

Tariff adjustments

BOTSHILO WATER



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1. Overview

- Botshelo Water abstracts water from different sources:
 - Setumo Dam (supplies MLM and NMMDM)
 - Molopo Oog (supplies MLM and NMMDM)
 - Grootfontein Boreholes (supplies MLM and NMMDM)
 - Sehujuwane Dam (supplies NMMDM)
 - Itsoseng Oil fields (supplies Ditsobotla LM)
- Setumo Dam collects recycled water from the Mafikeng and Mmabatho waste water treatment works and natural precipitation. The quality of the water therefore requires considerable chemicals, skill and care in treating to ensure safety and acceptability to the consumers.
- Botshelo proposed a tariff of R 3.27 and this has to be reduced to R 3.14 to comply with the Minister's directive.

2. Previous Tariffs



- The following are tariffs as presented to the municipalities and the subsequent revisions after negotiating of discounts during previous years:

Year	Tariff + VAT = Total	Discounted
• 2005/2006	R 2.14 + 0.30 = R 2.44	R 2.44
• 2006/2007	R 2.14 + 0.30 = R 2.44	R 2.44
• 2007/2008	R 2.66 + 0.37 = R 3.03	R 2.58
• 2008/2009	R 2.66 + 0.37 = R 3.03	R 2.58
• 2009/2010	R 3.27 + 0.46 = R 3.73	R 3.58

- The Municipalities were charged at R 2.58 all inclusive for 07/08 and 08/09.

3. Tariff Proposed by Botshelo Water



Correcting previous tariffs

1. Actual cost of production and tariff calculations are tabled below, base on expenditure during the previous year..

Description	2009/2010
Cost of Raw water	1.67
Employee costs	0.60
Chemicals/Electricity/Transport	0.50
Maintenance and Repairs	0.30
Overheads	0.20
Total	3.27 + VAT

3. Tariff Proposed by Botshelo Water (Cont)



- A full appraisal of the tariffs indicates that the increases that should have been applied to the Municipalities for bulk water have not been applied, and annual increases have been missed twice. (06/07 and 08/09)
- This makes it look as though the proposed increases are too high compared to recent CPIX inflation rates but in fact the increase from R 2.14 in 2005/06 to R 3.27 amounts to an annual increase of 8.8% compounded which could be considered a fair increase compared to the actual CPIX inflation rates.

4. Cost of Raw Water



- Botshelo Water operates and maintains six water treatment plants and abstracts water from them in accordance with registration certificates issued by DWEA and incurs a charge of R 1.67 per kl.
- It is indicated in the correspondence from the Minister that DWEA will reduce the tariff by 5%, resulting in a tariff of R1.587, a reduction of 8.3c. per kl.
- The reduction to the Tariff imposed by DWEA of 8.3 c will lead to a saving of 7.055 c in the tariff calculation costs allowing for 15% water loss in processing and delivery. Saving of R 905k.

5. Tariff adjustment by DWEA



- This reduction is considerably smaller than the imposed reduction to the tariff of R 3.27 – R 3.14 = R 0.13 which equates in Rand terms to a reduction of income of about R 1.7 Million to Botshelo Water
- Botshelo Water will therefore be disadvantaged by about R 800k

6. Challenges during consultation



- Despite many request and letters, it was not possible to get the Municipalities to attend any of the scheduled meetings.
- The process was continued with National Treasury and SALGA in their absence.

7. Achievements



- Despite all the problems in the past and the difficulties during the consultative process, Botshelo Water has been able to table a meaningful tariff and will be able to function with the revised tariff of R 3.14 and budgets have been modified accordingly.
- The proposed tariff of R 3.27 would have assisted Botshelo Water to overcome the difficulties of the past and would also allow some improvements to infrastructure which is badly needed.

8. Impact on the end users



- The majority of end users in our jurisdiction have access to Free Basic Water and this will remain unchanged.
- The increase will not affect the indigent as there are indigent policies in place and they do not normally consume more than the 6 kl of water per month.
- Larger consumers, where the top price of water is fixed at R 7.00 will incur an increase of R 0.88 per kl i.e. an increase of 12.5%

8. Impact on the end users



- These impacts can be greatly ameliorated by better control of water losses and improved cost recovery on the part of the Local Municipalities, which are at unacceptable levels.

THANK YOU

