, recycling and processing waste for re-use.

17.2 Rebated Services: Residential Properties

17.2.1 The City has implemented a rebated waste management service policy as follows:

17.2.1.1 Informal Settlements – receive a free Door-to-Door Waste collection service as determined by the City of Cape Town.

17.2.1.2 Formal Households – receive a Rebated Waste Collection Service based on property value as follows:

17.2.1.2.1 Up to R100 000 receive a 100% Rebate;

17.2.1.2.2 Valued between R100 001 and up to R150 000 receive a 75% Rebate;

17.2.1.2.3 Valued between R150 001 and up to R250 000 receive a 50% Rebate;

17.2.1.2.4 Valued between R250 001 and up to R300 000 receive a 25% Rebate.

17.2.1.2.5 In terms of Section 27 of the Credit Control & Debt Collection Policy, Customers Registered on the Indigent Register will qualify for a 100% Rebate on the first 240L Container

To ensure cost recovery and financial sustainability of the service, the cost of providing the free basic service to informal households on the City Of Cape Town and private land, is recovered from the residential tariffs. The rebate on tariff for formal residential properties is recovered from the Indigent Fund.

17.2.2 The City of Cape Town has implemented a rebate for Homeless People Shelters as per the Tariff Policy. A 50% rebate on the collection charge for a once per week frequency will apply for the first 15 (fifteen) 240 L black lid refuse containers. Any additional containers will be charged for at the full rate. This rebate will be recovered from Residential Tariffs.

17.3 Financial Management

The Municipal Systems Act stipulates that tariffs must reflect the costs reasonably associated with rendering the service hence waste collection and disposal costs are fully recovered per service (Collections and Disposal) and tariffs are correctly mapped in the cost allocation structure on the service level. However the current system of allocating expenditure and tariffs within the respective services (Collections and Disposal) is still not fully developed, resulting in actual costs and related tariffs for components of waste collection services (Residential, Non-Residential) not being possible. This could lead to inappropriate subsidisation of non-residential tariffs by residential tariffs and visa versa.

The setting up of cost recovery mechanisms and accounting system that clearly indicate how the various costs associated with the service will be recovered (through service level tariffs, miscellaneous tariffs or other income), needs to be further developed. This will assist in a more-accurate pitched tariff associated with the service provided.

17.4 Service Delivery

Responsible waste management services are vital to the health and well being of all people and the conservation of the environment. While waste management services in the Cape Metropolitan Area are generally of a high standard, there should be a striving for continual improvement in four broad areas:

- Extending access to services (basic service delivery to informal households on the City of Cape Town and private land);
- Efficient and effective supply of services (through service optimisation, improved resource management, waste minimisation, public awareness and education, reducing expenditure and increasing efficiency);
- Managing and improving the quality of services provided (through a performance management system to effect improved service responsiveness, and greater customer care); and
- The maintenance of waste management infrastructure to minimize the cost of replacement or development of capital assets and infrastructure.

18 POLICY PRINCIPLES

The following broad policy principles have been used to inform the development of the more specific policies that are set out in the following section:

18.1 General Principles

18.1.1 Access to basic services

Waste Management tariffs for residential use should be “pro-poor” in their orientation and should seek to ensure that a minimum basic level of service is affordable for all households, ensuring that all households (formal and informal) have access to basic waste management services. The tariff policy must support the viability and sustainability of waste management services to the poor. Poor households (informal and formal) must have access to at least basic services through:

- (i) A free basic bagged service for informal households
- (ii) A basic 240L container/85L bin/bag service for formal households
- (iii) Tariffs that cover operating and maintenance costs; or
- (iv) Any other direct or indirect method of subsidisation of tariffs for poor households

18.1.2 Fairness

The Waste Management Tariff Policy should be fair to ensure that it treats all users in similar circumstances in the same way. In other words, it treats waste management service users equitably in the application of tariffs and does not unfairly discriminate between users. A tariff and other policies may, however, differentiate between different categories of users, debtors, service providers, services, service standards, geographical areas and other matters as long as the differentiation does not amount to unfair discrimination.

18.1.3 Cost-reflectivity

Waste Management tariffs must include all the costs reasonably associated with rendering the service including capital, operating, maintenance, administration and replacement costs and interest charges. Correct cost allocations should be made that will allow costs to be mapped against the tariffs required as to reflect those costs and prevent Residential users cross subsidizing Non-Residential users. It should also include the cost for those waste management services provided for or on behalf of the City, which cannot be allocated to a specific consumer. This may include area cleaning and ad-hoc cleaning services.

18.1.4 Revenue Sufficiency

The revenue from all waste management-related tariffs should cover the full costs of service delivery, including operational and maintenance costs, rehabilitation, replacement and extension of the infrastructure, provision for bad debt as well as financing and depreciation charges for Capital work not financed through any grant, subsidy or donation. Revenue sufficiency may be defined to include surcharges on the tariff for a service in appropriate circumstances, and contributions to capital development and other funds.

18.1.5 Sustainability

Tariffs should be set at levels that facilitate the financial sustainability of the service. Innovative debt management schemes should be implemented to promote payment. Waste Management tariffs shall also encourage the economical, efficient and effective use of airspace, the reduction of waste to landfill, the recycling of waste and other appropriate environmental objectives. Adequate provision must also be made for funding the on-going rehabilitation of waste infrastructure. Tax incentives, rebates and other income streams, such as waste energy cost recoveries are components that can only be factored in once a full cost accounting model, which takes into account development, social and environmental factors, has been developed to inform future waste management financial decision-making.

18.1.6 Transparency

The extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed. Correct cost allocation should be done in the spirit of transparency.

18.1.7 Special Tariffs

Waste Management services may implement special tariffs to reduce waste disposal and to support waste minimization within sustainable levels. Tariffs may also be introduced for special services provided by the City Of Cape Town and which is not yet defined in the service categories. Provision may also be made for the promotion of local economic development through special tax incentives for Commercial and Industrial users.

18.1.8 Subsidies

All subsidies (including those within and between user categories) should be disclosed to the extent that this is practical. Correct cost allocations and measurement of historical costs must take place to ensure that the policy of cost recovery is adhered to and that no inappropriate subsidisation occurs.

18.1.9 Departures

Departures from the above principles may only be made where there are sound practical reasons that prevent the implementation of the policy at the present time and/or where the phased adoption of the policy or policies would reduce an otherwise onerous burden on the City Of Cape Town and/or consumers. The reasons for any departures must be recorded in writing.

18.2 Specific Policies for Waste Management Tariffs

18.2.1 User Categories

The City Of Cape Town shall distinguish all waste collection services between three user categories, namely: Residential properties (R), Non-Residential properties (NR) and Vacant land (V). Waste Management tariffs for the City Of Cape Town-provided services or those provided by other entities on behalf of the City Of Cape Town shall accordingly distinguish between the same three user categories. The City Of Cape Town reserves the right to service Residential properties (R) for all waste services, service categories and service levels. All three user categories, with the exception of Vacant land (V), must have a legal waste service as prescribed in the Tariff By-law. Residential properties (R) are compelled to use the City Of Cape Town service and may not use private contractors directly. All Vacant land, irrespective of its current or future intended usage, will until developed be charged for availability. Non-Residential properties may opt to use either the City Of Cape Town service or the private contractor directly.

18.2.2 Residential properties (R)

18.2.2.1 Service categories.

The Waste Management tariff structure for Residential users shall distinguish between six different levels and standards of services, namely:

- (i) **Black lid 240L container service (R_{blacklid}):** A once-per week basic 240L container service for users (residential properties) in suburbs already containerised. The City Of Cape Town to provide black lid 240L container(s).
- (ii) **Blue lid 240L container service (R_{bluelid}):** An enhanced service level of thrice-per-week 240L container service for users (Sectional title, Hostels, Flats, Old age homes and retirement schemes) in suburbs already containerised. The City Of Cape Town to provide blue lid 240L container(s).
- (iii) **85L bin/bag service (R_{85L}):** A once-per week basic 85L bin/bag service for users (residential properties) in suburbs not yet containerised. Owner to provide 85L bin/bag(s).
- (iv) **Enhanced 85L bin/bag service ($R_{85L \text{ enhanced}}$):** An enhanced thrice-per-week 85L bin/bag service level for users (Sectional title, Hostels, Flats, Old age homes and retirement schemes) in suburbs not yet containerised. Owner to provide 85L bin/bag(s).
- (v) **Rudimentary service ($R_{\text{Rudimentary}}$):** Strategic-placed bulk containers serviced according to need as a rudimentary service to informal settlements. The City Of Cape Town to provide bulk container/skip(s).
- (vi) **Basic Bagged service ($R_{\text{Rudimentary enhanced}}$):** A once-per week basic 85L bin/bag service for informal household units in informal settlements. The City of Cape Town may provide 85L bag(s) in accordance to operational requirements.
- (vii) **Lockable 240L Container service (Single or Double Lock) (R_{blacklid}):** A once-per week 240L Container service for users (Residential properties) in suburbs to be determined by the City Of Cape Town or where the need arises and subject to availability. The City Of Cape Town to provide container(s).

18.2.2.2 Billing categories

In all instances the Property owner will be billed and not the Tenant. The City Of Cape Town will not enter into agreement for service delivery or additional service delivery with a Tenant. In the case of Sectional Title Developments and Blocks of Flats, Billing will be i.t.o. a Service delivery Agreement. However the Minimum number of containers to be billed will be at least a Third of the total number of living units in the Development.

Residential properties will be billed for a Basic 240L container service irrespective of whether the service is used or not, whether a container is issued or not or whether no waste is generated. Billing for Residential properties (1st Container) is automatic and no Service Delivery Agreement is required.

Only in the case of Residential Sectional Title Properties will the Body Corporate be billed. The containers will be charged to the Body Corporate and the Container Rebate will be "R0". However if the Body Corporate requests that each Owner (of a unit) be billed separately then all units will be billed for one container at the applicable tariff. In the case of a Block of Flats the Owner will be billed.

In the case of Homeless People Shelters, the NGO or Organisation as registered with HOMAC will be billed.

- (i) **Black lid 240L container service (R_{blacklid}):** All Property Owners (excluding Living Sectional Title Properties and Blocks of rented Flats) are automatically billed for one basic **Black lid 240L container service**. Billing is automatic and no service delivery agreement is required, the account is directly linked to the residential property number (erf number etc.) and served on the property owner.

In the case of Homeless People Shelters the account will be linked to the registered NGO or Organisation as registered with HOMAC, subject to a service delivery agreement with the City Of Cape Town.

- (ii) **Volumetric Black lid 240L container service (R_{blacklid}):** This is considered to be an enhanced service level, provided on request/contract additional to the basic **Black lid 240L container service**. Any user (Residential properties) may request one or more additional **Black lid 240L container service** subject to the area being containerized. The account is directly linked to the residential property number (erf number etc.) and served on the property owner. The additional number of services is based on the actual Service delivery Agreement with the City Of Cape Town or as confirmed by External Auditors appointed by the City Of Cape Town to do a Bin Audit.
- (iii) **Blue lid 240L container service (R_{bluelid}):** This is considered to be an enhanced service level, provided on request additional to the basic **Black lid 240L container service**. Only specified users (Residential properties - Sectional title, Hostels, Flats, Old age homes and Retirement schemes) may request for a **Blue lid 240L container service** additional to the **Black lid 240L container service** subject to the area being containerized. The service level (Number of containers) is based on the actual service delivery agreement with the City Of Cape Town (except for Sectional Title Properties and Blocks of Flats that will be billed for at least a minimum of a Third of the number of living units). The account is directly linked to the property number (erf number etc) and served on the property owner.

- (iv) **85L bin/bag service (R_{85L}):** All users (Residential properties excluding Living Sectional Title Properties) are automatically billed for one basic **85L bin/bag service** in areas not yet containerized. Billing is automatic and no service delivery agreement is required, the account is directly linked to the residential property number (erf number etc.) and served on the property owner
- (v) **Enhanced 85L bin/bag service (R_{85L enhanced}):** This is considered to be an enhanced service level, provided on request/contract additional to the basic **85L bin/bag service**. Only specified users (Residential properties - Sectional title, Hostels, Flats, Old age homes and Retirement schemes) may request for an **Enhanced 85L bin/bag service** additional to the basic **85L bin/bag service** in areas not yet containerized. The service level (number of 85L bin/bags) is based on the actual Service Delivery Agreement with the City Of Cape Town. The account is directly linked to the residential property number (erf number etc.) and served on the property owner.
- (vi) **Rudimentary service (R_{Rudimentary}):** This service is a free service.
- (vii) **Basic Bagged service (R_{Rudimentary enhanced}):** This service is a free service.
- (viii) **Lockable 240L Container Service (Single or Double Lock) (R_{blacklid}):** A once-per week 240L container service for users (residential properties). In areas determined by the City Of Cape Town the Property Owner will be billed for the enhanced service automatically whether the enhanced service is used or not, and no service delivery agreement is required. In all Other areas where it is requested by the owner in an area not identified by Council as a Baboon infested area, billing will be subject to an Agreement & Availability of Containers. The account is directly linked to the property number (erf number etc.) and served on the property owner.

18.2.3 Non Residential properties (NR)

18.2.3.1 Service Categories.

The Waste Management tariff structure for Non-Residential users shall distinguish between four different levels and standards of services, namely:

- (i) **Black lid 240L container service (NR_{blacklid}):** A once-per week basic 240 L container service for users (Non-Residential properties) in suburbs already containerised. The City Of Cape Town to provide black lid 240L container(s).
- (ii) **Blue lid 240L container service (NR_{blueid}):** A combination of options ranging from three-times or five-times per-week 240 L container service for users (Non-Residential properties) in suburbs already containerised. The City Of Cape Town to provide blue lid 240L container(s).

- (iii) **85L bin/bag service (NR_{85L}):** A once-per week basic 85L bin/bag service for users (Non-Residential properties) in suburbs not yet containerised. Owner to provide 85L bin/bag(s).
- (iv) **Enhanced 85L bin/bag service (NR_{85L enhanced}):** A combination of options ranging from two-times to five-times per-week 85L bin/bag service level for users (Non-Residential properties) in suburbs not yet containerised. Owner to provide 85L bin/bag(s).
- (v) **Lockable 240L Container Service (Single or Double Lock) (R_{blacklid}):** A once-per week 240L container service for users (Non-Residential properties) in suburbs to be determined by the City Of Cape Town or where the need arises. The City Of Cape Town to provide container(s).

18.2.3.2 Billing categories

Billing categories will be in accordance with the Credit Control and Debt Collection Policy and By-law. Non-Residential properties will be billed in terms of a Service Level Agreement or as confirmed by External Auditors appointed by the City Of Cape Town to do a Bin Audit. The charges will not be variable, irrespective whether the service is used or not or whether no waste is generated. In all new agreements the Property Owner will be billed and not the Tennant, however in the case where a Property Management Agency is involved and they have Power of Attorney they may apply for Services on behalf of the Owner although the Account stays the responsibility of the Property Owner. Existing agreements with Tenants will be phased out. In the case of all Sectional Title Developments the Owner/Body Corporate will be Billed in terms of a Service Level Agreement.

- (i) **Black lid 240L container service (NR_{blacklid}):** Any user (Non-Residential properties) may request one or a multiple basic **Black lid 240L container service** subject to the area being containerized. The billing is based on the actual service delivery agreement with the City Of Cape Town. The account is directly linked to the property number (erf number etc.) and served on the property owner.
- (ii) **Blue lid 240L container service (NR_{bluelid}):** Any user (Non-Residential properties) may request one or a multiple **Blue lid 240L container service** subject to the area being containerized. The service level (number of containers) is based on the actual service delivery agreement with the City Of Cape Town. The account is directly linked to the property number (erf number etc.) and served on the property owner.
- (iii) **85L bin/bag service (NR_{85L}):** Any user (Non-Residential properties) may request one or a multiple basic **85L bin/bag service** in areas not yet containerized. The number of services for billing is based on the actual service delivery agreement with the City Of Cape Town. The account is directly linked to the property number (erf number etc.) and served on the property owner.

- (iv) **Lockable 240L Container Service (Single or Double Lock) (R_{blacklid}):** A once-per week 240L container service for users (Non-Residential properties). In areas determined by the City Of Cape Town billing is requested by the owner, billing will be subject to a Service Level Agreement & Availability of Containers. The account is directly linked to the property number (erf number etc.) and served on the property owner.

18.2.4 Vacant land (V)

18.2.4.1 Service Categories.

The Waste Management tariff structure for **Vacant land (V)** only provides for a Single Tariff, namely:

- (i) **Availability Charge_(V_{availability}):** A fixed charge for all users (Vacant land). All vacant land is included irrespective of its current or future intended usage. All vacant land within the municipal area are considered to be serviceable.

18.2.4.2 Billing categories

In all instances the property owner will be billed and not a tenant.

- (i) **Availability Charge_(V_{availability}):** All Property Owners, of Vacant land, are automatically billed for one **Availability Charge (V_{availability}):** Billing is automatic and no service delivery agreement is required, the account is directly linked to the property number (erf number etc.) and served on the property owner.

18.2.5 Collections

18.2.5.1 Ad-hoc Garden Refuse Removal Service

This service is only available to Formal Residential Properties on a scheduled Day. Charges will be raised in terms of the number of 85L Bags removed.

18.2.6 Waste Disposal

Disposal of General waste at a Disposal facility is based on a fixed rate per mass of waste disposed or the carrying capacity of the vehicle.

18.2.7 Area Cleaning

Illegal dumping and or cleaning before, during or after events will be based on actual cost plus a % for Administration Costs

18.2.8 Application for the supply of services: Solid Waste

All properties owners must complete the application form for the supply of services on registration of the property or anytime subsequent on change of service level requirements.

18.2.9 Adjustment to accounts

An executive official shall have delegated authority to adjust accounts on documented proof of an amended service level (agreement, letter, etc.) and the applicable date of change.

18.2.9.1 If the City Of Cape Town has proof of initial service, but neither the City Of Cape Town nor the owner has proof of an amendment to the service and the current service level verified by the City Of Cape Town is different to the financial billing, then the billing will be corrected from date of first report.

18.2.9.2 However if the City Of Cape Town also does not have any documented proof of the initial service the adjustment will be made for the Current plus the 2 preceding Financial Years

18.2.9.3 However, during Data Cleanup exercises the City Of Cape Town may adjust the account, backdated for the current year plus 2 preceding Financial Years, if the City Of Cape Town has provided a service, but the Financial Billing is different to the current service level.

18.2.10 Subsidies

Reasonable and appropriate cross-subsidization may be applied between user categories. All applied subsidies (including those within and between user categories) must be disclosed to an extent where this is practical.

18.2.11 Contributions

Income from Disposal charges should not be used to subsidize other Rates Funded Services. Income from Collection charges could be used to subsidize for the provision of integrated Collection, Disposal and Area Cleaning services to informal households.

18.2.12 Departures

Departures from the above policies may only be made where there are sound practical reasons that prevent the implementation of the policy at the present time and/or where the phased adoption of the policy or policies would reduce an otherwise onerous burden on the City Of Cape Town and/or Consumers.

18.2.13 Appeal

Should the Owner not be satisfied with the outcome of the Adjustment, he/she may Appeal (in writing) to the City Manager within 21 days in terms of Section 62 of the Municipal Systems Act.

18.2.14 Terminations

Termination of service is to be done by Letter, E-mail, Fax or standard Disconnection form. If this is not done then the disconnection date of the Electricity supply may be taken as the date of Termination.