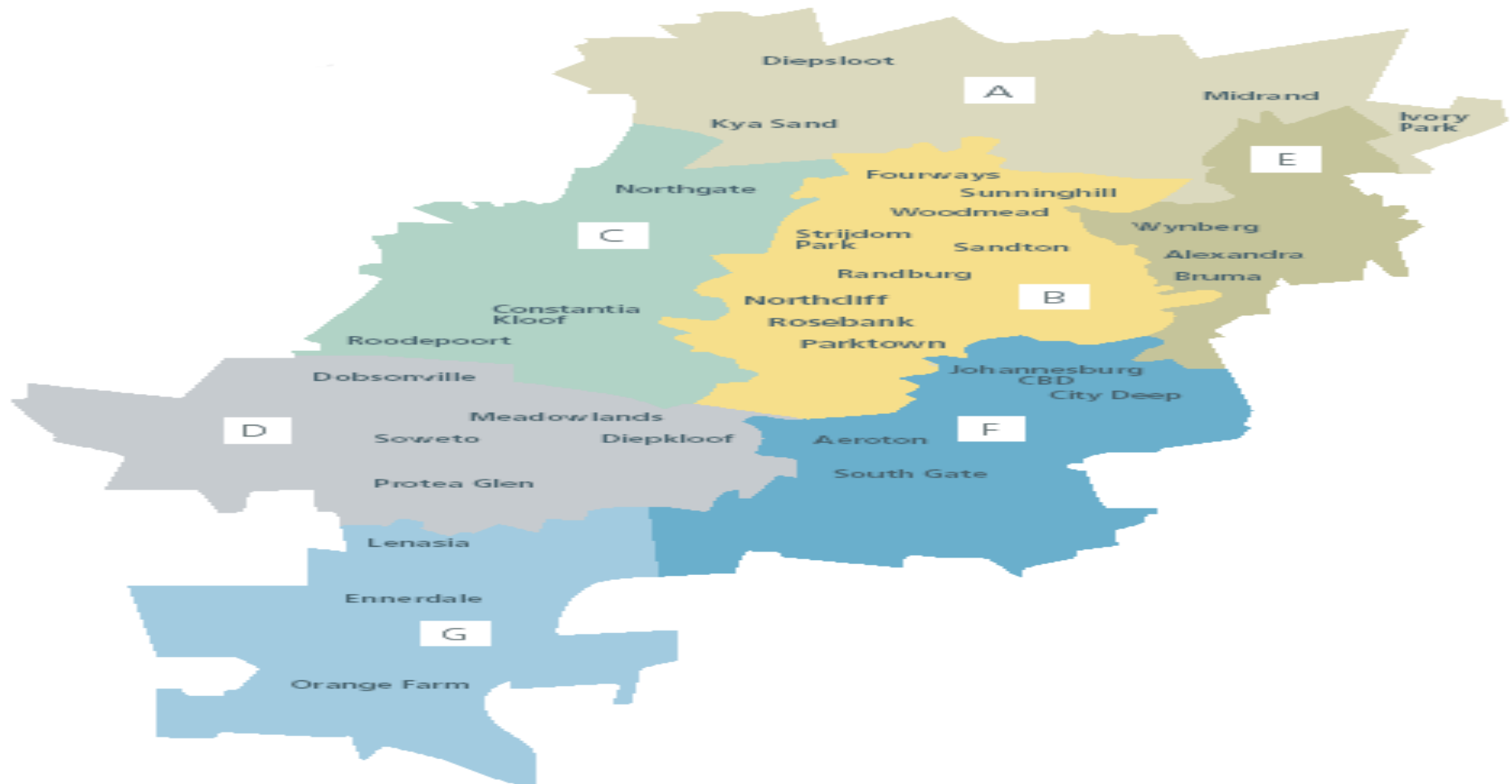


OPERATION GCIN'AMANZI (OGA)
SOUTH AFRICAN REVENUE PROTECTION ASSOCIATION
CONFERENCE 2008



HAPPY BIRTHDAY MADIBA

GEOGRAPHICAL AREAS



BILLING PROFILE

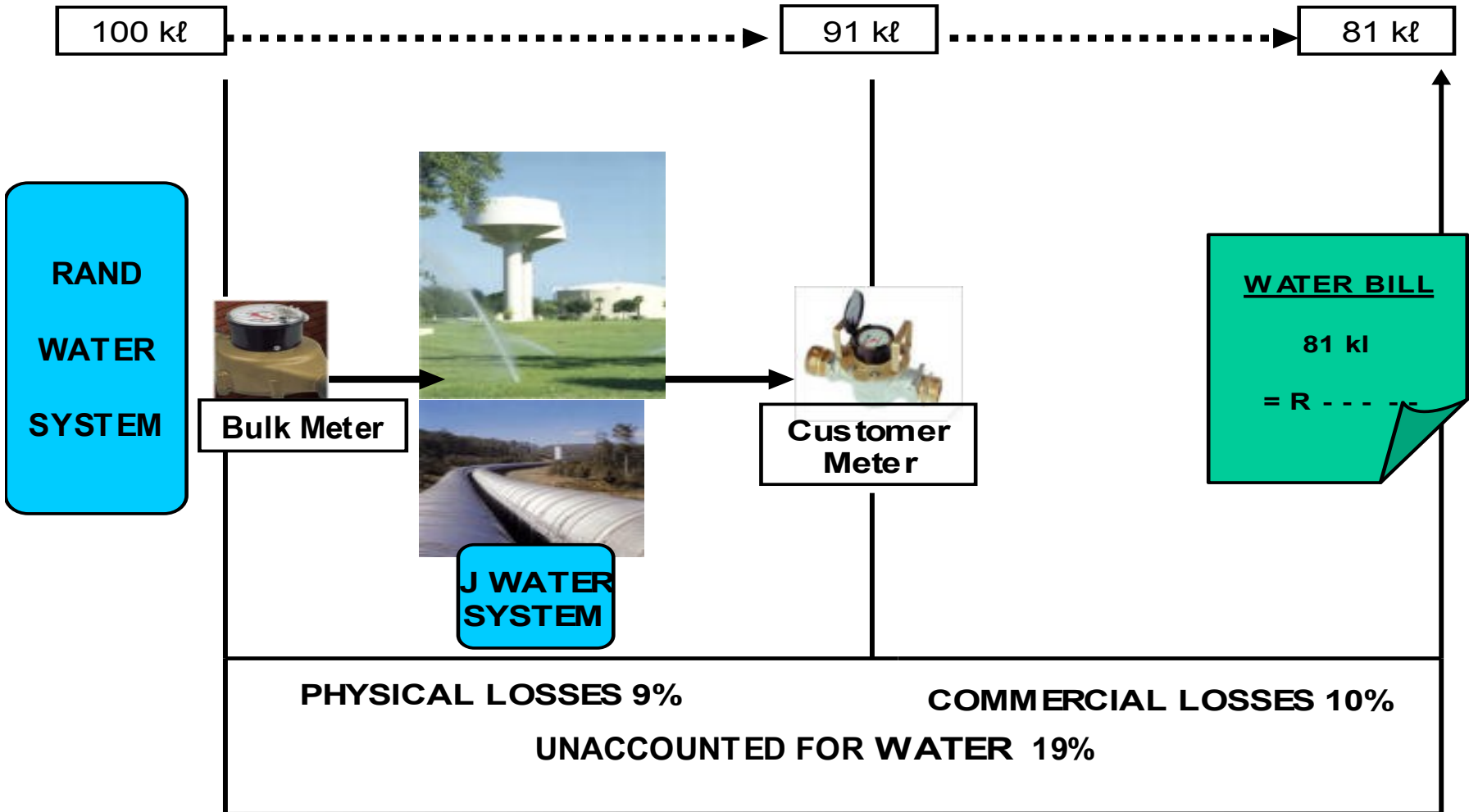
- Number of Townships/Suburbs 4,522
- Number of Registered Properties 752,500
- Number of metered properties 305,000
- Un-metered properties (deemed) 197,000
- Total prepaid properties in deemed 100,007
- Section Titles Units (Estimate) 150,000

CUSTOMERS PROFILES

Socio Economic Profile	Population	Service	Payment
High/medium Income	±1 Million	Full service / metered	OK
Low income	±1 Million	Full service / not metered	LOW
Informal settlements	±1.2 Million	Basic or below basic	Free services

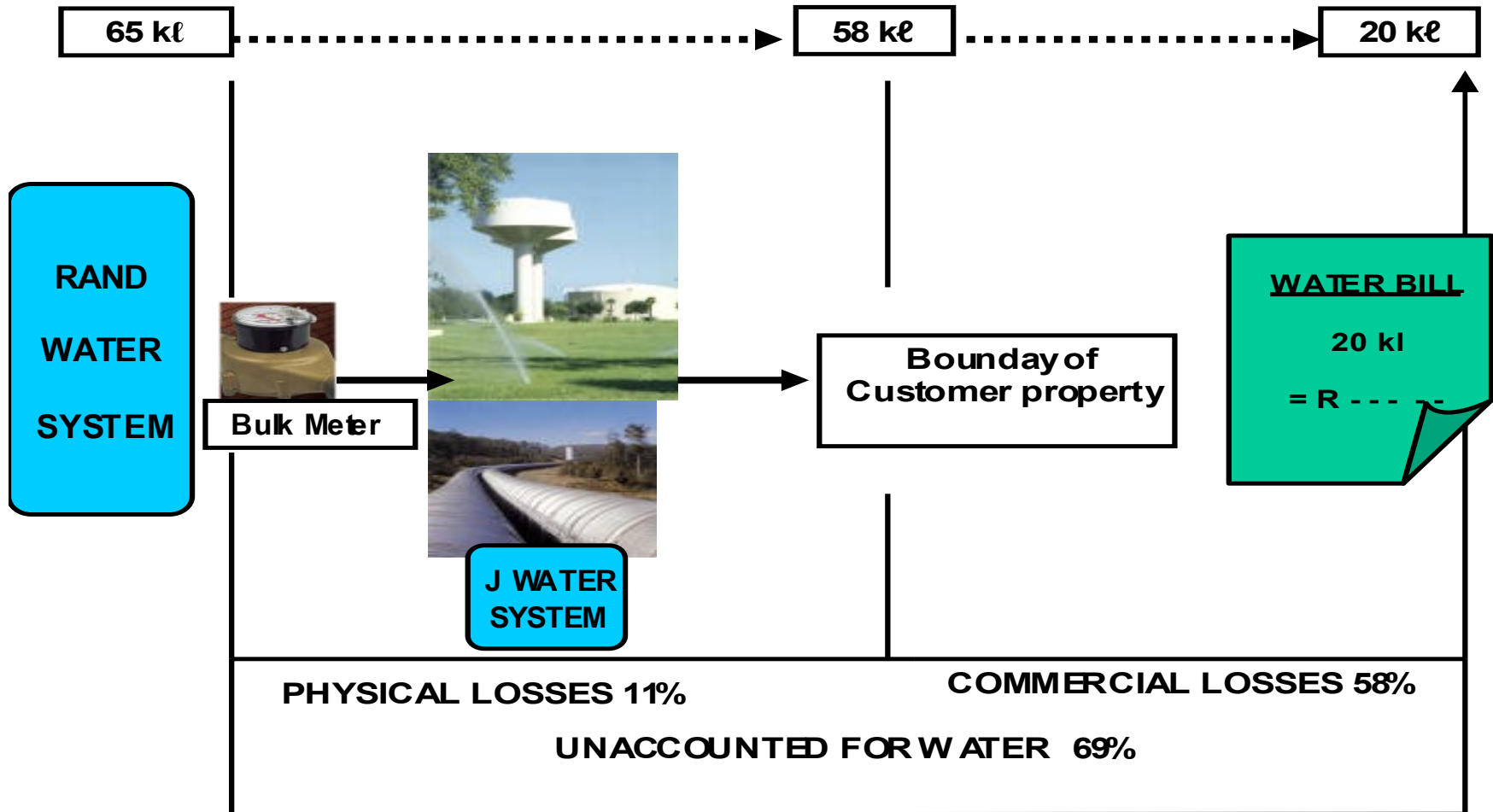
NON-REVENUE WATER

UFW IN METERED AREAS



NON-REVENUE WATER

DEEMED CONSUMPTION/UFW IN UNMETERED AREAS



BACKGROUND TO SOWETO

- 30% of purchased water is supplied to deemed consumption areas (Soweto, Alex, Orange Farm)
- 90% of deemed volume is supplied to Soweto
- Soweto is approximately 100 years old
- Infrastructure over 50 years old – Mild Steel
- Deemed consumption for water and sanitation is billed at 20KI per/m/hh (flat rate) @ R 169 per/m/hh
- 7 Million KI is lost monthly
- Equivalent monetary loss of R 21Million/month – R250 Million/annum
- Hence, selection of SOWETO as a priority for the birth of OGA in August 2003

PROJECT OBJECTIVES

- Reducing unaccounted for water (UFW)
- Changing customers from deemed consumption to metered consumption
- Upgrading of water infrastructure
- Increasing awareness of water conservation

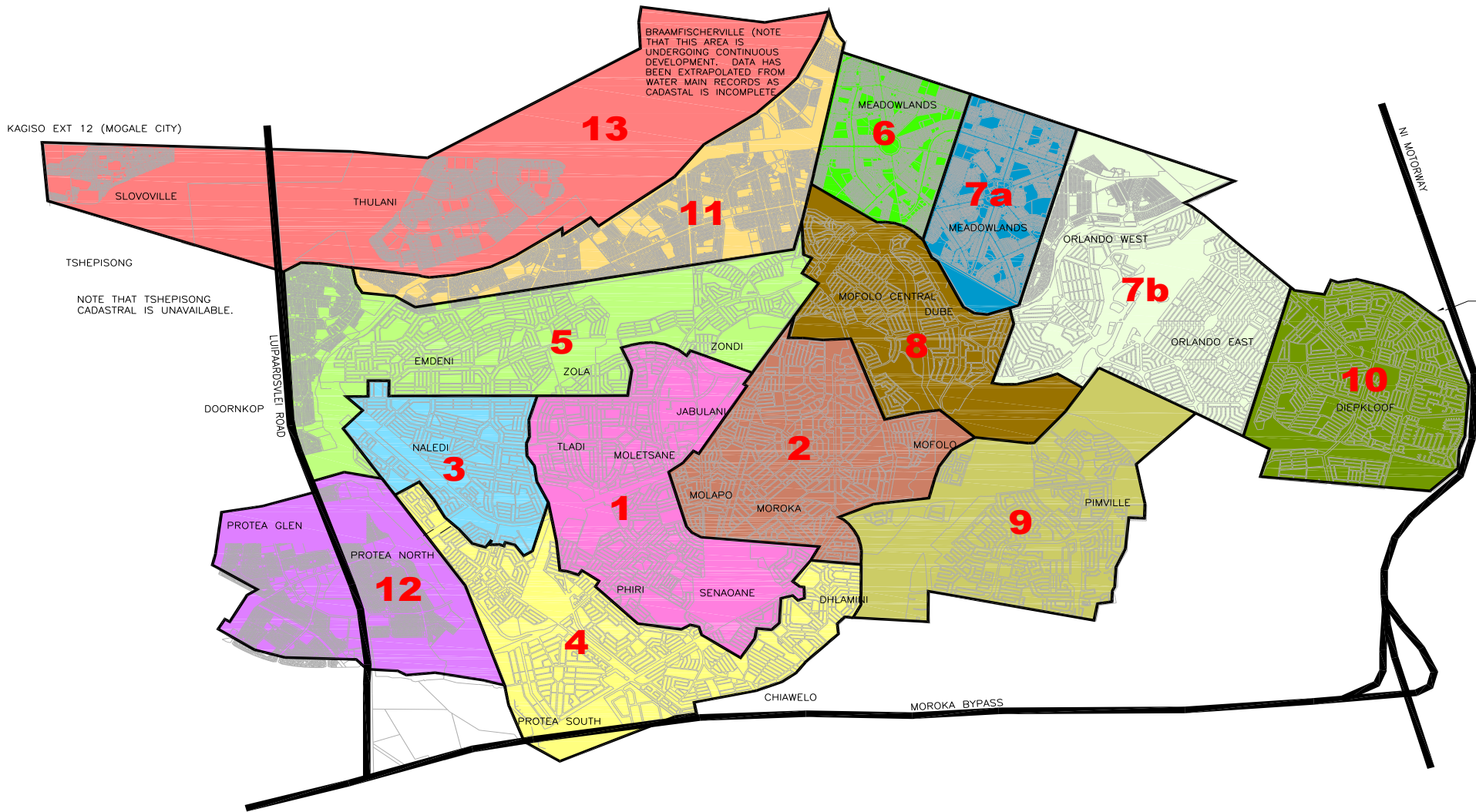
BENEFITS TO THE COMMUNITY

- Once-off repair of household plumbing fixtures, free of charge
- Ownership of consumption
- More affordable services and lowering of billed amounts
- Better, more consistent service delivery
- Eradicating future arrears amounts and Debt Write-Off Policy
- Reduction in credit control action
- Creation of employment opportunities
- Creation of vending opportunities through SMMEs
- Creation of regional economic efficiencies
- Creation of a customer relationship between JW and individual users rather than a one-way consumer relationship

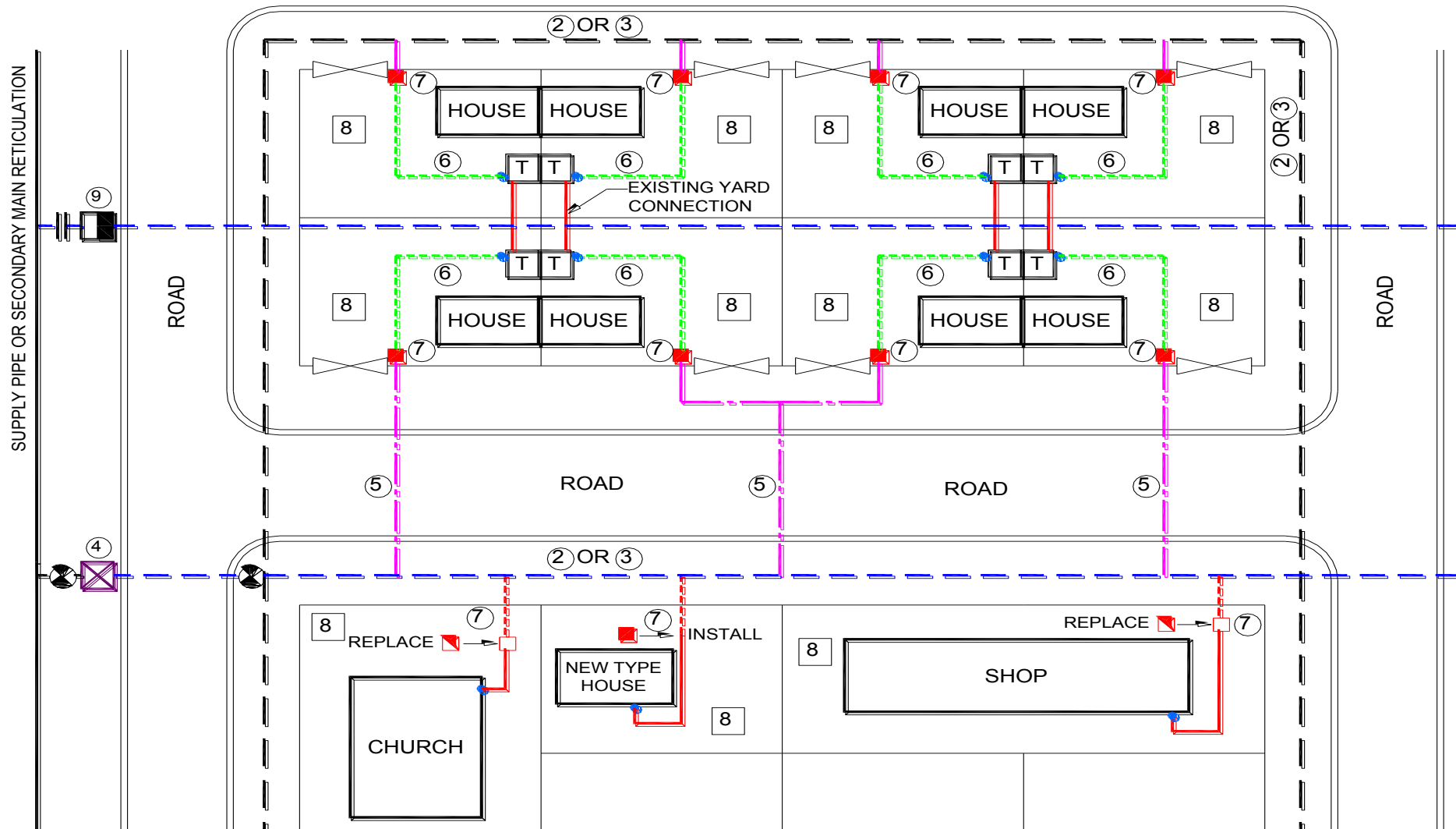
PUBLIC PARTICIPATION

- Ward Committee briefings and workshops
- Public Meetings
- Targeted sectoral information sessions held with sectoral stakeholders
- Consumer education workshops and study tours
- Door-to-door campaign
- Consumer information packs
- Establish and Capacitate Water Committee

GEOGRAPHICAL POSITION OF SOWETO



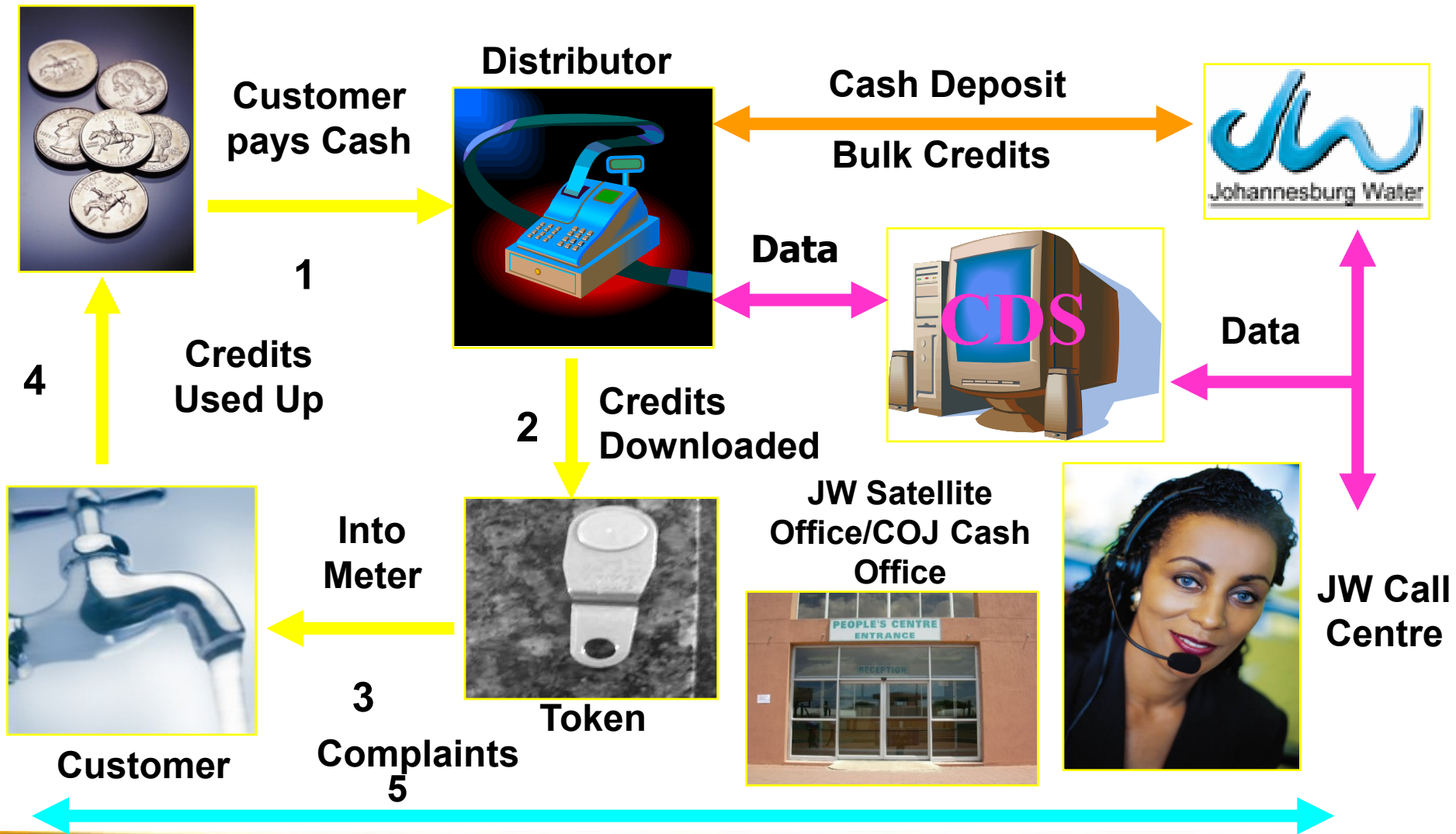
SCHEMATIC OF RETICULATION INTREVENTION



TOTAL INTERVENTION (ISD, TECHNICAL & PREPAYMENT)



CURRENT PREPAYMENT PROCESS



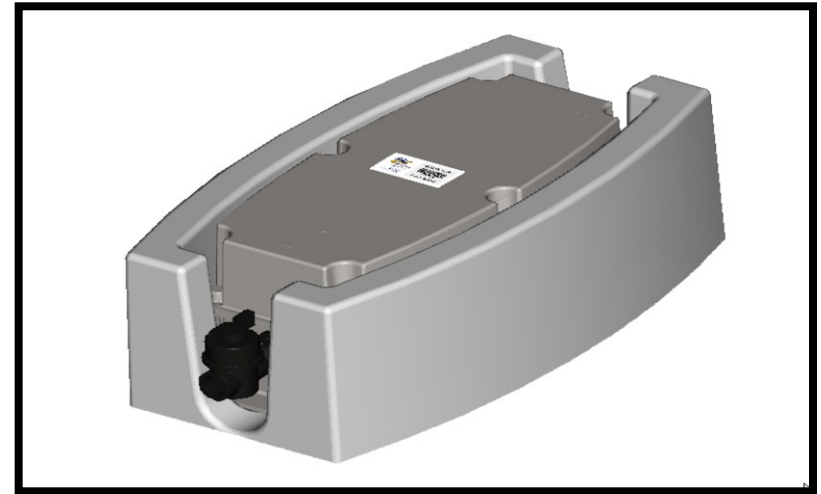
TOTAL PREPAYMENT SYSTEM TYPE 1



TOTAL PREPAYMENT SYSTEM TYPE 2



TOTAL PREPAYMENT SYSTEM TYPE 3



CUSTOMER RESPONSIVENESS

		Sept 08		October 08		Nov 07		Dec 07		Jan 08		Feb 08		Mar 08	
OGA	0 - 60 minutes	1476	74%	2252	75%	2039	76%	1721	84%	2077	88%	2143	90%	1850	87%
	60 - 90 minute s	180	9%	287	10%	312	12%	173	8%	162	7%	157	7%	144	7%
	90 - 120 minute s	236	12%	316	11%	136	5%	47	2%	40	2%	37	2%	37	2%
	120 mins - 24 hours	106	5%	139	5%	186	7%	84	4%	51	2%	40	2%	64	3%
	Greater than 24 hours		0%		0%	24	1%	12	1%	24	1%	11	0%	17	1%
	In progress		0%		0%	0	0%	0	0%	0	0%	1	0%	13	1%
	Total	1998		2994		2697		2037		2354		2389		2125	

PREPAYMENT CHALLENGES

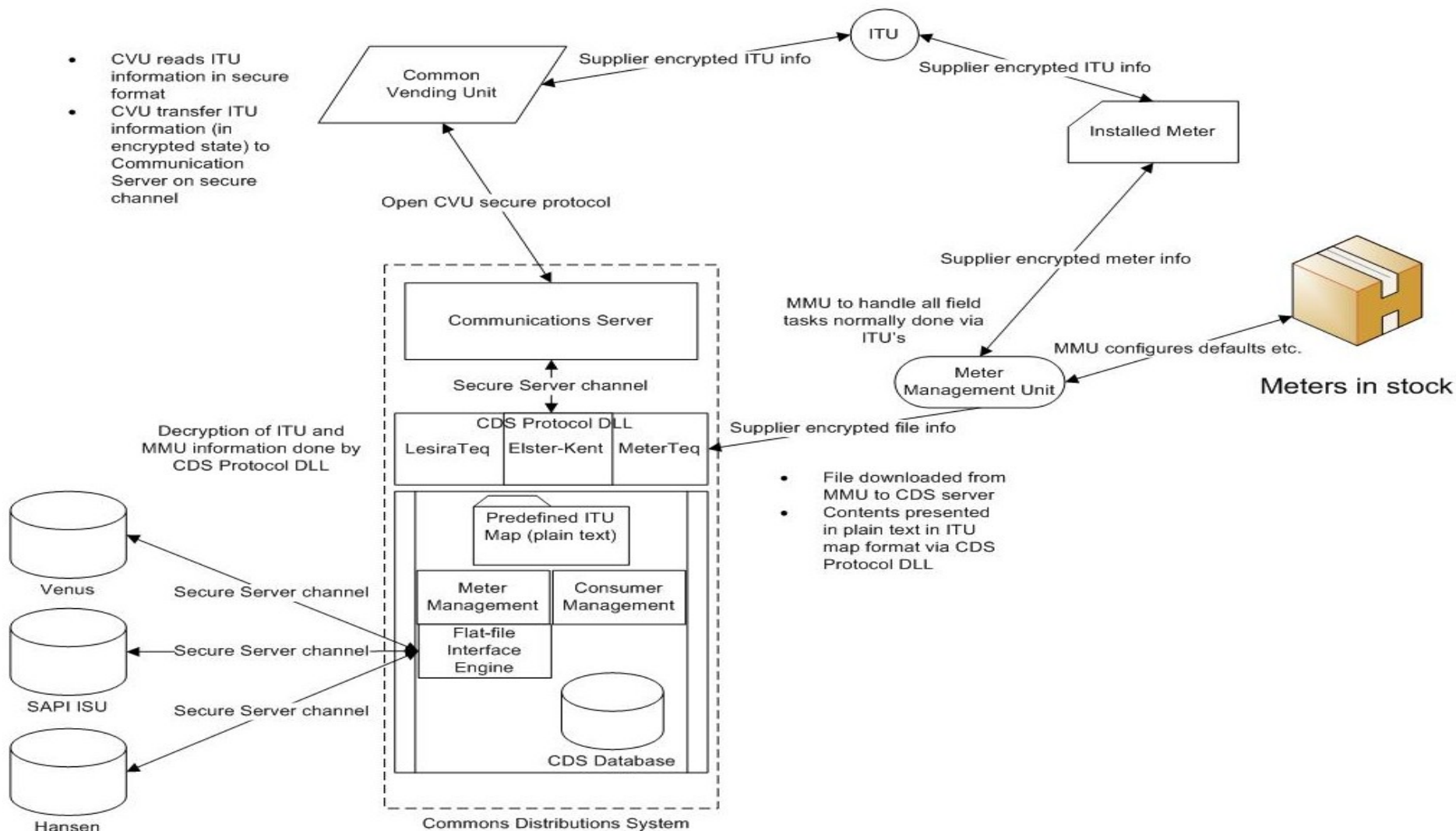
- Free-Payment technology
 - **SANS 1529-9 (Nov 2003)** - Strict Compliance...Dec 05 rev
 - **STS enhancement** or an urgent aligned alternative (CDS)
 - **User-friendly meter technology** for JW Customer
 - Stimulation of the prepayment market (limited meter suppliers)
- **Affordability** for the consumer – Communication/Transfer of Ownership
- **Vandalism**, Tampering and Illegal Connections
- **VENDING** TECHNOLOGY, EQUIPMENT AND ACCESSIBILITY
- **Customer Service Responsiveness** and Complaints Handling
- Preventative **maintenance** programs and **KPI Monitoring**
- **Proprietary** prepayment systems – **Inter-operability**

VANDALISM/ ILLEGAL CONNECTIONS



COMMON DISTRIBUTION SYSTEM BUILDING TOWARDS CARLOS'S SYSTEM

- CVU reads ITU information in secure format
- CVU transfer ITU information (in encrypted state) to Communication Server on secure channel



CURRENT HIGHLIGHTS

Pre-intervention water consumption	66 Kl per property per month
Post-intervention water consumption	12 Kl per property per month
Percentage reduction in water consumption	81%
Percentage topping up (consuming less than FBW)	55%
Average cost of topping up	R 48.08
Pre-intervention deemed consumption billing amount	R 169.00
Total of Reduction in Bulk Purchase to date (within 48 months w.e.f. July 2004)	81 Billion litres
	R 239 Million
	*** R 30 Million

CURRENT HIGHLIGHTS

NON-REVENUE WATER	From more than 69% to 10%
METERS INSTALLED	98,775 out of a total of 169,989 (58% of total)
METERS INSTALLED in year to date (07/08)	23,500 out of a target of 50,000 (47% of target)
NO OF EMPLOYMENT OPPORTUNITIES	20,743 (Since project inception) 1,620 persons (current) 1,104,881 person-days
LOCAL ECONOMIC DEVELOPMENT	R112 Million
NO OF VENDORS @ 2.5km radii	COJ – 17 (CUSTOMER CENTERS) SMME LOCAL BUSINESS – 70
NO OF PLUMBERS	In excess of 1,700
Number of Secondary Mains Installed	116Km of 208Km
PROGRESS ON METER AGREEMENT SIGNAGE	147,657 of 169,989 (86%)

RETURN ON INVESTMENT

Estimated budget - R 1.2 Billion

Current Expenditure -

81 Billion litres

R 239 Million

R 30 Million

The **IRR** on the OGA Project is exceptional at **43%**,
(43 cents for every R1.00 spent on OGA has already been recovered)

PAYBACK PERIOD OF **5 YEARS**

By doing a simplified calculation, the annual reduction in water purchases from Rand Water on completion of OGA can be easily calculated as reflected in the table below:

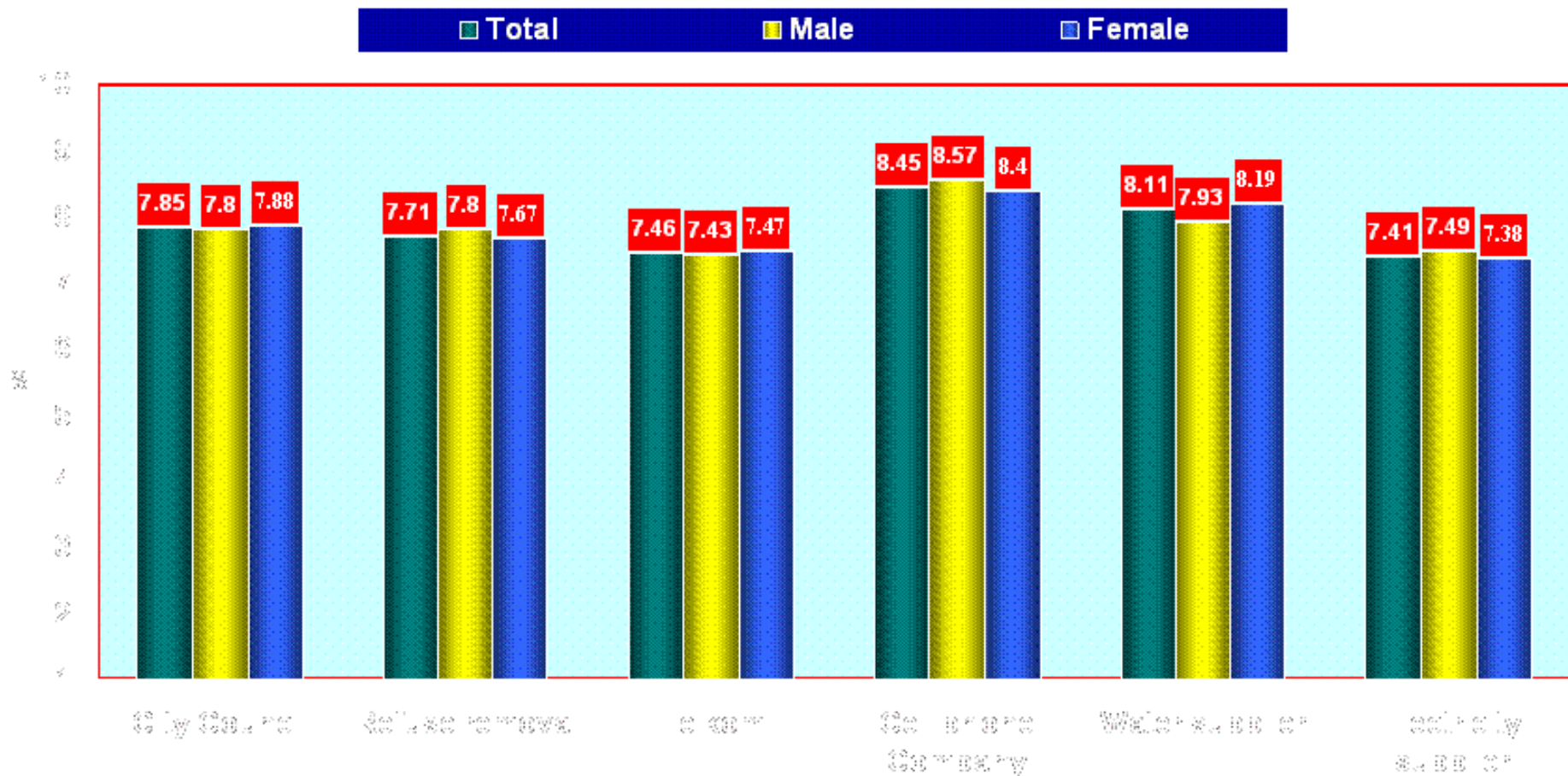
OGA Potential Savings on completion of project:		
Number of stands to be retrofitted	170,000	
Potential saving per stand per month (take conservative figure of 40 Kl/month)	40	
The monthly projected savings for the entire Soweto = $170,00 \times 40$ Kl/stand/month	6,800,000	Total Kl / m
Annual projected savings = $6,800,000 \times 12$	81,600,000	Kl / annum
Rand value of water loss reductions at R3.0698/Kl (water sales excluded)	R 250,495,680.00	per annum
Potential water sales on an annual basis	R 34,000,000.00	per annum
Projected annual revenue generated by OGA (provided certain sustainability procedures are implemented)	R 284,495,680.00	

METER REPLACEMENT PROGRAMME

CAPITAL PAYBACK	03/04	04/05	05/06	06/07	07/08	08/09	09/2010	2010/ 2011	2011/ 2012	2012 /2013	2013/ 2014
No of meters installed at end of project	169898										
Payback period is 5 years from project completion											
Payback amount							150 M USD				
Payback amount per year							31 M USD/annum				
METER REPLACEMENT PAYBACK	14/15	15/16	16/17	17/18	2018/2019						
Payback amount per year	R 250 M	R 250 M	R 250 M	R 250 M	R 250 M						
Payback amount to 2019	R 1.2 BILLION										
Capital Cost for Maintenance 5 year battery replacement 10 year meter replacement	R 300 MILLION										
Payback period for meter replacement after payback period of Capital											
Profit on project after maintenance payback											
Total profit amount			R 900 MILLION								

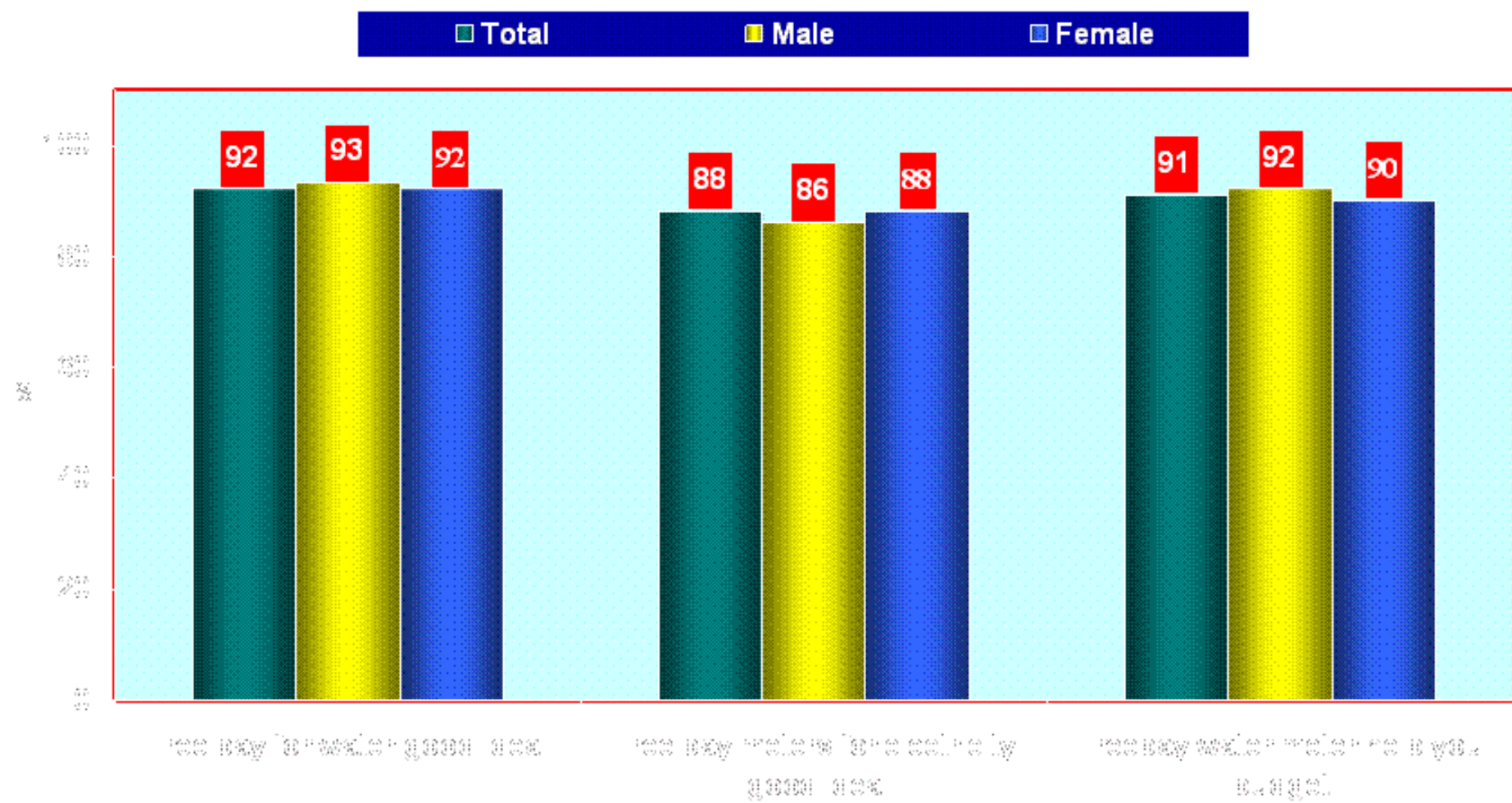
CUSTOMER SATISFACTION

HAVE FREE-PAY METER-RATE LEVEL OF SERVICE FROM...
Mean score 10=excellent



CUSTOMER SATISFACTION SURVEY

HAVE FREE-PAY METER-GENERAL ATTITUDES (L4-8)



SOCIAL RELIEF MEASURES EMPLOYED SINCE JULY 2007

1. FREE BASIC SERVICES

Area	Total Indigents	Upgraded	% upgraded	To Be Upgraded
Phiri	683	635	93.0%	48
Super Block 1	4 122	3 104	75.3%	1 018
Super Block 2	2 514	1 676	66.7%	838
Super Block 3	1 598	970	60.7%	628
Super Block 4	2 012	1 618	80.4%	394
Super Block 5	5 301	3 767	71.1%	1 534
Super Block 6	1 425	1 130	79.3%	295
Super Block 7	1 875	1 001	53.4%	874
Super Block 8	1 876	1 292	68.9%	584
Super Block 12	136	63	46.3%	73
Super Block 13	2 268	1 193	52.6%	1 075
Other	2 348	2305	98%	
Total	26 158	18 754	72%	7 361

SOCIAL RELIEF MEASURES – 2. EMERGENCY WATER

Number of customers registered on Meter Management System	98 755
Total households that have access to E-Water (interim or permanent)	77 990 (79%)
Households still to be given access to E-Water	20 765

3. APPEALS MECHANISM

PREPAYMENT INSTALLATION

AREA	TOTAL NUMBER OF PROPERTIES	TOTAL NUMBER OF METERED PROPERTIES	AREA TYPE
ORANGE FARM	20 441	1 389 (7%)	DEEMED
SOWETO	169 989	98 755 (58%)	DEEMED
COSMO CITY	11500	4 500 (39%)	NEW
LEHAE	3 100	2 000 (50%)	NEW
PENNYVILLE	1 100	700 (18%)	NEW
PG EXT 16	3 500	708 (20%)	NEW
PG EXT 8	1 000	343 (34%)	NEW
TOTAL	210 630	112 895 (54%)	

OGA IN OTHER AREAS



OGA IN OTHER AREAS

No.	Criteria	Target area				
		Alexandra	Eldorado Park	Ivory Park	Johannesburg Inner City	Orange Farm
1.	Debtors days	92%	87%	86%	82%	99%
		(1)	(1)	(1)	(1)	(1)
		R167,408,804	R215,189,600	R98,960,653	R385,223,857	R31,148,798
		R 897 931 712.00				
2.	Debtors amount	(0.75)	(1)	(0.5)	(1)	(0.0)
3.	UFW per annum	62%	22%	56%	30-40%	76%
		7800 MI	5544 MI	5352 MI	9055 MI	10404 MI
		R 14 508 000	R 3 659 040	R 8 991 360	R 27 165 000	R 31 212 000
		R 85 535 400.00				
		(1)	(0.0)	(0.75)	(0.5)	(1)
4.	Ease of meter reading	No	No	No	No	No
		(1)	(1)	(1)	(1)	(1)
5.	Level of acceptance	TBD	TBD	TBD	TBD	TBD
		(TBD)	(TBD)	(TBD)	(TBD)	(TBD)
6.	Multi-storey buildings	Limited number	Limited number	Limited number	Majority number	None
		(0.5)	(0.5)	(0.5)	(0.5)	(1)
7.	Informal settlements or back yard shacks or erven encouragement	Large numbers in Old Alexandra	Limited number (tenants)	Limited number (tenants)	None	Limited number (tenants)
		(0.5)	(1)	(1)	(1)	(1)
Weighting		4.75	4.5	4.75	5	5
Ranking		2 nd	3 rd	2 nd	1 st	1 st

MAZIBUKO JUDGMENT

- Date of the hearing to the High Court was on 3rd, 4th and 5th December 2007
- The court ruling was provided on 30 April 2008 where a judgment was made against all three respondents (CoJ, JW and DWAF) on almost all accounts
- In essence the ruling can be summarized as follows:
 - The installation of prepayment water meters is unlawful and unconstitutional and is not covered adequately by the City Bylaws
 - The provision of 6000 liters of free basic water per household (25 liters/person for a family size of 8 residents) is not adequate and therefore the provision of 50 liters/per person per day must be made. There is no capping of the monthly volume indicated so it could imply that the allocation would be determined by the number of residents on a property.
 - Customers be provided an option of metering that entailed conventional meters and billing.
 - Prepayment is only confined to poor areas

CURRENT STATUS

- In light of the judgment, JW decided to suspend all meter installations in OGA on as from 6 May 2008,
- All other construction activities as from 7 May 2008.
- The CoJ and JW, after having studied the contents of the judgement
- The notice for leave to appeal was lodged on Friday 23 May 2007.
- A joint press statement by CoJ and JW was released
- Currently engaging in a comprehensive communication strategy in the next few weeks
- The appeal hearing is expected by Mid August 2008

AWARDS

1. 2004 COJ INNOVATION AWARD
2. 2005 SUEZ GROUP INTERNATIONAL PROJECT MANAGEMENT AWARD
3. 2006 ESKOM INNOVATION AWARD AT AUW FOR TECHNOLOGY
4. 2007 DWAF SECTOR AWARDS FOR WATER DEMAND MANAGEMENT
5. 2008 NATIONAL EPWP KAMOSO 2008 AWARD
FOR BEST INFRASTRUCTURE PROJECT



THANKS TO
SARPA



THANK YOU FOR YOUR ATTENTION

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