REVENUE MANAGEMENT: CASE STUDY

City of Johannesburg

Armand Steenkamp

Deputy Director

Revenue Management





- Project Scope And Challenges
- Opportunities And Challenges In Data Integrity
- Addressing The Key Role Of Uniform Billing System
- Role Of Customer Education
- Looking Ahead

PROJECT SCOPE

Reduction of debtors book - R 6.2 billion

MAIN FOCUS AREAS

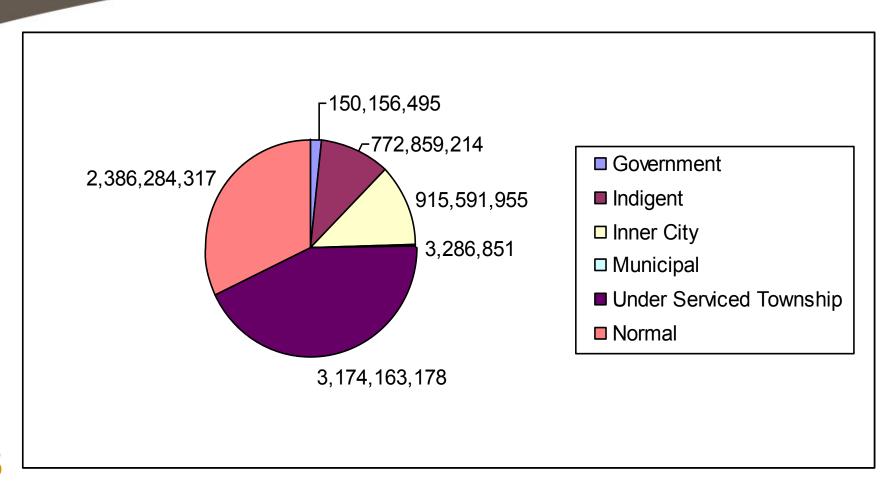
- Apply Credit Control action on immediate defaulters to limit potential new debt growth
- Apply debt collection strategies on the debt book.
- Reversal of incorrect billing
- Write off of prescribed debt

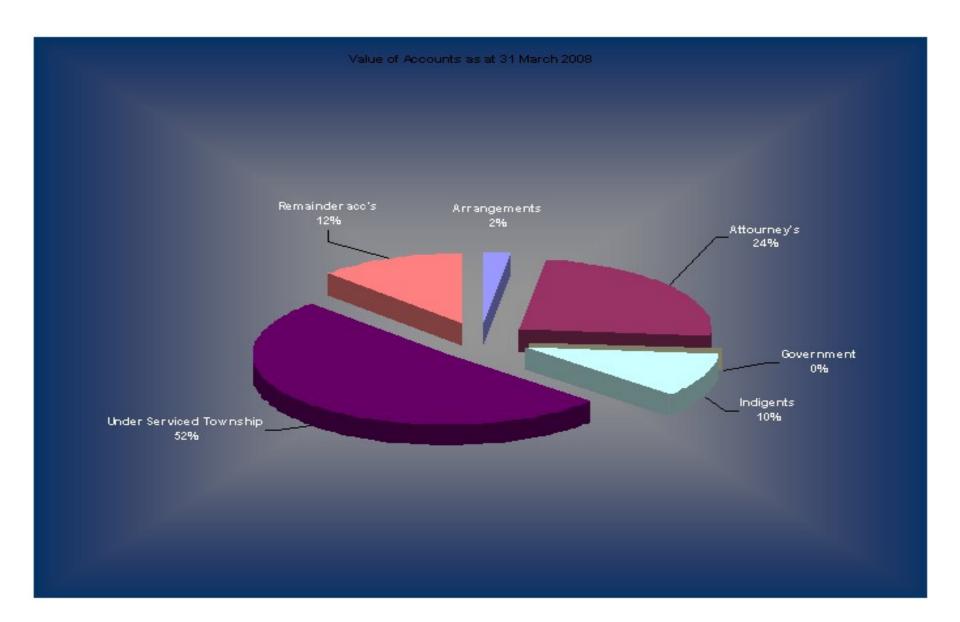
CHALLENGES

DEBT COLLECTION

- Segmentation of the debtors book
- Analyzing effective methods of debt collection
- Quantifying losses in Revenue as a result of interim readings
- Identify and prioritize Revenue recovery opportunities
- Levy correct rates
- New approaches
- Low collection
- Queries
- EAP (Economically Active Persons)
- Write off (Prescribed debt / Bad Debt)
- Tracking and tracing of consumers
- Tenants vs Owners accounts

PROJECT SCOPE AND CHALLENGES Segmentation of Debtors Book





PROJECT SCOPE AND CHALLENGES Debtors book statistics

Active accounts
 Inactive accounts
 871 459
 692 748
 R 7 075 773 444
 R 430 057 030

Interim Billing

Total number of accounts 40 431

Total outstanding balance
 R 1 177 405 885

Social Packages

IndigentsReathusa3332

Gcin'amanzi project

Total number of stands 214 130 Installed meters 103 500 (48%)

Under Serviced Townships

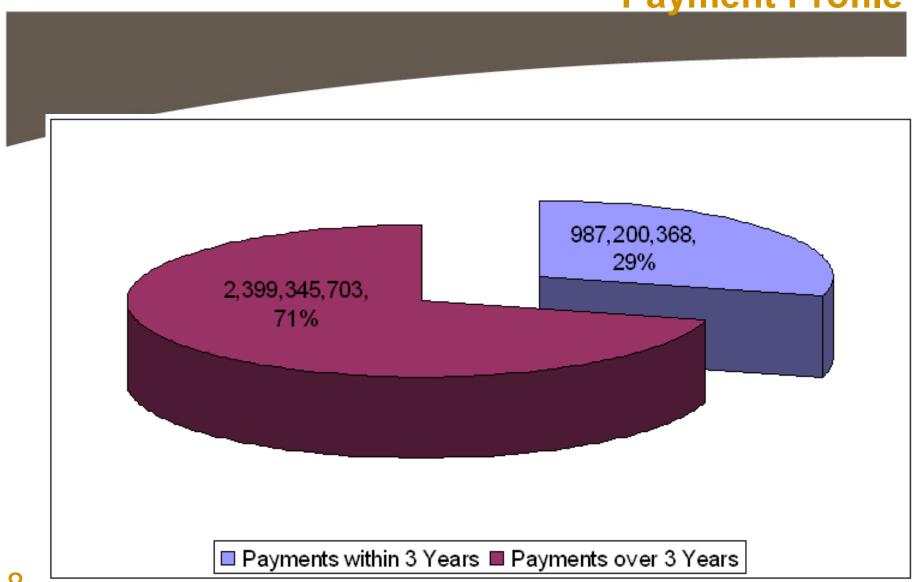
Total number of townships effected
 779

Identified - Prescribed debt

Biggest amount is 3 years and older
 R 2 691 000 000

Biggest portion of debt = Rates & Taxes

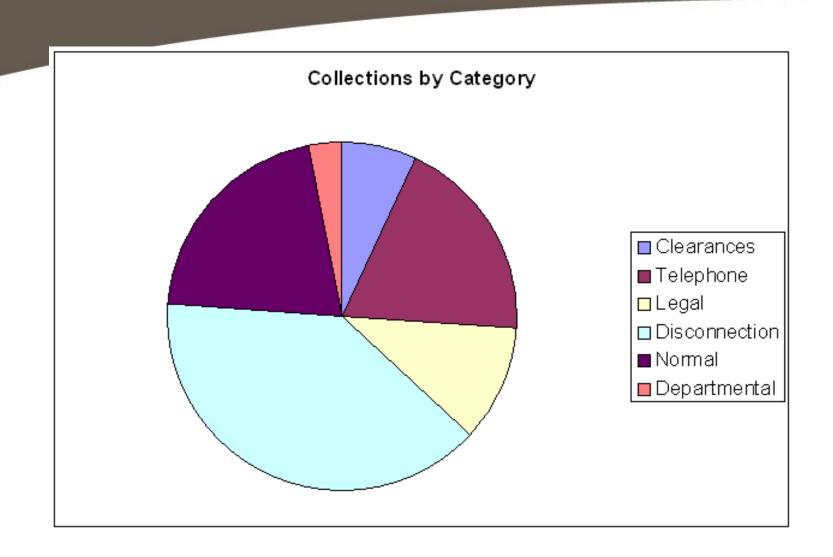
PROJECT SCOPE AND CHALLENGES Payment Profile

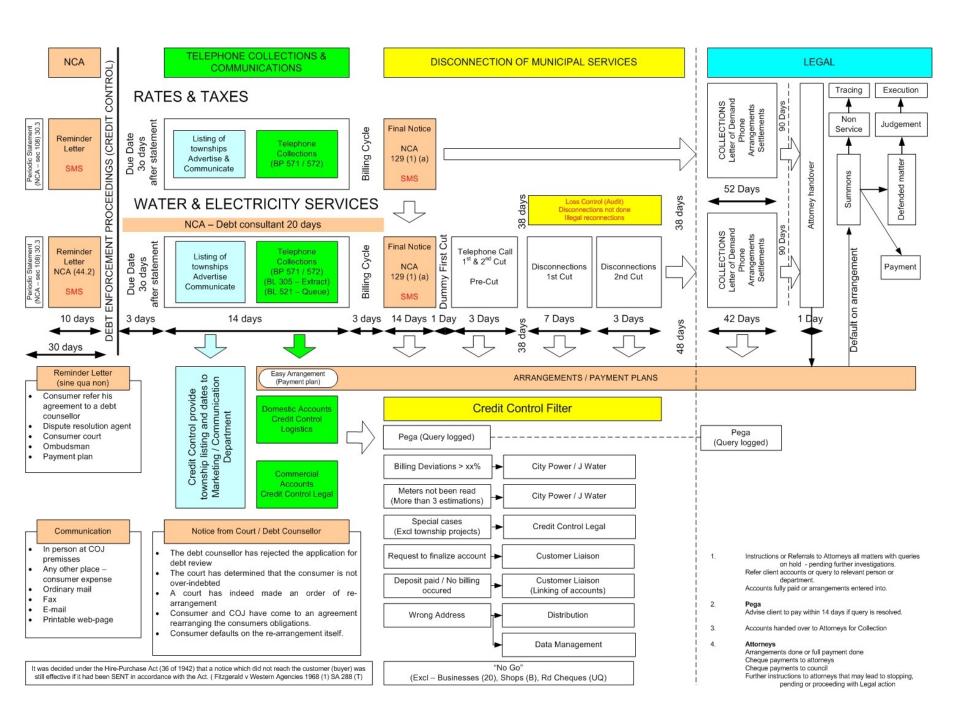


PROJECT SCOPE AND CHALLENGES Methods of Debt Collection

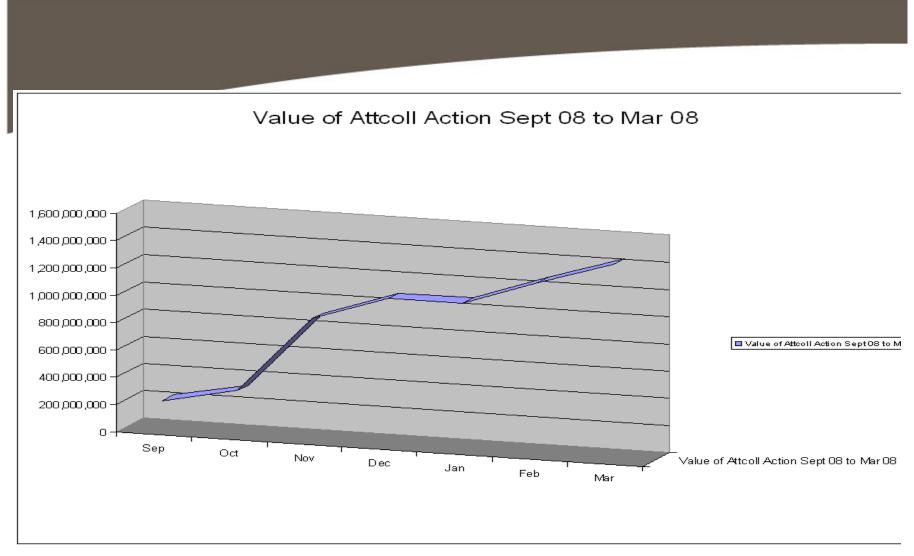
- Outbound Collection (Call centre)
- Termination of Services
- Offering of alternative payment plans
- Offering of social grants
- Collection by Legal action
- Transfer of properties (Clearance certificate)

PROJECT SCOPE AND CHALLENGES Methods of Debt Collection





PROJECT SCOPE AND CHALLENGES External Collectors



CHALLENGES

DEBT COLLECTION

Write off

- Prescribed debt
 - Identify all accounts that are dormant
 - Services on all accounts older than 36 month.
- Bad Debt
- All debtors that cannot be traced
- All legal and other measures have been exhausted, but there is still a balance of the debt remaining
- Recovery of the debt will be uneconomical
- Recovery would cause undue hardship to the debtor or his / her dependants
- It would be an advantage to the municipality to effect a settlement of its claim or to waive the claim

CHALLENGES

CREDIT CONTROL

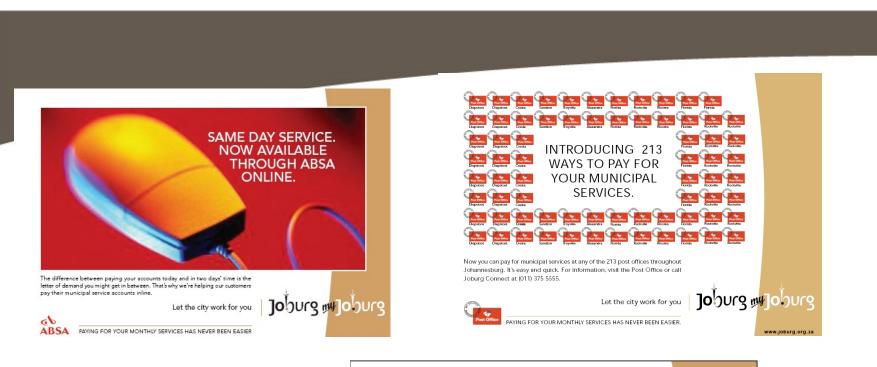
- Strategies for managing high risk customers
- Effective and Efficient credit control policies (SLA's / Cut offs)
- AMR (Automated Meter Reading)
- Revenue loss management
- Incentivised schemes (Indigency / Reathusa)
- Prepayment solutions
- Inability to read meters
- NCA (National Credit Act)
- MPRA (Municipal Property Rates Act)

CHALLENGES

CREDIT VETTING

- Strategies for managing high risk customers
- Interact with Credit Bureaus
- Increase deposits
- Build Credit Scorecard for the City
- Create credit profiles of the customers.

Introduce Third Party Payments





OPPORTUNITIES AND CHALLENGES IN DATA INTEGRITY

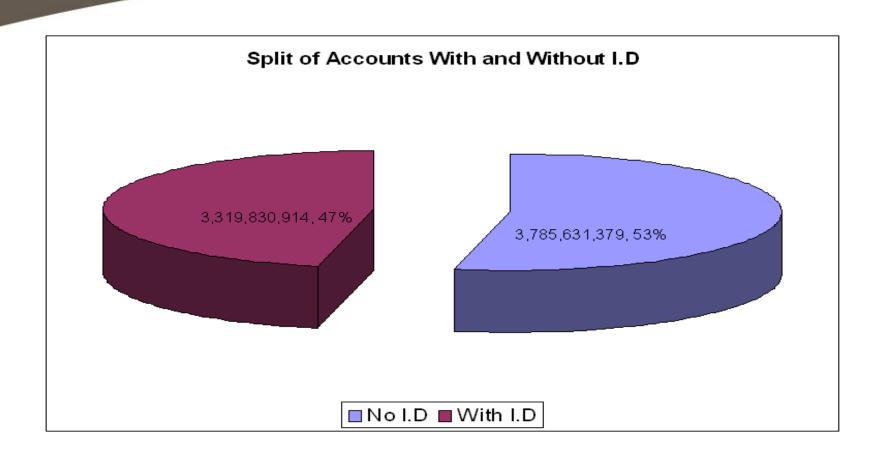
OPPORTUNITIES

Availability of technology

CHALLENGES

- Impact of Identity numbers and addresses
- Returned mail
- Loss of Revenue
- Meter issues
 - Duplication of meters
 - Incorrect meter readings

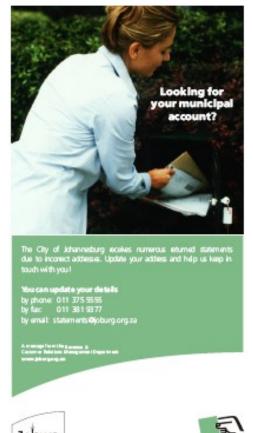
OPPORTUNITIES AND CHALLENGES IN DATA INTEGRITY



OPPORTUNITIES AND CHALLENGES IN DATA INTEGRITY = Update your details campaign



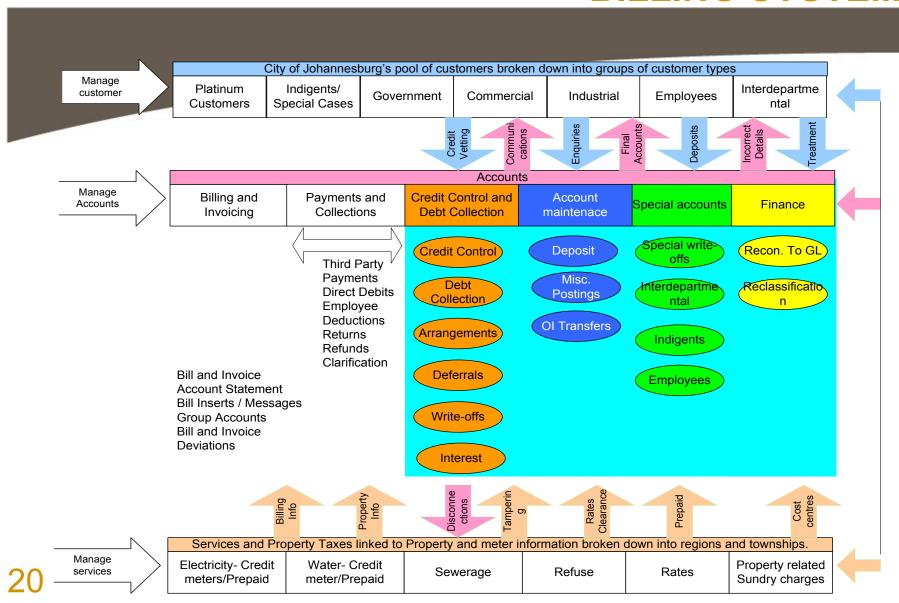








ADDRESSING THE KEY ROLE OF UNIFORM BILLING SYSTEM



ADDRESSING THE KEY ROLE OF UNIFORM BILLING SYSTEM = Phakama Programme

Residents of Johannesburg

Improved service delivery

Planning

GIS

Valuations

Rates & Taxes









South Africa's Premier Home







- ED:F 1. Single revenue management value chain
- **2. Single customer interface value chain**

coo 3. Single IT application to support both

4. New customer service & revenue organisation

Call centres

ROLE OF CUSTOMER EDUCATION Approach

- List and define our audiences
- Audit Perceptions
 - Understand what they think of us and why
 - Determine what we would like them to think of us
- What messages will bridge the perception divide
- What are effective tools to bridge the divide
- How do we measure

ROLE OF CUSTOMER EDUCATION

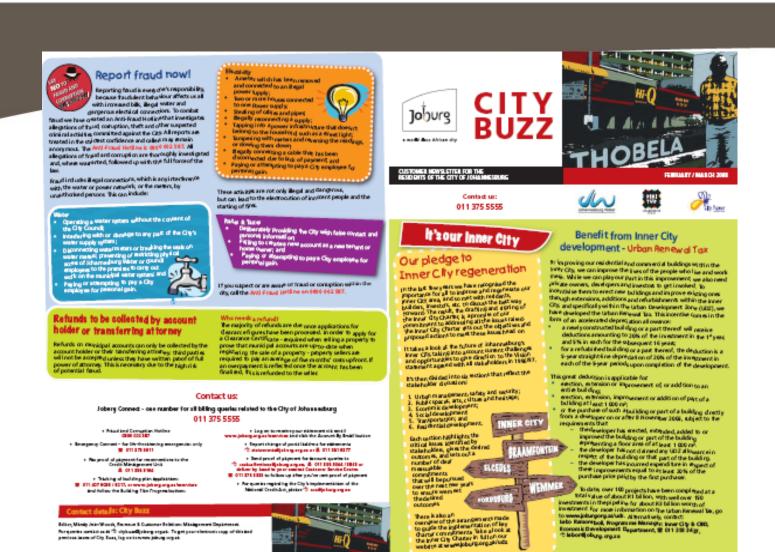
- Through the City Buzz
- Roadshows
- Jozinet
- Educate consumers on:
 - Consumers legal obligation to pay accounts
 - Emphasize negative consequences of non payment
 - Create a positive payment culture

ROLE OF CUSTOMER EDUCATION Customer Awareness

OUR CUSTOMER NEWSLETTER

- In January 2006, the Department launched "City Buzz", the first ever newsletter to be sent regularly to customers.
- It remains the only tool that directly and specifically targets the City's revenue customers.
- The purpose for City Buzz is to produce a monthly communication to the City's
 publics that will inform, educate and create awareness of the various processes and
 procedures relating to their municipal accounts.
- The City Buzz is sent to about 625 000 households monthly.
- In addition the newsletter is made available at all customer contact points in the city (mainly Customer Service Centres).

CITY BUZZ = What it looks like



ROLE OF CUSTOMER EDUCATION Customer Awareness = Statements by e-mail





ROLE OF CUSTOMER EDUCATION Customer Education - Example



You need to know that in future all new accounts opened will be charged a deposit equal to the average consumption of two months' services. In the past, there was a flat rate of R540 charged to new accounts. This means some people will be paying more deposit to open their account and some will gay less.

Customers who have had their services cut off or restricted will also have to pay the new deposit applicable to their property (in addition to the reconnection charges) before they will be reconnected. Of course the outstanding amount due must also be settled or arrangements made to sattle it

The average deemed consumption for new accounts will be averaged and automatically regulated after 6 months. Then the City will adjust the deposit and reflect it on the account as either a credit or a debit.

The schedule that determines the deposit is essentially as follows:







ROLE OF CUSTOMER EDUCATION Customer Education - Example





Let the city work for you |]o jurg mu]o jurg

WHERE YOU CAN REGISTE

Disembook Beart Office Discription between Settlement - Michard Beet Office 15 DeWiss Michael, Erf 949 - Rabie Ridge Eat 4 6 54% Richarder & Stit Street, Rabi Ridge - Mony Park 1 Respile Centre Eri 4025, Makaga Chika, Jeony Park Sandkon Civic Centre Cr. Web & Rhonia Road, Sendom - Wyntawy Beet O'Floo Region T, Haedofflos, Andriae To, Wysberg - Alec Sankapon 13th Avenue, Tet Flore, Alexandra - Oth Arenaus Sth. Arenaus Alexandra - Modelsformain Broshill Le, Broshill State - May they Stand 2018, Commercia Uttir St., Maydoug - Demostrated Formandrest 1111, unit 1018, Deworld - Familiang Faire Hall Sandrag Chic Carbo - Claremost Rest Office 100 Clarent Toest, Claremost - Coronationville Reet Office Caladan Street, Caramatemille -Bineries Reet Office Or Linding & Carama Street, Riberies -Confere Doed OM Age He me Wommouth Road, Weathers - Jan Balanger / Vindeckery Bank Office 1, Sonetifem Street, Jan Refrager - Dispition (Admin Office) Zone 1, P.O. Roston, 1729 - Odardo Essi Orlando Sast-Administration Paycolis - Pravilla J Kilpopra is West 2040/50 Missijadji Sovet, Pinella Zone 2 -Sociapeori Civic Gerire 100 Christian De Wet Soci, Florite Park - Boedepoori City Hall Cr. Disperirk & Serlandra Street, Rodgoori - Dobsowille Luckyl Street, Dobsowille - Deboewille Bostel Sand 3, Luthulisters, Debenville - Doorskap Black 4 Stand 3602, ned to community half, Georgiap - Doorstop Stock. 11 Stand 34755, red to dirts, Doomkey - Green Wilage Stand 2711, Kos Strat, Durnkep (DremVillage) - Scoon in Remotion Rail, Streetlin, Landong Road (2016) - Tahep bong Flot 16, Valifortain - West of Soweto Stand TKR Landing Read, (KSSR). Protes City - Mandretands 47 Stand 295, Portion T, Helipport Chile, Mandretands 2mo 2 - Mandretands Notal Stand 20021,

Vincent Road, Macdowlands - N.d. uphloge Stand 159645, Co. Can & Phoka St. Orlands Weet Increasing Stand 21669, Remarks Street, Orlando West - Dube Scotel Stand 2003, Dube Rodel -Jabatani Civic Gartre Titoma Syret Jubatani - Jabatani Hostal Tadi, 2011, Mabhunyana Tavat, Tiadi - Zota 3700, Masbakhe Svert, Zota - **Morcha / Jabawa** 1235 Mangari Tavat, Jabawa Sergogne (Kill Mighelens Shart, Sampana Swenith - Chipresis) 889 Tatabuse Street, Chiaseab - Proise Horth 25049 Kuname Street, Protes Horb Township - Mayasile Mees Hostel 1992 Mapade Township - Oxfondo West 9199 Fela Street, Orlando West - Moliolo 665 Readspoort Road, Zondi Township -Mancaffeld Marc Hostel 11972 Nancafeld Hodel + Jorrises Place 65, Jorissan Street, Brasmiontein - Metro Centre 159, Loweley Street, Beamfortain - Reusen Old Age Horse II West furfloodin Road, Reusen - Bureka House / Piorses Cr. Clerroy & Planeer Road, Planeer Park - Jappa Housing Cr. Lifes and Browning Street, Jappa - Bellandras Salous Srive, Saloulois -Cover Gardens Old Age Home Cr Sharmook & Xeelar Road, Crown Gardens - South Hills Housing Cr. Unday & General Street, South Hills - Leanaia Old Age Home Nimona Ories, Lennia - Edonach Park Rates Half Chic Centra, Sibranth Park - Edonach Park Rent Office C. Outhon Highway & Main Rand, Owaland - Hascoffeld Old Age Borne Washin Sout, Orienth Park - Languilla Divic Gentre Cr. Rose Ave & Gland Street, Lensola Langets South/East Corobick Contribt Complet, 640, Langets/Coth/Cast - Langets South/East Community Contract Wentiley Road, Lenacia South East + Drange Farm Ford Office 9125, Salanton S, Change Rann - Pocetjie Bent Office Portjie Informal Settlement, Plat 431, Poortjie - Carne date Estlentice 1 C: Clarpit & Uligit Roof, Smertille - Ensertiale Extention 5 C: Natz & Smith Welt, Smertish - Johannesburg Water 50 Frederick Street, Marchallown

For more information on this policy and the Municipal Services subsidy please call:

011 375 5555

or visit www.joburg.org.za

Proposed by Recommendation and Communications Seds. Int Place Makes Coming 1881 coming Sensel Reportunists. Int. COI 437-1389.



AL CASES POLICY Municipal Services Subsidy

SPECIA

Joburg

ROLE OF CUSTOMER EDUCATION Customer Education - Example





ROLE OF CUSTOMER EDUCATION Customer Education - Staff accounts







LOOKING AHEAD

- Reduce credit control queue timelines
- Credit vetting
- Prepaid meters for delinquent payers
- Regeneration of the Inner City
- Programme Phakama

Looking Ahead Progressive debt write-off programme

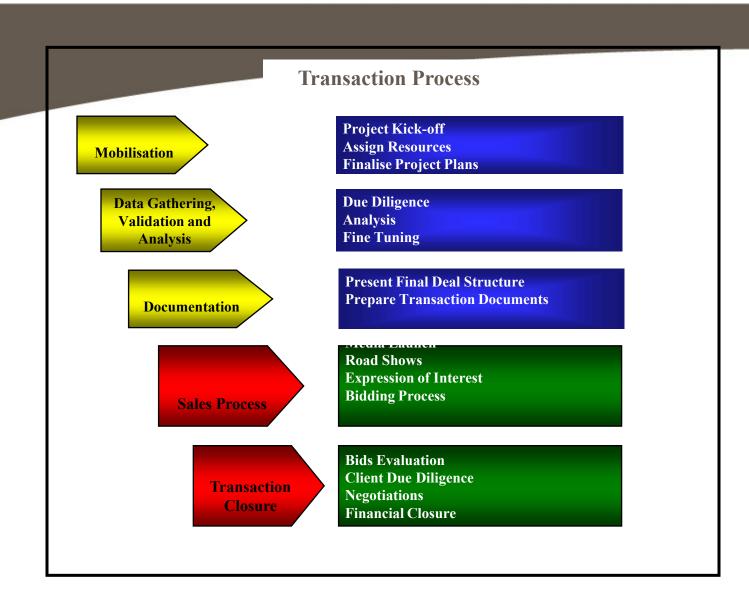
Council has previously approved an initiative by Johannesburg Water to progressively write off arrears, in deemed consumption areas, over 36 months and based upon the installation and servicing of prepaid water meters.

The project will be rolled out over a period of 7 years in Soweto, Orange Farm, Ivory Park and Alexandra. As the water supply and infrastructure is upgraded in the respective townships, so are the community members engaged with a view to applying for the installation of a pre-paid water meter whereupon the consumer's water arrears are credited @ 1/36th per month provided the pre-paid water meter is serviced via the purchase of coupons.

Looking Ahead Sale Of The COJ Debtors Book

- Work undertaken since March 2005
- The following things have been done:
- Obtaining Senior Counsel opinions
- Development of a financial structure
- Write-off of indigent arrears
- Confirmation by Senior Counsel that proposed financial structure is legally sound
- Confirmation by CoJ Treasury that financial structure is sound
- Details of financial structure

Looking Ahead Sale Of The COJ Debtors Book



QUESTIONS

