

SPC 23/04/02
EXCO 38/04/02

WATER SERVICES: PROPOSED SANITATION TARIFF
POLICY
(H MOSTERT) (OOSTENBERG ADMINISTRATION)

RESOLVED that the proposed sanitation policy (Addendum 1 to the Report), be adopted as an interim policy.

Extract from report is attached [\[go to next page/s\]](#).

Previous policy decision: -

File Ref. No. (HO 27/1/P X HO 5/9/1/2/4)

CITY OF CAPE TOWN

SANITATION TARIFF POLICY - 10 APRIL 2002

1. PREAMBLE

The Municipal Systems Act (Act 32 of 2000) requires local governments to develop and implement a tariff policy which complies with the Act. This Sanitation Tariff Policy has been developed to comply with the Systems Act, the Water Services Act 108, 1997 the Regulation R 652 Norms and Standards in Respects of Tariffs for Water Services in Terms of Section 10 (1) of the Water Services Act and to conform with Draft Regulations for Water Services Tariffs (A Guideline for Local Government DWAF January 1999) & The Management Guideline for Water Services Institutions (Urban) Published in January 1998 by the Water Research Commission.

The Policy reflects the particular priorities established for Cape Town by the elected representatives and takes into account the local context within which sanitation services are rendered. The "users pays" principle to households has been included as part of the tariff policy.

This policy deals only with sanitation and it will be integrated with the approved water tariff policy. Policy principles and objectives are set out. Specific policies have been developed based on these principles and objectives.

It is intended that these policies guide 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.

Once a city-wide tax and tariff policy has been developed it is proposed that the Sanitation Tariff Policy be aligned with that Policy.

2. DEFINITIONS :

2.1 AVERAGE HISTORIC COST

The total cost of the sanitation service (including capital charges but excluding contributions to a capital development fund) divided by the total billed volume of sewage discharged for that year.

2.2 COMMERCIAL DISCHARGE

Effluent discharged from a premises predominantly of a commercial nature (for example

shops, offices, showrooms, service stations).

2.3 INDUSTRIAL EFFLUENT DISCHARGE

Effluent discharged from a premises which is predominantly used for manufacturing and related purposes.

2.4 DOMESTIC DISCHARGE

Effluent discharged from a premises not defined as commercial or industrial.

2.5 OTHER EFFLUENT DISCHARGE

Effluent discharge from a premises not defined as domestic, commercial or industrial.

2.6 UNIT

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.

3. LEGISLATIVE CONTEXT

Two White Papers - The Water Supply and Sanitation White Paper of 1994 and the National Water Policy White Paper of 1997 - set out Central Government broad policy intentions with respect to the water services sector in South Africa. The key elements of these white papers, as they pertain to urban sanitation pricing are as follows :

3.1 BASIC SERVICES

There should be a concentrated effort to ensure universal access to basic sanitation.

3.2 AFFORDABILITY

Poor households should not be required to contribute to the capital costs of the provision of sanitation.

3.3 FULL COST- RECOVERY

Aside from the affordability proviso (see above) sanitation tariffs should recover the full costs of service delivery from consumers.

Two Acts govern the development of a sanitation pricing policy. The Municipal Systems Act (Act 32 of 2000) and the Water Services Act (Act 108 of 1997).

In terms of the Municipal Systems Act, local government must give priority to meeting the basic needs of residents, promote economic development and ensure universal access to at least a minimum level of basic municipal services. Furthermore, local government must develop and implement a tariff policy which complies with the Act. The Act sets out principles to which a tariff policy must be aligned.

The Water Services Act provides for the regulation of Sanitation Tariffs. The regulation 652 of 20 July 2001, Norms and Standards in respect of tariffs for Water Services in Terms of Section 10(1) of the Water Services Act (Act No. 108 of 1997) also provide principles to which a tariff policy must be aligned.

4. CAPE TOWN CONTEXT

Service policies, standards and practices across the city need to be harmonised and a smooth transition to a city-wide service provider needs to be assured. The current tariff structures can be divided into two categories ie. Tariffs and Portion of Property Tax. The tariffs differ between geographic areas. The city is required to implement a common set of tariffs city - wide to minimise vulnerability to legal challenge. Water tariffs were converged city-wide for 2001/2002 and the goal is to converge sanitation tariffs for the 2002/2003 financial year.

5. LONG-TERM POLICY OBJECTIVES

It is important that the requirements and concerns outlined above are addressed in a synergistic way, so as to promote three important long-term goals for the provision of sanitation services in Cape Town.

5.1 EQUITY

Promoting equity in service provision and tariffs by ensuring universal access to a guaranteed minimum level of service, fair treatment of consumers and affordable tariffs.

5.2 SUSTAINABILITY

Ensuring financial sustainability, that is, that income (actual cash paid by consumers together with secure subsidies from other sources) is sufficient to meet ongoing expenditure needs including maintenance, asset replacement and system expansion to cater for growth. Promoting environmental sustainability through encouraging the wise use of the sewerage network and adequate investments in wastewater treatment. Financial and environmental sustainability are both dependant on consumers who are able and willing to pay for services rendered.

5.3 EFFICIENCY

Ensuring that service delivery is efficient and cost effective.

6. LIMITATION

This policy is developed without an existing framework for a city-wide tax and tariff policy. Water and wastewater services provide important public benefits that need to be taken into account. These public benefits are best understood from a holistic point of view, in conjunction with a city-wide tax policy which provides the framework for decisions concerning the funding of public goods.

7. TARIFF POLICY PRINCIPLES

The following broad policy principles and Legal requirements have been used to inform the development of the more specific policies (which are set out in the following section).

7.1 PRINCIPLES AND REQUIREMENTS PRESCRIBED BY THE WATER SERVICES ACT (Section 10)

The municipality must, when determining its revenue requirements on which tariffs for sanitation services are based, take into account at least the need to

- (a) recover overhead, operational and maintenance costs;
- (b) recover the cost of capital not financed through any grant, subsidy or donation;
- (c) provide for the replacement, refurbishment and extension of sanitation infrastructure;
- (d) ensure that all households have access to basic sanitation;
- (e) support the viability and sustainability of sanitation services to the poor;
- (f) recognise the significant public benefit of efficient and sustainable sanitation services; and
- (g) discourage usage practices that may degrade the natural environment.

7.2 PRINCIPLES AND REQUIREMENTS PRESCRIBED BY THE MUNICIPAL SYSTEMS ACT (Section 74)

- (1) A municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with the provisions of the Act and with any other applicable legislation.
- (2) A tariff policy must reflect at least the following principles, namely that :
 - (a) **users of municipal services should be treated equitably in the application of tariffs;**

- (b) the amount individual users pay for services should generally be in proportion to their use of that service;
 - (c) poor households must have access to at least basic services through:
 - (i) tariffs that cover only operating and maintenance costs;
 - (ii) special tariffs for low levels of use or consumption of services or for basic levels of service; or
 - (iii) any other direct or indirect method of subsidisation of tariffs for poor households;
 - (d) tariffs must reflect the costs reasonably associated with rendering the service, including capital, operating, maintenance, administration and replacement costs, and interest charges;
 - (e) tariffs must be set at levels that facilitate the financial sustainability of the service, taking into account subsidisation from sources other than the service concerned;
 - (f) provision may be made in appropriate circumstances for a surcharge on the tariff for a service;
 - (g) provision may be made for the promotion of local economic development through special tariffs for categories of commercial and industrial users;
 - (h) the economical, efficient and effective use of resources, the recycling of waste, and other appropriate environmental objectives must be encouraged.
 - (i) the extent of subsidisation of tariffs for poor households and other categories of users should be fully disclosed.
- (3) A tariff policy may 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.

8. SANITATION TARIFF POLICIES

8.1 CONSUMER CATEGORIES

Sanitation tariff structure and tariffs shall distinguish between three categories: Domestic users (D), Industrial and commercial users (I), and other users (O).

Domestic user categories. Sanitation Tariff Structure for domestic users shall distinguish between categories for domestic users.

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

8.2 Universal Billing : All users are to be billed unless provided with a rudimentary service such as communal facilities.

8.3 Converged Tariffs. All sanitation tariffs within the city of Cape town area shall be converged to a common basis by July 2002.

8.4 Volumetric tariffs : (Dcommunal) - No charge shall be rendered for the use of communal facilities.

8.5 Volumetric tariffs : (Dfull) - Tariffs for domestic users shall be based on a volume calculated as a percentage of water consumption. The tariff will be calculated as a tariff per kilolitre of wastewater.

8.6 Volumetric tariffs : (Donsitewb) - Tariffs for domestic users 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.

8.7 Basic Tariff - (D (Basic)) The tariff will be a fixed charge where necessary in informal areas depending on the mechanism. Different tariffs may apply for different systems.

8.8 Volumetric Tariffs (Dcluster) : Tariffs for domestic users shall be calculated as a percentage of the total water consumption.

8.9 Volumetric Tariffs - Industrial and Commercial : A Tariff per kilolitre of effluent discharged will be used. The volume shall be calculated as a percentage of water used.

8.10 Volumetric Tariffs - Other : Schools, Hospitals, Municipal users, churches etc. A tariff per kilolitre of effluent discharged will be used. The volume shall be calculated as a percentage of water used.

8.11 SURCHARGE : EXTRAORDINARY TREATMENT COST

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

The additional charge shall be based on the formulae as stipulated in the applicable By Law (Currently being drafted). The additional charge shall be billed monthly.

8.12 FIXED CONNECTION CHARGES

All users who discharge wastewater into a sewer system will pay a fixed charge.

The fixed charge may differentiate between user categories and will be calculated in relation to property value. Where appropriate, the fixed charge shall have a ceiling charge for specific user categories.

8.13 CONNECTION CHARGES

Connection charges for all consumer categories shall recover the full costs of the connection.

8.14 DISCONNECTIONS

Domestic Users - Due to the health risk related to effluent a sewerage connection shall not be disconnected if a user fails to pay. The water supplied to the user may be restricted in terms of the Debt Management Policy which will minimise effluent discharged.

8.15 AVAILABILITY CHARGE

Undeveloped land : An availability charge shall apply to serviced vacant or undeveloped land.

8.16 CALCULATED VOLUME

Industrial, Commercial, Domestic (cluster) and other. An executive official shall have delegated authority to adjust the percentage used to calculate the volume of wastewater. Scientifically based calculations shall determine the adjustments.

8.17 SUBSIDIES

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

9. DEPARTURES

Departures from the above principles may only be made where there are sound practical reasons which 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.