

Managing a Water Utility – South African experiences

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What makes our business different

- Water is a political issue
- Sanitation is not 'sexy' or understood
- Most of our assets cannot be seen
- We cannot choose our customers
- Many of our customers are poor
- Effective communication is vital to success in securing funding and getting projects implemented

Retaining and attracting key staff

- We face a shortage of engineering staff and experienced senior management
- We need to continue to change the demographics of our organisation to better reflect the population we serve
- Training budgets remain below those of world class businesses
- Salaries are an issue, as well as the 'wage gap'

Strategic planning and risk management

- We plan and budget on a five year cycle
- We have moved from SWOT towards risk management
- Risk management is becoming more important as a management tool – treat, tolerate, transfer or terminate

Support for municipalities

- Over 80 municipalities in SA have no engineering staff
- Past experiences with merely using consultants to turn utilities around, have been bad
- We need people or companies who have actually run water services utilities, who can put in place management systems and appoint staff who will remain behind
- Private sector operators, in management contracts, offer enormous potential

Key management issues

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| • Asset management | • Customer management |
| • New infrastructure and services | • Financial management |

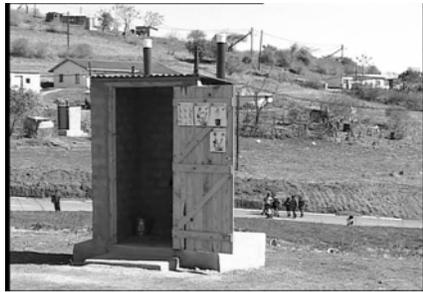
Asset management

- Maintaining assets which already exist. Most water services businesses in developed countries spend over 90% of their capital budget on asset replacement
- We still don't know exactly what assets we have or what their condition is in every case.
- Our non-revenue water is at 26%, down from 42% in 1996
- GIS has proved to be a valuable tool

New infrastructure

- We have extended basic water services to 800 000 people in the past 10 years and basic sanitation to 200 000 people in the past 3 years
- Infrastructure solutions have to be affordable and sustainable (financially, environmentally and socially)
- We have had to strike a balance between funding for new and existing assets
- Job creation is an important aspect of service delivery

UD toilet



Customer management

- We receive 80 000 calls a month in our contact centre
- We have a toll-free centre, so that poor families can afford to contact us
- We go to poor customers who cannot come to us, using customer services agents
- The system in the centre is designed to be operated by staff who are not technically skilled
- We use a sophisticated management system in the centre

Financial management

- Our income is approximately \$300 million a year
- Customers must not have excuses not to pay
- Audited accounts are key to attracting loan finance (AA credit rating)
- Capex must be efficiently managed
- Our approach to managing customer debt
- Pricing is important

Pricing policy

- Can view water services as a right to be made available at no cost or as a commodity to be priced using market principles
- We have adopted a combination approach – basic water and sanitation are a right, whereas higher levels of service are priced using market principles
- The capital cost of a basic service is not paid for by a customer

Pricing policy continued

- The water price is set to cover, debt costs, depreciation and operating and maintenance costs – the average price is about 85 US cents
- The price paid for the use of a service increases with the level of service and with volume

Concluding remarks

- We see our operation as a business to be run according to normal business principles
- Innovation is key to our growth and development as an organisation
- Communication can make or break any initiative
- The support of political leadership has been critical for success