

Agbiz submission on national pricing strategy for raw water use charges

Agbiz sent in a written submission on the 3rd of November 2022 to the Department of Water and Sanitation on the proposed revised pricing strategy for raw water use. Raw water is defined as untreated water from a water resource. It was developed in terms of the National Water Act, which empowers the Minister of Water and Sanitation, together with the Minister of Finance, to establish a pricing strategy for charges of any water use within the framework of existing relevant government policy. This is the third revision of the water price strategy. The aim of the strategy is to facilitate reform in the sector and to provide transparency and predictability to water users on how water will be priced. The intention is to provide for the full recovery of costs associated with the management, use, conservation and development of water resources and the associated administrative and institutional costs. The strategy introduces a number of new levies and charges and does away with a cap on annual increases in the maintenance and operations costs of the infrastructure charge component.

In its submission, Agbiz highlights the tough conditions that the agricultural sector finds itself in due to factors such as biosecurity issues like the locust outbreak that had an impact on crops, the foot-and-mouth (FMD) disease outbreaks as well as the conflict between Russia and Ukraine which has put more pressure on South African agriculture, impacting fuel- and fertiliser prices. Agbiz also highlights the importance of food security and economic growth. And the critical role of the irrigation sector, and cautions that the impact of the price of water on the agricultural sector, should be carefully considered. It is important that decision makers have a thorough understanding of both the existing water sources and future water supply options, their yield at different levels of assurance and their costs. Agbiz takes the view that tariffs should promote the development of competitive businesses. Hence business tariffs should not be loaded with excessive taxes or cross-subsidy requirements. The draft pricing strategy removes existing support measures for the irrigation sector and seems to add additional costs to the sector. It is important to understand what the impact of the increase in costs and reduction in support will be on agricultural water users. Agbiz cautions that the removal of the cap may lead to negative unintended consequences including a negative impact on profitability and agricultural financing.

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Annelize Crosby
Tel: +27 12 807 6686
annelize@agbiz.co.za

www.agbiz.co.za

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