

# INTRODUCTION

- ▶ Municipalities lose billions of rands each year due to arrears accounts. In most situations a third party collection agency can be brought in to recover some of lost revenue and profits. When a customer or client fails to pay or falls behind on payments, the ability to collect your money decreases dramatically as time passes.
- ▶ Successful debt collections begin as early as possible. It is never a good idea to wait more than 90 days to begin the collections process. The four traditional centres of collection namely: Credit control, Call centre, Debt collection and Legal debt collections cannot be abandoned or ignored
- ▶ The new system employed to enhance collection is electronically meter reading device. This system is a holistic solution that encompasses both “pay for services” and “Capacity (Demand side) Management” through effective application of secure, low cost remote metering and management
- ▶ We are committed to the belief that debt can always be collected fairly, effectively and with empathy.

# CAUSE OF CONCERN IN MUNICIPAL COLLECTION [PROBLEMS]

## ▶ **Non-payment for services**

- ▶ 1. Services are not billed correctly – causing payment issues [**admin error**]
- ▶ 2. Payments are not made either willfully or due to financial difficulties [**education**]
- ▶ 3. Enforcement is difficult to carry out against an individual consumer [**political**]
- ▶ 4. Service personnel are in physical danger from certain communities if they attempt to remove service [**education and tolerance**]
- ▶ 5. Arbitrary cut off may impact civil & constitutional rights of consumers, especially if there is a life critical dependency on power supplies [**communication breakdown**]
- ▶ 6. Unmanaged cut off will increase the hardship of those affected
- ▶ 7. Possible indigents customers who don't meet the qualification criteria to indigent status

# CAUSE OF CONCERN IN MUNICIPAL COLLECTION [PROBLEMS

## ▶ **Theft of services through illegal and unsafe connections**

- ▶ 1. Illegal connections endanger the lives of the immediate community
- ▶ 2. Service personnel cannot create any long term repairs as the damage reoccurs immediately
- ▶ 3. The illegal connection is not metered nor is it paid for
- ▶ 4. The illegal connection has not load limiting breakers or similar to protect life
- ▶ 5. Constant overload and abuse of the connection results in the surrounding feeder infrastructure being damaged leading to community dissatisfaction
- ▶ 6. A community solution is hard to implement due to costs of highly specialized equipment
- ▶ 7. Illegal connections take place prior to the metering point so true losses can only be averaged for any particular area.

# CAUSE OF CONCERN IN MUNICIPAL COLLECTION [PROBLEMS]

## ▶ **Damage and theft of public infrastructure**

- ▶ 1. Vandalism costs money to repair or replace public equipment
- ▶ 2. It also endangers lives in a community especially the vulnerable such as children.
- ▶ 3. The vandals will often destroy related services in the course of their activities.
- ▶ 4. Theft of components such as aluminium or copper or even just steel enclosures often drive these actions and leave communities without essential service

# CAUSE OF CONCERN IN MUNICIPAL COLLECTION [PROBLEMS]

## ▶ **Capacity management**

- ▶ 1. Demand management cannot take place in an environment of illegal connections or continual non-payment
- ▶ 2. Consumers cannot be educated in the traditional metering environment as there is no way to remotely interact with the supply
- ▶ 3. The scale of the problem is such that staff cannot be sent out to load shed consumers when capacity is being over-utilized
- ▶ 4. Old technology meters and connections have no way of providing any “partial” supply; they will supply to the limit of the corresponding breaker
- ▶ 5. No view of individual, local or regional consumption is remotely available to enable proper planning and response strategies to be created.

# CAUSE OF CONCERN IN MUNICIPAL COLLECTION [PROBLEMS]

## ▶ **Energy Shortfall in South Africa**

The current energy shortfall in South Africa is exacerbated by no payment for services, effectively depriving electrical service providers the ability to service and maintain their networks. It also in-debts the service providers to the Primary suppliers such as Eskom limiting the available capital needed to expand supply capacity for National Growth. The other hidden costs include the cost of personnel to perform functions such as:

- ▶ 1. Debt Collection
- ▶ 2. Supply disconnection
- ▶ 3. Repair and maintenance to abused public supply infrastructure such as metering kiosks, meters and other supply systems. This includes damage due to overloaded supply points that result in expensive burnt out equipment.

## **Unemployment in South Africa**

- ▶ High numbers of unemployment affect the ability to pay for services

# New strategies and Opportunities to improve revenue by these objectives:

- ▶ Improve customer service and indigent access free electricity without buying
- ▶ Improve voluntary compliance like project operation fix your leak and report copper theft
- ▶ Lower accounts receivable balances;
- ▶ Reduce bad-debt expenses by monitoring water and electricity interims and data validating
- ▶ Avoid costs associated with replacing or improving various disparate and antiquated information systems;
- ▶ Improve government reporting and transparency; and
- ▶ Consistent application of policies and business processes, including the application of interest on overdue accounts.
- ▶ Installation of litigation system of which is still failure of lot of municipalities
- ▶ Introduction of credit life insurance to reduces bad debt burden

# New strategies and Opportunities to improve revenue by these objectives:

- ▶ The municipality will envisage in future a new Revenue Recovery method of taking a shine to a not-so-new method of getting people to make debt arrangement online. Known as virtual debt collection, the process allows debtors to take care of what they owe without the stress or bother of dealing with harassing telephone calls or collection letters.

Instead, debtors can visit our website to work out a payment plan on their own schedule.

The method is resulting in increased collections for many companies, according to the industry. An industry survey found debtors preferred, 4-to-1, to handle their overdue accounts online and on their own instead of over the telephone with a real person.

From a business perspective, anything that improves on revenue gets attention and hope municipalities will follow suit. One aspect of virtual collection's popularity is that it is available 24 hours and seven days. The landscape is changing now, and people that had previously never been behind on their payments now find them in the collection space...and are not too happy about it.

# Revenue Recovery: Monitoring and evaluation

- ▶ The most effective way to recover revenue is at the consumer end of the Energy chain. Securing the metering phase of the delivery cycle is critical to avoid theft of limited energy & resources.

This is accomplished by:

- ▶ 1. Securely housing publicly exposed metering equipment.
- ▶ 2. Monitoring all metering equipment for tampering and bypass activities.
- ▶ 3. Monitoring all enclosures to detect tampering including unauthorized connections potentially facilitated by maintenance personnel.
- ▶ 4. Manage enclosure and system access to limit fraud and collusion.
- ▶ 5. Small projects like war against water leaks, interim readings and community road shows should not be underestimated as technics to enhance revenue.

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- ▶ UNFINISHED WORLD CUP STADIUM
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▶ **THANK YOU**