POLICY
ELECTRICITY PREPAYMENT VENDORS

[Approved by Executive Committee
EXCO 11/06/03]

BASIC CRITERIA FOR THE MANAGEMENT OF ELECTRICITY PREPAYMENT VENDORS

Commission paid to vendors appointed direct by the Municipality:

2% on the Rand value of sales (including VAT on sales) and on auxiliaries (excluding auxiliaries for the recovery of the value of "refer to drawer" cheques) VAT is payable on this commission amount to vendors who are registered for the payment of VAT with the SA Revenue Services.

Licence fees for vending outlet:

Licence fees are paid by the Municipality.

Telephone lines at vendors premises:

The cost of the installation of necessary telephone lines at vendor premises as well as the cost of the monthly rental charge is for the Municipality's account. All lines are barred for outgoing calls as the System Master Station dials each vendor to upload transactions details.

Ticket printer ribbons and paper rolls:

All printer ribbons and paper rolls are provided at the cost of the Municipality.

Provision of equipment:

The Municipality provides the hardware and software at vendors' premises.

Duration of vendor contracts:

The duration of vendor contacts shall be for a 12 month period subject to renewal annually.

AMENDED – TABLED AT EXECUTIVE COMMITTEE MEETING ON 2003-06-04
(amended text in bold)

PREPAYMENT ELECTRICITY VENDOR SELECTION POLICY
- A new transparent approach

Scope: **This policy covers the selection and appointment of vendors where such vendors contract directly with the City (i.e. not through a third party). It must be noted that the majority of new vendors in the City do not contract directly with the City but are engaged by Vending Service Providers who in turn contract with the City. This policy does not cover such vendors or Vending Service Providers.**

1. *Sale of credit - Vendors:*

1.1 Credit for electricity Energy Dispensers (ED's) are sold at selected Municipal Cash Offices and contracted 3rd party vendors throughout the Municipal authorised supply area.

1.2 Consumers prefer to buy credit from 3rd party vendors because of the added convenience, i.e. after hours, 24hrs and weekend trading as well as shopping synergies. This trend has led to instances where vending equipment has been removed from Municipal cash offices' and re-located to 3rd party vendors in the surrounding area.

2. *Selection of Vending Points:*

The criteria for new vending points shall be **applied** by a selection team consisting of staff members from the Electricity Directorate and Corporate Finance. **Final approval of new vendors in accordance with this policy shall be by the Executive Committee.**

The selection of new vendors comprises the following steps:

2.1 *Compilation of Applicants:*

All applications to become vendors are channelled to a central point in the Electricity Directorate, where the applications are recorded for acknowledgement and further processing. A very basic credit check is done at that stage to insure that the applicant has paid up his electricity account and other amounts which may be owing to the Municipality.

2.2 *Pre-selection:*

The minimum standards for the provision of vending points is set out in NRS 047 : Electricity - Quality of Service Standards. The monthly sales patterns and growth trends on existing vending points are monitored in accordance with these standards. These trends together with **the needs of the area and the community concerned, as well as** requests from Councillors, determine the general area (suburb) where a future vendor should preferably be located. **All suitable applicants within the concerned area are then considered.**

2.3 *Short listing:*

All applicants are then visited by the selection team for the purpose of short listing based on the following criteria:

2.3.1 Size of shop/premises - to ensure that there is no congestion if the premises are used as a vending point.

2.3.2 Suitable trading hours - to enable consumers to purchase after hours and over weekends. Preference is given to 24 hour traders.

2.3.3 Provision of adequate and safe queuing facilities - to ensure that there is space, preferably undercover, where consumers can queue safely while waiting to be served.

2.3.4 Proximity to public transport - to cater for consumers who do not have private transport.

2.3.5 Proximity to other business - to enable consumers to buy electricity coupons in an area, having travelled to that area for other business, without having to go to another area.

2.3.6 The suitability of the security of the premises

2.3.7 Premises used **predominantly** for the **consumption** of alcohol are not considered suitable as vending points.

2.3.8 The economic empowerment of the applicant to be considered.

2.4 *Vendors appointed directly by the Municipality on an off-line system:*

2.4.1 Credit Control:

All applicants short listed by the above method are referred to Corporate Finance for comprehensive credit checks. This comprises an internal check on water, rates and electricity accounts as well as an external check via a credit clearing bureau. A final selection from those applicants passing the various credit checks is then made by the selection team considering the most suitable in relation to the criteria listed under 2.3 above.

2.4.2 *Implementation:*

After approval by the Executive Committee, the applicant as selected by the team is then provided with a copy of the vending agreement for signature. Suitable security and banking arrangements are instituted to protect the Municipality=s interests . Once the agreement has been signed the vendor=s staff are trained in the use of the vending equipment. The necessary computer equipment and communication infrastructure is then made available and commissioned.

Applicants who are not selected are retained on the prospective vendor list for possible fûture vendors as necessitated by monthly sales patterns.

2.5 *Vendors appointed under the Vending Service Provider contract for on-line vendors:*

2.5.1 If a vending service provider contract is in place in the area in question the short list is handed over for them to enter into a contract with their chosen vendor. The Municipality holds the vending service provider responsible for the banking of all moneys as a result of sales generated at their vending outlets.

FINANCIAL COMPARISON OF EXISTING AND PROPOSED COMMISSION STRUCTURES
(based on typical monthly sales)

Existing vendor commission structures:

Cape Town	:	2% of sales up to sales of R500 000, thereafter, 1% of sales.
Tygerberg	:	3% of sales up to a maximum commission of R6 580.
Oostenberg	:	3% of sales up to a maximum commission of R2 500.
Helderberg	:	3% of sales.
Blaauwberg	:	2% of sales.

Proposed Vendor Commission Structure

Single flat commission of 2% of sales for entire Metro Area.

Table : Comparison of Existing and Proposed Commission Structures

ADMINISTRATION	COMMISSION ON EXISTING STRUCTURE	COMMISSION ON PROPOSED STRUCTURE	DIFFERENCE (-ve = saving)
Cape Town	586 237,51	596 177,33	9 939,82
Tygerberg	123 894,61	111 550,24	-12 334,37
Oostenberg	19 736,84	61 361,70	41 624,86
Helderberg	35 213,13	26 763,00	- 8 450,13
Blaauwberg	26 014,39	26 014,39	nil
TOTAL EFFECT:			**R30 780,18**