

Revenue Protection in Local Government

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Presentation Overview

- * The social dynamics in South Africa
- * Debt levels in 9 largest cities
- * Pressures within the municipalities
 - * Legislative requirements and constraints
 - * New local government mandates
 - * Conflicting Policies
- * Way Forward

Realities in South Africa

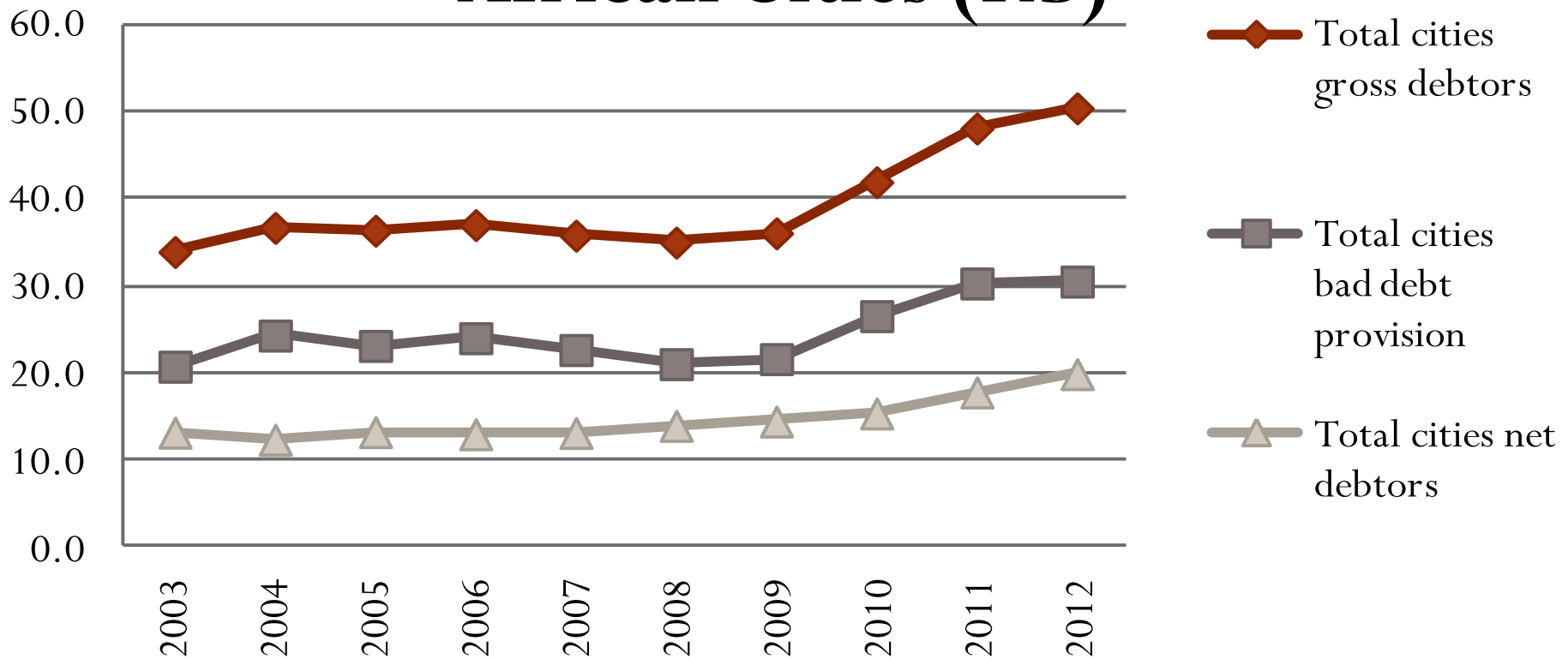
- * One in four people in SA is unemployed
- * Half of the borrowers of loans are three or more payments in arrears
- * The growth in the economy is slowing
- * On 1 July 2014:
 - * Metro rail tickets increased
 - * Electricity tariffs increased between 7 and 12%
 - * Water increased along similar lines
- * Petrol price increased on 2 July – petrol R14,30/l and diesel R12,90/l
- * Recent prime interest rate increase
- * Rising food prices



Gross and net debtor amounts

2003-2012 SACN member cities

Debtor figures for 9 largest South African Cities (Rb)



Legislative Constraints

Consumer Protection Act:

City refunds homeowners their utility connection deposits

The City no longer requires that residential users pay a connection deposit for municipal services; furthermore those homeowners who have paid a deposit in the past will be credited with the deposit amount on their municipal account within the next few months.



Legislative Constraints

Protection of Personal Information Act:

Why does it matter? What could happen to you if you don't comply?

- * Suffer reputational damage
- * Pay out millions in damages to a civil class action
- * Be fined up to R10 million or face 10 years in jail

SCOA (Standard Chart of Accounts)

Implications and impact?



New Mandates

- * **Public Transport**

- * Taxpayers subsidise Gautrain by R1 bn in 2013/14 (The Times – 7/7/2014)

- * **Proclaimed Fishing Harbours**

- * **Coastal Management Framework**

- * **Others?**

- * **Re-demarcation of boundaries?**

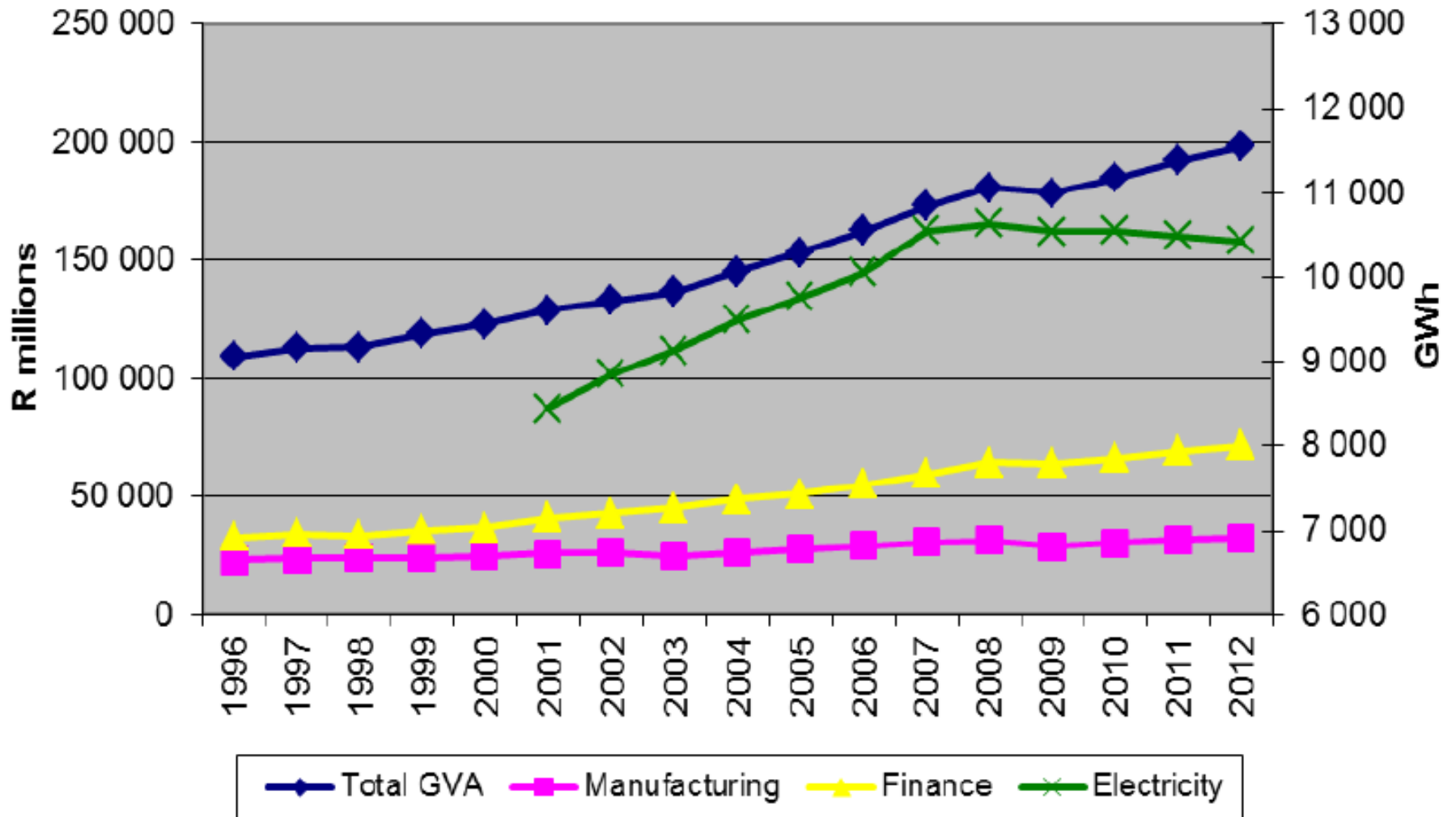
Conflicting Policies

- * **Green Economy**
 - * Retrofitting of Commercial Areas
 - * Electric Cars
- * **Tariffs**
 - * IBT
 - * Resellers Tariff
- * **Free “Basic” Water and Electricity**
- * **Water Scarcity & Water Saving Strategies**
- * **Demand Side Management Initiatives**
 - * No cost
 - * Low cost
 - * Invest to save
- * **Electricity for All**

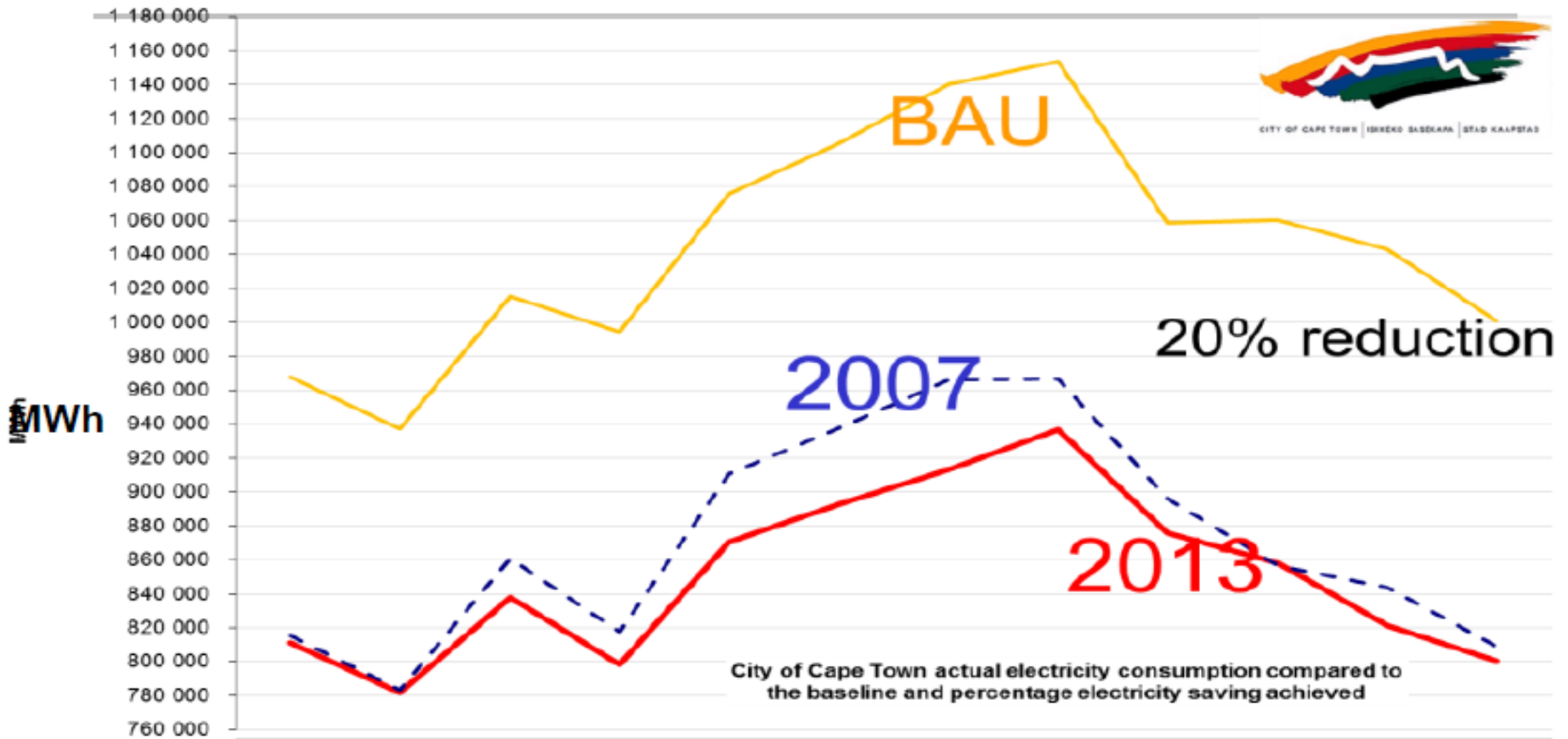


Cape Town: Economic verses electricity sales growth

Economic vs. electricity sales growth



Cape Town - Electricity consumption



	Jan-2013	Feb-2013	Mar-2013	Apr-2013	May-2013	Jun-2013	Jul-2013	Aug-2013	Sep-2013	Oct-2013	Nov-2013	Dec-2013
Actual	811 251	781 625	837 944	798 187	870 376	892 975	913 124	936 726	875 772	858 391	821 535	800 750
Baseline	967 995	937 499	1 015 254	994 681	1 075 843	1 105 814	1 140 586	1 153 852	1 058 647	1 060 491	1 043 029	1 000 899
2006/7	815 724	783 623	860 967	817 387	910 370	937 688	966 230	966 673	896 343	856 572	843 598	809 106
% Saving	16.2%	16.6%	17.5%	19.8%	19.1%	19.2%	19.9%	18.8%	17.3%	19.1%	21.2%	20.0%



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DIRECTIVE 16 OF 2014

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Executive Directors

APPEAL FOR REDUCTION IN ELECTRICITY USAGE

Cape Town's Solar Water Heater Accreditation Programme



Responses to Revenue Deterioration

- * **Reseller Tariffs**
 - * Public Hearings on the Guidelines for the Reseller Tariffs will be held on **21 and 22 July 2014** at Gallagher Convention Centre, Gauteng
- * **Push up the Tariff**
- * **IBT**
- * **Availability Charges**
- * **Push for Time of Use Tariffs (?)**



Way Forward

- * Consider all business processes
- * Review the results of the Opower survey: 5 Universal Truths about Energy Consumers (www.fiveuniversaltruths.com)
 - * Utilities not meeting customer expectations
 - * Everyone wants lower bills
 - * People look to their utilities first for energy information
 - * Customers value personalised energy insights
 - * Everyone wants to know how they measure up
- * Partner with relevant stakeholders



Thank you

