

New water billing system needed

IN THE NEW DEMOCRACY THE FIRST CREDIT ACCOUNT MOST SOUTH AFRICANS WERE EVER EXPOSED TO WAS FORCED ON THEM BY GOVERNMENT FOR WATER.
BY LARRY SYMINGTON, CEO, MYWATER
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ENVIRONMENT IN AFRICA

OPINION: New water billing system needed



In the first twenty years of democracy, the government did very well in keeping their promise of providing water on tap to all, however they failed to adjust or keep pace with the billing needs, causing damage to consumers' and municipalities' credit score ratings, thereby, stalling economic growth.

In the new democracy the first credit account most South Africans were ever exposed to was forced on them by government for water. The concept of water on account, "Use now and pay later" or "Billed for past consumption" has never been fully promoted or understood. In the same 20 years many new consumers had access to credit, mainly through unsecured loans, a new and unfamiliar banking concept.

In 2007, the Government withdrew the need for consumer's municipal credit status to be reflected with credit bureaus, not an uncommon practice worldwide as governments do recognise access to credit and credit worthy consumers is important for economic growth.

Unfortunately the strategy was not fully explained: Credit providers saw this as an open opportunity to compete against municipalities for consumers' disposable income. Consumers believed that in the absence of any accounts or enforced municipal debt management they could promise this money to service their loans. Municipalities on the other hand continued as per the existing municipal by laws with debt management policies.

In an attempt to shift from a predominantly mining and commodities based economy to a broader "consumer based" one, national government sponsored municipalities to make up for any shortfall they may have had. Consumers on the other hand, particularly those who are over indebted with excessively high accounts, cannot meet their payments to credit providers. This results in a damaging credit score which keeps them out of the credit market.

Like most sponsored interventions, they tend to have a season and if not used wisely or in time soon come to an end. This has now happened. The mismanagement of the initiative has failed to create enough credit active and credit worthy account holders to feed back into the tax base. As a result, there are no more hand-outs for municipalities from government.

A new water billing system is desperately needed. The low credit score earned by municipalities, mainly due to a history of mismanagement, has made it difficult for them to raise funds on their own, thereby stalling the economy.

Prepaid systems do not help; they fail to build the trust needed for a credit score and so work against government's master plan.

It's a catch 22 situation but it is also a golden opportunity for Public/Private/ Partnerships. More than anything, it's time for change.

Source: <http://www.africanenvironment.co.za/opinion-sa-needs-new-water-billing-system/>