

The Saxonwold and Parkwood Residents Association

Response to the City of Johannesburg's request for Public Comments on the City of Johannesburg's Draft 2020/21 Integrated Development Plan, Medium Term Budget and Tariffs.

The following comments are restricted to the Draft Medium Term Budget and Tariffs.

Introduction

At the outset we wish to state that we believe a budget should attempt to reflect a reality that exists at the time period over which the budget is projected and cannot be considered to be reality in and of itself. A budget which is not grounded in reality is of no use and indeed may even be an impediment to the proper understanding of expected future income and expenditure and consequently distort the perceived reality on which important decisions are to be made.

Whilst some comment is made in the Draft Budget on the rapidly changing (deteriorating) economic environment, we believe that the Draft Budget itself does not properly reflect this issue and is premised on an overly optimistic estimate of the ability of its residents to pay the demanded increases. Indeed, the Draft Budget (page 43) makes the point that "National Treasury continues to encourage municipalities to keep increases in rates and tariffs at affordable levels in order for the budget to be realistic as required by the MFMA." We would submit that this recommendation by National Treasury has been disregarded in the Draft Budget.

Draft Budget Proposals

The Draft Budget proposes the following increases (page 94):

Revenue Category	2020/21 Tariff Increase	Increase in Bulk Charges
Property Rates	4,90%	n/a
Refuse	5,20%	n/a
Water and Sanitation	8,60%	6,6%
Electricity	8,10%	7,3%

Proposed Salary Increases (page 91):

Year	Increase	Inflation Assumption
2020/21	6,25%	5,20%
2021/22	6,30%	4,70%
2022/23	6,30%	5,00%

These increases must also be considered against the huge increase in rates and service charges that were imposed in the previous year.

Affordability

Two important facts which must be taken into account (and which do not appear in the Draft Budget) are the following:

1. The South African Economy entered a recession even before the commencement of the COVID-19 lockdown and our country has subsequently been downgraded to non-investment grade status by the rating agencies.
2. The COVID-19 pandemic is expected by the SA Reserve Bank to result in a decrease in GDP by 7% whilst other commentators estimate this could be as high as 15%. The impact both on unemployment and the level of company liquidations is expected to be large and, consequently, the recovery from the pandemic is expected to take a number of years.

The impact of both these factors on the incomes of residents is manifest. This will translate into an impaired ability for them to pay their existing rates and service charges before even considering the proposed increases.

Informal communication from our residents has indicated that a number of households are experiencing financial hardship, especially where the breadwinners have either lost their jobs or are on a reduced salary during the lockdown period. Those that own businesses are facing the very real possibility of their businesses being liquidated.

The ability of these households to meet the payments due to the City are being compromised even before any increase in such payments are considered. The alternative of selling their homes is severely impacted by the substantial reduction in the prices obtained in the housing market. It is incorrect therefore to make the assumption that residents will voluntarily, or have the capacity to pay the increase in rates and tariffs demanded by the City.

Justice

We submit that, given the economic circumstance which residents face, the suggestion that residents must pay increased rates and cost of services to the City whilst the City provides its employees with salary increase in excess of the inflation rate, is counter productive to the collection of such rates and cost of services and verges on hubris. This is especially true when National Government has given its civil servants no increases in salaries at all and private sector companies have been forced to reduce their costs as a way to balance their books. Many private sector companies have indeed reduced their charges to customers to help mitigate their customers poor economic circumstances.

The increase in the tariffs of both water and electricity to the consumer is greater than the increase on the bulk supply to the City. Thus the charge imposed by the City on the provision of these services has increased not only by the margin on the bulk supply, but also in the higher rate of increase on the bulk supply itself. This translates into a total increase in the margin imposed by the City to be an estimated 11% on water and 40% on electricity. This is vastly greater than inflation and in breach of the recommendations set by Treasury.

Where imposed charges by a monopoly are considered to be excessive, we submit that the percentage of non-payment will increase when residents consider the imposition to be unjust and will either default on payments or make the decision to find substitutes or alternatives. To that extent, we believe that the assumptions behind the Draft Budget and Tariffs proposals are unrealistic and render the proposals to be of little value.

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Saxonwold and Parkwood Residents Association