

The Problem of Water Price and Tariff Definition in Tbilisi

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Without water it is impossible to live and work. On the earth there are many places where there is a lack of these necessary resources. Despite of the fact that there are lots of rivers and many natural reservoirs with fresh water in Georgia, it is still necessary to save this expensive liquid, for which the water tariff was introduced.

Water and wastewater tariffs are not charged for water itself, but to recover the costs of water treatment, water storage, transporting it to customers, collecting and treating wastewater, as well as billing and collection. Prices paid for water itself are different from water tariffs. Water tariffs vary widely in their structure and level between countries, cities and sometimes between user categories (residential, commercial, industrial or public buildings). The mechanisms to adjust tariffs also vary widely. They can be set below costs, at the level of cost recovery without a return on capital, or at the level of cost recovery including a predetermined rate of return on capital.

In many developing countries tariffs are set below the level of cost recovery, even without considering a rate of return on capital. This often leads to a lack of maintenance and requires significant subsidies for both investment and operation. In developed countries water and, to a lesser degree, wastewater tariffs are typically set close to or at the level of cost recovery, sometimes including an allowance for profit.

Social and political considerations often are also important in setting tariffs. Tariff structure and levels are influenced in some cases by the desire to avoid an overly high burden for poor users. Political considerations in water pricing often lead to a delay in the approval of tariff increases in the run-up to elections.

Another criterion for tariff setting is that water tariffs should be easy to understand for consumers. This is not always the case for the more complex types of tariffs, such as increasing-block tariffs and tariffs that differentiate between different categories of users. Consumption rates, which are calculated to pay for utilities in the country, in most cases quite expensive and opaque, which in turn causes a sense of some distrust in the relative honesty of these organizations leaderships.

We have made an attempt to establish the real value of the drinking water tariff, but due to the complete lack of data on the cost of water treatment (method of water intake, electricity costs for this, methods of purification, maintenance and repair of pipelines, spending on wages, etc.) and the real cost of water supplied to the consumer, to make any correct conclusions on the problem of water supply to the population of Tbilisi appeared impossible.