

## PRE-PAID METERS IN SECTIONAL TILE SCHEMES

By Anton Kelly

One of the major financial problems encountered by many sectional titles schemes these days is the recovery of services costs. Quite simply, owners and tenants just don't pay their electricity and water bills. The problem that schemes encounter is that widespread non-payment can lead to huge outstanding accounts that can only be paid by raising a special levy, which is equally likely to be difficult to recover, and in any case would prejudice owners and tenants who have paid their service bills.

Sectional title schemes contract with the local municipality for the supply of water and with the municipality or Eskom for electricity. The scheme then charges each owner for the service, usually based on readings from individual meters but in older schemes without separate meters, according to the participation quota. Newer schemes, particularly in Cape Town, where a policy for their installation in new residential applications has been implemented since 2006, have pre-paid electricity meters installed when they are built. The problem does not exist in these schemes.

Schemes are not entitled to cut off services for non-payment of bills because the scheme is not the supplier. Only the service supplier - the local municipality or Eskom - is entitled to cut off the supply. The seemingly obvious answer to the problem is to install pre-paid electricity and water meters for each section.

There are now many private suppliers of prepaid meters aside from local municipalities like Cape Town. They contract with schemes that have bulk meters, install the pre-paid meters, and the end users pay a rental for them. They buy tokens from a designated supplier, the third party vendor. The third party vendor provides and maintains the prepayment facilities and software and passes on the money collected from the end users, less a service fee of course, to the body corporate. The body corporate then pays the municipal bill for the bulk supply. The 6kl of free water the scheme gets from the local municipality for each household is pre-programmed into each meter.

Having prepaid meters for the supply of water and electricity seems the obvious answer to the problem of non-payment but there are various areas of difficulty to this solution.

### **Authority**

Prescribed management rule 33(3) entitles owners in a sectional title scheme to require the trustees to install separate meters to measure each section's consumption of electricity, water and gas. Only a simple majority of owners is required but the request must be made in writing. The trustees are not entitled to make this decision by themselves. However, this provision pre-supposes that the separate metering is internal and that the service is supplied in bulk to the scheme by the municipality or Eskom and the meters will be used by

the body corporate to establish a charge for services actually used by each owner. It does not apply to the installation of pre-paid meters.

Because owners have bought their units in a scheme with an existing system for charging for services, changing that system would be a fundamental change to the nature of the scheme and our view is that all owners would have to agree to this change. An additional problem is tenants, who have contracted to lease premises under certain service payment conditions and they would have to agree to that change before a landlord could make it. Owners with tenanted sections would probably only be able to install prepaid meters between tenancies or with the written agreement of their tenants.

### **Practicality**

Both Cape Town City and the Gauteng prepaid meter suppliers consulted during the preparation of this article say that, although it is possible in theory to provide prepaid meters to only some of the sections in a scheme, it is not practicable. This means that the whole scheme would have to be converted. Most schemes require extensive rewiring and re-plumbing for the installation of separate meters.

### **Cost**

There are two areas of cost that have to be considered, the installation and rental cost, and the service fee charged by the third party vendors. The installation of the meters is likely to be a major cost due to the rewiring and re-plumbing. The scheme would have to pay these costs directly, whether the local municipality or a private supplier installs the meters. Consumers usually have to buy the meters from the municipality's supplier but private suppliers usually charge a rental for the meters.

### **Constitutional right to access to water**

Where electricity and water are supplied through pre-paid meters, it is up to the end user to feed that meter, otherwise the service is automatically cut off. In the case of water meters, this is contrary to the provision of the Constitution that states that everyone has a right to access to water, which is necessary for life. In order to comply with this requirement, schemes would have to supply a reasonably accessible source of water on the premises.

There's no doubt that prepaid metering will eventually become the norm but for the near future bodies corporate should concentrate on establishing a culture of payment for services among its members. The Sectional Titles Act and rules provide for the body corporate to use the courts or arbitration to recover arrears. Although initially expensive, perhaps a zealous application of these methods would help establish the necessary culture of prompt payment.

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### **Footnote from Compeg:**

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- Sarh Dessen