Water Services Local Regulation Case Study Report for the City of Joburg

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1 Introduction

One of the key aims of the project is to understand and document current practises on local regulation by different types of municipalities with varying capacities and service delivery mechanisms.

The aim of this case study is to understand the way in which the City of Joburg as the Water Services Authority(WSA) regulates Joburg Water(JW), which is the municipal entity that it had set up to play the role of its Water Service Provider(WSP).

This case study has been informed by desk top research as well as an interview with Ms Antonino Manus, Director: Water Services at the Infrastructure Services Directorate within the City of Joburg as well as with Mr Jones Mnisi the acting Chief Operating Officer at Joburg Water.

2 Context and Background

2.1 Background

Johannesburg initially consisted of thirteen separate local government administrations; these had historically been divided along racial lines. During the 1993-1995 local government transition period, these thirteen administrations were merged into five councils which were divided into two tiers. The Greater Johannesburg Transitional Metropolitan Council (GJTMC) formed the top tier, with four independent geographical sub-structures called Metropolitan Local Councils (MLCs) making up the second ties. Following the 1995 municipal elections, the Greater Johannesburg Metro Council (GJMC) replaced the GJTMC. Unfortunately, the implication of this merger was that the GJMC soon found itself in a situation where it was spending a lot of money, had very little revenue collection, no bank reserves and owed more money that it had. In short, the GJMC was technically bankrupt.

In October 1997, the MEC for Development Planning and Local Government, with support from National Treasury, intervened into the affairs on GJMC by appointing a committee of ten specialists to introduce measures to assist the GJMC in its failing financial state. Subsequent to that a committee of 15 was appointed in 1998 to restructure the GJTMC in terms of organisational development whilst ensuring that services were guaranteed on a sustainable basis. On recommendation from Price Waterhouse Coopers, the committee of 15 accepted a recommendation to introduce a contracting model, Igoli 2002. This model was aimed at the financial restructuring of the GJMC and the reorganisation of the way in which services were delivered in the City.

With respect to service delivery, the model dictated that the GJMC would retain services that were core to its functionality and retain the role of setting policy frameworks and providing strategic direction for the GJMC, but that it would create "service delivery companies" that would be wholly owned by the GJMC and would provide services on behalf of the GJMC. The thinking was that these companies would function like commercial companies; they would bill for services, collect their own revenues, assume debt for capital projects, and make capital expenditures, with Board approval, to improve and extend services. Hence a divide was made between the GJMC as the client and the companies as "service providers".

The GJMC set up the following independent companies to manage service delivery functions:

- Utilities were established to manage the three major trading services, i.e. water and sanitation, electricity and refuse collection.
- Agencies were established for those services such as parks and cemeteries and roads, which were funded from the rates accounts.
- Corporatized entities were established for services that could attract user fees, such as the civic theatre, the zoo and the bus services. However, these services still required large subsidies from the rates account.

2.1.1 Formation of Joburg Water

Johannesburg Water (JW) was incorporated as a private company on 20 November 2000 and started operating as a business on 1 January 2001 (which was prior to the commencement of the Municipal Systems Act and the MFMA although feasibility studies were done in respect of all the utilities and corporate entities prior to establishment).

JW entered into the following two contracts with the GJMC:

- A Sale of Business Agreement in terms of which the GJMC transferred its water and sanitation assets and over 2,500 employees to JW. JW paid the City R1.5 billion paid for its water and sanitation assets.
- A thirty year Service Delivery Agreement which provided *inter alia* that initially 60 per cent of the City's customers would be transferred from the City to JW in order to enable JW to carry out meter reading, pre-edits of billing, credit control and revenue collection functions.

Johannesburg Water was set up to be a Water Services Provider to the GJMC, hence its mission was to provide all people of Johannesburg with access to quality water and sanitation.

JOWAM

As part of the formation of JW, it was agreed by the GJMC that an international company with expertise in WSS should be contracted to establish JW on a sound and viable footing[1]. The winning bid was from a consortium known as Johannesburg Water Management (JOWAM) which was a joint venture between the Suez Group of France, and its subsidiaries in the United Kingdom and South Africa.

JOWAM was awarded a five year contract (April 2001 until June 2006) to assist JW with its operations. Practically the arrangement was that:

- GJMC was responsible for investment funding and potential funding shortfalls, if any;
- The Board of JW was accountable to the City in terms of the provisions of the SDA;
- JOWAM was responsible for the day to day management and functioning of JW.

JOWAM was paid a fixed management fee of R25 million over the five years of the contract (R5 million annually). In addition JOWAM was to be paid a two part incentive based payment based on performance which was set out as follows:

[1] Water Dialogues Case Study summary – p5

- The first part of the incentive, which was not to exceed **R20 million**, was based on the performance of JOWAM in human resource development, decreased wastewater spillages and overflows, improved customer service, implementation of an annual capital investment programme, and improved facilities maintenance.
- The second part of the incentive was linked to the financial bid of JOWAM, this was to incentivise JOWAM to improve the operational efficiency and financial viability of JW.

The financial cost of the management contract to Johannesburg Water was R67 million, this consisted of R64 million to JOWAM and R3 million to an independent auditor[2]. It is worth noting that during the period of JOWAMs five year management contract JWs total turnover was approximately R11 billion[3].

Service delivery

JW inherited a situation where services were relatively poor especially in the former township areas. Whilst JW acquired assets from the City and had water and sanitation infrastructure in place to deliver services it faced a number of challenges. Staff from the City migrated across to JW and JW required a new head office to place the staff in to. In addition, on the administrative staff, JW had to develop new systems and processes so as to be able to operate like a business and "do business differently". The initial 2-3 years of JW inception was spent setting up the institutions. By 2003, JW had made a huge financial loss.

With JOWAMs support and guidance, JW developed a three year financial turn around strategy which looked at the business holistically. The turn around strategy identified the following major thrusts that needed to be addressed in order to support the business, i.e.

1. level of unaccounted for water
2. payment levels
3. efficient cost management
4. zero based budgeting

One part of the turnaround strategy was that the City would provide JW with an interest carrying grant (as a form of a subsidy) of R230 million in 2002/3, R200 million in 2003/4, R240 million for 2004/5 and R240 million for 2005/6. This enabled capital programmes to proceed in a context where the City agreed that the full scale of the operational problems in the systems that JW had inherited from the City were only being revealed as the restructuring was intensified[4].

The financial turn around strategy was extremely successful. By 2006, JW had begun to experience a turn around. By 2007 JW had made a profit in excess of R700million and a positive cash balance in excess of R600million for the June 2007 financial year. JW obtained its first unqualified audit in 2007 and has received an unqualified audit ever since.

[2] THE WATER DIALOGUES SYNTHESIS REPORT 2009-Johannesburg Case Study, p 5

[3] THE WATER DIALOGUES SYNTHESIS REPORT 2009-Johannesburg Case Study, p 5

[4] THE WATER DIALOGUES SYNTHESIS REPORT 2009-Johannesburg Case Study, p 8

Joburg Water purchases bulk water from Rand Water, as such there is no contractual relationship between the City and Rand Water. In its 2009 Annual report, the City reported 96,78% of households receive water services, however this excluded areas serviced by water tanks. All indigent households received free basic services. The household coverage of sanitation services was 90,03%, this excluded areas where chemical toilets were used. The biggest challenge for the City was unaccounted for water losses. The annual water loss for 2008/09 was 36,15%.

3 Local Regulation

3.1 Understanding of Local Regulation

Both the City and JW display a strong understanding of Local Regulation of water services as set out in the SFWS.

The City as the WSA is clear that it derives its mandate as a WSA from the Water Services Act and the Strategic Framework for Water Services. The Service Delivery Agreement between the City and Joburg Water sets out the norms and standards and delivery targets expected of Joburg Water. For the WSA, the SDA is a regulatory tool which it uses to ensure that Joburg Water is monitored. The SDA provides for enforcement protocols and measures that can be taken if Joburg Water does not comply with what is expected of it.

The City accepts that there are gaps in the SDA, however the SDA is currently being reviewed as part of the ten yearly process to review the agreement.

The WSA accepts that its key role is to monitor the performance of the WSP, which is largely done through the City's balance score card approach. The City's view is that it is generally operating well as a regulator however it is relatively weak on the enforcement end given that Joburg Water is in many ways an extension of the City. The City's power as a regulator is diluted by the fact that there are a number of units within the City who oversee different aspects of the performance of Municipal Entities. Ideally, the City should locate all of the regulatory aspects in one unit to enhance the ability of the WSA to effectively play the role of a local regulator.

JW locates its understanding of Local Regulation Of Water Services within the policy framework as set out in the SFWS. It views the SDA as its point of departure in terms of the mandate that it derives from the City however has become despondent in that this SDA has over time been over ridden by the City. For instance, the SDA provides that JW would take responsibility for billing its customers, yet the City has centralised its billing function which has resulted in all of the billing reverting back to the City.

3.2 Mechanisms for Local regulation

3.2.1 Context

Based on the principles of the Igoli 2002 governance model, the City's Corporate Governance Protocol provided that the role of the Contract Management Unit (CMU) was to act on behalf of the City as the client of the Municipal Entities. The focus of the CMU was on monitoring, evaluating and reporting on the service delivery performance of municipal entities. The role of the Shareholder's unit was to act on behalf of the City as the shareholder. SHUs focus was on performance monitoring of the municipal entities in respect of corporate governance and financial performance.

In 2007, the initial governance model was reviewed after which a new governance model was introduced. Key changes from this model were that:

- Institutions of the city were to be considered as a single group
- There was to be clear oversight over municipal entities by respective core departments

The implication of the new governance model on an institutional level was that:

- the oversight of JWs performance would be done by the Water Directorate of the **Infrastructure and Services Department (ISD)**. Service delivery co-ordination, developing policy and strategy, monitoring and compliance, regulation, licensing and finance of JW were all the responsibility of the ISD as well as the MMC for Infrastructure and Services.
- The Shareholders Unit which had previously been located in the Office of the Executive Mayor was moved to be a directorate in the Finance Department of the City. The role of the SHU was to monitor good corporate governance and the fulfilment of the shareholders compact by JW
- The Central Strategy Unit located in the Office of the City Manager was tasked with developing uniform norms and standards for governance models and accountability, strategic and operational planning guidelines, reporting and performance management.

Some argue that one of the challenges being faced by the SHU is that it does not have the authority/clout it should have in order to effectively play its role as the group secretary. To monitor JWs service delivery, a set of key performance indicators are determined by the JW Board. These KPIs are refined in consultation with the relevant member of the mayoral committee and the Infrastructure and Services Department.

The Water Directorate in the ISD focuses on the relationship with JW and acts as the WSA. The directorate focuses on the following four key areas:

1. Addressing water and sanitation backlogs in informal settlements

New data reveal that water and sanitation service backlogs in informal settlements are far greater than previously believed. An accelerated programme is needed to ensure the City meets its commitment to eradicate all water backlogs by 2008 and sanitation backlogs by 2010, in line with national objectives.

2. Operation Gcin'amanzi

Operation Gcin'amanzi is a flagship programme of Johannesburg Water to reduce unaccounted-for water. Under the programme the utility is repairing and upgrading water networks in Soweto, repairing and replacing household plumbing fixtures to minimise leaks, and installing 162 000 prepayment meters to enable users to manage their consumption more effectively. The meter installation component of the project has been extended to include Cosmo City.

3. Updating the Water Services Development Plan

The City is required by law to develop a Water Services Development Plan as part of the water sector chapter of the Integrated Development Plan. The current Water Services Development Plan needs to be updated and developed further in the light of new data and the City's new strategic priorities. The Infrastructure and Services Department is managing the process.

4. Review of metering policy and unaccounted-for water and energy

The funding required for this initiative is R150 000. The City of Johannesburg aims to improve revenue collection through the reduction of energy and water losses.

Appropriate metering guidelines will be put in place and the implementation monitored on an ongoing basis.

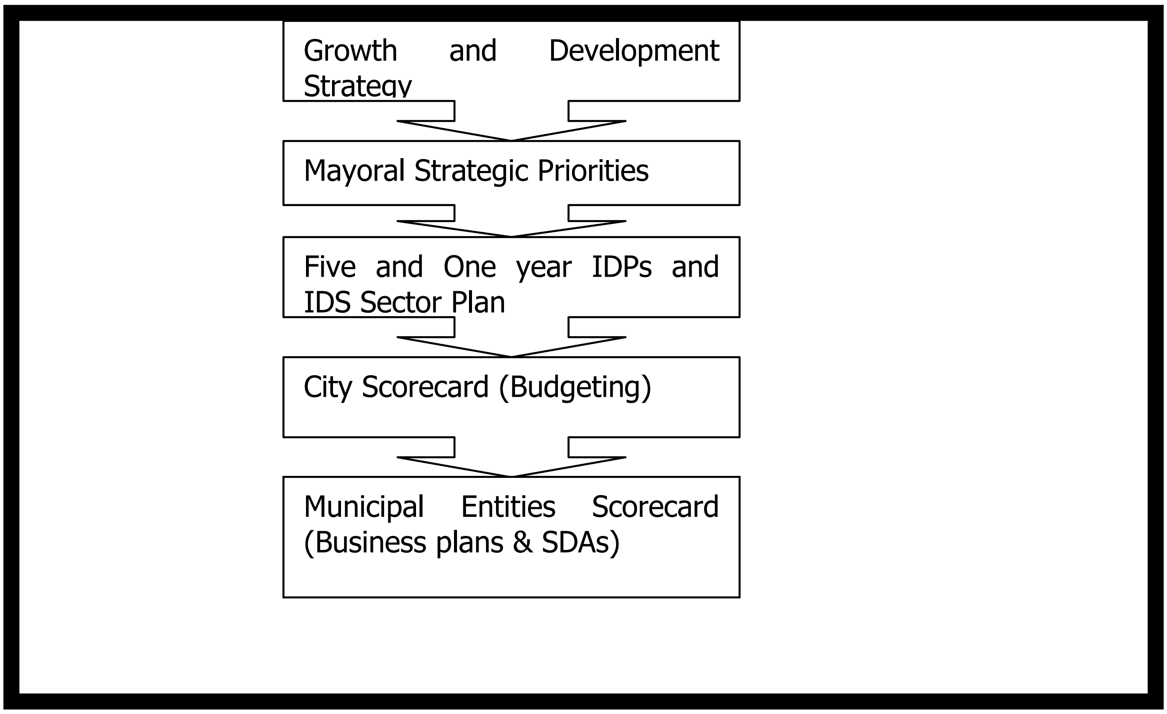
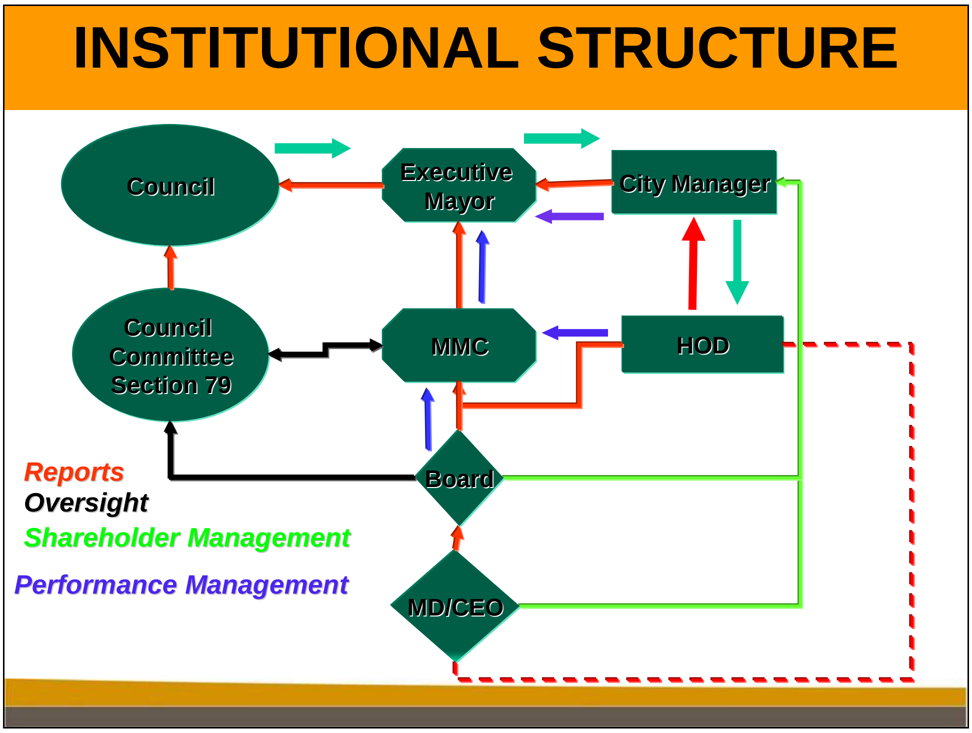


Figure 1 Adapted from Water Dialogues Case Study on Joburg Water 2009: 14

The figure above reflects the process which influences the development of JWs scorecard. The water sector plan is transferred to JWs scorecard. The Board then identifies the KPAs, sets targets and includes these in the business plan. These KPIs are further refined based on consultation between JW and the ISD as well as the MMC. JW then reports on these in its quarterly reports as well as in its annual reports. The key role of the ISD is to monitor and report on JWs performance against these KPIs to the MMC, the portfolio committee as well as to the JW Board.

Monitoring



The diagram above shows the institutional structure with regard to the structures into which the JW Board reports into.

JWs performance is measured by the ISD through a set of KPIs that are jointly identified. In addition the Chairperson of the Board reports to the MMC: Infrastructure Services who reports to the Executive Mayor who reports to Council. The Section 78 Committee also has oversight over the functioning of JW

There is a sense that the Shareholder Unit is more focuses on governance than on actually measuring the performance of JW. For JW, there is a lack of clarity at times as to who the WSA is, is it ISD or is it SHU?

In JW view, as a WSP it should report to ISD who in turn would report to the relevant structures within the City, JW as a WSP should not report to section 79 or attend MAYCO etc but it does. In JW view, this should be done by the ISD playing a stronger role as the WSA, which role needs to be improved upon. The sense from JW is that ISD needs to strengthen its WSA role by being more involved in JWs planning processes, which has started to happen, so that it can understand the business and in turn provide this understanding to the principals within the City.

Reporting

JW reports to the City through quarterly reports, assessment as well as through the chairperson's quarterly meetings and presentations to council. There are quarterly interaction between JW and COJ at different levels as per the SDA with the highest being between the chairperson of the board and the MMC. JW performance is therefore assessed quarterly at these forums.

The MD of JW reports to both the HOD as well as to the JW Board. The Board reports to the MMC as well as to the HOD. Ultimate reporting is to the Council and directives with regard to Shareholder management emanate from Council as well.

In accordance with the provision of the SDA, JW reports to the MMC Infrastructure Services through the chairperson's quarterly meetings. ISD engages with the information contained in these reports with JW.

3.2.2 Accountability

Following the incorporation of Joburg Water as a private company, JW entered into the following two contracts with the GJMC:

- A Sale of Business Agreement in terms of which the GJMC transferred its water and sanitation assets and over 2,500 employees to JW. JW paid the City R1.5 billion paid for its water and sanitation assets.
- A thirty year Service Delivery Agreement which provided *inter alia* that initially 60 per cent of the City's customers would be transferred from the City to JW in order to enable JW to carry out meter reading, pre-edits of billing, credit control and revenue collection functions.

According to the City, the SDA clearly sets out the roles and responsibilities of the WSA vis-à-vis the WSP. There seems to be a lack of clarity around the City's internal arrangements with regard to who is responsible for overseeing which aspects of the relationship with Joburg Water.

From the ISDs point of view, it is clear that the ISD is meant to play the role of the WSA. The Executive Director: ISD has indicated to all units in the City that all correspondence to Joburg Water has to be directed through the ISD however it appears that this is not fully implemented in the City. The SHU is responsible for the board related corporate governance issues, the environmental unit for environmental issues etc. The fragmentation of accountability within the City does create uncertainty as to who JW is meant to be ultimately accountable to. This is compounded by the fact that many within the City perceive JW to be "another department" within the City and tend to bypass the ISD when making requests for reports or information from JW.

In a bid to emphasise the role of the ISD, the draft revised SDA refers to a Designated Oversight Structure which it defines as the entities charged with decentralised municipal entity oversight under the CoJs revised governance model, namely the line function departments and the relevant MMCs.

3.3 Economic Regulation

The City's view is that it is currently not effectively fulfilling its role in respects of economic regulation, for instance, it does not truly interrogate the tariff structure largely due to the fact that it does not have the internal capacity to fully deal

JW agrees that tariff determination is one of the biggest challenges that it experiences with the City largely because the City does not completely understand the process in which JW sets its tariffs.

The challenge that JW faces is that its board is of the view that the tariffs that are set should be economically viable, however the City prefers that the tariffs are socially acceptable. Often there is a challenge in meeting these expectations which are at odds with each other.

Whilst JW sets its tariffs based on a model that indicated what is required financially, this is a business aligned tariff, the ultimate decision around tariff sits with the City, whose inclination is to set socially acceptable tariffs instead.

The issue of tariff determination and improved economic regulation is an area that will be closely looked at in the process of revising the SDA between JW and the City. At this stage, the thinking is that the City will provide the perimeters within which JW should set their tariffs. This is however of concern to JW as their view is that when using their current figures, JW remains in line with what other Cities in SA are doing.

One of the ironies for JW is that whilst the SDA provides that the intention in setting tariffs is to render JW financially sufficiently strong to achieve and maintain investment grade status to enable it to fulfil it functions, JW has struggled with the City in that the City's preference is to approve tariffs that are socially acceptable rather than those that make financial sense.

The draft revised SDA provides that the City and JW will follow the tariff determination processes set out in the MFMA and Water Services Act and commit to ensuring the financial sustainability of JW. The intention is that the City will set the perimeters within which JW will set their tariffs.

In terms of legislation, the City has the final say in terms of approving the tarrifs that are proposed by JW, however the City needs to improve the way in which it understands and engages with the tariff setting process so that when it makes decisions around tariff setting it fulfils its obligations in terms of the SDA to ensure the financial viability of JW. In this respect there needs to be greater engagement between the City and JW around JW tariff setting processes.

3.4 By Laws

One of the biggest challenges faced by JW is the lack of capacity within the City to effectively enforce water services bylaws. Whilst JMPD are meant to fulfil this role they have indicated that they do not have the capacity to do this.

JW has been identified in some instance in identifying inconsistencies in the City's bylaws and advising as to how the City can improve on the bylaws. In the recent Phiri case the court found that whilst prepaid meters in themselves were not illegal, the City's bylaws did not provide for the installation and use of such meters. Both the City and JW needed to take responsibility for embarking on such an expensive process of installing prepaid meters without ensuring that they were enabled in terms of their bylaws to proceed with this method of regulating water usage.

JW experience has been that the City tended to be more reactive than proactive in identifying gaps in bylaws or in the current business model, ideally this is something that should be addressed within the City.

4 Effective of Regulation

The City put a lot of money and effort into ensuring that JW was set up as a functional institution through the JOWAM management contract. In addition, the City has also invested a lot into ensuring the regulatory environment for effective board governance of the municipal entities is in place. It would seen that with the recent focus on increased performance management of units within the City, the City is now starting to focus on the service delivery performance of the municipal entities.

It appears that the City seems to be struggling with whether it wants to have JW operate at arms length or whether it wants to bring it closer to the City, this uncertainty tends to impact on the way in which it regulates JW as its WSP.

It is questionable whether JW is truly ring fenced? Some argue that it is not as the profits made by JW go into the City's coffers – however it is ringfenced in that the City is able to track the financial performance of JW and hold it to account for its performance. JW reports separately on its performance, exists as a separate institution and has its own board of directors. However, in many ways, JW is seen as an extension of the City and the distinction between the two institutions is an artificial one.

It is apparent that following the creation of JW, the City's initial focus was on the governance and contract management aspects but little focus on the operational and service delivery aspects, this was meant to be addressed through the creation of the ISD, however it appears as if this is not sufficient given the fragmentation across the city.

Whilst the City has made strides in setting up a separate unit to focus on the regulation of the WSP, it needs to do more in terms of sufficiently capacitating and enabling this unit to effectively fulfil its regulatory function.

In addition, there needs to be clear direction as to the status of JW vis-à-vis the City. At the time of establishing Joburg Water, the idea was to have a separate entity that would function at arms length from the City. However it appears that over time there is an increasing preference to bring Municipal Entities closer to the City as part of its Group approach.

As compared to other municipal entities set up by the City, a lot of JWs success can be attributed to the systems and processes set up through the JOWAM management contract. JW has also consistently had a strong management team and board which have over time contributed to and ensured the continued success and functionality of JW.

What have been the challenges to effective regulation

The ISDs ability to effectively regulate as the WSP is undermined by the fact that the WSA powers are spread across different units in the City. One of the focus areas for the ISD has to be "assert its role" as the WSA within the City.

Reflecting on the Phiri case, it is evident that as the local regulator, the City needs to continuously ensure that it creates an enabling local legislative framework within which JW as its WSP can effectively fulfil its mandate as the Citys WSP.

Whilst there is a SDA in place there is no real enforcement of the terms of the terms of the SDA. The City as the sole shareholder has over time made decisions that have undermined the provisions of the SDA and JW has been unable to do much about this as the City is its sole shareholder. Over time the political appetite for MEs has changed and in some ways this has impacted on the way in which the City reacts to JW.

There are clauses in the SDA which have not been prioritised by JW, for instance, the SDA provides that JW had to have an integrated asset management plan in place within 12 months of the signing of the contract. To date, JW is still busy with that integrated asset management plan however from the City's side there has been no consequence for JWs failure to comply with this requirement.

In terms of the SDA, For instance, whilst the SDA provided that JW would assume responsibility for metering and revenue management of 60% of the customers and the remaining 40% would over time migrate to JW. However, this initial transfer of 60% did not take place as envisaged. In reality the billing and revenue management continued to be done by City's Revenue Management Unit. Only approximately 30% of the top customers in revenue (mostly industrial, commercial, administrations and flat buildings) were migrated to JW. And it was only after two years of negotiations between JW and the City that meter reading for top customers was transferred to JW in 2003 and 2004. By 2006 JW had full control of only around 45,000 customers representing 40% of JW revenue base. In addition JW gradually became responsible for all meters reading (between 2004 and 2005) as well as for all consumption data entry for the billing process (2005) for the remaining stock of metered connections. However, most of the revenue collection processes, as well as all the billing process for the un-metered connections in the townships (20% of billed revenues), remained with the City. Project Phakama which was initiated by the City during 2006 started to be rolled out in early 2010. In terms of this project, the customer call centre function and the management of the credit control function in respect of the customers currently managed by JW are to be migrated to the City. Hence, the City would be a service provider to JW in respect of these services. The 396 customer services staff in JW were all migrated to the City in early 2010. The implementation of Project Phakama however runs contrary to the provisions of the Sale of Business Agreement in terms of which JW was meant to be responsible for billing and revenue collection.

JW requested that there be a penalty clause in the agency agreement should the City default on its obligations to JW, this request is currently under discussion between the two parties.

This has huge implications for customer charter. The City now runs the customer satisfaction survey which only have 2 questions on water and sanitation, the responses to which do not provide a sufficient indication as to what the consumer's views are with regard to water and sanitation

The biggest contradiction for JW is that version 2 of the draft SDA proposes a provision that JW should set up user forums and meet with consumers so that it can understand the customer's needs however this will not be achievable as the City has centralised customer management. In version 1 of the SDA whilst there was a provision around user forums this was not emphasised by either parties, now the City is pushing strongly for these user forums

For JW, one of the reasons why it was established as a ME, was for improved efficiencies within the City. JW did fairly well as a ME. By taking away and centralising revenue stream, the City has undermined the effectiveness of JW and removed its control over revenue. This is in contravention of the 1st SDA, the second draft SDA says that the City will appoint it as its agent to collect revenue, for JW these provisions effectively defeat the intent behind the creation of JW as a ME.

What can be done to improve the WSAs ability to effectively regulate water services

The ISD and JW agree that whilst the City has made strides with regard to the local regulation of water services there remains room for improvement. The focus within the City should be on ensuring that the ISD is better capacitated to fulfil its role as a regulator and that other units within the City recognise and support this role.

There needs to be greater certainty and clarity around roles and responsibilities and it is hoped that this will be achieved through the revised SDA. There was a sense that

ISD is not clear as to what it is regulating and how is this being regulated – this needs to be clarified

However one of the biggest challenges remains that in instances of a ME, the parent municipality is the sole shareholder, the regulator, the service authority etc. The City needs to be clear around its relationships with its ME and maintain the institutional separation which it has legally created.

Both JW and the ISD agree that the City needed to improve the manner in which it monitors the performance of JW. There are initiatives underway to do this.

In summary, it would seem that the City needs to focus on strengthening itself as WSA to play its role as a local regulator more effectively.

5 Conclusion

5.1 Lessons Learnt

Some of the lessons learnt from this case study are set out below:

It is preferable for the WSA to ensure that it contains all of the water services regulatory functions in one unit to create certainty around the role of the regulator. The WSA should avoid fragmenting its functions and responsibilities across the institutions as this lead to unnecessary duplication of efforts and tends to reduce the efficacy of the regulator.

From an institutional point of view, there needs to be certainty around the structure of the WSA and its relationship with the municipal entity. For instance, should the municipal entity operate at arms length or should it be drawn closer to the parent

Difficult to effectively regulate a ME because it is so integrally linked to the parent municipality – regulation done through relationships rather than through enforcement

One of the roles of the WSA is to ensure that through its bylaws it creates an enabling framework for the WSP to effectively fulfil its role. The Phiri case illiustrated that the City and the WSP engaged on a project which the bylaws did not enable

5.2 Framework

Interviewees were in support of the development of a Framework that will guide municipalities on how to regulate municipal services. The following suggestions were made regarding the content of the Framework.

5.2.1 WSA

The City supports the development of the Framework and suggests that the framework also clearly set out the regulatory role of national government vis-à-vis WSAs as well as the instances in which WSAs are able to draw on support from DWA.

The framework should also clearly spell out the importance and seriousness of local regulation so that municipalities understand the importance of effective local regulation

The Framework should also emphasise the importance of locating the regulatory function in one unit so as to create more accountability and allow for greater control over the regulatory process

The Framework should suggest the type of skills required for a functional regulatory unit

The Framework should also set out what WSAs need to put in place to fulfil their role with regard to economic regulation as well as regulating consumers and ensuring that WSPs fulfil their roles towards consumers

5.2.2 WSP

JW supports the development of a Framework that will talk to the practicalities of Local Regulation. This Framework should focus on the separation of the responsibilities of the WSA vis-à-vis that of the WSP. In the instance of a ME, the separation between a WSA and WSP is difficult to maintain given that the WSA is also the shareholder of the WSP.

The Framework also needs to emphasis the importance of having capacity in place to fulfil the regulatory role.