



31 January 2014

Msunduzi Municipality: Municipal Manager

Dear Mr Nkosi

Re: Written submission into Msunduzi Municipality's Draft Register of Tariffs and Charges 2014/15

For the past three years PACSA has submitted technical arguments based on a careful analysis of municipal service affordability for poor households. We have argued that the root of unaffordability lies in the way tariffs are structured. We have made suggestions on Msunduzi Municipality's proposed percentage increases on tariff prices based on an anticipation that tariff structures would be re-equilibrated to ensure that poor households are accommodated without affecting municipal revenue.

This submission has had to be qualitatively different from PACSA's previous submissions because previous ones have not been taken up – tariffs have not been restructured - and in our view, the city's massive municipal service affordability crisis is now entrenched. This year we can no longer quibble about percentage increases. The people we connect to and work with are unable to pay current 2013/14 tariffs. They cannot absorb further increases. For them, tariff prices must drop.

This is evident from the sheer numbers of households being disconnected across the city; the magnitude of service arrears, the tremendous pressure placed on households in an unyielding economic climate with very high levels of unemployment, low wages and high reliance on social grants; and the horrific decisions poor households are being forced to make across the city of putting food on the table or paying an electricity re-connection fee; of paying school fees, buying school clothes and books or paying an 'arranged' amount to lawyers for illegitimate water and rates arrears; burying a child or paying a current municipal account.

If any credible engagement around a credible attempt to address the affordability crisis is to be made; we propose the following may go some way to assist:

- Tariffs must be substantially reduced for every family who is unable to pay because they cannot.
- We reaffirm our past suggestions on how the tariff structures can be substantially re-equilibrated for equity and affordability for low-income households. We propose universal access to affordable, sufficient and quality services through substantially reduced tariffs, stepped tariffs, subsidization and concessions to poor and working class households. Higher-income households and big businesses must be targeted for substantially increased tariffs, stepped tariffs and fixed charges; and rates rebates and other concessions to these sectors must immediately be halted.
- Immediately stop disconnecting the electricity of poor households.
- Affordability studies must accompany annual deliberations on how municipal services be priced.
- The Equitable share must be used exclusively (in the spirit in which it was conceived) to fund adequate volumes of free services to all low-income households in the city. It cannot be that in the 2011/12 financial year¹ Msunduzi Municipality spent only 3.3% or R10.2 million out of the Equitable Share allocation of R304 million on funding free basic services, whilst forgoing R373 million for rates rebates, which benefit the rich.

We urge that the municipality follow the correct legislative procedures of the Municipal Systems Act (2000), Municipal Finance Management Act (2003) and Municipal Property Rates Act (2004) which govern the setting of tariffs and public participation. This may go some way to improve public trust and demonstrate that the municipality is concerned about its citizens and the impact tariffs will have on poor families throughout the city. It is critical that substantive consultation occurs and that the municipality respects the input of all of its citizens in this very important process.

We request the space to make an oral presentation to the Rates, Tariffs and Charges Committee during the scheduled public hearings.

Yours sincerely

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¹ Consolidated Annual Financial Statements for year ended 30 June 2012.