

**Re: Submission into Msunduzi Municipal Assessment Rates and Tariffs: 2017/18.**

PACSA has been monitoring the Msunduzi Municipal budget and tariff deliberation processes for the past twelve years and with it, four changes in political administration.

For us local municipal budget and tariff deliberation processes is about Pietermaritzburg society together deciding how best to share our resources equitably so that all people have access to the public goods and municipal services we require to live at a level of dignity. All fiscal and economic policy has to be aimed to serve this purpose. This process is a political one.

Budgets and tariffs do not have value in themselves; they only have value in that they serve a political vision. That is, if they serve our joint political objectives and our joint vision for the type of society we wish to create; whilst responding to our current socio-economic context and historical injustice.

It appears that once again Council either (1) does not understand that budgets and tariffs are instruments to serve a political vision for Pietermaritzburg and therefore transfer all decision making (and responsibility) to non-elected official bureaucrats; or (2) it does understand this and has a vision for Pietermaritzburg which is one of exclusion, breaking the social contract with its people, deepening poverty and inequality, privileging the elite (big business and wealthy residents), hollowing out the local state by under-recovering revenue and putting our municipal finances on extremely shaky ground, and directly contravening a range of National legislated Acts, Policies, Recommendations and citizen protection mechanisms conceived to deliver affordability, equity, justice and dignity to South African citizens.

Msunduzi Municipality's Assessment Rates and Tariffs for 2017/18 are not equitable, they are not just, they do not ensure affordability, they do not provide for an inclusive and thriving society and they do not provide for solidarity between different categories of users or bring in sufficient revenue. They do not respond to the affordability crisis facing a substantial portion of our society; and will instead worsen and entrench this crisis. The Assessment Rates and Tariffs for 2017/18 suggest (even if unintended) that the vision Council has for us, the citizens of Pietermaritzburg is one of directly hurting and oppressing the majority of low-income households in the city; and putting enormous pressure on a struggling middle-class.

We see nothing in Council's proposed Assessment Rates and Tariffs for 2017/18 which suggests that Council is dealing with the massive affordability crisis in the city by using all available instruments at its disposal to assist poor and struggling households to afford municipal services. Our assessment is based on the following:

1. Physically splitting-up the 'public' hearings of Business and Government sector 'stakeholders' from citizens by holding them on two separate days. It means an intentional prevention of all of us together coming together to deliberate about how we share our resources equitably towards a political vision we can all agree upon.
2. NERSA only approved a 2.2% increase in Eskom's electricity tariffs. Council is proposing an 8% across the board increase for all electricity users (including 8% on basic and amperage charges – these charges have nothing to do with the actual Eskom increases of electricity and are entirely within Council's control).
3. Council is in contravention with the Local Government Municipal Systems Act (2000) [Cht8, s73-75] which sets out how to structure and set tariffs. It does not differentiate user categories for equity, affordability, cross-subsidisation, subsidisation, financial sustainability, local economic development and environmental sustainability.
4. Council is in contravention with The Electricity Basic Services Support Tariff (Free Basic Electricity) Policy (2003); and in contempt of the Court Order of 28 July 2016, case number 8434/15: Electricity Action Group and others vs. Msunduzi Local Municipality and others. Council does not provide free basic electricity to struggling households on prepaid electricity meters; and charges the poorest residents the highest per kWh tariffs.
5. Council is not using the Equitable Share in the spirit it was conceived – to fund free basic services for struggling households. There are more than 100 000 households in the municipality who qualify for free and subsidised services. In 2016/17 Council used a tiny fraction (around R7.5 million) of the

National Treasury granted Equitable Share of R432 million to fund some free electricity to around 6 300 households (around 6% of all households who should be funded). This year's Equitable Share is valued at R480 million.

6. Council is in contravention of a range of consumer protection legislation pertaining to the unlawful deductions of 40% off the prepaid tokens of the poorest residents in the city; including harassing and threatening poor citizens, putting them into debt arrangements which they are not able to afford; fining them exorbitant amounts for missing payments; and disconnecting electricity, removing cables and boxes and charging R6 000 to any citizen wishing to have their electricity reconnected; and charging a whopping 11.5% interest rate on arrears.
7. Council has not provided an affordability analysis to guide its tariffs. There is no evidence that the proposed tariff increases are based on any real analysis of our current local and national economic, unemployment and affordability challenges. All proposed Council tariff increases are above 6% for the 2017/18 term - with water at 15% and electricity at 8%, and interest at 11.5%. Consumer Price Index headline inflation in January 2017 is 6.6%. Increases in the Old-age grant due to come into effect in April 2017 are 5.96% and on the Child Support Grant are 5.56%. Most low-paid workers in the city will **not** get an increase above CPI headline inflation of around 6% this year. CPI inflation on Food and Non-Alcoholic beverages in January 2017 is 11.4%. PACSA's year-on-year inflation on a basket of food which low-income households in Pietermaritzburg try and buy each month is 16.5% in January 2017.
8. The Electricity Action Group shared the ideas that inform their submission to Council on the Assessment Rates and Tariffs 2017/18 with PACSA. We are in full support of their submission and all that they demand.

The Assessment Rates and Tariffs for 2017/18 suggest that once again, Council has failed to use the instruments at its disposal towards a joint political vision of a society which could lead us to a place where we all belong and can all live in dignity and solidarity. We are deeply disappointed with the Assessment Rates and Tariffs for 2017/18. They will result in deeper poverty and inequality; will exacerbate the already seemingly insurmountable affordability crisis low-income families face; will undermine our health and education outcomes and the future of our children; they will weaken all attempts to grow our local economy; and further exclude and widen the distance between different members/groups in our local society, including to escalate intolerance and social unrest. They will directly subvert even the most tenuous political vision Council still might have for our city.

What we required is bold political leadership and a real attempt to start thinking differently about how we can make decisions on the basis of what is good for society and some clear ideas to lead us out of the crisis we face. Should the municipality move towards such a bold political leadership; PACSA would be prepared to join such a process of thinking.

We would suggest urgent political, technical and legal intervention into the manner in which Council is governing Msunduzi Municipality.

Yours sincerely



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