

* SPECIAL REPORT *

THE BELL TOLLS FOR THEE: COST RECOVERY, CUTOFFS AND THE
AFFORDABILITY OF MUNICIPAL SERVICES IN SOUTH AFRICA

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This report is a chapter in a forthcoming book edited by the author and Dr John Pape and will be published by the Human Sciences Research Council (HSRC) of South Africa in mid-2002. Tentatively entitled "Service (Un)delivery in South Africa: The Impacts of Cost Recovery on Basic Municipal Services" the book includes a chapter on "The Theory and Practice of Cost Recovery", six detailed case studies in various parts of the country, this chapter based in a national survey, and a concluding chapter on "The Way Forward" which will outline policy alternatives to the cost recovery practices outlined below.

This chapter is being released early because of its relevance to policy debates and the significance of the findings.

[Introduction](#)

[Access to Services](#)

[Affordability of Services](#)

[Service Arrears](#)

[Service Cutoffs](#)

[Free Services](#)

[Block Tariffs](#)

[Conclusion](#)

[Acknowledgements](#)

References

Endnotes

TABLES:

Table 1: Access to Water and Electricity

Table 2: Access to Sanitation and Refuse Collection

Table 3: Monthly Costs of Services

Table 4: Perception of Service Prices

Table 5: Perception of Prices of Water by Race and Household Income

Table 6: Ability to Pay for Services

Table 7: Statistics on Service Arrears

Table 8: Experience with Service Cutoffs for Non-payment

Table 9: Coping Strategies for Service Cutoffs

Table 10: Attitudes Towards Free Basic Services

Table 11: Attitudes to Free Services by Income and Race

Table 12: Attitudes Towards Covering the Costs of Free Services

Table 13: Support for Other Possible “Free Services”

Table 14: Attitudes Towards Block Tariffs as a Cross-Subsidization Mechanism

FIGURE:

Figure 1: Cutoffs by Income Category

Introduction

The case studies presented thus far in this book provide detailed, qualitative

information on people's experiences with cost recovery and municipal services. The studies are based on ethnographic research methods with open-ended questionnaires and a contextual analysis of people's life histories.

But as rich as they are in detail, case studies are necessarily limited in their ability to speak to the wider national experience on a given subject matter. Findings from case studies can be extrapolated out to larger social, political and economic themes – indeed, good case study research will always attempt to do this – but these broader theoretical connections are necessarily bounded by their narrow empirical focus.

To alleviate this problem we have conducted several concurrent case studies in different parts of the country that allow us to speak more generally to the national experience with cost recovery. But even this larger number of case studies limits our ability to generalize about the country as a whole.

This chapter takes these efforts one step further by looking at the results of a national survey on South African attitudes towards, and experiences with, cost recovery. This random, stratified sample of 2,530 people conducted in July 2001 is representative of the entire South African population over the age of 18 years and offers the first-ever glimpse into the national experience with cost recovery and service cutoffs.¹ Designed and implemented in collaboration with the Human Sciences Research Council (HSRC) as part of their annual public opinion survey,² the questionnaire covered a wide range of service delivery issues as they relate to cost recovery: attitudes towards service costs, free services and block tariffs; access to services; experiences with service arrears, service cutoffs, evictions and other legal actions for non-payment; ability to pay for services; and coping strategies if services are cut.

This national survey allows us to compare the results of the qualitative case studies in this book with the national experience with cost recovery and to identify differences and similarities between the two. In doing so, we are able to enrich the inherently one-dimensional nature of a large national study (it is infeasible to administer an open-ended questionnaire to 2,530 people) with detailed case study material while at the same time using the national data to assess the universality of the case study findings.

As it turns out, the findings from the case studies and the national survey reinforce one another. Both suggest that aggressive cost recovery on municipal services is imposing enormous hardships on low-income families, contributing to a massive crisis in service cutoffs and evictions and jeopardizing the potential for millions of low-income families to lead healthy and productive lives. As a result, policies of cost recovery on municipal services are undermining the otherwise impressive infrastructure record of the South African government since 1994.

The chapter begins with an overview of the service delivery record by the post-apartheid South African government and provides figures on the number of people who have been given access to the four services that are the focus of this chapter: water; electricity; refuse collection; and sanitation (i.e. toilets and sewerage). The chapter then looks at how affordable these services are and whether people are able to pay for the services they have been given access to. *Ability to pay*, as we shall see below, is just as critical as being given physical access to a service.

The chapter then examines the national experience with service cutoffs for non-payment of bills/arrears. It is estimated that close to 10 million South Africans have had their water cut off for non-payment of service bills, with the same number having experienced an electricity cut off. More than two million people have been evicted from their homes for the same reason. And although it is low-income African households that bear the brunt of these service cutoffs, lower middle-income families are also being affected, with the highest proportion of cutoffs (within an income bracket) taking place in households that earn between R2001 and R3000 per month.

The chapter concludes with a review of public attitudes towards “free services” for water and electricity and the use of “block tariffs”. There is widespread support for the former – as long as services are being provided to low-income families – but this support comes mainly from low-income (and black) respondents themselves. Upper-income (and white) respondents are much less likely to support a free services policy and are much less likely to be willing to pay extra taxes to subsidize the programme.

The one policy area where there is widespread support is for “block tariffs” (i.e. charging higher per unit costs for a service for those who consume more of it in order to subsidize the costs of “lifeline” supplies of services to the poor). But given the resistance by upper-income families to a policy of “free services”, it is unclear how much support can be expected for this redistributive mechanism in the long run, particularly when one considers that most municipalities in South Africa have only begun to introduce progressive block tariff systems.

It should be noted, however, that this survey was conducted just as free water and electricity policies were being introduced in South Africa (July 2001). Extensive public education campaigns combined with considerable media attention contributed to widespread public knowledge of these free service policies, but few respondents would have experienced the impact of free services at the time of their interview. It is possible, therefore, that attitudes towards service affordability and cost recovery have changed since that time and that fewer households are having their water and electricity cut off for non-payment (due to the free units of service). Only a follow-up national survey can tell us for sure.

Having said that, there are also some fundamental problems in the way in which free services have been conceptualized and implemented in the country and these may be limiting – if not negating – the potential benefits of free service policies (see discussion below). Moreover, many households are not receiving free blocks of water and electricity because of their payment arrears, and there are widespread reports of continuing cutoffs of water and electricity despite the free services policy.

This data should therefore be seen as a weather vane of service delivery performance in South Africa; a benchmark of government's record on service delivery and cost recovery in their first seven years of office. In this respect the record is clearly very mixed. There have been impressive infrastructural gains but there have also been some spectacular failures in terms of monitoring, regulating and addressing what is clearly a national crisis in the affordability of basic municipal services.

Access to Services

At the time of the first democratic elections in South Africa in 1994, it is estimated that 12 million South Africans did not have access to clean drinking water and 21 million people did not have adequate sanitation (ANC 1994, 28). Ten percent of the population did not have access to a toilet of any kind, a further one third of South Africans had to rely on pit latrines and 14% of South Africans had no form of refuse removal (RSA 1995, 10). Over 20 million people did not have access to electricity (DME 1998, 21).

Since this time there have been major expansions of service infrastructure, particularly in the areas of water and electricity. As of February 2002, the South African government claims to have provided seven million additional people with “access to clean, running water” and to have connected 3.5 million additional people to the electricity grid (Mbeki 2002).

Nevertheless, more than six million South Africans are still without access to piped water (Kasrils 2001) and four million people (or 37% of all households) still do not have access to electricity (RSA 2002) – figures which are consistent with our own survey findings (Table 1). Central government has committed itself to providing access to “basic supplies” of water and electricity to all of these remaining households by 2008 and 2012 respectively,³ but the bulk of the remaining water and electricity connections will be in difficult to access rural areas where capital and operating costs per unit are significantly higher than urban areas due to lower population densities and longer distances from water and electricity sources. These service extensions will therefore take longer to complete, will be significantly more costly to install, and could result in substantially higher per unit costs for consumers if direct cost recovery principles are applied.

Table 1: Access to Water and Electricity

Q: How do you get your drinking water? (%)

Piped — internal with meter

Piped — internal with pre-paid meter

Piped — yard tap with meter

Piped — yard tap with pre-paid meter

Piped — yard tap with no meter

Piped — free communal tap

Piped — paid for communal tap

Borehole/well

Rainwater tank

Flowing river/stream

Dam

Stagnant pond

Other (specify)

Q: Do you have access to electricity in your household? (%)

In-house meter

In-house pre-paid meter

Connected to other source which I pay for (e.g. connected to neighbour's line and paying neighbour)

Connected to other source which I do not pay for (e.g. connected to neighbour's line and not paying)

Illegal connection (e.g. connected to Eskom line)

Generator/battery

Other

No access to electricity

Uncertain/Don't know

N = 2520, 2515

Note: Figures rounded off to the nearest percent and therefore may not add to 100%. A dash (-) represents a

It is, however, in the area of sanitation and refuse collection that the service delivery record is most wanting. Our survey demonstrates that only half of the country's population has access to flush toilets (many of which are outside of the home and/or shared with many other families (for a detailed discussion of the latter see Ramphele 1993)) while close to a third of South Africans continue to use ordinary pit latrines and chemical toilets which are often unsanitary, overcrowded, and always unpleasant (Table 2). A full 10% of respondents still do not have access to any form of toilet whatsoever while 5% are forced to use that most degrading and unhealthy of all sanitation systems: the bucket toilet.

With regards to waste management, 42% of respondents in the survey do not have access to any form of refuse collection (with most of these being in rural areas) while close to 10% still rely on communal skips. The latter are frequently overflowing with waste due to the fact that there are often not enough skips to properly service the number of people in the community and/or skips are not collected regularly enough.

Access to basic municipal services, therefore, is still a major concern in South Africa, and will remain so for many years to come. But it is to the more vexing question of *affordability* that we now turn. Access to services is of little consequence if households are unable to afford the costs of using them.

Table 2: Access to Sanitation and Refuse Collection

Q: What type of toilet does this household use? (%)

Flush

Improved or VIP pit latrine

Ordinary pit latrine

Bucket toilet

Chemical toilet

No toilet access

Other (specify)

Q: Does your household have refuse collection? (%)

Curbside collection

Communal skip (within 100 meters of household)

Communal skip (more than 100 meters from household)

Other (specify)

No refuse collection service

Uncertain/Don't know

N = 2517, 2472

Affordability of Services

Service costs vary dramatically across the country, and even within municipalities, making it impossible to identify a “typical” services bill, but we can draw some averages from the survey. For those who have service infrastructure and receive regular bills the median total cost per month for water, electricity, sewerage and refuse removal ranges from R224 to R400 (Table 3).

Table 3: Monthly Costs of Services

Q: Approximately how much does your household pay per month for each of the following services that you

Service	Does not pay	R0-R20	R21-R50	R51-R100
Water	24	11	12	14
Electricity	5	11	15	16
Water-borne sewerage	14	8	23	13
Refuse removal	13	13	24	12

N = 2406, 2403, 2330, 2330

These figures are noteworthy for at least two reasons. First, they indicate an enormous cost burden for low-income households. With 57% of the sample

earning less than R1000 per month in household income, even the lower figure of R224 per month for services is close to a quarter of household income and suggests considerable pressure on the household budget. And for many poor households with larger, extended families the actual service charges are significantly higher than the national median, forcing difficult choices between the use of municipal services and essentials like food and clothing (as we shall see below). For example, 16% of respondents with household incomes of R751-1000 per month are spending more than R200 a month on electricity alone.

The second notable feature of these costs is how relatively cheap these services are for upper-income families — a group composed overwhelmingly of white urbanites who have long benefited from heavily subsidized municipal services (Ahmad 1995). For this relatively small but economically powerful group, the payment of municipal services is simply not a major budgetary concern (despite complaints about prices being too high). Nor are these upper-income groups being asked to pay prices that are out of line with international practice. In fact, according to Eskom, South Africans enjoy “virtually the lowest cost energy available anywhere in the world”,⁴ with average electricity prices having decreased by 15% in real terms between 1994 and 2001 (Eskom 2001). South Africans also pay considerably less for water than many countries, less than a third of the average price per litre in the UK for example.⁵ Also worth noting are the high numbers of households that do not know what they pay for sewerage and refuse removal — likely because the costs of these services tend to be part of the general rates bill (as opposed to direct tariffs) and are therefore not easily separated out from municipal taxes. Charging tariffs for these services could raise these costs considerably as cross-subsidization potentials from the general rates base are reduced. In the City of Cape Town, for example, it has been estimated that the price of water and sanitation services could increase by 30-50% if these two services are combined into a single, ring-fenced, tariff-based “business unit” separated from other service sectors in the city (McDonald and Smith 2002, 48).

Respondents were then asked whether they thought the price they pay for the services they receive is “too high”, “too low” or “about right”. Responses were largely split between “too high” and “about right”, with very few saying that prices are “too low”. Water and electricity topped the list of services in the “too high” category, with 47% and 43% of respondents indicating these opinions respectively (Table 4).

Table 4: Perception of Service Prices

Q: In your opinion, is the price you pay each month for the following services too high, too low, or about right?

Too high

Too low

Water	47	6
Electricity	43	6
Water-borne sewerage	30	4
Refuse removal	28	5

N =1579, 1758, 1133, 1216

A breakdown of these responses by income, race and location (rural/urban) provides some interesting insights (Table 5). Only water is shown in the table for space reasons but it is representative of responses for electricity and other services as well.

Not surprisingly, it is respondents from low-income households that are most likely to say that the price for municipal water is too high, but significant numbers of respondents from middle- and upper-income households felt the same way, including a third of those respondents with household incomes of more than R20,000 per month.

Ironically, it is the most marginalized group (African, rural and low-income) who were the most likely to say that prices for water are *too low*. Why this would be so is unclear. These are the respondents that are least able to afford services while at the same time being the most likely to have to pay higher per unit costs for the services they do receive due to poor economies of scale, distances from service sources, and the legacies of apartheid-era pricing biases. To illustrate with the price of electricity, the average domestic rate in the country is 24.59 cents per kilowatt hour (kwh) while rural consumers pay as much as 48 cents/kwh. The same applies to many townships, with people in Soweto, for example, being charged up to 30% more per kilowatt hour for electricity than people in the middle- and upper-income suburbs of Johannesburg (Fiil-Flynn 2001, 6).⁶

Table 5: Perception of Prices of Water by Race and Household Income

Q: In your opinion, is the price you pay each month for water too high, too low, or about right for what you r

Household income	Too high	Too low
No income	53	14
R1 - R500	52	6
R501 -R750	40	8

R751 - R1 000	56	5
R1 001-R1 500	53	4
R1 501 - R2 000	59	3
R2 001 - R3 000	51	2
R3 001 - R5 000	36	2
R5 001 - R7 500	41	4
R7 501 - R10 000	48	0
R10 001 - R15 000	45	6
R15 001 - R20 000	36	0
R20 001 - R30 000	33	0
R30 000 +	32	0
Race		
African	46	9
Coloured	52	1
Asian	69	0
White	42	0
Rural/Urban		
Rural	41	10
Urban	49	6
Metropolitan	51	2

N = 1579

Respondents were also asked how easy or difficult it is for them to pay for

the services they receive (Table 6). A slight majority (53%) are able to pay for their services “very easily”, but 17% said they can only pay for services if they “cut back on other essential goods like food and clothing”, and close to one fifth (18%) of all respondents said they “cannot afford to pay for these services no matter how hard [they] try” (the remaining 12% were “unsure”).

In other words, for every 1 million adults that receive bills for basic municipal services, 170,000 must decide between paying for such essentials as water and food, and an additional 180,000 are unable to pay the full costs of their services “no matter how hard [they] try”.

It is conceivable that some respondents said they could not pay for services “no matter how hard they tried” because they were concerned that the data might be used against them, but all precautions were taken to assure respondents of confidentiality by professional fieldworkers. More importantly, the case study research for this book and elsewhere (e.g. Desai 2001, Fiil-Flynn 2001) overwhelmingly support the argument that affordability is the biggest concern when it comes to the payment of service bills. With 57% of the sample earning less than R1000/month in household income it is not difficult to imagine the scale of the problem. Johnson (1999) takes a very different view on this, as we shall see below, but his conclusions are based on a much narrower set of empirical data and what would appear to be a pre-determined commitment to the “culture of non-payment” thesis.

Table 6: Ability to Pay for Services

Q: How easy or difficult is it for you to pay for the services that you have in terms of the total budget of your household?

I can afford to pay for these services very easily without really worrying about the cost

I can afford to pay for these services but it requires some budgeting

I can pay for these services only if I cut back on other essential goods like food and clothing

I cannot afford to pay for these services no matter how hard I try

Not sure

N = 1809

Not surprisingly, it is those with the lowest household income that say they find it the hardest to pay, with 25% of respondents living in households earning less than R1,000/month saying that they are unable to pay for services “no matter how hard [they] try” (as opposed to just 3% of those with household incomes of R3,001-5,000 and none with household incomes of more than R15,000). Racially, it is African and coloured households that bear the biggest budgetary burden, with 22% of African respondents and 20% of coloured respondents who live in households that receive services

indicating that they cannot afford to pay their bills “no matter how hard [they] try” (as opposed to 7% of Asian respondents and just 1% of white respondents). These racial dynamics are highly correlated to household income of course, but do underscore the continuing racialized character of poverty in the country.

However one looks at it, these figures are startling and reveal a major affordability crisis. If, for example, 18% of the seven million people who are reported to have been given access to water since 1994 are unable to pay their water bills “no matter how hard [they] try”, then 1.26 million of these new recipients are unable to afford this water and an additional 1.2 million have to choose between paying for water and buying other essentials like food. Similar percentages apply to the 3.5 million South Africans who have been given access to electricity. These figures also challenge the so-called “culture of non-payment” thesis that is so popular in South Africa. At the heart of the state’s *Masakhane* (“let’s work together”) campaign, for example, is the notion that poor households continue to use the anti-apartheid boycott rhetoric of the 1980s as an excuse not to pay for services, a line adopted by many politicians and civil servants who have been quick to blame the poor for cheating on payments. The only other major academic report to have been conducted on this topic adopts a similar line. Johnson (1999, 81, 91, 18) describes the service payment issue as a “community-wide culture of non-payment... which enables widely disparate groups to find different reasons for the same behaviour”. This stems from a “weak civic culture” and the “lawless nature” of many townships and informal settlements. He describes the situation in one area – Germiston – as requiring a “completely new social and cultural climate”.⁷

The popular media is also rife with references to the “culture of non-payment” — invariably aimed at poor, black households despite the fact that (white-owned) businesses are amongst the worst default offenders⁸ — to the point where this perception has entrenched itself in the public imagination, forming the basis of many an indignant letter-to-the-editor from upper-income suburban residents who feel that they are carrying an unfair burden (morally and financially) for the payment of services accounts.⁹

To be sure, there are some township residents who do not pay for their services because they feel they can get away with it and because others are not paying. With non-payment rates in rural and township areas averaging between 22% and 33% in the mid-1990s (DCD 1998), and as high as 75% still today,¹⁰ it is not surprising that some residents would take advantage of the situation. But from the data collected in this survey — and from evidence gathered in more the qualitative, ethnographic work in this book and elsewhere — it is clear that “ability to pay” is at the root of the payment crisis, not a “culture of non-payment”.

Research in Soweto, for example, has shown that the overwhelming majority of respondents keep careful records of their electricity bills and file the bills away safely for many years (Khunou (this volume); Fiil-Flynn 2001). Some households have expressed confusion over the introduction of volumetric charges for electricity (flat rate systems were in place for decades) and have trouble understanding the structure of their bills (difficult at the best of times and made worse by the lack of literacy and numeracy skills), but most residents spoken to for the Soweto research knew exactly what they had to pay for electricity and expressed a deep concern about how they would manage to pay these bills. This is not the behaviour of someone steeped in a “culture of non-payment”.

Service Arrears

To make matters worse, many low-income households find themselves heavily in arrears for basic services like water and electricity. Close to one-quarter of all respondents (22%) said they were in arrears for water (with an average debt of R2274) while 13% of respondents said they were in arrears for electricity (with an average debt of R2189). Some respondents were in arrears for as much as R10,000 while other case study data shows arrears of R30,000 and more. Over a third of the debts in the survey were between 2-5 years old and a further ten percent of debts were more than five years old, suggesting a long-term debt trap for many (see Table 7).

In terms of ability to pay, more than half (51%) of those respondents with arrears said they “cannot afford to pay these arrears no matter how hard [they] try” while an additional 13% said they can only pay if they give up on other essentials like food and clothes. Once again, it is respondents from low-income households that are most affected by arrears, with a third of all respondents from households earning less than R1000/month being in arrears for water and about 12% being in arrears for electricity.¹¹ In both cases the arrears average is 2.5 times the respondent’s monthly household income, indicating the seriousness of these debts relative to household earnings and the enormous hardships incurred in attempts to pay these debts off.

Table 7: Statistics on Service Arrears

Q: Do you have any arrears for payment of water or electricity? (%)

Water

Electricity

N = 1702

Q: If so, what is the approximate value of these arrears? (Rand)

Water

Electricity

N = 557, 329

Q: If so, how far back do these arrears go? (%)

< 6 months

6 months-2 years

2-5 years

5-10 years

> 10 years

N = 554

Q: If so, how easy or difficult would it be for you to pay these arrears? (%)

I can afford to pay these arrears very easily

I can afford to pay these arrears but it would require some budgeting

I can afford to pay these arrears but only if I cut back on other essential goods like food and clothing

I cannot afford to pay these arrears no matter how hard I try

Uncertain/Don't know

N = 538

There are two other trends worth noting here. The first is that respondents from households in urban and metropolitan areas are 50% and 100% (respectively) more likely to have arrears than respondents in rural areas, due in part to the fact that metered connections are less common in rural areas. The second is that arrears do not just occur in extremely poor households. A quarter of respondents from households with incomes of R2,001-3,000 per month had arrears for electricity and 30% had arrears for water, averaging R2796 for water and R2293 for electricity. The percentage of respondents who have arrears drops off significantly after this income bracket, but there is still a noteworthy percentage of respondents with monthly household incomes of R3,001-5,000 and R5,001-7,500 who are in arrears on their water bills (12% and 7% respectively). Whether this represents a creeping crisis of affordability into the middle classes – a deepening of the “bell curve” discussed below – is difficult to say from this survey but it does indicate the scale of the problem.

Service Cutoffs

In an attempt to force service users to pay their bills and/or arrears for water and electricity, municipalities and other service providers (e.g. Eskom, the parastatal electricity provider) have instituted policies of service cutoffs – i.e. having water, electricity and other basic municipal services discontinued to a household. Seldom used prior to 1994,¹² service cutoffs have become a major mechanism of payment enforcement and have been implemented throughout the country. In Soweto, for example, up to 20,000 homes a month were having their electricity cutoff by Eskom in early 2001 (Fiil-Flynn 2001) while in Cape Town, close to 100,000 households had their water cut off for non-payment between 1996 and 2001 by the various municipalities that now make up the Cape Town unicity (McDonald and Smith 2002).¹³ Ashwin Desai's (2001) graphic description of service cutoffs and evictions in Chatsworth, Durban, is another case in point.

Nor are these merely isolated incidents. Our survey data suggests that service cutoffs for non-payment have reached crisis proportions in South Africa, with 13% of respondents indicating that their household has had its water cut off for non-payment and an additional 13% saying their household has had its electricity cut off for non-payment (with 39% of these respondents having experienced both) (Table 8).

In terms of numbers, this means that 3.25 million people have had their water cut off for non-payment of bills and 3.25 million have had their electricity cut off.¹⁴ But since water and electricity cutoffs affect the whole household (not just the individual interviewed) the actual number of people who have *experienced* a service cutoff is considerably higher. If we take a conservative estimate of two other household members for every respondent who said they had experienced a cutoff, then the actual number of people affected by water cutoffs is just under 10 million, with the same number being affected by electricity cutoffs (with about 7.5 million people having experienced both).¹⁵ And since most low-income households have more than three household members these figures may substantially *underestimate* the actual number of individuals affected.

Using the same formula, about over two million people have been evicted from their homes for failure to pay their water and/or electricity bills and a further 1.5 million people have had property seized.¹⁶ In some cases, people have returned home at the end of the day to find their belongings on the street and another family living in their house (Deedat, Pape and Qotole 2001).

Table 8: Experience with Service Cutoffs for Non-payment

Q: Has your household ever experienced any of the following? (%)

Having your water cut off for non-payment

Having your electricity cut off for non-payment

Eviction from your home for failure to pay for water or electricity

Seizure of property for failure to pay for services

Threats of legal action by the municipality for failure to pay for water or electricity

Actual legal action taken against your household for failure to pay for water or electricity

N = 2327, 2300, 2285, 2290, 2292, 2280

This is tough medicine and perhaps the most damning indictment of all of how aggressive cost recovery policies have undermined the physical delivery of infrastructure. And these are only figures for those who have had their services cut off by an external agent. There are also an untold number of households that impose their own form of “cut offs” by consuming less water and electricity than they really need in order to avoid payment defaults and arrears. Pre-paid meters have the same basic effect, with low-income households purchasing only as much water or electricity as they can afford, regardless of the amounts they need to live healthy and productive lives – an issue that has received considerable attention in the UK and led to the eventual banning of certain pre-paid meter devices and the passing of legislation which prohibits the disconnection of the water supply to homes and a variety of other institutions for reasons of non-payment (DEFRA 1999).¹⁷

In terms of demographics, it is the poorest of the poor who make up the largest *absolute number* of respondents who have experienced cutoffs, but it is respondents from households with monthly incomes of R2001-3000 who have experienced the largest *proportion* of cutoffs within their income category (Figure 1). Close to a third (32%) of this group has experienced electricity cutoffs and 23% have experienced water cutoffs.

This “bell curve” effect — the bulge in the lower middle-income category of Figure 1 — may be due to the fact that these households have enough money to purchase or rent a house with metered service delivery but do not have enough income to pay for all the services they use/need on a monthly basis. Widespread water cutoffs in lower middle-income neighbourhoods like Tafelsig in Cape Town epitomize this phenomenon, diminishing many of the hard-fought gains that these households thought they had made in the “new” South Africa. Unless one has managed to climb solidly into the post-

apartheid middle-class, the demographic “bell” of cost recovery tolls for anyone unfortunate enough not to be earning a sufficient income to pay for their services.

Respondents were also asked how they cope with service cutoffs (Table 9). Their answers provide a wide range of survival strategies, from accessing the service from a neighbour, to using alternative energy sources such as paraffin, to simply “going without the service until it is reconnected by the municipality”. The percentage of respondents who said that they “go without” suggests that many of these cutoffs are for short durations, but other coping strategies suggest much longer-term cutoff periods. Case study research has shown that electricity and water cutoffs of up to nine months in duration are not uncommon (e.g. Fiil-Flynn 2001, Xali (this volume)).

Table 9: Coping Strategies for Service Cutoffs

Q: When you experience water cut offs, how does your household cope with these disconnections? (%)

We go without the service until it is reconnected by the municipality

We get water from our neighbours

We get water from a community tap

We get water from a nearby river

We get water from a nearby dam

We get water from a nearby stagnant pond

We get water from government trucks that provide potable water for free

We get water from private traders that sell potable water

We reconnect our water illegally (or have someone else do it for us)

Other (specify)

Q: When you experience electricity cut offs, how does your household cope with these disconnections? (%)

We go without the service until it is reconnected by the municipality

We get electricity from our neighbours

We use alternative sources of energy like paraffin and coal

We re-connect our electricity illegally (or have someone else do it for us)

Other (specify)

NOTE: Figures based on percentages of those who had experienced a water or electricity cut off. Responses 100%.

Another concern here is the use of alternative sources of water and energy as a coping mechanism. Water cutoffs, for example, can lead to the use of contaminated water supplies such as rivers and stagnant ponds, with dire health consequences. The most tragic example of this since 1994 has taken place in KwaZulu Natal where the introduction of cost recovery on water in mid-2000 forced many people to use unsafe water sources, contributing to the cholera outbreak in that province and resulting in over 100,000 cases of illness and at least 250 deaths (Cottle and Deedat (this volume)). The use of paraffin and coal in place of electricity is also problematic, with shack fires, respiratory disease and child poisoning from paraffin amongst the leading causes of illness and death in low-income households (see, for example, Eberhard and van Horen, 1995).

Finally, it is worth noting that the figures shown in Table 9 for “reconnecting illegally” are likely understated, perhaps due to respondent’s fears of reprisals. One study in Cape Town, for example, found an illegal reconnection rate of 60% after water cutoffs were implemented by the Tygerberg municipality (McDonald and Smith 2002) with illegal reconnection of electricity being widespread in Soweto as well under the community-led *Operation Khanyisa* (“to light”) (Fiil-Flynn 2001).

Free Services

One response to the issue of affordability and cutoffs has come in the form of “free services”. Developed initially by the national office of the African National Congress (ANC) in the lead-up to local government elections in December 2000, and subsequently adopted by the Democratic Alliance (DA) as part of their election campaign in the same year, the free services policy is based on the concept of providing a “lifeline” supply of water and electricity to every household in the country free of charge.

There are concerns with the manner in which these policies have been designed and implement, however, and it is useful to review these briefly. First, there is the problem of the quantity of free services being offered. With respect to electricity, the 50 free kwh per household per month being offered by ANC-controlled municipalities (and only 20kwh by DA-controlled municipalities) will provide some financial relief, but this amounts to less

than 10% of the average electricity consumption of low-income households in South Africa and will only run a light bulb and a few small appliances for a month (Eskom 1996).¹⁸ And with over 50% of rural families not yet on the electricity grid there are millions of low-income households that will not benefit at all.

The promise of six free kilolitres (kl) of water per household per month also offers little financial respite due to the fact that many low-income households use much more than six kilolitres due to the relatively high average number of occupants per household and also because of old and leaky apartheid-era infrastructure. Rapid tariff increases after this free block can mean that poor families end up paying more, not less, for water than they did under old tariff structures while those accustomed to paying a “flat rate” for services have seen dramatic price increases for both water and electricity (more than 400% for the cost of electricity in some cases in Soweto, despite an decrease in the average price of electricity over the past several years (Fiil-Flynn 2001)).

Another problem is that the 6kl figure is based on an average household of eight people and works out to 25 litres per person per day. Part of the concern here is that this 25 litre figure is at the bottom end of the World Health Organization’s (WHO) recommended daily minimum – with estimates of 50 litres being more commonly advocated by the WHO – and is well below the 50-60 litres per day called for in the ANC’s original Reconstruction and Development Programme (RDP) as a medium-term service delivery goal. To put this in perspective, the average bathtub takes 200 litres to fill while the average toilet uses 10 to 15 litres per flush — a situation made worse by the fact that water (and energy) saving devices have never been a serious part of service delivery strategies in South Africa. The fact that many low-income households have more than eight people heightens the problem as well, as does the fact that for many people this water is only delivered to a communal standpipe within 200 meters of the recipient’s household. With violence and rape a serious problem in many low-income areas, these communal standpipes can be both inconvenient and unsafe, particularly after dark.

There is also a concern with the use of the household as a unit of measurement for free water due to its intrinsic bias against low-income families. To illustrate, a young couple with two incomes and no dependents living in a home in the suburbs receive the same amount of free water as a single, unemployed mother with seven dependents living in a run-down council house or shack in the townships. Households are not means-tested to see if they qualify for the free service (using the rationale that the administrative cost of these tests would outweigh the savings) with the result that some middle- and upper-income South African households are benefiting more from the provision of free lifeline services than poor

households. This is not to suggest that individual means-tests be introduced for free water – a potentially degrading and divisive procedure separating the very poor from the even poorer – but it does highlight the inherently inequitable feature of basing free services on a per-household basis.

Finally, there is the problem of delivery. Although free water and electricity were to have been implemented across the country on July 1, 2001, implementation delays have been widespread – particularly in rural areas – and there have been disputes over what level of government should cover the costs of free services. In the case of electricity, the roll out has been further hampered by unresolved negotiations between the parastatal Eskom and national government over the subsidization of the free 50 kwh, resulting in a lengthy delay for free electricity in Soweto and other township and rural areas. Moreover, many households are not receiving free blocks of water and electricity because of they are in payment arrears and there are widespread reports of continuing cutoffs of water and electricity despite the free services policy.

Nevertheless, free lifeline services remain a potentially powerful method of addressing affordability concerns and respondents were asked their opinion of the policy in an attempt to gauge public support for this policy tool. Specifically, respondents were asked who they thought should be entitled to free water and electricity and if they felt there were any other services that should be offered on a “lifeline” basis.

The results are mixed. There is strong support for free water and electricity for households with incomes of less than R500/month (78% in favour) but this supports drops off rapidly as recipient income increases. Even households with marginally higher incomes of up to R1000 per month received only 52% support while a mere 27% of respondents were in favour of providing free services for households with incomes of up to R2000 per month (Table 10).

What these figures demonstrate is highly qualified support for “free services”, with only the poorest of the poor being deemed eligible for this assistance. The fact that *all* households in South Africa — regardless of income — are to be provided with a free block of water and electricity under current policy plans clearly runs counter to public opinion — even it is administratively cheaper to run a free services programme in this manner.

Table 10: Attitudes Towards Free Basic Services

Q: In the recent local government elections, various political parties made promises to provide free water and electricity. Which of the following groups do you think should be entitled to enough free water and electricity to meet their basic needs? (%)

	Yes	No
Those who earn less than R500 per month	78	22
Those who earn less than R1000 per month	52	48
Those who earn less than R2 000 per month	27	73
Those who earn less than R3000 per month	19	81
All households	38	62
No households	1	1

N = 1968

There are important differences in attitudes to free services along race and income lines, however. Respondents from low-income households gave the strongest levels of support for free services to households with less than R500 per month in household income (up to 88% support) while those with higher incomes were less likely to support the policy (with as little as 41% support) (Table 11). In other words, the bulk of support for free services comes from households that are themselves in the greatest need of the lifeline assistance while middle- and upper-income households are much less likely to be supportive of free service policies. Racially, black respondents were most likely to support free services to poor households (with Asians showing 89% support) while white respondents were least likely to support free services (57% support).

Table 11: Attitudes to Free Services by Income and Race
Percent in each category who believe that households which earn less than R500 per month should be entitled

Total Monthly Household Income

No income

R1 – R500

R501 – R750

R751 – R1 000

R1 001– R1 500

R1 501 – R2 000

R2 001 – R3 000

R3 001 – R5 000

R5 001 – R7 500

R7 501 – R10 000

R10 001– R15 000

R15 001 – R20 000

R20 001 – R30 000

R30 000 +

Race

African

Coloured

Asian

White

When asked who they thought should pay to cover the costs of these free services, most respondents were in favour of having government pay (76%), but this support fell off dramatically when asked if they thought this should be financed by extra taxes on wealthy households and businesses (40% and 49% support respectively). The option of relying on “donations” from the wealthy and from business also received mixed support (Table 12).

But here again there were significant differences along race/class lines. In general, white and upper-income respondents were far less likely to support increased taxes and donations from business as methods of financing free services to poor households than were black and lower-income respondents. For example, 48% of respondents from households earning between R501-750 per month were in support of introducing extra taxes on wealthy

households to pay for free services while only 10% of those in households earning between R10,000 and R15,000 were in favour of this approach. And while 43% of African respondents were in favour of increased taxes on wealthy households only 19% of white respondents were in favour.

Table 12: Attitudes Towards Covering the Costs of Free Services

Q: Where do you think the money to pay for these free services should come from? (%)

The government

Extra taxes on wealthy households

Extra taxes on businesses

Rely on donations from the wealthy

Rely on donations from businesses

N = 2472

In sum, white, upper-income South Africans are the least likely to support free basic services for poor households and are also the least likely to support financing these free services by increased taxes or donations. In fact, opposition to free services increases as income rises, with 59% of those with household incomes of between R15,000 and R20,000 per month being outright opposed to free services and 69% being opposed to increased taxes to pay for these services (for a detailed discussion of this kind of opposition to cross-subsidization from upper-income communities see the chapter by Pape on Constantia, Cape Town (this volume)). But it is not just white South Africans who are opposed to this kind of redistribution of household income. Upper-income blacks are also more likely to oppose these measures, highlighting the increasingly class-based character of South African politics.

With respect to other services that might be offered for free, the highest levels of support were for primary health care (79%) but there was a majority support for most other services as well (Table 13), suggesting considerable public sympathy for an expansion of free services to other sectors. Nevertheless, the same race and class dynamics apply in terms of who does and does not support such policies.

Table 13: Support for Other Possible “Free Services”

Q: How about the following services? Do you think any of these should also be provided for free to certain g

Regular refuse collection

Basic road maintenance

Storm water drainage

Fire protection

Primary health care

Access to libraries

Access to recreational facilities like sports fields

Public transportation

N = 2530

Block Tariffs

Respondents were also asked about their support for “block tariffs” — a system whereby the per-unit cost of a service increases as more is consumed. To illustrate with the example of water, the first “block” of consumption (say six kilolitres (kl) per month) is priced very low (or free, as is now the case in South Africa), while subsequent blocks of consumption become progressively more expensive. The City of Cape Town, for example, does not charge for the first block of water (0-6kl), while the second block (7-20kl) is charged at R2.60/kl, the third block (21-40kl) at R4.10/kl, the fourth block (41-60kl) at R5.50/kl and the final block (61kl+) at R7.00/kl (City of Cape Town, 2001).

The rationale behind block tariffs is twofold. First, they act as a cross-subsidization mechanism by charging more for higher levels of consumption (generally by middle- and upper-income households with swimming pools, many electrical appliances, etc.). These revenues are then used to pay for the initial cheap or free blocks of consumption (i.e. the “lifeline” supply for poor households). Second, if done properly block tariffs can also curb over-consumption of environmentally-sensitive resources such as water and electricity by acting as a price disincentive at higher levels of consumption (on these points see Deedat, Pape and Qotole 2001).

Block tariffs have been used sporadically in South Africa for decades but have only recently been integrated into more holistic demand management systems for resources like water and electricity. Moreover, fragmented local governments have long had highly disparate tariff rates, with rationalized tariffs only being introduced since the last round of municipal elections in

December, 2000.

It was therefore necessary to give respondents a brief description of block tariffs before asking them their attitudes towards this policy (Table 14). Although we cannot be sure that all respondents understood the full implications of this pricing system, the question did highlight the cross-subsidization potential of block tariffs.

The results show that a slight majority of respondents support block tariffs (53%). In this case the support is consistent across race, income and urban/rural location. In other words, progressive block tariffs as a cross-subsidization mechanism would appear to enjoy fairly widespread support and may be a useful way to help subsidize free services and reduce the negative impacts of cost recovery on poor households.

Fifty-three percent does not constitute overwhelming support for block tariffs, however. There could also be a backlash against this method of cross-subsidization as block tariffs are introduced and enforced across the country. White, middle-class South Africans have always enjoyed heavily-subsidized services, and rising tariff rates may come as a shock to some. Given the resistance by this demographic group to other forms of taxation to subsidize free services for the poor, as outlined above, resistance to block tariffs may also increase as they are implemented.

Nevertheless, progressive block tariffs offer policy makers another potentially powerful cross-subsidization mechanism while at the same time addressing long-standing environmental concerns with wasteful patterns of water and electricity consumption, waste disposal, etc. This will likely require public education campaigns to inform and educate service users as to the potential benefits of block tariffs.

Table 14: Attitudes Towards Block Tariffs as a Cross-Subsidization Mechanism

Q: One of the ways that has been proposed to help pay for free services is a 'block tariff'. This is a system where if you use water to fill a swimming pool you will have to pay much more per litre than someone who just uses free services? (%)

Yes

No

Uncertain/Don't know

N = 2487

Conclusion

The statistics presented here are sobering. They offer a picture of post-

apartheid service delivery that is at best plagued by affordability problems and overly aggressive bureaucrats bent on recovering costs, and at worst a deep failure on the part of government (both local and national) to ensure an affordable supply of essential services to all. That government has not been closely monitoring and evaluating the scale and character of service cutoffs and affordability is itself deeply concerning.

Perhaps the most important conclusion to draw from this survey is that there is an urgent need to debunk the myth of a “culture of non-payment”. If, as I have argued here, *ability* to pay is more important than *willingness* to pay, then no amount of moralizing or threatening is going to alleviate the payments crisis in the country. You cannot squeeze blood from a stone.

From this conclusion flow two others. First, essential services need to be made more affordable for poor households if the promise of service access for all is to be met. The introduction of “free services” is a step in the right direction, as are (steeply) progressive block tariffs. However, the design and implementation problems with free services outlined earlier remain, and stiff resistance from middle- and upper-income rate payers to redistributive mechanisms may make it very difficult to produce the kinds of cross-subsidization revenue flows required at a local level to improve and expand service delivery in low-income areas. In this case, it will be up to national government to provide the funds needed – to make up for the dramatic cuts that have taken place in inter-governmental transfers over the past ten years (recent transfer increases to local government notwithstanding) – and to re-evaluate its own fiscal priorities (e.g. the R40 billion deal for military hardware and the February 2002 budget announcement of a R15 billion tax cut for middle- and upper-income households).

The other conclusion that flows from the issue of affordability is the need for major debt relief for service arrears. This is a sensitive matter, and must not be seen to penalize those who have struggled to pay for their services in the past, but the heartless, and perhaps unconstitutional, practices of household evictions and water and electricity cutoffs are simply unsustainable – socially, morally and economically.

Without some kind of reform it is likely that the backlash to cost recovery will continue in South Africa. Numerous anti-eviction and anti-cutoff organizations have sprung up around the country, and there have been violent clashes with police and security personnel (e.g. over electricity cutoffs in Tafelsig, Cape Town; over electricity cutoffs in Soweto; and over evictions in Chatsworth). In many cases community resistance has been met with bullets, tear gas, arrests and serious injury.

How these tensions unfold in the future will depend in large part on government’s approach to cost recovery and service affordability in the

future.

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Endnotes

1. The Department of Constitutional Development (now the Department of Provincial and Local Government) ran a series of questionnaires with local authorities from late-1995 to mid-1998 on issues of cost recovery rates, service cutoffs, and debt levels, but these surveys relied entirely on official local government statistics. Moreover, these statistics were highly unreliable due to the fragmented nature of local government at the time and due to the fact that as few as 47% of municipalities bothered to file their reports, with a high of only 76% of municipalities reporting in June 1998 (DCD 1998). The only other national survey of this nature was conducted by the Helen Suzman Foundation (Johnson 1999), but this survey was focussed primarily on

urban/town areas and was biased in terms of sampling towards the Gauteng area (where it was deemed non-payment for services was highest). Most importantly, the survey by the Helen Suzman Foundation did not benefit from any of the detailed case study research material used to cross-evaluate our survey results.

2. The following methodology notes accompany the HSRC'S National Opinion Survey in July 2001, from which the questions used in this chapter were included: "The Human Sciences Research Council (HSRC) has for several years been conducting regular national surveys on public opinion. Topics that have been investigated included satisfaction with service delivery, perceived national priorities, political preferences and the economy. The survey instrument comprised a questionnaire containing questions on a variety of themes. It was divided into different topics and the duration of interviews of respondents was between 60 and 90 minutes. A sample of 2 704 respondents was selected throughout South Africa in clusters of eight households situated in 338 Primary Sampling Units (PSU's)/enumerator areas (EA's) as determined from the 1996 census. In order to ensure adequate representation in the sample from each province and from each of the four dominant population groups, the sample was explicitly stratified by province and urban/rural locations. This added up to 18 strata (see below). Disproportional samples were drawn from less populated provinces such as the Northern Cape, Free State, Mpumalanga and North West.

	Number of Primary Sampling Units/EA's						
	EC	FS	GT	KZN	MPL	NC	
URBAN	1 4	2 1	5 6	2 4	1 2		
RURAL	2 5	9	2	3 2	1 8		
TOTAL	3 9	3 0	5 8	5 6	3 0		

The realised sample [2530] was only slightly less than the intended 2 704. In terms of province and population group, the spread was sufficiently wide to facilitate statistical generalizations about opinions prevailing within each province and amongst persons of each of the four main population groups. Each case was then weighted so that the resultant weighted dataset would approximate the distribution of the population of South Africa in terms of population group, province, gender and educational qualification."

3. Basic Water Provision for All by 2008: Kasrils, *Sapa press release*,

February 12 2002; Electrification Plan ‘Will Need Huge Subsidies’, *Business Day*, March 7, 2002.

4. Quote taken from a half-page advertisement by Eskom in the *Weekly Mail&Guardian*, March 15-21, 2002.

5. According to the International Water Resources Association (IWRA 2001), the average water price in South Africa is US\$0.34 per kilolitre compared to US\$0.37 in Canada, US\$0.52 in the United States, and US\$1.11 in the United Kingdom.

6. It is industrial users who benefit the most from electricity subsidies, however, with the manufacturing sector paying an average of 12.83c/kwh and the mining sector 12.32c/kwh. Moreover, special deals are sometimes negotiated with large consumers (e.g., Alusaf) with prices as low as 3.5c/kwh (subject to special conditions and certain hours of the day) (Fiil-Flynn 2001, 6).

7. He later goes on to say, however, that the “non-payment crisis is all too comprehensible” when seen in the context of worsening household incomes and unemployment (Johnson 1999, 49-50). Moreover, his own data contradicts his “culture of non-payment” thesis. When respondents were asked why they think people do not pay for services, unemployment (59%) and inability to pay (59%) top the list of reasons, with “service boycotts” (7%) and “No one else is paying why should I” (8%) barely registering (Johnson 1999, 72). In the end, though, Johnson (1999, 95) simply does not believe the people that told him that they cannot afford to pay for services: “The nearer we pressed towards the really hard questions about non-payment, the greater this evasive smokescreen grew so that by the end it was quite clear that a very large number of our respondents were not telling the truth.”

8. For example, approximately one third of the R2.1 billion owed to the Cape Town City Council for services is from businesses, many of which owe more than R100,000 (“Council Takes Aggressive Action to Claim Arrears”, *Cape Argus*, February 26, 2002).

9. For example, the following letters to the editor were sent to the *Cape Argus* on February 26, 2002, in response to an article critiquing the unfair distribution of municipal resources in the upper-income suburb of Durbanville as compared to that of the low-income township of Khayelitsha – both in Cape Town: “What articles like this always fail to point out is that all the people living in Kenridge Road [in Durbanville] pay all their rates and taxes, whereas very few of the people in Khayelitsha pay anything at all. In fact, those of us who live in the Tygerberg are subsidizing Khayelitsha to a very great extent and our suburbs do not have as high a quality of upkeep as

we are used to.”; “The Cape Argus makes no comparison of the rates paid by residents in Durbanville and those in Khayelitsha...only about 10% of what we pay in rates is actually spent on services in our area – the balance of 90% going to more needy areas. What is going on here?”; What a stupid article about different suburbs. You thankfully highlight the areas in both arrears.”

10. “Khayelitsha is City’s Top Debt Headache”, *Cape Argus*, February 20, 2002.

11. Electricity arrears may be lower due to the fact that all new electricity connections are installed with pre-paid meters which do not allow for a customer to go into debt.

12. The more common form of service cutoffs during the apartheid era came in the form of housing evictions which were done largely for political reasons as opposed to non-payment of municipal services (although non-payment of rent in council houses constituted grounds for evictions in many cases (e.g. Desai 2001)). In the 1980s the highly volatile nature of anti-apartheid protests – particularly in urban townships – made it both dangerous and politically unwise in an era of neo-apartheid reforms to attempt service cutoffs. Nevertheless, *de facto* cutoffs took place due to the high rates of infrastructure breakdown and the lack of proper maintenance.

13. Data collection by the Department of Constitutional Development from 1996-1998 also showed quite dramatic cutoff rates, with national figures ranging from 50,000 to 90,000 electricity cutoffs every three months over that period, with the actual figures likely being much higher due to the fact that as few as 47% of municipalities filed reports (DCD 1998).

14. This figure based on an adult population over the age of 18 years in South Africa of approximately 25 million people (i.e. those who were eligible for selection for this survey). Thirteen percent of this equals 3.25 million.

15. It should also be noted that most low-income households have more than three household members which means that the figures provided here may substantially *underestimate* the actual number of individuals affected.

16. In Cape Town, eviction notices are being sent for as little as R250 in service arrears (“Rates Issues Clarified”, *Cape Argus*, March 13, 2002).

17. Section 1.4 of the UK Act states: “The Act removes water companies' powers to disconnect water supply for non-payment, or to limit the supply with the intention of enforcing payment, from a list of different premises. These premises are: private dwelling houses, caravans, houseboats, houses in

multiple occupation and sheltered accommodation (where these are someone's main home); children's homes, residential care homes;- prisons and detention centres; schools, premises used for children's daycare, institutions of further and higher education; hospitals, nursing homes, GPs' and dentists' surgeries (including surgeries set up as primary care pilot schemes); and premises occupied by the emergency services.” The Act goes on to state (in Sections 1.6 and 1.7) that “No person should have to face the prospect of cutting down on essential water use - for washing, cooking and cleaning - because they cannot afford their bill....The Government is therefore using regulations to take forward measures which it considers are essential to protect vulnerable people from hardship”. I am indebted to Alex Loftus for this reference.

18. More recently, however, Eskom has begun to show concern about the lower-than-expected rates of electricity usage in low-income households – in the order of 50-100 kwh/month – no doubt due to the high costs of electricity relative to household income and a further indication of the kind of self-imposed cutbacks and cutoffs that are taking place in the country due to issues of affordability (“Cost Cutting Helps Eskom Profit up 37%”, *Cape Times*, March 7, 2002).