

**Alternative service delivery arrangements at
municipal level in South Africa:
assessing the impact of electricity service
delivery and customer satisfaction in
Johannesburg**

Gardner Khumalo, Libhongo Ntlokonkulu, & Thabo Rapoo

TABLE OF CONTENTS

1.	INTRODUCTION	3
1.1	Methods of research and approach	3
2.	BRIEF CONTEXT OF SERVICE DELIVERY IN SOUTH AFRICA	5
2.1	Current context of municipal service delivery	5
2.2	Current/enabling policy and legislative frameworks	11
3.	MUNICIPAL ELECTRICITY SERVICE DELIVERY: BRIEF BACKGROUND	11
4.	CRISIS OF SERVICE DELIVERY IN JOHANNESBURG	15
4.1	Institutional and financial reforms	15
4.1.1	<i>Creation of utilities, agencies and corporate entities</i>	17
4.1.2	<i>City Power - background, structure, area of service coverage, and obligations</i>	17
4.2	The service delivery agreement between City Power and Johannesburg City	18
5.	ASSESSING THE IMPACT OF THE NEW SERVICE DELIVERY ARRANGEMENT	23
5.1	Implementation of the new service delivery arrangement: brief overview	23
5.2	Impact on labour and labour issues	28
5.3	Impact on electricity users: perceptions of councillors and users	32
5.3.1	<i>Local councillors' perceptions of the new service delivery arrangement</i>	33
5.4	User perceptions of the new service delivery arrangement (Positive and negative)	37
5.5	Positive experiences by users	37
5.6	Negative experiences by users	39
5.6.1	<i>Overall perceptions of quality of service delivery</i>	41
5.7	Implications for local governance and democratic accountability	43
6.	CONCLUSIONS AND RECOMMENDATIONS	46
6.1	Conclusions	46
6.2	Recommendations	48
7.	INTERVIEWS CONDUCTED	51

1. INTRODUCTION

This report is based on a study of alternative forms of service delivery at local government in South Africa. It is part of a project funded by the Ford Foundation (South Africa) that will last for one year, to study various cases of alternative service delivery models by municipalities in South Africa. Such forms of delivering basic services to communities have become common in South Africa as policy makers increasingly become aware of the limitations of state capacity and resources to satisfy rising citizen demands for higher quality basic services for all. Municipalities not only in South Africa but also around the world are therefore at the forefront of efforts to experiment with innovative forms of service delivery to improve efficiency and minimise wasteful use of limited public resources. This study seeks to understand to what extent new forms of service delivery are contributing towards an improvement in the quality and quantity of basic services as well as effective governance at local level in South Africa.

The entire project is based on a series of in-depth case studies of existing alternative service delivery arrangements involving municipalities, and contracted independent service providers. This particular report is based on the findings of a two and a half month in-depth research study on City Power (Pty) Ltd - a corporatised electricity distribution utility company established in 2001 by the Johannesburg metropolitan council, in South Africa. This case study was chosen primarily because it was the first corporatised electricity utility company in the country, if not the entire continent, established by the Johannesburg municipality and is also considered a model of a successful utility in the country. While legally a separate company, the Johannesburg municipality wholly owns it, which is also the sole shareholder.

1.1 Methods of research and approach

The research approach adopted for this study was an in-depth, qualitative approach that sought to understand the views of key actors in the electricity distribution sector. The aim was to explore and analyse their views and perceptions not only of the current alternative service delivery arrangement between the Johannesburg municipality and City Power, but also of how effective this arrangement is in improving the delivery of basic services to citizens and enhancing accountable local governance. The aim was not necessarily to engage in a technical and quantitative assessment and evaluation of City Power's achievements or failure to do so.

The primary tool of data gathering during the research work was in-depth interviews with the following key actors: Local councillors, officials from City Power, the Johannesburg municipality's Contract Management Unit (CMU), the National Electricity Regulator (NER), and the South African Municipal Workers Union. Attempts to secure interviews with the office of the Johannesburg City Manager were unsuccessful. Efforts were made to ensure that

the selection of local councillors would reflect the views of the major political parties represented in the City Council chamber. Due to time constraints, more councillors could not be interviewed. Efforts were also made to ensure that interviews with personnel from City Power reflected the views of people from the management and the workforce.

In addition to the interviews, focus group studies were conducted to get the views and perceptions of various groups of electricity users who are direct customers of City Power. Markinor, an independent market research company, was contracted to conduct the focus group studies. Four groups of electricity users directly served by City Power took part in these studies. The first group consisted of representatives of businesses and others based in the Bryanston/Randburg areas. They included Standard Banks properties, Cramerview shopping centre, Multi-choice television programming company, St Stithians College, Randburg Waterfront and Sandton Clinic. The second group consisted of representatives from businesses and small enterprises in the Alexandra township including Alexandra hair clinic, Manana butchery, a hostel, a supermarket, a funeral parlour, an NGO, two petrol stations and a community centre. The third group consisted of representatives from large manufacturing and industrial companies from across Johannesburg such as Madeira Cane, Utility Tariff Service, Active Glass and Aluminium, NNS Energy Consultants, Elephants In Main Street, Maushca Security Gates and Boart Engineering Manufacturers. For the fourth group, a series of in-depth interviews were conducted with representatives from private businesses in Lenasia, South of Johannesburg. These included a supermarket, shopping centre, bakery, general dealership, investment company and computer services company. The first three groups each had 7 - 9 participants, while the Lenasia group consisted of 10 in-depth interviews.

2. BRIEF CONTEXT OF SERVICE DELIVERY IN SOUTH AFRICA

2.1 Current context of municipal service delivery

The advent of democracy in 1994 brought with it not only the necessary political transformation but also the institutional reforms that were vital for dealing with the socio-economic and developmental challenges in South Africa. All these changes were part of an overall process of democratic transformation that provided the necessary political inclination at the highest levels of government to prioritise delivery of basic services to previously under-served communities in South Africa.

It is widely acknowledged that the local government sphere in South Africa is critical to the country's developmental processes and delivery of services to communities. South Africa's constitution mandates local authorities to ensure the provision of services to local communities in a sustainable manner. These momentous political and institutional reforms were carried out not only at national and provincial levels, but also at local level. Politically between 1995 and 2000 municipalities underwent a democratic transformation process that

saw previously racially divided local authorities transformed into single and united municipalities. This included the introduction of policies and legislative reforms such as the Municipal Systems Act that encouraged municipalities to promote democratic participation by citizens in the way they are governed. The political reforms were also aimed at making local authorities democratically accountable to their citizens and efficient and effective in delivering basic services.¹ Accompanying the political reforms were also institutional reforms that saw the number of local authorities throughout the country drastically reduced from over 800 to just below 250. This saw the creation of large metropolitan local authorities (in Gauteng, Western Cape, Eastern Cape and KwaZulu-Natal), district councils and local town councils throughout the country. All these political and institutional reforms culminated in the first democratically elected municipalities in 1999 and 2000.

These institutional reforms were aimed at rationalising the local government sphere and turning municipalities into effective and efficient service-oriented entities. However, these changes also resulted in increased constitutional responsibilities for the new geographically integrated municipal authorities. They came to serve much larger populations and communities with overwhelming services backlogs. Municipalities are therefore faced with the task of improving not only the quantity but also the quality of basic services being delivered to citizens in South Africa. However, in the wake of the political and institutional reforms it has become clear that many local authorities throughout the country are still facing severe capacity constraints and institutional weaknesses in delivering basic services effectively and efficiently. The severe lack of capacity at municipal level tends to come in the form of inadequate managerial skills and technical expertise, which has proved debilitating for service delivery. This is particularly evident outside of the metropolitan areas. Also, the perceived lack of service-orientation at municipal level, including ineffective and inefficient administrative structures, are often seen as obstacles to dealing with the huge services backlogs in many poor communities.

Also many municipalities face problems of severe lack of funds to carry out their constitutional mandates to improve the quantity and quality of basic services to citizens. The local government services backlogs are estimated at between R47 - R53bn, with an annual service backlog of R10bn. These are amounts that will be required for municipalities to increase access to services and therefore deal successfully with the massive backlogs.² Initially, state financial resources had been dwindling due to reduced fiscal transfers from national government. This also had a debilitating effect on local government. However,

1 Naidoo M. 'Breaking Barriers to Community Participation in Municipal Service Delivery.' *Maru A Pula* (Mvula Trust's News letter) September 2000, 18.

2 See Plummer J. *Favourable Policy and Forgotten Contracts: private sector participation in water and sanitation services in Stutterheim, South Africa*. University of Birmingham, November 2000, working paper 442 01: 6; SACP. *Public-Private Partnerships: The Challenges for Local Government*, <http://sacp.org.za/docs/stratconf/ppps.html>; Marianne Brown, *Private-Public Partnerships*. Accountancy South Africa, September 2000. <http://accountancy sa.org.za/archives/2000sep/features/comment.htm>.

recent efforts to improve revenue collection seem to have paid off, with state fiscal transfers increasing significantly from R3 905 billion (1995-96) to a budgeted transfer of R7 978 billion (2003-2004). At local government level, the lack of institutional and administrative capacity has meant that many municipalities are unable to deliver basic services such as electricity, water and sanitation, and refuse collection effectively, which in turn prompts many communities to refuse to pay for these services. This is in addition to the general lack of affordability among poor households. These factors have served to reduce the flows of funds to municipalities for service delivery, thus rendering their task of dealing with the backlogs in basic social services extremely difficult.

The process of municipal service delivery in South Africa takes place not only within the context of political and institutional reforms, but also within administrative and financial constraints as well. It also takes place within context of severe and in some cases increasing poverty and inequality among households in South Africa. Janelle Plummer argues that “while South Africa is considered an upper middle income country in per capita terms, the majority of South African households live in outright poverty or are vulnerable to being poor”.³ The government’s white paper on municipal services partnerships⁴ also states that inequality among households is among the most extreme in the world.

The government’s policy of improving the living conditions of poor households by urgently increasing access to basic services is taking place alongside the slow process of transformation and capacity building at municipal level. This tension between the urgent need to extend services to the poor and the slow process of change has prompted policy makers to think innovatively around alternative service delivery models at local government level. There has therefore been a significant shift in political and ideological thinking on the role of the state in the provision of basic services. Traditionally, the provision of basic services was seen as predominantly the preserve of the state and public institutions. Stacey argues that the perceived necessity and strategic importance of public provision of services and infrastructure to the economy, and the view that large-scale investments with long gestation periods exclude other actors except the state has underpinned the conventional thinking that the state was the primary provider of basic services.⁵

However, the problems of administrative and institutional capacity constraints, ineffectiveness, inefficiency, lack of adequate funds within public institutions and failure to respond adequately to the needs of citizens have forced policy makers and political leaders to rethink the role of public institutions. They are also exploring other modes of public

3 Plummer 6.

4 RSA. *White Paper on Municipal Service Partnerships* 1999.

5 See Stacey S. *New Capacities for Old? Prospects for public-private partnerships in service delivery in South Africa, Angola and Mozambique*. Centre for Policy Studies, December 1997, Research report 61.

service provision perceived as effective. The new thinking that has come to permeate policy debates and characterise the contents of many official policy documents in South Africa emphasises the role of state institutions as ensuring that services are provided rather than directly providing those services.⁶ The new thinking is that state institutions or local authorities need to introduce a framework of policies, regulations and incentives to encourage other nongovernmental or non-state actors with the necessary institutional capacity, technical expertise and financial resources to get involved in the direct provision of services. Government in general and municipalities in particular have therefore been encouraged to explore a range of alternative service delivery options ranging from direct provision “under competitive conditions to the complete passing over of responsibility to the private sector within a mild regulatory framework”.⁷ Within this range, many types of partnerships (ie public-private, public-public, etc) have been introduced by local authorities throughout the country to try to improve the quantity and quality of services being delivered in their jurisdictions.

The Department of Finance defines a public-private partnership as “a contractual arrangement whereby a private party performs a departmental function on behalf of a national or provincial department for a specified time”.⁸ The types of public-private partnerships identified range from short term ones lasting for between one and eight years, such as service contracts and management contracts, to medium to long term partnerships (lasting from 10 to 30 years) such as leases and concessions.⁹ Literature identifies a range of benefits associated with these alternative service delivery arrangements: reduction in costs of service delivery for municipalities, improved quality of service delivery, increased effectiveness and efficiency, better managerial practices, better use of assets, and increased responsiveness of the needs of beneficiaries.¹⁰ The Department of Finance adds that strategically, private-public partnerships can enhance internal accountability by clarifying roles and responsibilities as well as focusing on key service delivery targets.¹¹

It needs to be stated though that this ideological and political shift towards increased utilisation of non-state actors to provide basic services on behalf of government in general

6 Hemson D. ‘Privatisation, public-private partnerships and outsourcing: the challenge to local governance’. *Transformation* 1998; 37: 1; See also other documents such as the Department of Finance’s *Guidelines For Public-Private Partnerships*. April 2000; *The Framework For the Restructuring of Municipal Service Provision*. December 1998.

7 Ibid.

8 RSA (Dept. Finance). *Guidelines for Public-Private Partnerships*. April 2000: 5.

9 RSA (Dept. Finance). 6.

10 Hemson 2; Stacey; See also RSA (Dept. Finance) 7; National Business Initiative, PPP Annual Review, May 1999.

11 RSA (Dept. Finance). 7.

and municipalities in particular has not gone uncontested. Many academics, activists, some political parties and labour unions are disputing many of the perceived benefits of public-private partnerships.¹² The critics point to some of the negative spin-offs of such alternative service delivery arrangements, especially if these are not properly regulated by the state. The idea of municipalities ceding service delivery responsibilities to independent providers is usually criticised on the grounds that the socio-economic rights and entitlements of the poor will be compromised by commercially oriented service providers concerned only with profit-making.¹³ Also, Hemson raises problems associated with such alternative service delivery arrangements: corruption in the tendering and contract drafting processes, higher user fees, inflated directors' fees, wide scale retrenchments and anti-union policies and practices.¹⁴

Some critics add that the current administrative capacity constraints and the lack of necessary expertise that characterise many local authorities serve to render them incapable of managing such service delivery agreements with private sector partners. They also point lack of capacity to enforce compliance with regulatory frameworks to ensure that service delivery targets are met. However, some critical role players such as the South African Communist Party argue that given the current resource constraints and institutional capacity limitations of municipalities, alternative service delivery arrangements are potentially beneficial. In a discussion document titled 'Public-Private Partnerships: The Challenges for Local Government', the party argues that

drawing the private sector into delivery of municipal services does not necessarily mean a weakening of local government or the abdication of its responsibilities to the people. In fact, appropriately done, it can serve to strengthen local government and enhance its credibility.¹⁵

2.2 Current/enabling policy and legislative frameworks

Since the post-election period the regulatory and policy framework in South Africa has been through continuous development and change. In the process a number of acts that serve as a guideline to service delivery have been enacted. The regulatory framework is designed to set standards for the basic level of services to be provided to citizens. Through regulation municipalities can enter into various service delivery contractual arrangements with non-municipal actors. Such arrangements are normally instituted through a regulating agency.

12 See Hemson D; SACP. See also a collected edited by MacDonald D & Pape J. *Cost Recovery and The Crisis of Service Delivery in South Africa* Pretoria: HSRC, 2002.

13 Khunou G. *Massive Cut-offs: cost-recovery and electricity service in Diepkloof, Soweto*, in MacDonald D & Pape J (eds.): 61- 80.

14 Hemson 1.

15 SACP.

The independent regulator in the electricity sector is the National Electricity Regulator (NER). The role of the NER includes ensuring that electricity distributors comply with specific requirements in the provision of services. It also approves tariffs that are set for services. Municipalities in South Africa have a mandate to provide municipal services to citizens and their actions are governed by various pieces of legislation within a broad policy framework for service delivery.

There is an overall policy framework for municipal service delivery in South Africa underpinned by, among others, the Constitution, the Reconstruction and Development Programme (RPD), the Growth Employment And Redistribution strategy (GEAR) and the White Paper on Local Government. The latter is an important policy document that forms part of the framework for municipal government in South Africa. It requires municipalities to assume a developmental role in providing basic services. This responsibility obliges municipalities to engage in activities that facilitate social development and economic growth. According to the act municipal programmes are supposed to facilitate community involvement at both design and delivery level. This policy document also allows municipalities to consider alternative methods of delivering affordable services to citizens.

The 1996 Constitution, through the Bill of Rights, also guarantees all South Africans the right to have access to sufficient food and water (section 27.1(b)). In relation to electricity the RDP clearly states that an accelerated and sustainable electrification programme should be introduced in order to provide electricity to all citizens (section 2.7. (7.)). Legislation is, however, silent on the ability of individuals to pay for the services that are provided by municipalities. This obviously means that poorer users without the financial resources to pay for services are at the mercy of service providers. The Municipal Infrastructure Investment framework is also an important policy tool as it lays down conditions for the provision of free electricity. It sets the basic provision for electricity at five-to-eight amps of electricity supply for urban residents with incomes of less than R800 per month. This figure appears to be insignificant and could possibly be inadequate if other electric appliances apart from lights are added on.

The Municipal Systems Act (2000) defines how a municipality should provide municipal services to citizens. Under the act municipalities can engage or contract external agencies such as the Utilities, Agencies and Corporations (UACs) to provide services on their behalf. This can only be done through a service delivery agreement between the municipality and an outsider. The Johannesburg municipality entered into such an arrangement with City Power to deliver electricity on its behalf. The Systems Act states that a municipality should ensure that all members of the local community have access to at least the minimum level of basic municipal services (section 73.1(c)). One stringent requirement of the Act is that a municipality must put in place a clearly defined tariff policy that ensures that poor households have access to basic services in a variety of ways. In particular, the Act mandates the introduction of lifeline tariffs for low levels of power consumption and other direct and indirect ways of subsidising poor households.

These policy tools are meant to act as a basic guideline for municipalities in the provision of services. They should also guide local authorities when they contract outside agencies to deliver services on their behalf. Janelle Plummer argues that in South Africa local municipalities face enormous problems in developing effective public-private partnerships.¹⁶ She argues that for large well-resourced municipalities the policy environment for private sector participation is providing a shining light. In contrast, for weaker municipalities the enabling environment makes less difference. There is a lack of internal capacity in weak municipalities, which excludes them from the opportunity to improve their capacity through the development of effective public-private partnerships.

The above policy tools have allowed municipalities in South Africa to enter into partnership arrangements with the private sector for the provision of services. The City Power case study is seen as one of the pioneers in the electricity sector. The utility has a task to ensure that poor households have access to basic electricity services at affordable rates. Given the massive backlog in service delivery in this sector, City Power, in the long-term faces a serious challenge, which means that government and other institutions have a critical role to play.

3. MUNICIPAL ELECTRICITY SERVICE DELIVERY: BRIEF BACKGROUND

Currently, South Africa's electricity distribution sector is fragmented into a large number of distributors throughout the country with varying tariff levels. They consist of ESKOM - the single biggest electricity distributor in the country - and about 230 or so local authorities. ESKOM generates 95% of South Africa's electricity and controls its high voltage transmission. 40% of the electricity consumers receive their electricity directly from ESKOM, while the remaining 60% get their electricity from municipalities. Electricity trading services therefore provide a valuable source of income for many local authorities in South Africa.

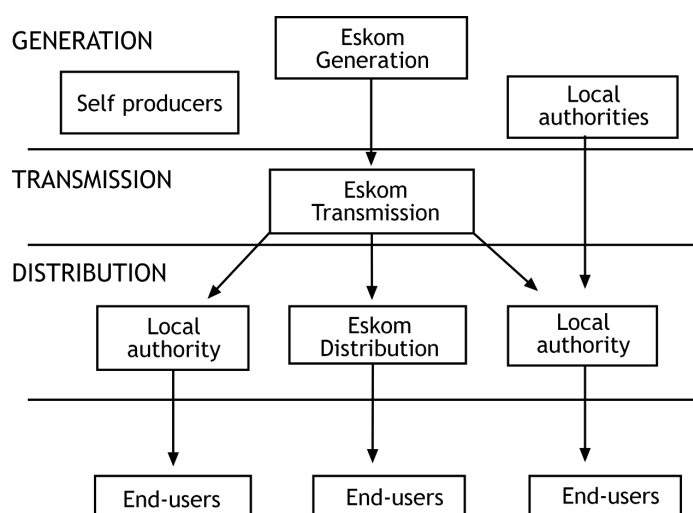
Meanwhile, a process has been under way in South Africa since 1998 to transform the electricity distribution sector into six independent regional electricity distributors (REDs) controlled by government. This transformation process holds significant financial implications for many municipalities. Many of them usually purchase bulk electricity from ESKOM and in turn sell it to their citizens, enabling them to make profit and therefore raise revenues to fund or subsidise the provision of other municipal services.¹⁷ The creation of regional

16 Plummer 5.

17 Willemsse R, et al. *Energy Law Reform in South Africa*. 2002 (Unpublished document); Acharya J. *Electricity Supply and Potential Demand Side Management in South Africa* (Country report, undated); Interview with Mkhwanazi X, CEO, National Electricity Regulator; *Sunday Times*, 26 January 2003.

electricity distributors and the impending loss of municipal control over electricity supply will have a negative effect on the incomes of local authorities. It will not only remove one of the most valuable sources of revenue for them, but the loss of the income and the transfer of their assets to the new REDs may also affect their credit ratings negatively.

Figure 1: Structure of South Africa's electricity distribution industry



Source: Jiwon Acharya: Electricity Supply and Potential Demand Side Management In South Africa (undated)

Government has therefore made a commitment that once the REDs are established and have taken over supply of electricity, a total of R2.4 billion a year in revenues will be provided to municipalities for ten years to cushion against this impending loss of income. However, some of the unresolved concerns over the impending restructuring have led many municipal electricity distributors to defer investment decisions to upgrade their

18 Willemsse R, et al. *Energy Law Reform in South Africa*. 2002 (Unpublished document); Acharya J. *Electricity Supply and Potential Demand Side Management in South Africa* (Country report, undated); Interview with Mkhwanazi X, CEO, National Electricity Regulator; *Sunday Times*, 26 January 2003.

infrastructure until clarity prevails.¹⁹ This has presented further challenges to the task of improving electricity services to citizens.

4. CRISIS OF SERVICE DELIVERY IN JOHANNESBURG

4.1 Institutional and financial reforms

The iGoli 2003 strategy was responding to the financial crisis experienced by the Johannesburg metropolitan council in the mid 1990s. In an attempt to transform local government into an instrument of development for all citizens and in an effort to address apartheid imbalances the municipality found itself in a crisis. The amalgamation of five independent municipal structures into a unified municipality created a flawed institutional setup that was not operating efficiently. By 1997 Johannesburg's finances were in shambles and the city was on the verge of collapse. Something had to be done. The municipality opted for a policy shift because it could no longer function the way it was structured. A new City Manager, Ketso Gordhan, was appointed to resolve the crisis.

A transformation plan was drawn up and the first step was to unpack various functional departments in order to curb losses. The iGoli 2002 strategy was born and its purpose was to provide a plan for the institutional and financial restructuring of the council. Essentially, it was about ring-fencing municipal businesses, restructuring the way they operated and developing options for alternative service delivery.²⁰ The main focus of the strategy was sustainable growth. Ketso Gordhan and his team were given a number of specific goals to achieve in a two-year timeframe. The following three goals are the most relevant to the City Power case study:

- Setting up a water and sanitation utility, an electricity utility and a waste management utility
- Transforming the institutional design of the Johannesburg municipality and its substructures and building a new administration, taking account of the need to engage the labour force and upgrade their skills
- Meeting a number of specific financial goals.²¹

19 Ibid.

20 Interview with Prem Govender (CMU), 11 February 2003.

21 Allen K, Gotz G, Joseph C. *Johannesburg: An African City in Change*. Johannesburg, 2000: 50.

As mentioned above, the organisational structures of the municipality were highly fragmented. As a result there was considerable duplication of functions, leading to inefficient utilisation of both human and financial resources. Duplication and overlap normally leads to lack of clarity about roles, responsibilities and accountability. Under such conditions there is a general lack of performance by both staff and management. Institutional reforms that were introduced through the iGoli plan involved creating one administrative body whose responsibility would be to manage and coordinate all activities. Under the proposed new structure, appointed officials in the central administration were to be given the task of administering a number of distribution functions. Also, drastic financial and budgetary reforms were implemented. Participation in the preparation of budgets was broadened to include councillors, the executive and citizens. An early warning system in the form of in-year reporting was introduced. To ensure financial sustainability a three-year financial operating plan was introduced.

4.1.1 Creation of utilities, agencies and corporate entities

Provisions for engaging or even establishing separate service delivery agencies such as utilities, agencies and corporate entities are clearly stated in the Municipal Systems Act. As stated earlier this piece of legislation authorises municipalities to engage or contract external agencies to provide services on their behalf. Under this arrangement municipalities are still legally expected to ensure that good quality services are provided to citizens and to ensure that everyone has access to services. For the poorest of the poor who cannot even afford to pay for minimum services, the Act mandates that an indigent policy be applied. The indigent policy works on the notion that all households can afford to pay for services unless they can prove otherwise.²² In practice, the process of proving poverty is often extremely complex. It is therefore important for municipalities to work out a formula to ensure that services are provided at an affordable level, especially where nonmunicipal entities are contracted to provide specific services to citizens.

When the Johannesburg municipality, in terms of the iGoli 2002 growth plan, opted for contracting out service delivery, it chose different forms of arrangements. They classified the restructuring process into four areas: utilities, agencies, privatisation and corporatisation. The electricity function of the metro was to be restructured under the utilities grouping, together with water and sanitation, and waste management. Under the Municipal Systems Act, a municipality can set up a utility as a separate company that it wholly owns. City Power falls under this description and the City of Johannesburg is the sole shareholder in this entity. In terms of control and compliance, City Power's activities are governed by the service delivery agreement with the City of Johannesburg.

22 McDonald, Page 5.

4.1.2 *City Power - background, structure, area of service coverage, and obligations*

As indicated above, the national electricity supply sector in general is undergoing significant institutional restructuring which will culminate in the establishment of six REDs. Within this broader process of institutional reform, the electricity supply sector in the city of Johannesburg's jurisdiction has also undergone institutional reform with the corporatisation of the City of Johannesburg's (COJ) electricity distribution department. There are conflicting definitions of corporatisation in literature. For instance, in their book 'Johannesburg: An African City in Change', Allen, Gotz and Joseph describe corporatisation as 'ring-fencing and commercialisation of government business',²³ but they do not regard City Power as a model of corporatisation. However, the most common characterisation of corporatisation is that it entails commercialisation and ring fencing of an entity to be run by private sector executives along business principles. These entities are also registered under the Companies Act of 1973. In the case of the Johannesburg metro, utilities like City Power are not only corporatised and run along commercial and business principles, they also have assets transferred to them. They run separate books, can raise fund from the financial markets against assets and revenue streams, and have to pay dividends to the shareholder - the municipality. The researchers are aware of the legal and formal differences between utilities, agencies and corporations as established by the Johannesburg municipality. However, for purposes of analysis in this report, City Power will be regarded as a corporatised utility company.

The corporatisation of municipal electricity functions was obviously a response to key difficulties experienced in the delivery electricity services. Allen, Gotz and Joseph point out that in 1999/2000, the municipality's electricity supply activities generated a R200 million surplus and a large chunk of it used to subsidize other services. They argue that less than R5 million of this surplus was reinvested in the electricity supply sector, suggesting the electricity sector was used to generate revenues to fund other municipal services rendered unviable due to severe management inefficiencies.²⁴

Johannesburg's institutional reform process in the electricity supply sector saw several electricity departments of municipalities merged and turned into a corporatised electricity distribution utility company in December 2000. It now operates as City Power (Pty) Ltd. The municipality then appointed City Power to supply electricity to users in specified areas under the jurisdiction of the Johannesburg City Council. It needs to be noted though that the city remains responsible for ensuring that communities receive basic services in terms of the Constitution as well as the Municipal Systems Act no 32 of 2000. The new electricity utility

23 Allen et al 113.

24 Allen et al 96.

has the biggest budget of all the other companies created by the City of Johannesburg under its iGoli 2002 plan and is poised to become the most profitable in the country. It has a sole shareholder, the City of Johannesburg, which also acts as a client. In terms of its corporate governance structure, it has a Board of Directors, consisting of politicians and experts in the electricity distribution sector. The Board is charged with overseeing the company and its management. It possesses the ultimate power to direct the company corporate governance affairs. It also has a Chief Executive Officer or President, who also sits in the Board of Directors, and a number of Vice Presidents heading several internal departments: operations, finance, commercial, corporate and customer services. The company employs a workforce of just over 2 000, many of them former Johannesburg municipal council workers.

While City Power is theoretically an autonomous entity, its Board of Directors is appointed by the City Council, which is itself represented in the Board. This is significant as it provides the city's political structures with a powerful presence at the highest level of decision-making within the electricity utility. It also affords the City of Johannesburg's political leadership a certain level of direct influence in the corporate affairs and decision-making processes of City Power. This is vital if the council is to maintain a semblance of control over electricity service delivery in its area of jurisdiction.

The fact that the Johannesburg municipality is no longer delivering electricity directly to citizens has raised some fears regarding democratic accountability and control over municipal service delivery. Critics see this as implying a loss of democratic control and abdication of constitutional responsibility over service delivery on the part of the municipality. However, the City of Johannesburg is still able to set policy goals and targets, as well as insist on performance indicators and monitoring mechanisms to ensure that City Power fulfils its contractual obligations. The municipality has also created the Contract Management Unit (CMU) to ensure that utilities under its jurisdiction comply with their Service Delivery Agreement (SDA) obligations. This research, however, did not examine in-depth the capacity of the CMU to ensure City Power's compliance with its SDA obligations. Interviews with officials from the CMU indicate that it's monitoring capacity and tools are currently being improved to ensure compliance by UACs.²⁵ In addition to the CMU, NER also plays a critical regulatory role by setting minimum requirements and benchmarks for all electricity distributors to fulfil. In theory, this provides a set of potentially effective mechanisms and processes to ensure that City Power fulfils its obligations to the municipality and service users.

There are a number of key objectives and benefits expected from the creation of City Power. The utility is expected to improve on the city's relations with electricity users, its customer care and responsiveness to citizen demands; to enhance efficiency in electricity supply operations; improve efficiency and the quality of service delivery; shorten response

25 Interview with Peter Coetzee (CMU), 30 January 2003.

times when handling service-related complaints from citizens; and improve accountability for service delivery. The corporatisation model is believed to provide a level of flexibility in the operation of the entity, enabling it to bring better skills into the operations and introduce innovative management practices and commercial incentives for staff and management to improve performance.²⁶ City Power is also generally expected to generate increased revenues and revive the city's power supply sector through increased investment and upgrading of infrastructure.²⁷

4.2 The service delivery agreement between City Power and Johannesburg City

The terms and conditions governing the relationship between the service provider and the municipality are spelt out in a SDA signed by the two partners on 1st January 2001.²⁸ The SDA is the contract that regulates the activities of City Power and stipulates performance requirements. It covers a range of aspects of electricity provision. Items covered include, among others, the types of services to be provided, duration of the agreement, duties and obligations, areas of operation, key performance indicators, dispute resolution procedures and penalties for failure to perform. The SDA also spells out the obligations of the City of Johannesburg as a client and sole shareholder.

In terms of the SDA, City Power's operation commenced on 1st January 2001 and will continue for a period of 25 years, subject to renewal intervals of 5 years. The duration of this agreement depends on the anticipated changes to the electricity supply sector. Nonetheless, this affords the municipality the opportunity to undertake periodic reviews of City Power's performance before renewal of contract. This also acts as a leveraging tool for the city to enforce compliance with SDA terms and conditions. The entire area under the jurisdiction of the Johannesburg City Council constitutes the area of service delivery covered by City Power. It appears though that should the law allow it, the City of Johannesburg would be able to add any other area into the service coverage area under City Power. There are, therefore, fairly stringent checks and balances built into this agreement to place the metro in a strong position relative to the service provider.

City Power's area of coverage includes areas under the Greater Johannesburg Council, its four metropolitan local councils and those councils in Modderfontein, Midrand and Edenvale. In total, it supplies electricity to some 250 000 users, 93% of whom are residential.

26 Mamabolo S. *Managing The Electricity Utility In The City Of Johannesburg*. MA dissertation, Wits University, 2001: 29.

27 See Mamabolo S & Allen K, et al.

28 Service Delivery Agreement (SDA), City Power Johannesburg (Pty) Ltd. 2001

However, it draws its income directly from the top 10 000 electricity consumers in its area of coverage. About 65% of its income comes from this group, which consist mainly of businesses, corporate accounting firms and domestic users. The domestic users are mainly 'Body Corporates' of townhouse complexes, tenement blocks and schools. There are clinics, hospitals, prisons, shopping centres, banks and hotels among customers, as well as industrial undertakings such as automobile makers and other large manufacturing entities.

In terms of its duties and obligations, City Power is obliged to prepare three year business plans identifying clear output targets and outcomes for each year, to be approved by the City Council. The utility is expected to comply with the SDA terms and conditions to submit quarterly reports to the City of Johannesburg, reflecting performance in terms of stated targets and priorities. City Power is also obliged to provide regular annual audited financial statements to the municipality and to observe appropriate corporate governance principles when submitting financial statements. It is obliged to maintain a full register of its employees and to submit regular reports to its users, reflecting its performance in relation to key performance indicators. A User Forum was to be established within 12 months of City Power's operation, to enable electricity stakeholders to interact with City Power and to make submissions relating to improvement of services. The CMU is expected to examine the reports submitted to council by City Power, to verify the information contained there in and to advise the council on the level of compliance. Finally, section 41 of the Municipal Systems Act requires the City Council to regulate the electricity supply process as well as monitor and assess the implementation of the SDA to ensure sustainability of service delivery.

From the above, it is clear that the terms and conditions governing City Power's activities are fairly comprehensive and stringent. The SDA terms and conditions provide the municipal council with significant legal powers and authority to control and regulate the activities of City Power as a service provider. This, in theory, places the municipality in a strong and powerful position to ensure accountability in service delivery and conformity with its political and constitutional mandate. Given that the ceding of municipal service delivery responsibilities to other non-state providers often raises pertinent questions relating to democratic accountability and control, these terms and conditions are obviously aimed at ensuring that the service provider is responsive to citizen needs and accountable to political office bearers.

The next section examines the implementation and impact of the SDA between City Power and the Johannesburg Municipality, mainly from the point of view of key stakeholders such as local councillors, labour unions and electricity service users.

5. ASSESSING THE IMPACT OF THE NEW SERVICE DELIVERY ARRANGEMENT

5.1 Implementation of the new service delivery arrangement: brief overview

As part of this study, there was a need to understand the perceptions of various stakeholders of electricity service under City Power. Although the interviews often provided diverse and often conflicting views, the overall impression we got from respondents was that, in general, City Power had brought about noticeable improvements. These views were obtained from a wide range of stakeholders, including the NER, local councillors, service user from City Power's top 10 000 customers, public officials at the CMU and labour representatives. These are overall impressions.

In terms of specific stakeholders, some of the most unfavourable perceptions about the impact of the service delivery agreement came from the labour union, South African Municipal Workers' Union (SAMWU). An impression we obtained from interviews with several officials from the NER was that there had been some overall improvements in service provision. However, problems were still being experienced in terms of compliance with specific regulations, especially during the initial stages of City Power's contract period. Based on our interview with NER officials, we understood that as part of enforcing compliance, City Power was obliged to produce a comprehensive five-year plan of action to ensure compliance. The plan was produced and adopted. The business plan therefore commits City Power to a gradual compliance plan of action to comply with Customer Service and Quality of Supply standards (ie NRS 047 & NRS 048). This is to be accomplished at a 20% compliance rate per annum, which means that full compliance should be achieved within five years. The first 20% of annual compliance focuses on technical service delivery. City Power intended to satisfy its compliance requirement by achieving the acquisition and implementation of world-class instrumentation to enable accurate and comprehensive measurement of network and technical service delivery.

A recent audit of City Power's performance commissioned by CMU and conducted by an independent contractor suggests that the utility has complied with stipulated requirements. Interviews with officials at the NER suggest that one of the causes of inability to comply was because the utility was still in its infancy and was possibly undergoing teething problems. The NER points out also that 95% of all municipal electricity distributors were failing to meet compliance regulations, suggesting that City Power's initial difficulties were not unusual.²⁹

29 Interview with NER Official, 29 January 2003.

It was difficult to gain an understanding of SAMWU's perspective on the impact of this service agreement on the quality of electricity service delivery under City Power. The views of the SAMWU official interviewed for this study centred mainly on the nature of the service delivery model itself rather than its impact on service delivery. The perspective was that a corporatised utility model of service delivery, based on ring-fencing of the revenues of council businesses, was unacceptable. The union opposes the idea of a municipal utility company whose prime motive was to improve its revenue base by maximising profits. This is seen as incompatible with the task of meeting citizens' needs for basic services, especially the low-income households who cannot afford to pay for electricity. SAMWU was nonetheless complimentary about City Power's performance regarding the implementation of affirmative action targets.³⁰

The leadership of the Johannesburg municipality is satisfied with the performance of City Power. For instance, a member of the Mayoral Committee insisted that significant gains had been made by the utility in meeting service delivery requirements. Among the achievements are rising improved collection, reduction in debtor day and procurement policies, practices and procedures. This interviewee argues that the SDA and business plans have been used as effective tools to ensure compliance, in addition to monthly and quarterly reports submitted by City Power to the Municipality.

Overall the Johannesburg municipality sees City Power as a specialised agency which is performing relatively better than the previous service delivery arrangement. One notable achievement by the entity has been to bring under control the unaccountable use of electricity. This has led to improved revenue collection to the tune of R50m per annum. Also, improvements in quality of service, response time to complaints and financial viability have occurred. The major constraint to City Power's ability to improve revenue generation is current division of customers between City Power and the municipality, with City Power still confined to generating its income directly from only 10 000 top corporate users, while the bulk of the domestic users still remain under the responsibility of the municipality.

There are some general sources of dissatisfaction about the impact of the new service delivery arrangement, which is discussed below. However, one of the sources of dissatisfaction is the state of the current infrastructures. The majority of users pointed to the poor quality of electricity supply and reliability - especially in the low-income residential areas and townships - to be due to poor electricity infrastructure. City Power confirms that some of the infrastructure in the area and the electricity network is over 30 years old.³¹ Therefore, the majority of users from the low-income residential areas indicated that technical breakdowns and power failures are key problems that they face regularly,

30 Interview with SAMWU Official, 3 February 2003.

31 Interview with City Power Official, 18 March 2003.

especially during the winter months when demand for electricity reaches a peak. This suggests that City Power's assets need to be either replaced or refurbished urgently.

An important issue relating to the implementation of the new alternative electricity service arrangement is the fact that City Power has not been able to access all the accounts of the municipality's electricity users, many of these are ordinary households. Interviews with key officials at City Power indicate that City Power is keen to be given direct responsibility for the accounts of the rest of the electricity users that are currently being managed by the municipality. The delay is apparently a point of contention between City Power and the council.

For City Power, the delay has negative consequences. It has frustrated the planned growth in the customer base as envisaged by the utility. Technically, while the utility supplies electricity to everyone in the municipality's area of jurisdiction, it can only be held directly responsible for customer dissatisfaction, complaints and problems relating to the 10 000 or so customers under its control. However, City Power can be held accountable for matters relating to overall quality of supply for everyone, including users whose accounts are currently being managed by the Johannesburg municipality, but not for their billing or meter reading complaints. The current arrangement therefore means that the municipality's revenue management unit collects debts from its own customers; City Power also does the same in respect of its own users. According to City Power, this has serious implications for its planned revenue growth and financial planning targets. City Power argues that the poor administration of accounts and weak debt collection capacity of the municipality leads to significant revenue losses for the electricity supply sector. City Power officials also believe that they could reduce such losses considerably if the utility was in charge of all the accounts of electricity users currently managed by the municipality.

However, interviews with officials from City Power, the CMU and some local councillors appear to provide some clues regarding this delay. We believe that there may be considerable political sensitivities towards allowing City Power to manage and therefore have access to all the accounts of electricity users in the Johannesburg area, especially the ordinary households. City Power is effective in implementing harsh cost recovery measures. Therefore, allowing the utility to have access to the accounts of ordinary households could result in massive electricity cut-offs for non-payment, which is prevalent among this category of users. For instance, due to effective credit control measures City Power has managed to reduce length of debt recovery to around 42 days. In comparison, the municipality faces a severe problem of non-payment of electricity bills and takes up to 285 days to recover debts. Also, it would appear that the political leadership within the municipality might have been unaware of the possible political consequences of creating arms-length utilities to take over the responsibilities of delivering services on behalf of the municipality. It is believed that the political leadership may have belatedly realised the potential loss of political power and control over the service delivery processes entailed by the current model, especially if taken to its fullest extent. As a result, the decision not to hand over all the accounts of electricity users to City Power and the other utilities may have

been influenced by such political considerations. There may have been a desire to retain some level of political power and control that was nearly lost.

Therefore, logically City Power's apparent effectiveness in dealing with non-payment of electricity services induces a certain degree of reluctance among the city's political leadership. Massive electricity cut-offs due to non-payment among the city's low-income households could create a serious political backlash not only against the municipality itself, but also perhaps against involvement of private service providers in delivering basic municipal services. As a result, Johannesburg City Council's own revenue management unit is still in charge of managing the accounts of the bulk of domestic users, including meter reading and billing. The political symbolism of this is clear in that it provides the political leadership with a semblance of concern for continued access to electricity services by low-income households. This is important especially given the current generally negative sentiments towards privatisation in municipal service delivery in South Africa. Politically, it is important to the city's political leadership for the municipality to be seen to be still in charge of some of its original responsibilities such as billing, meter reading and management of revenues from some of the electricity users.

Some views have been expressed regarding this delay in transferring these to City Power. The first view is that this was a way of preventing job losses among workers in the municipality's revenue management unit. There are real fears that most of them would have lost their jobs had these accounts, including the billing function, been handed over to the utility.³² Officially though, the view is that if the billing function were transferred to City Power, it would become a very cumbersome process. At the moment residents receive one bill for water, electricity and rates. The official view is that if these were to be disaggregated, then each utility would have to do its own billing, resulting in households and users receiving four to five separate bills from different service providers.³³ There is therefore a process under way to rationalise a billing, revenue collection and management system which would replace municipality's revenue management unit. A new Shared Revenue Services Centre (SRSC) is to be established soon, as an independent entity to centralise the billing, revenue collection and management functions currently discharged by the municipality and other UACs.

5.2 Impact on labour and labour issues

From the onset the labour sector vigorously opposed the iGoli 2002 strategy. A number of unions voiced their dissension under the banner of the Anti-Privatisation Forum. Trade unions

32 Interview with City Power Official, 28 February 2003.

33 Interview with Councillor Brian Hlongwa, 17 February 2003.

are some of the most well organised opponents of the iGoli strategy. In particular, two major unions were actively involved, SAMWU and the Independent Municipal and Allied Trade Union (IMATU). The two unions are usually opposed to each other on general shop floor issues. Nonetheless, they found common ground in their opposition to the iGoli plan. Labour resistance to iGoli 2002 strategy is based on the following arguments:

- The iGoli plan had failed to involve key local stakeholders and beneficiaries in discussions as a result its conceptual grounding is suspect.
- It is not a homegrown plan, and fundamentally misread the problem facing Johannesburg. Labour believes that the plan's interpretation of a crisis was incorrect and proposed solutions inappropriate.
- Labour believes that all aspects of the iGoli plan can be understood within one frame of reference - promotion of privatisation. They see this as a misplaced trust in the private sector, which had resulted in an erroneous view that the municipality's failures were due, essentially, to insufficient application of commercial and business principles in its activities. Labour argues that the iGoli plan failed to take note of the failures of privatisation-motivated approaches to local government transformation elsewhere in the world.
- Labour's view is that an unquestioned commitment to private sector solutions would have a number of deleterious implications for the municipality, such as poor quality and highly priced services, and the erosion of the public service ethic.
- Labour believes that the municipality and its iGoli 2002 planners were so desperate to justify their plan various deals and 'sweeteners' had to be offered (eg three-year job guarantees) to silence opposition. Labour believes such offers were hollow and had failed to allay the fears of workers.

The labour sector therefore is committed to opposing the plan, arguing that it would be a disaster not just for Johannesburg but also for South African local government as a whole. They clearly believe a danger exists in that other municipalities might adopt similar plans and follow the same route.³⁴ Clearly, the major issue of concern for the labour movement is job security and conditions of service, and this is an issue even at the level of individual utilities.

During the process of setting up City Power, about 2 014 employees were transferred from the municipality to the new utility. In all cases involving alternative service delivery providers, labour-related matters are usually at the centre of contentious issues for negotiation. City Power's management also had to address such issues. The labour movement

34 Allen et al 65.

raised several concerns regarding the way issues of concern for the former municipal workers were handled. Firstly, SAMWU, as a representative of labourers, argued that it was not involved in the process of drawing up the SDA. It needs to be stated that labour's opposition to these processes served to minimise its ability to shape the outcomes of important negotiations affecting the rights of workers. At that time they criticised the City for entering into an agreement with agencies that did not consider the needs of workers and communities.

The labour movement believes that the whole process of introducing alternative forms of service delivery as part of the iGoli 2002 plan was flawed as it was a product of organisational review rather than a proper assessment of the service delivery needs of citizens.³⁵ This assertion is rejected by the CMU, who argue that during the process of setting up the utility the municipality was aware of the importance of labour issues to the extent that a labour relations expert was involved to provide advice on ways to handle labour issues. Prem Govender, director at the CMU, argues that the municipality communicated with workers and communities to convey its intentions.³⁶ During the research process, it became clear that organised labour had no formal processes or mechanisms within City Power to participate in decision-making processes. Organised labour is also not represented in the Board of Directors, and therefore has no direct influence on important decisions. SAMWU actually admitted that the ideologically driven refusal of organised labour to engage in the process of establishing City Power was a tactical error as it left organised labour without an effective say in the affairs of City Power.³⁷

As already indicated, the municipal employees who were transferred to City Power were given a three-year job guarantee that is due to expire in December 2003. This was in accordance with section 197 of schedule 8 of the Labour Relations Act that allows the transfer of workers to other entities without a change in their basic conditions of service. City Power has, however, rationalised its internal systems, including conditions of service for workers. Officials at City Power indicate that at some stage there were 11 different types of conditions of service for different groups of workers, which has prompted City Power to introduce significant changes to rationalise the various basic conditions of service for workers.

This has inevitably created tensions between the management and workers. What appears to aggravate the situation is that City Power is apparently refusing to participate in the local bargaining council. SAMWU, on the other hand, is keen to see these matters handled within the local bargaining council. In fact, SAMWU is also keen to see labour-

35 See Mamabolo 46.

36 Interview with Prem Govender (CMU), 11 February 2003.

37 Interview with SAMWU Official (Johannesburg regional branch), 3 February 2003.

related issues for all UAC employees being handled within the local bargaining council. City Power's process of rationalising employee working conditions has inevitably been rejected by SAMWU, while IMATU has endorsed the process and is participating in it. City Power is currently driving a process of renegotiating the basic conditions of service for its workers. As part of this, it has formulated rules of engagement to deal with labour-related matters internally. In addition, an Employment Equity Forum has been established to discuss such matters. However, SAMWU refuses to participate in the Employment Equity Forum, arguing that this is a ploy by City Power management to interfere with employee guaranteed conditions of service, especially section 197 employees.³⁸ IMATU, however is involved in the Employment Equity Forum process. The rationale for IMATU's participation is based on the premise that withdrawal from such processes tends to place labour organisations in a weak bargaining position on labour-related matters. IMATU believes that the withdrawal of the unions from the iGoli 2002 negotiations with the municipal authorities left the unions out in the cold. The main issue of contention for SAMWU is that the basic conditions of service of section 197 employees, which are part of their three-year job guarantee, are not enforceable. This is mainly because of City Power's attitude that it is an independent entity with the right to handle its own labour-related issues internally. The main fear therefore is that after the three-year cut-off period is over major retrenchments will follow as City Powers undertakes drastic internal restructuring, among others, to contain operational costs.

This is a politically sensitive issue and the municipality is likely to be keen to avoid mass retrenchments by any of the UACs. Understandably, Councillor Brian Hlongwa, interviewed for this study, was keen to downplay any chances of retrenchments, arguing that the municipality had advised City Power to negotiate voluntary retrenchment packages and that this is already in progress. City Power suggests that a total of 260 employees, the majority of whom are former council employees, have applied for severance packages. The municipality believes that other workers will leave due to natural attrition before the December 2003 cut-off date, so that retrenchment will be unnecessary. Nonetheless, SAMWU argues that there is an unequal treatment of workers whereby the section 197 employees, who are also likely to be members of SAMWU, tend to be subjected to unfavourable conditions of employment compared to workers who opted to be part of the new conditions of service introduced by City Power. SAMWU believes also that the conditions of service of former council employees are being systematically changed and degraded without proper consultation. For instance, SAMWU argues that many of its members at City Power have been moved to Discovery, Ingwe or Bonitas Medical Aid Schemes without their consent. The union also criticises the municipality for failing to prevent the systematic degrading of the conditions of service of former council worker. The union feels that the municipality is abdicating its responsibilities towards its former workers on the grounds that it cannot get involved in the running of the utilities.

38 Interview with SAMWU Official (Johannesburg regional branch), 3 February 2003.

5.3 Impact on electricity users: perceptions of councillors and users

The focus of this study is on one of the key strategic objectives that City Power is committed to fulfilling: improving the quality of service delivery to citizens thereby increasing user satisfaction.³⁹ Since it took over delivery of electricity in the area under the City of Johannesburg, City Power has generally received optimistic public comments and positive coverage in the media. It has also committed itself to putting in place mechanisms for dealing with consumer complaints, as well as conducting user satisfaction surveys to determine the extent of their satisfaction. This subsection explores and analyses the perceptions of councillors and the direct customers of City Power regarding the impact of the new service delivery arrangement. It draws mainly from the interviews conducted with local councillors and the focus group studies conducted with service users.

5.3.1 *Local councillors' perceptions of the new service delivery arrangement*

A number of local councillors from the various political parties in the Johannesburg City Council were interviewed for this project. The purpose was to understand and examine their role and perceptions of the service delivery arrangement between City Power and the municipality. The views and opinions of local councillors are critical because as elected public representatives they have a mandate to articulate the views, perceptions and interests of their constituents within the City Council and at meetings with service providers. They are also expected to oversee the implementation of such new forms of service delivery and enforce accountability.

The majority of the local councillors interviewed for this study had sufficient knowledge and awareness of the municipality's service delivery arrangement with City Power. Councillors from the various political parties also expressed support for the policy of creating corporatised entities to deliver services on behalf of the municipality. All councillors interviewed believed that the municipality was inefficient as an electricity service provider. A number of DA councillors interviewed for the study also supported the new service arrangement but criticised the fact that City Power was not sufficiently privatised. They criticised the fact that the City of Johannesburg was the sole shareholder for the utility.⁴⁰

There were obviously wide ranging and conflicting views among councillors regarding the impact and benefits accruing to citizens and to the City Council from the new service delivery arrangement. For instance, while acknowledging that City Power had considerably improved the supply of electricity services to citizens, an ANC councillor from Germiston

39 See City Power Business Plan 2002/2003, 43.

40 Interview with Four Democratic Alliance Councillors, 10 February 2003.

argued that City Power had a poor level of customer care and communication. This was a common complaint among all the respondents. The councillor mentioned the poor quality of service provided by City Power's Call Centre, saying "the worst of the lot is the Call Centre. They are unresponsive...City Power just doesn't care."⁴¹ The councillor went on to say

the response rate to problems is five to seven days. Just to fix the streetlights, it takes seven to fourteen. If you work through the supervisor, it takes two to three days. The public is encouraged to talk directly to supervisors but if you [member of the public] want the supervisor, they refuse to give you access.

The problem of unhelpful Call Centre personnel featured repeatedly among our interviews not only with local councillors but also with ordinary consumers, as will be indicated below. In particular, Call Centre personnel are considered to have insufficient knowledge of electricity-related problems that users regularly call about. An IFP councillor from Alexandra also echoed similar sentiments about City Power, pointing to the poor quality of customer care and responses to electricity-related problems. While acknowledging that the quality of customer care under City Power was improving, the councillor argued that it was still poor. The councillor implied that this was one of the reasons why some citizens were refusing to pay for their electricity consumption, in addition to poverty.

In terms of the performance of City Power and benefits accruing to the City Council and its citizens, a DA councillor argued that UACs, including City Power, have considerably reduced the costs of service delivery for the council, but that the savings have not been passed on to consumers. A New National Party Councillor in Lenasia South also expressed support for the policy that created UACs, including City Power, but immediately indicated that his constituency was unhappy with the performance and quality of services rendered. The councillor also mentioned the problem of poor customer care and lack of prompt response to his constituencies' problems. The problems identified by the NNP local councillor in Lenasia South were echoed in the focus group studies conducted with users from Lenasia South, as will be indicated below.

It appears that Lenasia residents had a particularly unpleasant experience with a blown substation in December 2002. This incident appears to have single-handedly swung the opinions and sentiments of all Lenasia electricity users irreparably against City Power. The councillor pointed to the existence of only one substation without any back-up stations. This, the councillor argues, becomes a serious problem when there is a power failure. The councillor contrasted this poor level of infrastructure with the better infrastructure and back-up power stations in formerly 'whites only' suburbs. The councillor suggests that despite taking over the electricity supply responsibilities, City Power has not yet eliminated

41 Interview with ANC Councillor (Germiston), 5 February 2003.

the apartheid legacy of poor quality electricity supply infrastructure in the formerly non-white residential areas, which affects Lenasia's electricity supply.

As discussed above already, City Power and the municipality have divided between them the responsibilities for managing the accounts of, and collecting revenues from, the electricity users in Johannesburg, with City Power responsible for only the top 10 000 or corporate clients. This shared role between the two seems to be causing confusion even among some of the local councillors. For instance, some of the councillors talked at length about the difficulties experienced by their constituents such as billing, meter reading and customer care problems, without specifying whether or not their constituents were customers of City Power or the City of Johannesburg.

Local councillors, especially ward councillors, are key role players in terms of resolving or explaining the current confusion among their constituents due to lack of clarity caused by such a division of responsibilities. However, they appear unable to utilise their potential role. When asked what role they, as councillors and public representatives, can play in ensuring that service providers improve the quality of customer care, some councillors did not appear to have a clear sense of what their role is in the process of electricity service delivery. Some of them did indicate that citizens regularly approached them as ward councillors to report service-related problems such as incorrect billing, incorrect meter reading, faulty street lighting and power cut-offs for non-payment. It would appear that electricity users expect their ward councillors to play the roles of brokers with service providers or to serve as alternative channels of communication given mounting frustrations among users against current channels of communication like the Call Centre. Users see the Call Centre as unhelpful. However, councillors themselves seemed to expect the leadership within the Mayoral committee as well as the city's administration to take the lead in resolving such issues. This would suggest one of two things: that ordinary local councillors are either powerless and unable to play a direct and significant role within the processes of monitoring and holding service providers like City Power accountable to citizens; or that their role in the implementation of alternative service delivery arrangements is not properly clarified, thus leaving them disempowered.

Some councillors, especially those not participating in the important section 80 Portfolio Committee (on Municipal Services Entities), appear to lack the necessary information and knowledge on the impact of the new service delivery arrangement. This left some councillors unable to provide clear and informed views of the impact of City Power in improving the quality of basic services to citizens. Access to such information would be critical to enable ward councillors to play the role of service brokers as well as being effective channels of communication between the City Council and citizens. Given the apparent weak channels of communication between citizens and service providers, councillors occupy a critical role to convey not only the City Council's policy objectives to citizens, but also to convey the views of citizens effectively to the City Council and service providers.

In summary therefore, local councillors do not oppose the principle of establishing utilities like City Power to operate on commercial principles to deliver services on behalf of the municipality. They also believe that the UACs are likely to be more efficient in delivering basic services to citizens than the municipality. While unhappy with aspects of the new service delivery like customer care and communication, councillors appeared powerless to make effective interventions on behalf of their constituents.

5.4 User perceptions of the new service delivery arrangement (positive and negative)

This section draws mainly from the focus group studies conducted with four groups of City Power customers from several parts of the city. Users whose accounts are currently being managed by the municipality were not included in these focus groups.

There was a reasonably high level of awareness among the participants of the new electricity service delivery arrangement. Participants were knowledgeable of the change over from the municipality to City Power, suggesting that a reasonably effective communication and information campaign strategy was used to inform citizens of the new service provider. Some participants mentioned various methods used to inform them, mainly letters accompanying their electricity bills, as well as advertisement billboards. However, the Alexandra group reported that they were not sufficiently informed. The majority indicated that only the presence of vans and trucks bearing the City Power logo alerted them to the new service provider. It became clear during the focus group sessions that no community consultation processes or participatory mechanisms were made available by the municipality to their inputs and participation of ordinary users during processes leading to the new electricity service delivery agreement. However, there was no discernible sense of opposition to this new service delivery arrangement among the four groups of users. In other words, none of the groups questioned the legitimacy of the alternative service delivery arrangement between City Power and the municipality. As argued above, for the labour unions the legitimacy of this arrangement has always been and continues to be challenged.

Participants were asked to draw from their experiences of the new electricity service delivery arrangement and identify positive and negative developments. The subsections below deal with this

5.5 Positive experiences by users

The most commonly mentioned positive development by all groups, except participants from Lenasia, was the reliability of electricity supply. The Randburg/Bryanston group representing some of City Power's key corporate users and the large manufacturing/industrial groups were particularly emphatic on this point. The Lenasia group, representing small businesses as well

as other commercial interests, tended to be largely negative, reporting that power supply was still erratic and unreliable. The second most commonly mentioned positive benefit was improved billing and meter reading. Participants argued that meter reading had improved and become more regular compared to the time when this was the responsibility of the municipality. Also, about 60% of them said that the bills had become easier to understand in terms of layout and format. For the Alexandra group, prepaid meters were installed so that meter reading and billing were not important issues of concern. However, the majority of participants in this group displayed a significant lack of trust against City Power, indicating that they could not always be sure that their prepaid meters were loaded with the amounts of electricity purchased.

The fourth positive benefit was good relations with users. However, this was mainly confined to key customers of City Power within the Randburg/Bryanston group as well as the large manufacturing/industries group. This is mainly because City Power has a policy of assigning what are called 'Customer Relations Managers' or 'Key Customer Executives' to an important group of about 130 corporate users with accounts worth R100 000 or more. Obviously, communication with users is a key element of service provision. This explains why City Power is investing such a great deal of time, effort and resources to improving the quality of customer care and communication with this group of users. These businesses are given high levels of attention, involving regular and close one-on-one meetings with senior management from City Power. An interview with a senior official at City Power indicated that there are regular annual meetings with key corporate users to enable the service provider and key customers to discuss areas of mutual concern in service delivery.⁴² It is clear that City Power places a high premium on keeping this group highly satisfied, mainly due to their large accounts.

The final positive improvement, especially for the Randburg/Bryanston and the large manufacturing and industrial groups was maintenance. These users believed that City Power was undertaking regular maintenance of the infrastructure, including substations, with prompt responses from the technical staff when emergency repairs are needed. To some extent the Alexandra and Lenasia groups also reported the improved efforts by City Power in dealing with illegal connections, repairing the cabling and installing new meter boxes.

5.6 Negative experiences by users

In terms of negative experiences, the poor quality of communication and customer care was one of the first issues raised by about 90% of the participants. Obviously, some of the participants contrasted this with the high level of customer care provide to the group of 130

⁴² Interview with City Power Official, 25 February 2003.

or so key corporate users of City Power. This apparent unequal treatment of users based on the size of their accounts is a highly contentious strategy. It is clearly intended to keep the more valued customers with bulk usage and large accounts happy, but it may be counterproductive. It places more emphasis on cultivating close and intimate relations with a tiny group of users at the expense of deteriorating relations with the remaining group of users who may not have large individual accounts but constitute the overwhelming majority of City Power's 10 000 or so users. Obviously, the Johannesburg municipality would not explicitly condone such a clear unequal treatment of service users by a service provider under contract.

During the focus group studies, the frustration of the other users over this issue was evident. The users who do not have one-on-one relations with top management from City Power felt that they were being condemned to handling and conveying their service-related problems to their service provider through ineffective channels such as the Call Centre and the Walk-In Centres. It became clear during interviews that City Power and other service utilities utilise the municipality's Regional Directors forums and meetings as channels of communication with users and communities to address service-related concerns. However, an overwhelming majority (about 90%) of the participants did not consider these to be effective channels of communication for addressing their concerns. As argued already, proper communication with service users is important and can often shape and influence user perceptions of overall quality of service delivery. Just to illustrate this point, despite the overall negative dispositions of the Lenasia group towards City Power, these users recalled a visit by representatives from City Power to their area, especially to those users that experienced problems. This personal contact between users and the service provider was clearly appreciated by all users.

In fact, in terms of the SDA between City Power and the municipality, City Power was obliged, among other things, to set up a User Forum within 12 months of its establishment. The User Forum was to provide a platform for users and stakeholders in the electricity sector to submit their complaints on levels of service to City Power's Board of Directors. In addition to the User Forum, City Power was also obliged to prepare a Customer Charter before the end of December 2001. This Charter would have served to incorporate customer relations and customer management issues, describing and explaining the rights and privileges of users in relation to City Power.⁴³ However, the research team did not obtain any information or evidence to suggest that either the User Forum or Customer Charter exist. Also, it would appear that the Johannesburg municipality does not appear to be insisting that City Power fulfils these particular requirements, which could help address the problems of poor service provider/user relations. However, this does not mean that City Power is not aware of these problems. As indicated above, City Power was also obliged by the SDA to conduct regular

43 SDA. 30. (s7.15. - 7.16.)

customer satisfaction surveys to determine the level of user satisfaction and the quality of service delivery. The research team obtained a copy of a report from one of these customer satisfaction surveys, showing that this is being done. The findings contained in that report also identify the problem of poor customer relations between City Power and the bulk of its customers, especially their frustrations with the Call Centre.

The second negative experience with service delivery under City Power was expressed in the form of frustration coming from a clear majority of focus group participants against City Power's Call Centre and the levels of competence of Call Centre operators. Even some local councillors interviewed for this study were extremely unhappy about the Call Centre. The main issue here relates to the practice whereby user calls or complaints are logged into the system and then users are issued with reference numbers. Three quarters of the participants, mainly those who are not part of the privileged group of 130 key users, felt that this procedure was cumbersome, meaningless and a dead end as it did not lead to speedy and satisfactory resolutions of their complaints. A common complaint from the majority of participants was that Call Centre operators often took too long to answer calls, and when they did, they usually knew very little about the technicalities of electricity. There was also a feeling that Call Centre personnel did not have the necessary training, expertise and knowledge of electricity-related matters to offer speedy resolutions of user complaints at the first point of contact.

The third negative experience for participants was what they perceived as poor communications especially when maintenance takes place. This was mentioned by all four groups of participants. Focus group participants, including some local councillors argued that whenever City Power's technical personnel carried out maintenance work, users are not adequately informed in advance of planned power cuts. For industrial and manufacturing, commercial and business customers relying on heavy use of electricity, these planned power cuts and interruptions often proved financially costly. All participants argued that prior warning or notification of planned power cuts would give them time to make alternative arrangements to minimise the costly disruptions to their business activities. This problem, added to the difficulties experienced by users with the Call Centre, led to an understandable conclusion by users that City Power's system of communication with users was extremely poor.

The fourth negative experience of electricity users from three of the four groups, but particularly so with the Lenasia group, related to meter reading and billing difficulties. As pointed out earlier, the majority of users were happy with the improved regularity and consistency of meter reading. However, the accuracy of meter readings and billing amounts were serious points of concern for many users. The competency of meter readers contracted to undertake this function for City Power is clearly an issue for these users.

5.6.1 *Overall perceptions of quality of service delivery*

Participants from all four groups were asked to comment on their perceptions of the overall quality of service delivery by City Power. There was a higher level of satisfaction with the quality of services provided by City Power among the Randburg/Bryanston and the large manufacturing and industrial user group. Among these were bulk users with large accounts who are allocated Customer Relations Managers. It was obvious that for these users, such an intimate level of customer care from City Power's top management helped shape their positive dispositions towards the new service provider, even at times when they experienced severe service delivery problems. For the Alexandra and Lenasia groups, the situation was slightly different. There was a clear sense of injustice towards City Power. The majority of users from these two areas felt that City Power treated them unequally and gave lower priority to their service-related difficulties compared to other areas such as Sandton/Bryanston and Randburg. They felt that smaller users were being left to fend for themselves while City Power provided better quality of service and care to bulk users of electricity with large accounts. Also, the bulk users with large accounts considered themselves in a strong position to throw their weight around to get things done - something smaller users were clearly not in a position to do. These are the users that tended to harbour more negative perceptions about the overall quality of service delivery under City Power, and the majority of them were from the Alexandra and Lenasia groups.

The participants were also asked to compare their level of satisfaction regarding the quality of electricity service delivery under City Power, with the level of service quality that used to be provided by the Johannesburg municipality. There was a slightly discernible satisfaction with service delivery under City Power. The majority of participants were unable to make definite and detailed comparisons between the two, either due to the time that lapsed since the municipality was the service provider, or that it was still too soon to make informed comparisons. However, for users from Lenasia, there was a definite sense that no obvious improvements in the overall quality of service delivery have been made. About 60% of them referred to the length of time it usually takes for City Power's technical staff to respond to reported technical faults.

Finally, these four groups of City Power customers were obviously corporate bodies, commercial users, businesses and large institutions with better financial resources and affordability levels than many ordinary households in Johannesburg. Therefore high levels of payment of electricity services would be expected among these users, with figures reportedly ranging between 95% and 109%.⁴⁴ There was discussion of electricity tariffs but clearly questions of poverty and affordability were less important. However, all the participants had a very keen sense of awareness of the strict credit control measures that City Power uses to ensure payment for electricity consumption. They made reference to the

44 Interview with City Power Official, 25 February 2003.

instant power cut-offs for non-payment. However, despite repeated attempts, the research team was unable to obtain from City Power statistics of customers who are being cut off regularly for failure to pay for electricity consumption.

It was clear that for all these users electricity was extremely central to their commercial activities and that non-payment and the resultant power cut-offs would be costly. Therefore, there were inbuilt positive and negative incentives for all these users to pay for their electricity consumption regularly, as well as utilise available channels of communication with the service provider to resolve billing, payment and other service-related problems amicably to avoid being cut-off. This, however, does not eliminate entirely the problem of non-payment by some commercial and residential (especially townhouse complexes, schools, etc.). For instance, City Power was still owed a total of R270 million by commercial businesses and residential users by April last year.⁴⁵ Such non-payment is usually caused, among others, by errant slumlords in the city's tenement blocks or 'Body Corporates' in townhouse complexes failing to pay electricity accounts, and so on.

5.7 Implications for local governance and democratic accountability

As argued above already, alternative forms of service delivery entailing local government ceding primary responsibility for direct service delivery to the private sector and other non-state actors are often criticised for undermining important principles of proper governance such as popular accountability, transparency, citizen rights and stakeholder participation in decision-making processes affecting the provision of services. Governance here is conceived of as the proper allocation or distribution of rights and responsibilities in "a process whereby elements in society wield power and influence, and enact policies and decisions concerning public life, economic and social development".⁴⁶

As already indicated, the Johannesburg City Council is represented in the Board of Directors of City Power, thus enabling the council to exercise power and influence at the highest decision-making levels of the organisation. The council is therefore in a potentially strong position to influence and shape decisions regarding not only the internal corporate matters of City Power such as recruitment, financial management, human resource management and labour relations policies, but also the direction of the utility's service delivery operations and activities. There are clearly laid down processes and procedures to govern and regulate City Power's accountability relationship to its sole shareholder (ie the City Council) regarding a number of aspects of its operations. For instance, a range of issues

45 *Business Day*. 8 April 2002.

46 See The Governance Working Group of the International Institute of Administrative Sciences, 1996, quoted at Global Development Research Centre: www.gdrc.org/ugov/work-def.html.

are always standard items of agenda at the regular meetings between City Power and the council: financial (income & expenditure) reports; service delivery progress reports, capital expenditure, extension of services to under-serviced areas, skills development, affirmative action, black economic empowerment, social responsibility projects, etc. These standing agenda items also apply to meetings between the council and the other UACs. This should help the council to approach the process of monitoring performance of consistently across all UACs.

On the face of it, the strict monitoring and reporting processes enforced on City power and other UACs indicate that the council places a great deal of importance on the provision of these municipal services. Any hint or evidence that the UACs are failing to improve the provision of these basic services in accordance with citizen expectations would be politically damaging and may generate political opposition to such alternative service delivery arrangements involving non-state actors. This may explain the council's desire to subject all service providers to equally stringent monitoring and reporting obligations to ensure all aspects of the service delivery agreements are given serious priority at meetings between the municipality and its UACs. However, based on the interviews conducted with officials from City Power and the CMU, it became evident that all parties were keen to see such alternative service delivery arrangements succeed, and for the UACs to be seen to be meeting their obligations. This keenness to see the UACs succeed may potentially serve as a double-edged sword in that it may blunt the municipality's readiness to invoke punitive sanctions against failure to comply with some of their SDA obligations. There is a potential danger that the keenness to see UACs succeed may induce a slightly lax attitude on the part of the municipality towards poor customer service.

Despite the apparent strict monitoring and reporting requirements for City Power and other UACs, interviews with local councillors revealed an obvious lack of clarity over their own roles and involvement in terms of these monitoring and reporting requirements. Councillors were asked to explain and describe the roles of key institutions such as the Mayoral Committee, the Portfolio Committee on Municipal Services Entities and, importantly, the council chamber itself in these processes. It was clear from these interviews that the Mayoral Committee, the municipality's own administration, the Portfolio Committee on Municipal Services Entities and to some extent the CMU, were the central institutions enforcing the accountability and reporting requirements for City Power and other UACs. It would appear that the council chamber and the bulk of the councillors tend to play a peripheral role in this process. In fact, some of the councillors interviewed for this study had neither seen nor read any of the regular progress reports that utilities like City Power are obliged to submit to the administration to report on their service delivery activities. Based on interviews with these councillors, it was not even clear whether or not they are supposed to have access to these reports.

This is a potential weak point in the system and could undermine the promotion of principles of effective governance such as accountability, transparency, responsiveness and popular participation. As elected public representatives with the responsibility to convey

citizen demands and articulate their interests to policy makers through the council's debating chambers, the apparent location at the periphery of these accountability processes of many elected public representatives potentially weakens their ability to represent the interests of their constituencies effectively. This is critical to enhance the effectiveness and therefore popular legitimacy of current governance processes in the delivery of municipal services.

It is the responsibility of the council chamber and the local councillors in general to oversee the implementation of council policies and programmes and the use of public resources, as well as to enforce accountability over administrative departments and agencies. This means that the council chamber and the local councillors in general need to be central not only to decision-making processes but also to overseeing policy implementation processes. This is essential to promote effective local governance in South Africa. Also as indicated above, the apparent failure to establish the User Forum and Customer Charter contributes to the further weakening of accountability processes in the delivery of the electricity services. This reduces the ability of citizens to participate and influence the processes of decision-making, planning and determining of service delivery priorities, which in turn undermines effective governance.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

Based on the in-depth interviews and focus group studies conducted with key stakeholders in the electricity service delivery sector, as well as close examination of numerous documents, the general conclusion reached here is that the corporatisation model of delivering electricity services to customers in the Johannesburg Metropolitan council area has made modest but positive achievements, while it faces continuing challenges.

This report identified both key achievements and continuing challenges in terms of quality of service provision and customer satisfaction resulting from the new electricity service delivery arrangement in Johannesburg. In terms of achievements, there has also been an important breakthrough in that the new service delivery model seems to have received positive and enthusiastic acceptance among the customers and the councillors. They have viewed it with more approval than the labour unions that continue to question its relevance and efficacy as a strategy to improve the quality of customer service and customer care, especially with regard to the poor. The labour sector, especially SAMWU, continues to believe that such alternative service delivery arrangements are usually hostile to the interests of labour, and this report did discuss some of the decisions taken by City Power, which organised labour perceive as hostile to the interests of labour. This also appears to serve as evidence to support the views of some critics of such alternative service delivery arrangements as being hostile to the interests of workers.

Another general issue that the research raises is the ability of the new electricity service delivery arrangement to improve equity in service delivery and customer care to all electricity users. Technically, City Power clearly has the capacity to supply electricity to every household in the Johannesburg area. However, City Power has tended to concentrate its efforts to improve the quality of customer care and customer relations on a small section of its customer base, at the expense of deteriorating relations with the majority of its customers. This suggests that its institutional and administrative capacity to provide effective customer care and improve customer relations is limited. This suggests that the ability of the current corporatisation model of delivering electricity services to customers in Johannesburg might experience severe limitations and difficulties if expanded to the current 250 000 or so electricity users throughout the City of Johannesburg. Therefore, the model's applicability appears to be limited only to a small section of the electricity customer base, particularly the corporate users.

On paper at least, the new service delivery model provides for strict control, regulatory, monitoring and reporting measures that place the council in a potentially strong position to ensure that the service provider fulfils its service delivery obligations. In practice though, the Johannesburg City Council, through its CMU, appears to have a limited capacity to enforce the regulatory and monitoring requirements on City Power. This is particularly the case with the utility's labour relations responsibilities towards the workers transferred from the council to City Power. This also points to a key area of weakness in the new service delivery model - the capacity of the municipality to regulate and monitor independent service providers.

Finally, the limited role of ordinary local councillors in the monitoring, oversight and enforcement of compliance has the potential to undermine good governance in service delivery. While all the councillors interviewed for this study supported the new service delivery model, they had a limited knowledge of the specific issues raised by the implementation of this model. For instance, they had insufficient knowledge of, among others, City Power's obligation to establish a User Forum to maximise user participation in electricity service delivery, as well as the requirement to prepare a Customer Charter that would spell out the rights and privileges of citizens in relation to the service provider. Therefore, the level of citizen involvement in the decision-making processes, planning and provision of electricity services is minimal. This suggests therefore that corporatisation as a service delivery model has inherent weaknesses in terms of promoting effective and accountable governance in service delivery.

Also, one of the challenges facing municipalities intending to engage in alternative service delivery models is to monitor the capacity of service providers to ensure that equal levels and quality of services are maintained to all customers. For instance, this research work revealed that City Power was unable to maintain equally high levels and quality of customer care services and customer relations to all its 10 000 or so customers. As a result, the utility chose to concentrate its efforts only at the high end of the market, involving a few (between 135 230) corporate clients with large accounts (R100 000 or more).

6.2 Recommendations

In terms of ways to overcome these challenges, we identified a number of necessary steps to be undertaken by both the municipal authorities and City Power towards improving service delivery in the electricity sector under the new service delivery arrangement.

- More local councillors need to increase their involvement and participation in the current monitoring, reporting and oversight processes established regarding the implementation of the new service delivery arrangements. In particular, they need to have access to more information, including the progress reports submitted by City Power. Currently most of the critical interrogation of issues is carried out mainly at the section 80 Portfolio Committee on Municipal Service Entities, including the CMU. These reports should be widely circulated to more councillors in good time to give them sufficient time to read, understand them and make appropriate inputs.
- The billing and account management functions are serious challenges facing the Johannesburg municipality. The dissatisfaction of City Power and other consumers with the way the municipality has handled this need to be dealt with. The Revenue Management Unit (RMU) needs to be restructured to discharge this responsibility effectively. The municipality must ensure that the SDA terms and conditions are implemented consistently. The issue of handing over to City Power the billing of the rest of the electricity users in the Johannesburg areas needs to be resolved urgently. At the moment, the municipality's revenue management unit is considered poorly equipped to undertake effective revenue collection, which in turn affects the rate of revenue raising efforts as envisaged by City Power. There is a process currently under way to set up a Shared Revenue Services Centre to be in charge of billing and account management. If established speedily, the institution could provide a solution to this problem.
- The electricity service provider, City Power, must improve service standards at the Call Centre. There is a definite need to improve the quality of service at the centre. Consumers of electricity expressed overall dissatisfaction with the way their queries and complaints were handled by the Call Centre. In particular, there is serious need for training Call Centre operators and provide them with the necessary skills handle the basic technical issues of electricity supply. Such skills are essential when responding to customer queries. Perceptions about City Power's quality of customer care are shaped, to a great extent, by the ability of Call Centre operators to handle customer complaints effectively and speedily. In addition, City Power should put in place a system that allows callers to phone directly rather go through the municipality's lines before being rerouted to City Power. This is time-consuming and cumbersome for many customers.
- The SDA makes provision for the creation of a User Forum. It is now almost three years since the utility was formed but the Forum still does not exist. A speedy establishment of the User Forum would help address some of the communication and customer relations' problems currently being experienced by users. Ideally City Power should be

giving all their customers equal treatment, as opposed to the current system of allocating Key Customer Relations Executives to the wealthy few. Apart from a User Forum, the SDA requires the drawing up of a Customer Charter that lays out the rights of customers in relation to City Power. It appears that this has also not yet been done. It is important that the City of Johannesburg insists that City Power draws up the Customer Charter, with the participation of key stakeholders and users.

- City Power should effectively utilise existing and easily accessible communication mechanisms such as the newspapers, radio, television and others to communicate service-related messages to its users on regular basis. This is especially important during planned power cuts and maintenance activities being undertaken by its technical staff.
- The City of Johannesburg has a responsibility to ensure that utilities under its ownership, such as City Power, adhere to legislation such as the Labour Relations Act. There are real concerns about the way labour issues are handled within City Power and the role of the municipality. The municipality needs to clarify its position publicly regarding the extent to which it can make interventions on labour-related matters within its utilities.
- Finally, the creation of arms-length service delivery agencies raises questions about democratic accountability and effective governance in service delivery. There is a great potential for this problem to be exacerbated especially where the service provider (ie City Power) and the municipality are currently separately responsible for providing customer care services to different groups of electricity users. It is possible for lines of accountability to be muddled and for customers to be confused about who is ultimately responsible and accountable in the provision of electricity services and customer care.

7. INTERVIEWS CONDUCTED

Interviews conducted between 29th January & 18th March 2003:

Balgobind, Pravesh (NER)

Baloyi, Basani (City Power)

Bergman, Darren (DA Councillor)

Biyana, Hlubi (SAMWU)

Boeije, Wiellie (NER)

Coetzee, Peter (CMU)

Essop, A.K (NNP Councillor)

Govender, Prem (CMU)

Hlongwa, Brian (ANC Councillor, Chair: Committee on Municipal Services Entities, & Member: Mayoral Committee)

Khorombi, Michael (SAMWU)

Leshnick, Brian (City Power)

Makhathini, Simphiwe (NER)

Morebane, Johannes (CMU)

Ntlhoro, Fortune (City Power)

Padayachee, Vally (City Power)

Pahad, J (ANC Councillor)

Ravid, Marcelle (DA Councillor)

Singh, Naresh (NER)

Stockhill, Judy (DA Councillor)

Ximba, A. M (IFP Councillor)

Zimu, Silas (City Power)