

WATER RESOURCE MANAGEMENT CHARGES

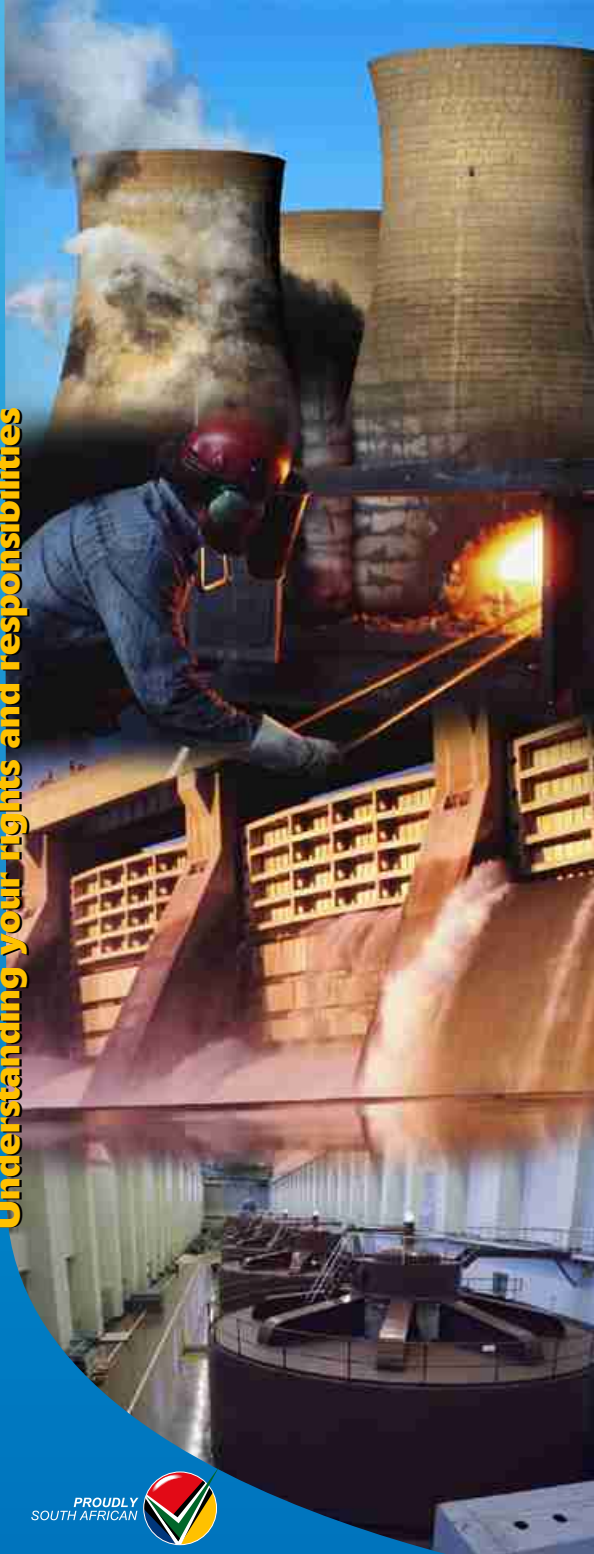
Understanding your rights and responsibilities



Department: Water Affairs and Forestry

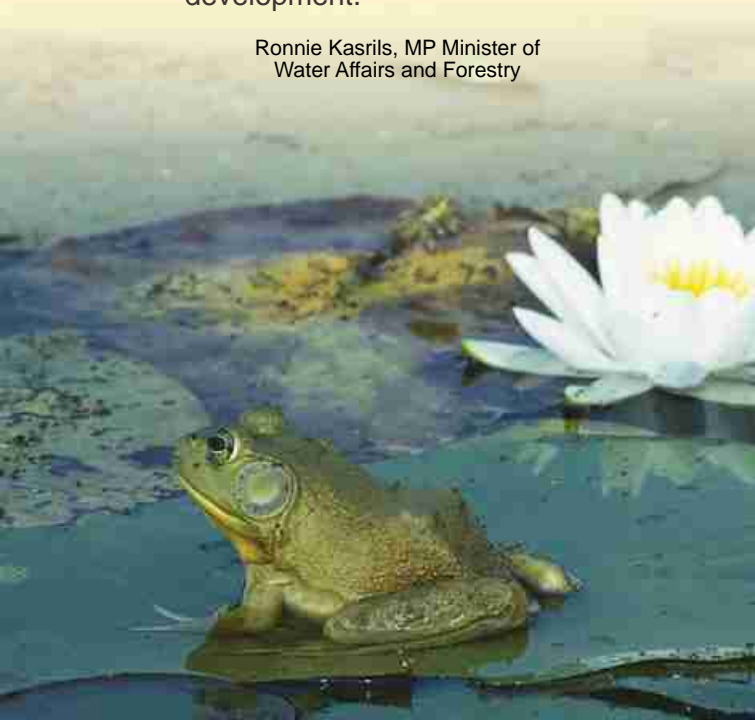
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in building a
better life
for all**

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Water
gives life. It
waters the fields of
farmers; it nurtures the
crops and stock of rural
communities; it provides recreation
for our friends, our children, our families;
it supports our power generation, our mines,
our industry, and the plants and animals that
make up ecosystems. Water is the key to
development and a good quality of life in South
Africa. South Africa's water belongs to its people.
It is the task of the South African government to
care for this water, to seek its fair distribution,
and to facilitate its wise use for, amongst
other things, social and economic
development.

Ronnie Kasrils, MP Minister of
Water Affairs and Forestry



Introduction

Put bluntly, South Africa does not have enough water. Receiving a little more than half of the worldwide average annual rainfall (450 mm per year against 860 mm per year) means that it is classified as a semi-arid country. This is reflected in the fact that eleven of the country's nineteen water management areas are facing a situation of water deficit – their water requirements are in excess of the water they have available.

The situation is serious. A growing population associated with developmental progress as well as mining, agriculture, energy sector and industry depend heavily upon the water resource for their survival and prosperity.

In the words of Minister Ronnie Kasrils: *Management of these water resources is a strategic task concerning the very prosperity of our country and security of our people. We dare not be complacent. We must have in place an effective strategy to ensure that our water needs are met for generations to come. Fortunately we have the framework to achieve this, in the shape of our National Water Act. This farsighted legislation... is internationally acclaimed.*

Survival and prosperity are well within reach if the appropriate control measures, empowered by the National Water Act, are put in place without delay. Recognising this, the Department of Water Affairs and Forestry (DWAF) has begun with the implementation of a structured plan to manage and jointly control the national water resources for all water uses for the benefit of every water user in the country. The plan relies on the co-operation of water users in registering their water uses, on their compliance with the measures to be implemented, and on the DWAF's collection of revenues to fund the process.

The Department of Water Affairs and Forestry regards agriculture, mines, industries and the energy sector as an important partner in the management of our country's water resources.



A Raw Water Pricing Strategy for water use charges

As more and more water users require water for agricultural, urban, industrial, mining, and other uses, the challenges increase. And so do the costs of monitoring and management, investigation and planning, protection of water resources, and other management and conservation actions.

It is for these reasons that the National Water Act, 1998 (Act 36 of 1998) provided in Chapter 5 for a Raw Water Pricing Strategy for Water Use Charges. After wide consultation, the strategy was published in November 1999 (Government Notice No. 1353). The strategy allows for some of the costs to be recovered from water users. In other words, water users use water to their benefit, for which they will be charged.

Most water users will have been through the compulsory process of water use registration that took place during 2000 and 2001. More than 98 % of industrial water users and more than 90 % of all other water users have registered their water use. These users are registered on the Water Use Authorisation and Registration Management System (WARMS).

The pricing strategy applies only to the use of **raw (untreated) water**, and to the setting of tariffs by the Department and water management institutions to be established in terms of the Act.

It does not deal with treated water supplied in bulk and distributed to households – this is dealt with in the Water Services Act, 1997 (Act no 108 of 1997).

The overall pricing strategy will include several water uses to be billed over time. It includes inter alia charges for:

- Abstracting water from a water resource or from storage;



- Engaging in a streamflow reduction activity;
- Waste discharge (eg, controlled activities, discharging of waste or water containing waste, disposing of waste in a manner that is detrimental to a water resource, waste from industrial or power generating processes, discharging water found underground);
- Other types of water use such as engaging in controlled activities, impeding or diverting flow, altering the physical characteristics of a watercourse and the use of water for recreational purposes and removing water from underground for the continuation of an activity.

Please note, currently only abstracting water from a water resource and engaging in a streamflow reduction activity are billed as part of the water resource management charges. Waste discharge charges will be introduced at a later stage.

Why do you have to pay water resource management charges?

South Africa does not have enough water. We need to plan carefully to ensure that all water users have adequate resources. Water resource management will ensure that you, together with the Department of Water Affairs and Forestry, which acts as the Catchment Management Agency (CMA) in the regions until such time that the CMA is in place, will be able to plan water management in such a way that all water users can benefit, now and in the future.

As from 1 April 2002 a water resource management charge has been introduced to cover some of the costs for water management. Everyone with significant water use within a catchment - industries, mines, water providers, irrigators and foresters will pay water resource management charges.



Who will benefit from the charges?

You will benefit by paying because your use will be guaranteed quantity and quality wise. All the costs recovered will be used within the Water Management Area (WMA) where the water use takes place. In this way, the money water users pay will be used to benefit them directly. If water is transferred from one WMA to another the users in the receiving WMA will have to pay the authority of the donor WMA.

What is water resource management?

To manage water resources properly, a water resource management charge was introduced which will contribute amongst others towards:

- maintenance of existing and expansion of further monitoring systems for surface and groundwater;
- water allocations;
- water abstraction control to ensure that all get their fair share of water;
- pollution control to keep our rivers healthy;
- planning for development of new schemes and to extend existing schemes;
- clearing of invading alien plants which consume water that should be available for our use;
- planning and implementation of catchment management strategies;
- water resource planning to reconcile supply and demand.

Who will be billed?

The Raw Water Pricing Strategy, which was published in 1999, provides for each of the eleven defined water uses to be chargeable. However, initially only water users involved in significant consumptive water use, in two specific water uses, will be billed. It is planned to roll the billing out over time to other water uses in accordance with the provisions of the Raw Water Pricing Strategy.



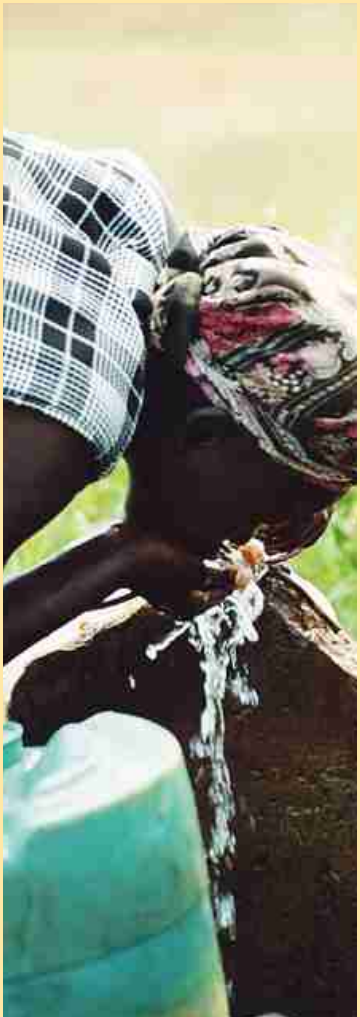
The two water uses which are now subject to billing are:

- Taking water from a water resource (groundwater or surface water)
- Engaging in a declared stream flow reduction activity such as commercial afforestation.

Who will not pay?

Water users will not be billed by the Department if they:

- Receive their water under an arrangement with a water service provider (such as a municipality) as they are already paying for their water in terms of such an arrangement;
- Are Schedule 1 users in terms of the National Water Act, (Act no 36 of 1998). An example of such a user would be a person using water directly from a water resource for household use, water for gardens and stock (for non-commercial purposes), storing and using rainwater from a roof.



How much are the Water Resource Management Charges?

Water resource management charges are calculated from the actual costs of water resource management activities within the catchment, per unit (cubic metre) of water that is used.

In WMAs where the resources are used intensively, the relative management cost for improving the quality and quantity may be higher than in WMAs which are less intensively utilised. In 2002/03 financial year that the new water resource management charge is introduced, the maximum cost of water resource management is 3.37 cents per cubic metres. The minimum cost is 0.2 cents per cubic metre. The cost for the industry and mining sectors vary between 0.32 cents per cubic metres and 1.00 cent per cubic metres.

The table on the next page lists the water resource management charges for the 2002/03 financial year per cubic meter of water, according to the three main sectors (domestic/industrial, irrigated agriculture and forestry) per Water Management Area.



Water Management Area		Sectoral unit cost in C/M ³		
No	Water Management Area	Domestic/ Industrial	Irrigated Agriculture	Forestry
1	LIMPOPO	1.60	0.56	0.43
2	LUVUVHU AND LETABA	1.17	0.64	0.57
3	CROCODILE (WEST) AND MARICO	0.91	0.66	0.63
4	OLIFANTS	2.08	1.00	1.00
5	INKOMATI	0.92	0.70	0.59
6	USUTU TO MHLATHUZE	0.32	0.32	0.31
7	THUKELA	0.43	0.43	0.41
8	UPPER VAAL	0.75	0.62	0.62
9	MIDDLE VAAL	1.07	1.00	N/A
10	LOWER VAAL	0.49	0.48	N/A
11	MVOTI TO UMZIMKULU	0.86	0.83	0.81
12	MZIMVUBU TO KEISKAMMA	0.62	0.47	0.36
13	UPPER ORANGE	0.38	0.38	N/A
14	LOWER ORANGE	0.38	0.36	N/A
15	FISH TO TSITSIKAMMA	0.84	0.44	0.20
16	GOURITZ	2.37	0.59	0.38
17	OLIFANTS / DOORN	1.67	0.54	N/A
18	BREEDE	2.80	0.55	0.30
19	BERG	3.37	0.55	0.38
	Average	1.55	0.48	0.32

Charges are not uniform across WMAs, (as illustrated in the sectoral Water Resource Management Charges table, above) and vary according to the socio-economic circumstances prevalent in the area, as well as its physical and demographic characteristics. After budgets have been prepared and an assessment has been made of the possible impacts of the changes proposed, the revised charges will be announced and publicised before the beginning of the financial year to which they apply. Charges are calculated specifically for each of the three end-user sector groups and may vary per user sector.



What about the other charges and levies that are payable?

Consumptive charges related to funding the cost of capital and maintenance, which are already being collected, will be billed through the invoices for water use that takes place within government water schemes.

The existing **Trans Caledon Tunnel Authority (TCTA)** charge is being billed to users receiving water from the Vaal System and will be included in new invoices that are currently distributed.

The existing **Water Research Commission** levy that many water users pay, will still be payable as always. In future the levy may be incorporated into a single bill together with the consumptive charges and water resource management charges.

Where do I pay my bill?

Bills may be paid at any Post Office country-wide, any Department of Water Affairs and Forestry Office or through the following banks: FNB, ABSA and Standard Bank. Details on these arrangements appear on each invoice. Please ensure that your invoice number is clearly stated on the deposit slip when you pay at one of the commercial banks. At some of the banks it is also possible to pay via internet but some problems have been reported in this regard. The Department is trying to resolve these problems with the banks and you are kindly requested to be patient, should you have to revert to a direct deposit at the banks.

When can I expect the invoices?

Mines, industries and the energy sectors receive their bills monthly, for payment within 30 days.





What will happen if I do not pay?

Non-payment is a serious matter, and you will be prosecuted if you do not pay. A water user can also have her/his water entitlement suspended or withdrawn if payments are not received by the department.

Questions and Answers

We pay other charges (such as abstraction charges) to DWAF and part of those charges is also towards water resource management. Why do we have to pay a separate charge now for water resource management? Are we not paying twice for the same thing?

The abstraction charge referred to is nothing else than the consumptive charge. This charge only includes the costs for operating and maintaining the scheme/system where the water is coming from plus a capital redemption component.

How will the costs be managed?

Catchment Management Agencies will in future manage the expenditure with respect to water resources management. These agencies will each have a governing board, which will take the decisions and an executive structure, which will do the work. The CMAs will be audited by the department. The National Water Act makes provision for transitional arrangements insofar that it determines that the department will act as the CMA in the absence of such institution.



The expenditure in terms of the consumptive use will initially be managed by the department itself but it may decide to hand this over to a Water Utility at a later stage. Decisions have not been taken as yet.

The TCTA charge revenue is paid over directly to the TCTA who will use this funding for the maintenance of their schemes and for the development of new schemes under the TCTA.

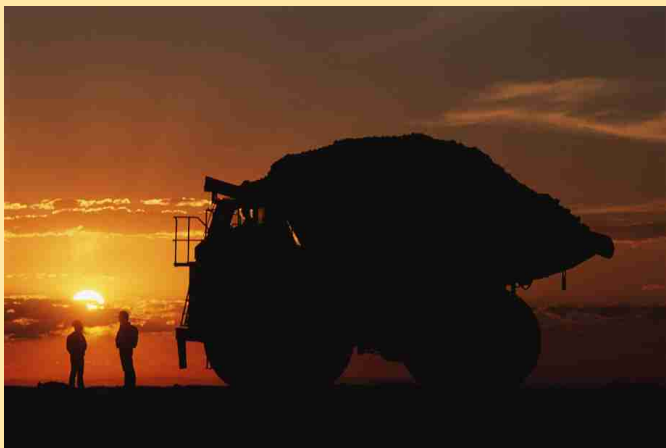


How will we as payers know whether the income is managed effectively?

The water user sectors will each have representation on the CMA Boards. Through their representatives the payers will have insight in what a particular CMA is doing. Furthermore, the Minister of Water Affairs and Forestry may make regulations on any matter which is necessary or desirable for the efficient functioning of CMAs. These regulations may, for example determine that CMA Boards must have annual meetings where the water users can ask their questions on their operations.

CMAs will be required to submit annual business plans and financial reports both that have to be transparent and any user has the right to have access to this information.





Is co-operative governance important for the functioning of CMAs?

Catchment Management Agencies embody the principle of decentralised management and co-operative governance. Proper functioning of the CMAs is dependent on its ability to forge co-operative governance relationships with all relevant stakeholders, and particularly around environmental management, spatial (land-use) planning and management, infrastructure development and service provision. This necessitates good relationships particularly with local authorities and provincial government departments involved in implementing these functions. The development of the Catchment Management Strategies and its implementation will indicate who need to be involved. The focus of these co-operative relations should, be primarily on the alignment of policies, programs, and procedures, with the aim to improving the efficiency and consistency of implementation and optimising the use of resources. The important relationship between CMAs and local government also stems from the latter's primary responsibility. Overlaps between goals or strategies of different departments must be identified and efforts in those directions co-ordinated to optimise benefits, avoid duplication and minimise costs.



The Catchment Management Charges that we paid was much less than the water resource management charges that we have to pay now – why do we have to pay so much more now?

The Catchment Management Charges (CMC) only included certain aspects of water resources management and concentrated specifically on the *Working for Water* Programme. Other elements of water resources management (WRM) have now been introduced. (It is ironic that the new WRM charge is now lower than the former CMC for some of the water users). This is due to the fact that the *Working for Water* cost is now spread over the full WMA and not only scheme users.



On what basis will the charges increase? Will a formula or an index be used?

The annual budget will be divided by the total volume of water used in each WMA. The circumstances in each WMA will be taken into consideration to determine whether the charges are affordable. Tariffs may be capped in





desirable cases. Capping will be done per sector on a national basis, which implies operational subsidies to CMAs. The initial CMA establishment costs will be covered by DWAF, subsequent support can also be provided until such time that the CMA has defined its activities and matched those with revenue.

Who prioritises the usage of the income generated through water resource management charges?

The CMAs and in the absence of a CMA, the department.

Will we see any run-off benefits (scientifically proven) for paying this charge?

Yes. This has already been explained in the foregoing sections.

Provide practical examples of where DWAF will apply the Water Resource Management Charges

- Process and issue a licence of an applicant for a water use;
- Collect hydrological data at a river gauging station for operational purposes (not the national network);
- Take emergency measures in case of a pollution incident;
- Management of floods and droughts (e.g. in case of drought, impose water restrictions so that all users get some in stead of some users who take all).



How did DWAF arrive at the costs per WMA that has to be paid for Water Resource Management Charges?

Certain commissioning costs, such as for establishing CMAs and the WARMS/SAP billing registration system have not been taken into account in determining charges. In developed CMAs, the total water available for allocation will be used in calculating the charge (not the registered use).

What functions are performed that I'm paying for?

The broad functions of water resource management include the spectrum of investigation, monitoring water, allocation planning, pollution control, clearing of invading alien plants and the protection of water resources.

How much will I have to pay? How is this decided?

Inevitable, the costs associated with water resource management vary from WMA to WMA and from sector to sector (domestic use, agriculture, forestry, industries), and according to local circumstances. Catchment Management Agencies will eventually exist in each of the nineteen Water Management Areas and will be responsible for setting charges for management of the water resource. A table





detailing the charge per cubic metre of registered water use for the 2002/03 financial year appears in this brochure. Until such time that the Catchments Management Agencies exist, the Department of Water Affairs and Forestry and its regional offices will perform the duties of Catchment Management Agency.

Are quantities of water used agreed upon and verified before payment takes place?

Invoices are based on the figures supplied and confirmed per signed declaration when each particular water use was registered or in terms of a license issued by the Department. Water usage is measured or calculated according to actual use on a month-to-month basis.

When will Water Resource Management charges increase?

The charges will be reviewed annually by the Department of Water Affairs and Forestry and will be based on the budget for water resource management in each area.

For more information, contact your nearest office of the Department of Water Affairs and Forestry.



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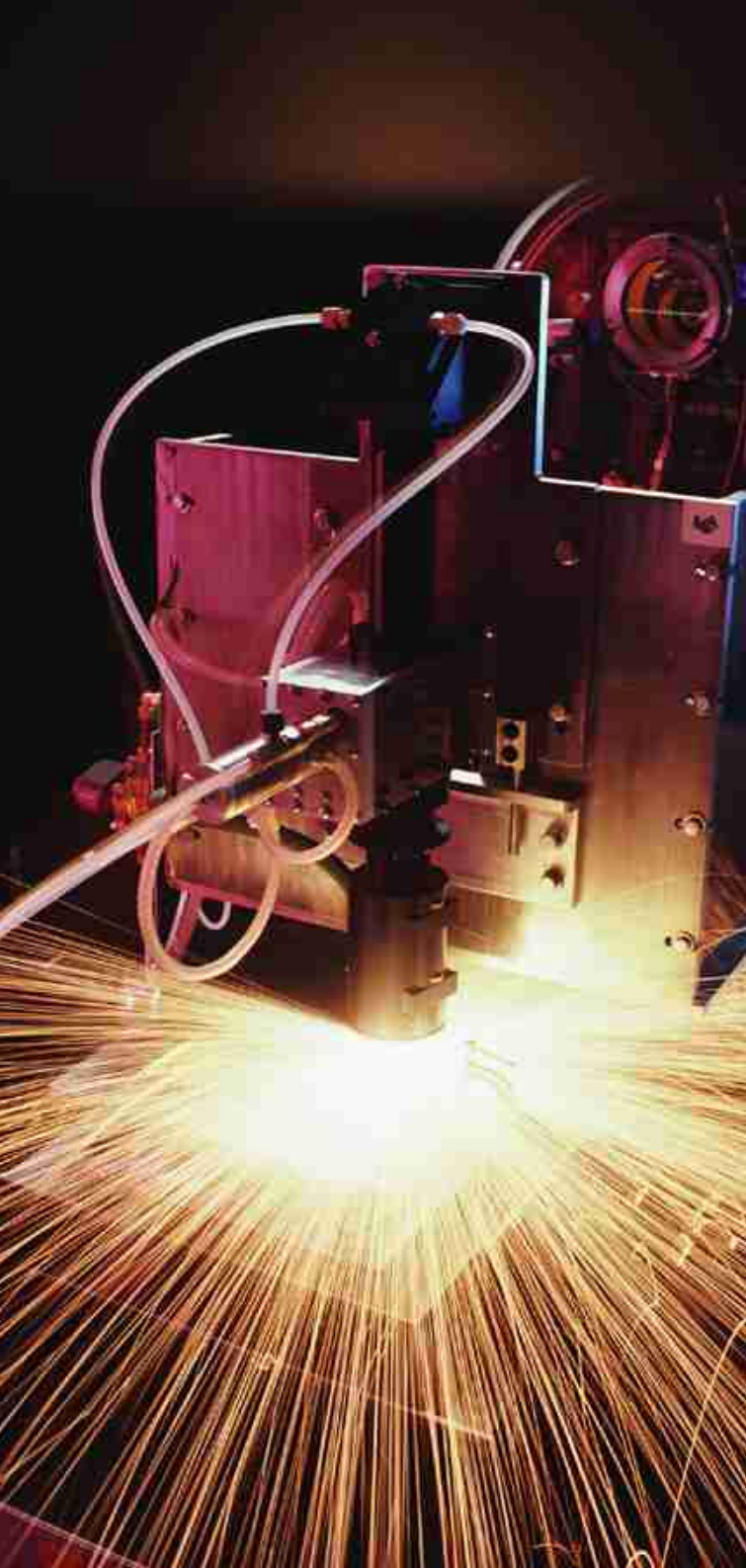
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