

Apply Cost Centres & Tariffs process in your municipality



By setting up cost-covering and fair tariff systems you can contribute to better and more sustainable waste management services in your municipality

Good Practice

Public Utility Company “Kompred” Ugljevik, Republic of Srpska, BiH

In the Western Balkans, there is an inherent problem of low or inadequate prices for the waste management service. In addition to waste collection and disposal, public utility companies perform other utility activities, so it is not rare that the losses of one activity are covered by the revenues of another. This is also the case with the PUC “Kompred” from Ugljevik in the Republic of Srpska, Bosnia and Herzegovina, where a pilot project was implemented for the introduction of a tariff model that would aim to improve the system of monitoring and managing costs, based on which utility services would be charged.

- According to the latest census, Ugljevik Municipality has about 17,000 population and 24 local communities. Mainly, we are a company in charge of water supply and we also cater for sewerage and solid waste management services throughout the Municipality of Ugljevik, says Milan Lazic, Director of the PUC “Kompred” - Ugljevik, RS, BiH

“Kompred” is only responsible to collect and transport the waste, which is disposed at the regional landfill “EKO-DEP” in Bijeljina. The company pays KM 50 (25 euro) per ton for the waste disposal service.

- Given that waste is disposed in Bijeljina, at “EKO-DEP” where, while unloaded, the trucks are measured for billing, we are aware of the waste quantity, so knowing the number of our customers, we divide it and get about 120 kilograms of waste per household monthly, says Mr. Lazic.

The disposal service, which is on average KM 4.17 (2.1 euro) per month per household is not charged to end users and it is at the expense of the company. The highest share in company’s annual revenues or 49% accounts for water supply, 3.7% for sewerage and 30.1% for municipal waste management. However, the annual costs, especially for fuel, spare parts and depreciation, sometimes reach even up to 80%, so waste management makes major losses.

- By joining the project, as a utility company, we came to the conclusion that in 2017 we had a loss of KM 180,000 (EUR 90,000) in taking care of municipal waste in the municipality, which is not small money at all. The advantage of this enterprise may be that it has 2 activities, water supply and solid waste management. By charging for water and by making profit, we cover our losses. Municipal waste management, in my opinion, can not be a social category. It should be economically justified and someone has to pay for it. Now, prices are welfare ones, while for everything else we pay economic prices. That is, supply of fuel and spare parts, registration and disposal at “EKO-DEP” in Bijeljina, adds Mr. Lazic.

In order to manage this activity in a market-oriented and cost-effective way, it was more than necessary to introduce a cost model based on a Single Methodology for Pricing of Public Utilities, developed and recommended by the Standing Conference of Towns and Municipalities, an association of local authorities in Serbia.

- With some external support, we tried to calculate some cost-effective prices for the service. The consultants proposed us to raise the prices, but to be careful about their impact on citizens' pockets. With the help of the GIZ project, we could make a price-list and harmonize it, so that everybody should pay equally, and we here, based on some analyses in the past 2-3 months since the new price-list has been active, may have even made a small profit, regardless of the fact that some users have even experienced price reduction, states Mr. Lazic.

Previously, there was a disparity in terms of service prices. In fact, residents of remote villages paid 34% higher bills for garbage collection compared to the residents of the urban area, while in turn, they received a poor quality and irregular service. By the linear equalization and price increase by 25% in 2019, rural households will pay less. This equalization will not only highlight the single tariff system for all citizens in the municipality, but it will also contribute to the willingness of the population in the areas where organized waste collection and transportation has not been available, to accept more easily the liability to pay for the service.

- We changed the basis of our calculation. So far, we have charged for municipal waste transport per household, and now it is per household member. In order to be economically justified, in the coming period, we should raise the prices by 30 to 35%. No more than 35% but no less than 30% in order to have economic viability. Now, by aligning the prices, we have even reduced the cost of service to some of our customers, and on average have yielded, since May this year, 2-3% more revenues than we had, adds Mr. Lazic.

The expert report shows that the price of the municipal waste collection and transportation service should be increased by 38%, i.e. instead of KM 10 (5 euro) per household, KM 13.8 (6.4 euro) should be charged, thus eliminating losses. This increase should be carried out gradually over the next 2-3 years, while not exceeding 1.5% of household budgets.

In terms of legal entities, the recommendation is to charge them per waste volume and only to companies where the right amount of waste can be identified and measured. It will create a possibility for the users to choose whether to pay the established tariff rate or according to their amount of waste generated, which will be determined on the spot, depending on the size of the container and the dynamics of its discharge.

- This project is good for us to try and make a surplus in solid waste management, to try and develop awareness among residents. For me, this project is supposed to last continuously so that we can consistently know what our expenditures and revenues are and how to harmonize them. Expenditure should not exceed income, so we can do business, and so we can have a clean Municipality of Ugljevik to our and citizens' satisfaction, concludes Mr. Lazic.

The methodology for Local Governments and their Public Utility Companies (Terms of Reference) for Applying Cost Centres & Tariffs process is available at NALAS website www.nalas.eu and SeSWA website.

This model has been developed by the Project "Business cases development for improved waste collection and valorization", implemented by the GIZ Open Regional Fund for South East Europe - Modernisation of Municipal Services, commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ). The Project was implemented in Western Balkan partner economies, in the period October 2017-October 2019, in partnership with the Serbian Solid Waste Association (SeSWA) and the Network of Associations of Local Authorities of South East Europe (NALAS).