1. Introduction

The 32nd Infrastructure Dialogue focused on one of South Africa’s consistent challenges, namely “Pricing and paying for municipal rates and charges”.

The pricing of services, the affordability of pricing, the quality of services delivered by municipalities and the social issue between the wealthy and the poor are contentious on a continuous basis. The increasing debt levels of Municipalities and related strategies required for revenue generation and effective financial management and credit control further fueled this debate.
The Dialogue deliberately sought to discuss these challenges and to be speculative on what might happen in future. It was stated that it does not matter which ‘hat we are wearing and the position we are in’, but that ‘we have to think about future scenarios and what will be needed to respond in the best ways possible’.

“What is clear is that pricing for services will increase and these increases will be passed on to consumers. Therefore it is important to consider how business, residential and indigent consumers will react, factoring this into the approaches taken and strategies followed.” Richard Goode, Development Bank of Southern Africa.

The forum brought together a panel of speakers from the Municipal sphere, the research fraternity and business. An introduction and word of welcome was given by Sithole Mbanga, Chief Executive Officer, South African Cities Network while Richard Goode of the Development Bank of Southern Africa (DBSA) facilitated the Dialogue after introducing the following panel members:

<table>
<thead>
<tr>
<th>Ms Karen Heese</th>
<th>Economist, Municipal IQ</th>
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<tr>
<td>Mr Conrad Barberton</td>
<td>Development Economist &amp; Senior Consultant, Cornerstone Economic Research</td>
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<tr>
<td>Mr Richard Bennet</td>
<td>South African Property Owners Association &amp; Marketing Director, iProp Proprietary Limited</td>
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2. Predicaments facing Local Government

South African Local Government faces hard times and the immediate future is problematic, particularly when it concerns service delivery rates and charges. Between the political agenda and socio-economic viability and long-term sustainability, Local Governments find themselves in a difficult situation.

The cost of bulk services will undoubtedly increase and as a result, these costs will be passed on to consumers who will have to pay more. Adding to the consumer burden certain communities, which have seen a period of non-payment, will have to start paying for service delivery. Furthermore, in terms of affordability, Local Governments are forced to keep margins low, in turn limiting municipal income.

Adding pressure within this challenging reality, there is a drive from consumers to find alternative solutions to save costs. For example:

- With regard to electricity supply, high-end consumers and large industrial corporations are increasingly investing in solutions that will allow them to source their power independently from the national electricity grid. There are also a number of companies mitigating load shedding through their own power generation solutions. Local Governments relying on energy provision as a major income stream will experience an erosion of sales and will have to work with lower margins on a lower supply base. This will dramatically impact revenue generation in the longer-term.
In terms of **water** supply, the option of desalination plants is increasingly being investigated for coastal cities. High energy usage associated with this solution makes it expensive. However with droughts and water scarcity, the supply of this critical resource will become more expensive and companies will look to alternative solutions that provide reliable supply and cost savings.

Labour costs and wage increase demands present a further issue in the municipal environment. Above-inflation increases are demanded and Local Government will be required to increase benefit structures for municipal workers. Not only will this aggravate the cost burden, it requires skillful and effective expectation management to prevent disruption.

On the demand side, Local Governments are facing the dilemma of how to implement the Free Basic Services policy. This has been promised to all South Africans and it has become a culture and an entitlement. In some regions there is an undertaking and it is communicated to townships and informal settlements that the supply of “free basic services” is capped and that after a certain level is exceeded, consumers will have to pay for such delivery. Whether it will be followed through is another question. There is also the dispute surrounding Local Government execution of such services. Exacerbating this, in cases of non-payment, consumers are often not forced to settle their outstanding amounts.

“No matter how we solve service delivery problems, service delivery and other protests will not go away. We find service delivery protests in rural areas where there is a lack of service delivery or inconsistency in this regard, while up to 80% of protests in Gauteng relate to the lack of quality of service delivery. Where communities have access to services, there are additional demands and there will continue to be further requirements. In this instance, affordability and pricing becomes pertinent. However every crisis has an upside. Local Governments are forced to be more innovative and there are signs of municipalities beginning to implement creative solutions. For example, the Johannesburg municipality is implementing smart meters with the aim to disconnect geyser’s in peak times while introducing peak and off-peak tariffs, with successful outcomes to date. Such solutions will not only save costs for municipalities and consumers, but are simultaneously good for decreasing the country’s national carbon footprint.” **Karen Heese, Economist, Municipal IQ**

The inherent capabilities of the majority of municipalities to be innovative in a way such as the Johannesburg example above, is questionable. In Tshwane, the results of implementation of smart meters have been disappointing so far. In this specific case, there is also a question surrounding the tender process. From the context of the bigger picture, Local Governments can no longer afford these types of failures, which directly impacts affordability for municipalities as well as consumers. Although some municipalities will innovate, we have to accept that some will never get to the point of implementing creative solutions.

The problem also becomes a public relations exercise. Local Governments’ public perception is very low, rated just above that of the Police. For the system to work, consumers’ confidence in municipalities is imperative. They need to feel that they are properly billed and that issues and complaints are properly dealt with.
3. **Affordability of Service Rates, Charges and Taxes**

3.1 **Affordability Research Findings**

The Cornerstone Economic Research presented findings of a follow-up study on the issue of affordability of service rates, charges and taxes. The initial study was conducted by the SA Cities Network in the mid-2000s with the focus on the nine larger cities in South Africa. The objective thereof was to determine changes since 2007 through to 2012, and to showcase how municipalities price services in terms of what consumers can afford and what municipalities can collect from accurate billing. Cities and municipalities with readily available data were included in the study, while rural municipalities were not due to limited or no availability of data.

The study also focused on households in the upper Living Standards Measure (LSM) categories, namely LSM 5, 6, 7 and 8, which represent middle-class households, with LSM 5 the lowest and LSM 8 the highest in terms of household income. Below LSM 5 one enters indigent policy territory. It classified households type A, B, C and D respectively. The elements examined included property values and bulk services including electricity and water consumption that increased through the categories.

For the purposes of the discussion, some findings of the follow-up study were shared in the Dialogue. The full study will be published by the South African Cities Network (SACN) later in 2015. These are provided in the table below.

### Table 1: Excerpt of the Affordability Study Findings

<table>
<thead>
<tr>
<th>Element Tested</th>
<th>Household Type / Municipality</th>
<th>Study Results</th>
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<tbody>
<tr>
<td>Monthly service package</td>
<td>Type A R500 - R1000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Type B R1000 - R1500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Type C R1500 - R3000</td>
<td></td>
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<tr>
<td></td>
<td>Type D R3000 - R4000</td>
<td></td>
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<tr>
<td></td>
<td>Umsindisi</td>
<td>Highest service package cost for poor households.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cheapest service package cost for wealthy households.</td>
</tr>
<tr>
<td>Price increase for service package</td>
<td>Cape Town Increases of 15% for poor households between 2010 and 2013</td>
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</tr>
<tr>
<td></td>
<td>Ethekwini Highest increases of up to 11% for poor households with lowest increases to wealthy households.</td>
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<tr>
<td></td>
<td>Mangaung Less than inflation increases for wealthy households.</td>
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<tr>
<td></td>
<td>Tshwane Below inflation increases for all consumers while since 2010, the municipality experienced a cash flow crisis.</td>
<td></td>
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<tr>
<td>Affordability</td>
<td>Type A Service package: 18 – 20% of monthly income.</td>
<td></td>
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<tr>
<td></td>
<td>Type B Service package: 10 – 11% of monthly income.</td>
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<tr>
<td></td>
<td>Type C Service package: below 10%.</td>
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<tr>
<td></td>
<td>Type D Service package: approximately 6%.</td>
<td></td>
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<tr>
<td>Element Tested</td>
<td>Household Type / Municipality</td>
<td>Study Results</td>
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<tr>
<td>Property rebates</td>
<td>Nelson Mandela Bay</td>
<td>Standard and regulated R15 000 rebate.</td>
</tr>
<tr>
<td></td>
<td>Cape Town and Johannesburg</td>
<td>R200 000 rebate for all households.</td>
</tr>
<tr>
<td></td>
<td>Other municipalities</td>
<td>Between R15 000 and R200 000 rebate.</td>
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Further analysis of the study highlighted the following:

- Major discrepancies in the cost of services for different metros.
- Significant variances in the calculation of Free Basic Services across all metros and municipalities.
- During the course of the study, electricity costs increased by 11% to 12%, while some municipalities increased service charges by less than inflation.
- Property rates vary greatly across metros, with Ethekwini having the highest rates and Mangaung the lowest.
- Rates and tariffs increases tend to be “smoke and mirrors in the way in which they are communicated and implemented”. Some municipalities will communicate an increase of 30c on R2 but not openly announce a 15% increase. Johannesburg municipality, for example communicated a rates increase of 6%. But with property values adjusted in the same year the actual increase totalled 25%. This was not communicated to consumers. With regard to rates and tariffs municipalities are also required to strategise increases in favour of the poor, yet the numbers indicate the opposite in some cases.

Key findings from this study raise serious questions as to how municipalities determine service rates and charges, as well as the basis for price increases. One of the responsibilities of Local Government is to promote and ensure equity across all households. It is also for this reason that in the distribution of the equitable share, National Treasury has allocated greater percentages to poorer municipalities, cross-subsidising poor households in rural regions. As poor people are moving from rural areas into the cities at a constant rate, larger metros have complained about this share allocation and amounts allocated to cities were increased.

The study indicates that equity is not promoted at the level of Local Government. With huge discrepancies in the pricing methodology implemented, not only across households and income categories within Local Government but across different municipalities, there are significant weaknesses in the system that require attention. The study shows clearly that relative to income, Type D households, the highest income group in South Africa is charged four times less for municipal services than Type A households.

3.2 Traditional Land

Traditional land in South Africa is currently exempt from municipal service charges and this is becoming a serious issue as it affects large sections of the country and numerous municipalities.
The example of Msunduzi was cited, in which 40% of the municipality’s surface area is in the Ingonyama Trust land. Msunduzi can only charge for services delivered to consumers in the remaining 60% of the land. As a result the municipality is suffering a loss by not collecting rates due to the traditional land within its borders.

Adding to this challenge, there are some wealthy households as well as businesses on this land, not having to contribute to the cost of running the municipality. This creates undue favour and becomes an issue for the Competition Board. The subsequent inequality needs to be highlighted and economic research should be conducted to determine the real impact on municipalities and their ability to deliver sustainable services. However, changing this situation will be very difficult, given the power of traditional leaders within the political space and voting dynamics. Yet, previous research done by the SACN on secondary cities found that the revenue contribution estimated for properties on traditional land was small.

When it comes to RDP housing developments where people were not given the title deeds, they are not liable to pay rates. Delays in registering the ownership of subsidised housing increase the burden on municipalities.

3.3 Relationship between Household Income and Household Debt

A question from the floor relating to the relationship between household income and household debt was raised. The study could not trace any relationship between the two. Consumer debt data are segmented into four categories, namely household, business, institutional and government. Where debt of high profile consumers such as the Government reaches significant proportions, municipalities not only face an economic problem but a political one. A process of consultation should be followed to solve such issues.

4. Property Development Contributions

The discussion around property development contributions was based on research that was conducted primarily on roads and stormwater systems construction and policy guidelines developed by the City of Johannesburg. Although roads and stormwater systems construction essentially represents one sector, the findings define the ‘rules of the game’ in terms of bulk services contributions developers need pay.

4.1 Bulk Services and Internal Services

Bulk services are the responsibility of the city while developers pay for internal services. Property developers who want to develop a portion of land, whether farm land, residential, industrial or commercial, appreciate that development brings with it additional service demands.

In this regard, developers accept the fact that they should contribute to municipalities for bulk services, such as roads providing access to developments and sewerage works that will have to be enhanced at some point. To this extent, developers often offer to build components of bulk infrastructure central to the development area as an offset against contributions, as this ensures the effective functioning of developments.
4.2 Policy

A policy document based on research conducted on property development contributions was drafted and circulated for review in November 2008. The results raised a huge number of objections, which were first reviewed in August 2011. The Policy document was approved seven years later. During this review period, contributions did not increase significantly, which meant that the increase in 2014 was disproportionately massive.

Regarding engineering services contribution rates for developer payments, the Policy outlines the following approach:

\[
\text{Total cost of infrastructure} \div \text{measurable parameter unit} \\
\text{(e.g. household sewerage kilolitres per day)}
\]

The increase in demand is then multiplied by this rate to determine the contribution.

4.3 Key Issues – Policy and Calculation Methodology

The Dialogue highlighted some of the key issues pertaining to the Policy, as well as the methodology of calculation as outlined in 4.2 above.

- The Policy deals with various issues around Property Development and Developer Contributions. However, at implementation level there are practicalities that sideline policy guidelines. For example, Section 2.7 of the Policy deals with non-motorised services and public transport that needs to be funded by developer contributions. In practice the developer is told to include a taxi rank or a cycling lane as part of the internal infrastructure, regardless of whether it links to the external infrastructure that will allow taxis and cyclists easy access to external roads. The Policy does not address the interconnectivity of infrastructure (except for the Bus-Rapid-Transit system which is working well). There is a disconnect between policy guidelines and practical implementation and there are no efforts to solve problems thus far.

- The Policy defined sections of land such as farm land, industrial park or manufacturing, and each defined section had been allocated a number. A bulk services contribution calculator was developed to calculate the developer contribution. There is however a problem with the definition of the land and number allocation. For example an industrial park has a different number in comparison to land set aside for manufacturing. A small medium enterprise (SME) manufacturing concern is often developed within an industrial park. In theory the use of bulk infrastructure by such a factory within a pre-defined industrial park is essentially the same as what it would have been on a pre-defined manufacturing land. Based on the previous calculation methods, the engineering services contribution value of such a development would have been in the region of R400 000 for a 3.7 hectare parcel of land. Comparatively the current calculation method under code 130 for Industrial Park, the contribution is R8.3 million and under code 140 for Manufacturing, the contribution is R4.7 million. Calculations based on the new method could be up to twelve times more than what it was in 2007.
When developing a unit that will increase industrial activity, traffic will increase by ‘x’ amount of trips per day, and water consumption and sewerage will increase by ‘y’ kilolitres per day. What is needed is a standard rate to determine contributions. Yet with the current methods employed, there are errors in the factors applied although the activities are essentially the same.

The future is unknown and there are no guidelines. Delays in land releases and environmental impact and assessment studies may defer development, which might have a significant impact on the level of contribution. A real-life example was shared whereby the contribution increased from an initial calculation of R10 to R130 per square meter for service provision at the time of development.

Another factor in terms of roads contributions is that a method of measure based on the amount of trips and trip lengths are included. This relates to cycles of maintenance or upgrading of roads. In reality business owners strive to locate businesses in the shortest distance of travel. But this method seeks to forecast trip lengths based on historical methodologies for developing land which are no longer relevant and effective to be employed in calculations.

The purpose of stormwater contributions is to fund the improvement of canals and river download systems to avoid flooding. Yet we cannot continue to widen canals for stormwater management. We rather need to reduce the volume of water to a maximum flow condition that involves stormwater retention and keep the amount of water flow within canals at a constant. The Policy stipulates that post development flow should not exceed pre-development flow, which implies that although stormwater could flow over longer periods of time, the volume of flow does not increase.

The benefit of this is that no upgrade or replacement of infrastructure is required. Yet the method of calculation contributions includes an assumed pre-development flow. While no change has taken place and no upgrade of infrastructure is necessary, it should rather look at the difference in post and pre-development flow, which is 0. An example was shared where attenuation ponds were developed in a development area. Despite a R3 million attenuation infrastructure facility that was developed, contributions still had to be paid. The municipality believed that stormwater attenuated on site is an internal infrastructure and contributions still have to be made to bulk infrastructure which amounts to double charging. However, the fact is that no change occurred in the management of bulk infrastructure. The pre-development stormwater flow volume remained the same after development.

Further to the issue of attenuation ponds, with this type of on-site infrastructure come legal responsibilities. If someone should fall into such a pond and drown, who will be liable? The Policy could stipulate that such infrastructure should be fenced and developers should get risk and legal coverage. But if all these costs are factored in, it would not be viable for developers.

Considering electricity, developer contributions increased up to 4500% over the last ten years. The major problem is that municipalities have moved points of connection – from
the boundaries of development to the nearest sub-stations. Developers developing land outside of the cities’ infrastructure have to pay exorbitant contributions.

“The current methodology applied in property contribution calculations that result in exponential increases in developer contributions make it unaffordable and unviable for developers to compete. Some developers cannot afford these contributions and a large number have already chosen to exit the market which in terms of demand is good for those remaining but not in line with economic policies. Supply and demand will continue to be determined by profitability and return on investment. How does this impact the poorest of the poor? We know that the greater amount of jobs will be created through SMEs and policies favour SME development. We therefore have to come up with innovative solutions and ensure that we allow SMEs access to enter and remain active in the market at affordable and reasonable prices. The current rate calculations simply mean that profit margins were eliminated for many in the game and that is the reason why many developers left the market. An important topic for debate is how different groups respond to different prices strategies. This is a subject that needs in-depth dialogue in order for us to understand the underlying dynamics and to get to a place where we can develop workable solutions.” Richard Bennet, South African Property Owners Association & Marketing Director, iPorp Proprietary Limited.

The method of calculation must be thoroughly investigated and corrected to ensure affordability. The actual value of contribution should be questioned as to whether it is to contribute to the funding of bulk services or to cover the total cost thereof. Some municipalities, such as Johannesburg, are realising the need for improvement while development in Midrand is extremely expensive due to the level of contributions needed to compensate for not putting in bulk infrastructure first. Ekurhuleni has not yet started to apply the new calculations.

4.4 Maintenance related to Property Development

The question surrounding whether maintenance should be included in initial investment costs was raised. In reality, properties are developed and handed to municipalities where they are added to the existing burden that municipalities are currently struggling with.

Although municipalities and cities are under pressure to ensure that investment in maintenance is not lost, there is no simple answer. Theoretically, the rates that are received by municipalities together with service charges, should partly fund maintenance. In practice this is not happening and in many cases individuals work collectively towards the funding of maintenance. In areas such as Sandton, the income is generated and funds for maintenance are readily available. Alexandra and Soweto generate limited income and maintenance is lacking while Orange Farm has no potential of raising additional funds. Such issues require solutions for long-term sustainability.

4.5 Corridors of Freedom

With the establishment of the Corridors of Freedom, cities have allocated budgets for infrastructure upgrades along those corridors. Questions of whether property developers would still be required to make contributions to bulk infrastructure relating to Corridors of Freedom developments, and whether smaller players will be incentivised were raised.
A development in public transport, the main driver for the transit orientated development concept of the Corridors of Freedom, is currently taking place in Sandton. Office space of 63 000 square metres is being developed for Sasol alone. Driven by public transport development, the staff at Sasol is being encouraged to make use of public transport. In fact, the office development does not provide parking space nor upgrades to road capacity for additional cars that might be required.

Up until now, the areas where public transport has been installed have had the benefit of wealth in the past and these areas will continue to see massive growth. Whether the same principles will apply for other areas such as the Turfontein Corridor of Freedom, where there has been limited investment in public transport will remain to be seen.

Debating the question, will it have the same result without the offset on contributions being considered, the conclusion was that it would likely not. Here, contributions from developers are needed to help fund infrastructure required, but the more important question is, will developers be interested in developing the area.

The broader observation is that the money of developers and investors is not yet being allocated to the Corridors of Freedom but rather to commercial and industrial development opportunities as these continue to offer the best return on investment.

The reality is that bulk service contributions are making it difficult for new property developers to enter the market and people who have been previously disadvantaged are continuing to be kept out of sector, especially in the current way that it is being applied. Cities have also not yet indicated considering any discounts to incentivise development. This topic should be included in further discussions.

5. Willingness to Pay

After initial comments were raised on the issue of Willingness to Pay, it was noted that we have to expand our vocabulary around the subject, i.e. affordability, unwillingness to pay and unwillingness to enforce payment.

"We have affordability issues where there are genuine cases where people do not have the capacity to pay; the willingness to pay is a cultural issue and comprises people that are unwilling to pay; and then we have unwillingness to enforce which is a political problem and probably also a competency problem within municipalities. We need to understand that willingness to pay responds to willingness to enforce. The debate is more around what happens at a municipality level that causes them not to enforce payment rather than what it is a community problem. If the willingness to enforce changes, that will change the dynamic on the willingness to pay. We need to shift our focus from people that are unwilling to pay to people that are not enforcing and the question is why are they not doing that?"

Conrad Barberton, Development Economist & Senior Consultant, Cornerstone Economic Research

The argument from people that are unwilling to pay include reasons of poor and inconsistent services. In other words, why do I have to pay if I do not receive good standard and consistent
services? The problem can also be attributed to municipalities not having an effective billing system and not billing according to actual services utilised.

Where consumers do pay, their willingness to pay is sometimes exploited by being targeted with higher bills instead of encouraging consumers in arrears to pay. Some people do not pay, not because they are unwilling to pay, but to avoid being exploited while they also know that municipalities will not enforce payment from other consumers in arrears.

It became evident from examples shared in the Dialogue that there is a culture of non-payment. In other words, if I am not forced to pay and can get away without payment, I choose not to pay.

With numerous municipalities not enforcing payment and traditional land exempt from payment, the trend is to build big and elaborate houses in regions that require additional services but in which no payment is received in return. Putting more pressure on systems that were originally designed to cater for the few, result in systems failure and inconsistent services, creating a vicious circle.

There is also a lack of understanding with regard to what is paid for and why payment is necessary. To this extent, an example of consumer education was cited. In a certain municipality, the Municipal Manager embarked on an educational campaign where each employee was given a section of the township and the responsibility to educate households on rates and service charges and why it is necessary to pay. A significant improvement in payment for services was achieved through this campaign. Yet when the Municipal Manager left the Municipality the situation changed back to what it was and about 18 months ago the district undertook to write off all debt after a court case ruling where the Municipality was taken to court on certain issues. The district then undertook to put in a new meter system, however to date the collection rate remain poor. This example illustrates that continued consumer education is impactful.

Willingness to pay is a long-term commitment and to change the situation, incremental small steps should be taken to educate consumers and develop a willingness to pay. With municipalities being dominated by political agendas and working on five year cycles, this makes change difficult to achieve. It will take much longer, but with commitment and consistency, it can be enabled.

6. Alternative Technologies

In some cases consumers opt for alternative technologies to lower cost, however there is no municipal policy or system in place to incentivise consumers for doing so. Although it requires upfront investment, some business and wealthy households are reducing their reliance on municipal services. The option of alternative technologies however is not affordable for the majority of people.

It is also advisable that in other cases alternative infrastructure should be considered. An example is that of toilets being installed in the bush with inappropriate toilet structures, while there are appropriate alternative options that are much more sustainable and will not only save costs but water as well. In this specific case, due to political reasons, just one option was accepted at a huge cost.
We have to consider what alternatives offer better solutions and how that will impact people’s willingness to pay.

Touching on the issue of illegal and unauthorised connections, the point was made that it should not be equated to or confused with unwillingness to pay. In cases of unauthorised connections it has been found that, people are not aware of it being unauthorised and pay contractors who represent themselves as being official to implement connections.

7. Free Services

Richard Goode asked the question whether we, as a nation, have a faulty crack running through our South African democratic mind space, in that provision is made for “free services”.

While legislation clearly extends basic rights to indigents to have basic services at no cost within a system of subsidisation, there is no indication that services should be free. South Africans need to understand is that there is no such thing as a free service. All services have a cost attached to them. Services are supplied from the source to the consumer, and it is only a matter of who is paying for it not whether it is being paid for. The concept that services need to be paid for, whether out of consumers’ pockets or from subsidies or fiscal transfers, which need to be transparent, has to become part of our lexicon.

One of the biggest culprits in this regard is the Government and the way in which it promotes entitlement behaviour. For example, moving into the digital migration, Government has a fund in the excess of R5 billion which is intended to be used to provide certain, yet to be defined recipients of indigent households with a “free” set-top box. Once again, the idea that people who qualify for subsidisation are getting things for “free”.

Where it comes to the “free” 6 kiloliters of water that every South African household gets, people need to understand that municipalities buy water from the water board and they buy this from the department. There is no free basic allocation from the source. People need to understand that the 6 kilolitres are subsidised throughout the value chain and that this situation is not sustainable. At some point the cost needs to be retrieved.

From a political perspective as well as to further promote equality, it is understandable that services for a certain group of people who cannot afford to pay for basic service delivery should be subsidised. But the policy of Free Basic Services has grown into a concept of “free basic services” as a human right, which is an incorrect perception.

This, noted the Dialogue participants, should be changed by starting to change our language and the way in which subsidisation is communicated. There could be a form of payment, even if is tokens of payments between consumers and service providers. For water, we could give the relevant group of people the money to pay for the 6 kilolitres of water. In this way, they will gain an understanding of the value of this resource and they have a choice to save and lower usage.
Parliament recently debated the provision of a package of social grants as opposed to “free services” but the problem comes with implementation failings. No matter what solution we choose, what will be key is the will to implement and how it is administered.

With regard to administration, the point was made that Government needs to catch up with a rapidly changing world in terms of interconnectivity. Administration processes remain slow and there are numerous restrictions, especially in relation to digital communication.

It was noted that we have a younger generation that is entering the market as consumers of services. In terms of communication, which includes receiving invoices and making payments, the younger generation behaves in new ways through digital communication channels. For Government to remain relevant and to ensure that they will be able to communicate with the upcoming consumer base, they need to affect change quickly and efficiently.

8. Conclusion

There are multiple challenges facing pricing and paying for municipal rates and charges, making this an important issue to be addressed by this sphere of South African government. And, while National Government is rated second globally for budget transparency, Local Government and Municipality budgetary and financial management strategies are vague. This Infrastructure Dialogue highlighted pertinent focus areas that call for more dialogue and innovative thinking. A proactive and immediate response to change mindsets within Local Government and those it serves is needed. Not only do efficiencies need to be delivered by those who serve. Consumers need to be educated around the need to pay for basic service delivery and how to do this. Critically, what is most needed is a change in mindsets across all stakeholders, particularly around policy implementation and enforcement.