

SARPA Bulletin

September 2008

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MESSAGE FROM THE PRESIDENT

Dear Readers,

The Missus and I have just returned from a months vacation, half of which was spent in the Netherlands. A beautiful and clean country to do some touring in. I even undertook a 40 km bicycle ride on the island Terschelling . The first time in 40 years, and I survived!

If you count Rands, then Europe is not the place to holiday in. A train ride Leeuwarden to Amsterdam (140 km) costs Euro 29 = R 334 . For the same money you can travel from Johannesburg to Cape Town. 10 x the distance.

Fortunately we could stay with family an friends.

In this bulletin once again we read about copper theft and the devastating effect on the economy.

It is even taking place in countries in Europe! Copper theft is a symptom of a deeper malaise in our society. Unemployment and general lawlessness is exploited by “entrepreneurs” to fill containers with stolen copper to the tune of



R 230m in one year. That is something like 4500 tons of the stuff.

It is interesting to note that Brazil has combated revenue loss by sealing meters properly. Lesson to learn is that proper sealing has definite benefits.

Back at home: please attend the forthcoming Gauteng branch meeting in great numbers!

Regards to all our readers,

Dirk A. Byker
SARPA President

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COPPER THEFT AND ITS EFFECTS ON THE ECONOMY

It has been regarded as a demoralising job, simply because it was quite possible to put down the cable one day, only for it to be stolen the next, according to Pieter van Dalen, chairman of the Copper Heads, in his response to the laying of copper cable in Cape Town.

"We were running around replacing cables instead of doing much-needed maintenance, not to mention the fact that large parts of the city were without power until we could replace the cables," explained van Dalen.

The justice system has also proved ineffective as a deterrent, with convictions secured in only 4% of copper theft cases in Cape Town, meaning that a copper cable thief had a 96% chance of getting away with his crime.

However, things have changed over the last year in the Western Cape capital, with the odds improving significantly in favour of the good guys.

"Formed just more than 12 months ago, the Copper Heads – the city's answer to the never-ending loop of theft and reinstallation – have slashed annual losses attributed to copper theft from R22-million to R500 000, with arrests numbering just under 2008," said van Dalen.

How did they manage to turn things around so drastically?

The Copper Heads have 13 reaction force members, who work seven days a week. Their work includes visiting scrapyards, looking for stolen metal. They are also on standby at night to follow up calls from the public to a 24-hour, toll-free number.

Other team members include six internal officials who investigate council members and contractors to the council, while also scrutinising the internal processes followed by the Cape Town City Council in the sale of its legitimate scrap metal.

"We've arrested 30 council officials and nine contractors over the last 12 months," said van Dalen.

The ins and outs of copper cable theft exposed

Stolen copper can sell for between R40 and R60 a kilogram, either on the street or at a scrap dealer, with copper cables used for street lighting targeted the most.

Thieves will come during the night, digging a pilot hole to determine the thickness and direction of the cable. The next night they will return to dig up the cable.

“From here on the cable is typically dragged into the bushes, where it is stripped for the copper inside. This process includes an attempt to remove all identifying marks,” explained van Dalen.

Once this is done, the copper is sold on to a scrap dealer, or a so-called bucket shop – which is an unregistered scrap dealer specialising in stolen metal, usually operating within a residential area. There are approximately 3 500 bucket shops in the Western Cape.

From the bucket shop or the scrap dealer, the copper – by this time untraceable – goes to one of the big five scrap dealers, from where it is exported to the East.

“Cape Town exported R77-million of copper last year, and we don’t have a single copper mine,” said Van Dalen.

Craig Lemboe, an economist at Western Cape trade and investment agency Wesgro, said the province had exported R230-million of copper last year, compared with R204-million the previous year. However, he notes that this figure includes legal copper scrap exports, as well as mined exports from other parts of the country.

Van Dalen explained that copper was the metal of choice among metal thieves, followed by steel, brass water meters – of which the Copper Heads recovered 130 at a scrap dealer in June – as well as a newcomer to the hit list, palisade fencing.

The Numbers

The theft of nonferrous metals in South Africa has become a serious problem in recent years and, although the number of incidents and related costs decreased between 2001 and 2004, the occurrence of this crime increased sharply during 2005, 2006, and 2007, said advocate Simi Pillay-van Graan, national project manager of the nonferrous crime combating committee (NFCCC) at Business Against Crime (BAC) South Africa.

She said this could be attributed to the dramatic increase in copper and aluminium prices as a result of the rapidly growing demand for these materials.

The NFCCC was formed in 1993 in an attempt to combat this type of crime. Major role-players involved include the police, Eskom, Telkom, Transnet, and the BAC.

According to Pillay-van Graan, there has been a marked increase in

nonferrous-metal theft in recent months. For example, during August 2005 alone, there were more than a thousand incidents of such theft, increasing to 2 500 during August 2006, and to more than 4 000 incidents during August 2007.

The estimated direct cost of cable theft in South Africa was R500-million a year.

However, Pillay-van Graan noted that the estimated indirect cost of cable theft to the economy was ten times higher than the expenditure required to replace these cables.

This means South Africa loses nearly R5-billion a year as a result of cable theft. It is especially utilities, parastatals and municipalities that suffer at the hands of cable thieves.

Johannesburg electricity utility City Power said in July this year that cable theft is already up 300% from last year.

According to figures released in Parliament by Minister of Provincial and Local Government Sydney Mufamadi in April, copper cable theft had collectively cost the six metropolitan councils R71,8-million in 2007.

This included a whopping R36-million for the eThekweni metro, R15,4-million for Tshwane, R13-million for the Ekurhuleni metro, R4,7-million for Johannesburg, R2-million for Nelson Mandela Bay, and about R500 000 for the City of Cape Town.

As noted earlier, the Copper Heads are responsible for Cape Town's much lower figures.

Possible Solutions

Pillay-van Graan said the copper export market deserved much more attention should the NFCCC wish to combat nonferrous-metal theft more effectively.

"The export market and the associated processes have not been a focus of the NFCCC, resulting in an attempt to treat the symptoms of the crime, and a failure to address the core of the problem. This is clear in the escalating numbers of incidents in recent years. If the number of thefts is to be reduced, the market into which the stolen cable is disposed must be addressed, and more effective response mechanisms from both government and business need to be put in place," explained Pillay-van Graan.

She added that the NFCCC was in the process of unpacking the Second-Hand Goods Act and the International Trade Administration Act, closing down loopholes, so that it could better regulate the export process.

This could include a closer look at enforcing the licences necessary to trade in second-hand goods.

The NFCCC last year changed its structure to incorporate more members, as well as members at a higher organisational level.

Today it is no longer the industry-led body that was created in 1993, but rather a government-led body chaired by the police.

“This is seen as a major achievement as it would instill the governance structure at the level where it is required, and specifically obtain the required buy-in and cooperation from the South Africa Police Service and other law enforcement organisations that have not been available in the past,” said Pillay-van Graan.

Another focus of a renewed effort to combat nonferrous- metal theft is to consider that it is no longer viewed as a crime by subsistence thieves alone, but has also become a favourite among crime syndicates, and that it must be treated as planned, well-executed and organised crime.

Read the detailed article by [clicking here](#).

Engineering News Online
By: Irma Venter

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ANIMAL SHELTER FEELS THE EFFECTS OF COPPER THEFT

The escalation in copper theft has hit South Africa hard with animals now feeling the effects of this crime as well.

Hundreds of homeless dogs, cats and other animals have become the latest victims after the copper pipes used to supply water to the Animal Welfare Society in Port Elizabeth were been stolen.

The animals now have no clean drinking water or water to clean out their enclosures, which has to be done on a daily basis. The stolen copper piping is now being replaced with a plastic alternative, so too are the taps.

Wendy Coutz, a home manager for animals, said the theft ramifications have been huge. "Cleaning the kennels, providing fresh water and other chores have been a huge problem following the incident."

Dogs and cats are not the only ones affected as resident donkeys at the society have had their steel water bowls stolen as well. Copper cables supplying electricity have also been stolen. This incident leaves this society in a tight financial spot.

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ICS AND JOHANNESBURG WATER LEARN FROM REVENUE PROTECTION EXPERIENCES IN BRAZIL

In August this year, Claudia & Tony Coetzer of Integrity Control Systems (ICS) attended Metering Latin America which was hosted in Rio de Janeiro, Brazil.

ICS' relationship with its principal ELC has strengthened over the years as we see continued parallels between where South Africa is currently in terms of transition and development in the energy sector and where Brazil was, 10 years ago. 'Listening to your feedback about revenue loss statistics, a hesitation from the industry to take a firm stand against energy theft, proactive action being swayed by political and resource challenges, echo what we have been through in Brazil, says Andre de Lima Castro, managing director of ELC. 'In Brazil, the privatization process of the utility sector, contributed to a more aggressive approach to complex issues like non-payment and energy theft', observed de Lima Castro.

At the conference, ICS saw some familiar brands including Elster, Landis & Gyr and Actaris. It was curiously noted that the Latin American market has not embraced pre-payment technology at all, and the South African market seems light years ahead in terms of this technology deployment. Between papers and walking the exhibition floor, ICS interacted with a high level delegation from Johannesburg Water; namely Mr. Gerald Dumas – Managing Director, Mr. Jones Mnisi – Executive Manager (Support Services), Mr. Patrick Dhlamini – Member of the JW Board of Directors and Mr Nico Singh – Prepayment Manager. It was a pleasure to see some familiar faces and Mr Singh shared some impressive insights in his paper entitled: Case Study: Operation Gcin'amanzi - Prepayment metering as a demand side management tool. This shared experience clearly drew interest from the conference attendees and resulted in an invitation from the President of Brazilia Water Company to present his paper to their board.

As special guests of ELC, we had the opportunity to meet Mr Luiz Fernando Arruda, Corporate Management Advisor to Cemig Distribuição South America which is the largest electric energy utility in Brazil with approximately 6.6 million customers, plus 300 free customers (above 3 MW each), in 774 cities in the State of Minas Gerais, responsible for servicing over 18 million people. The distribution network covers 263,394 miles and consists of 620,000 distribution transformers. The transmission network covers (230 kV and above) 13,410 miles with an installed capacity (53 hydroelectric power plants, 1 wind power plant and 1 thermal) of 6,566 MW. Annual consumption is 54 GWh (55% to the free customers).

Mr Arruda was in charge of Revenue Protection for more than 20 years and in a discussion about the role of uniquely numbered tamper evident seals in the implementation of a revenue protection strategy, Mr Arruda commented that 'seals like the ones we currently use, and have been using for many, many years, together with high security bags, form an integral part of a loss management programme. Electricity theft has been a major problem for us, and you cannot expect quick results. You have to be committed to fight it. It took us about 10 years to see the true benefit of a targeted campaign, we recovered millions and although I am not actively involved in revenue protection anymore, our losses have been reduced to about 3% of annual revenue, which is still a lot of money but which is also an incredible achievement. He endorsed the use of product FL 01 which is the premium seal supplied by ICS for utility applications. 'We install 2 seals on each meter; this way when someone tampers the meter, he has to break those seals (resistance is more than 150 kgf) and the Judges from our Courts don't accept the excuses that it was not on purpose. We install those seals on the meter

box for all Medium Voltage customers too,' reported Mr Arruda.

ICS also visited ELC' factory on the outskirts of Rio. ELC has been in existence for close to 50 years, employs over 500 people and is an ISO 9000 accredited manufacturing facility. 'We are very proud to have the support we do from ELC and from the MD personally. He has a true passion for the business and his understanding of a complex and challenging industry, coupled with the immense engineering expertise of his team, has positioned ELC to be a world leader in the field of tamper indicative sealing', says Claudia Coetzer of ICS.

'Energy theft is a global plague, but we have committed ourselves to developing highly effective solutions that work, and we have decades of success to prove it. If utilities utilize high quality, secure seals, have a disciplined management focus and implement stringent sealing protocols, revenue recovery DOES happen, it's a slow process, but don't lose heart', was de Lima Castro's advice to his distributor in Southern Africa – ICS and to the South African market.



Claudia Coetzer, ICS, Andre de Lima Castro, ELC and Luiz Fernando Arruda, Cemig.



Claudia & Tony Coetzer from ICS.



The Johannesburg Water delegation: Mr. Gerald Dumas – Managing Director, Mr. Jones Mnisi – Executive Manager (Support Services), Mr. Patrick Dhlamini – Member of the JW Board of Directors and Mr Nico Singh – Prepayment Manager.

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METAL THEFT IS CRIPPLING INDUSTRY

Non-ferrous metal theft is crippling the eThekweni Municipality's electricity service delivery rate and costing industries millions of rands in financial losses.

An incident which occurred in July plunged businesses and thousands of homes, in the Isipingo area, south of Durban, into darkness.

The incident raised questions about the impact of copper theft on municipalities and business. The eThekweni electricity head, Sandile Maphumulo, said the city lost million of rands in stolen copper annually. "The financial resources we put into replacing stolen cable could be used to extend services to more people," he said.

Maphumulo said copper theft hot spots were no longer confined to certain areas.

"The whole of Durban is affected and it's costing the city millions. The electricity industry doesn't have enough power to deal with this problem, which I have always treated as terrorism. People caught vandalising networks need to be given harsher sentences," he said.

Eskom spokesperson Andrew Etzinger said the copper theft problem was ongoing for the utility and it had noticed an increase which was costing the utility R25-million a year. "We've seen a steady increase from 446 incidents in 2005, 1 059 in 2007 and 1 914 this year and it's going to increase."

Transnet spokesperson Sandile Simelane estimated the parastatal was also losing millions of rands a year in copper theft.

"It's a huge problem because customers expect us to deliver on time, which we can't do until cables have been replaced. We have guards, but it's impossible to protect the entire rail system," he said.

Maphumulo, Etzinger, Simelane and Durban Chamber of Commerce and Industry CEO Moses Tembe all urged people to assist in catching the thieves.

"This is costing business billions of rands and it's about time we started biting rather than barking," said Tembe.

This article was originally published on page 3 of The Mercury on July 24, 2008

By Sinegugu Ndlovu & Nompumelelo Magwaza

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CITY CALLS FOR STRONGER ACTION AGAINST METAL THIEVES

The City of Cape Town condemns the metal thieves who caused substantial damage to railway lines and electronic equipment in Woodstock and brought

Metrorail services in the city to a standstill recently.

Councillor Simon Grindrod, Mayoral Committee Member for Economic, Social Development and Tourism said: "Metal theft has reached unacceptable levels. The City's Copperheads unit is doing a good job, but they are stretched to capacity. We need a more comprehensive and coordinated approach to combat the economic crime that is aggravating the problems we face during this challenging economic period.

"Apart from the massive inconvenience and frustration caused to commuters, the stoppage of trains created serious problems for business. While the City is doing everything possible to combat metal theft, we now require the Provincial MEC and Police Commissioner to come up with a practical plan to apprehend these criminals."

He called on new Provincial MEC for Safety and Security, Patrick McKenzie, to urgently support the City's efforts to combat cable theft and devise a proactive SAPS policing plan to protect critical installations such as rail transport interchanges and electricity substations.

Cllr Grindrod said: "Thousands of workers were left stranded due to damage to the railway lines. Many companies suffered lost production as a result. Cape Town cannot afford further damage to the business sector when many companies are struggling to survive the economic downturn. I am extremely concerned at the negative impact such incidents have on investor confidence and our efforts to improve the local economy and create desperately-needed jobs.

"Metal theft is on the increase across the world. The economic value for thieves is sometimes too good to resist. The cost to the economy of Cape Town is estimated to be several hundred million rand per annum. The metal theft syndicates sell the commodity as scrap, while government and businesses have to replace the copper at a substantially higher value with an added cost of labour and transport.

"I will be hosting a summit with key stakeholders in the city in the coming weeks to look for creative solutions to this problem."

Issued by:
Communication Department
City of Cape Town

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UPCOMING EVENTS

REVIVAL OF THE SARPA GAUTENG BRANCH

The next SARPA, Gauteng Branch meeting will be held on the 9 October 2008 at 10h00 at the Highveld Conference Centre, Highveld Shopping Centre, Logan Ave, Centurion.

The revival of the meeting relates to discussions held between the relevant

role players and Rens Bindeman at the recent SARPA Convention, in Tswane. The Branch has been inactive for some time and from the discussions, it was clear that it should be a priority issue to revive it as soon as possible.

As we will also be electing the office bearers for the Branch, it is very important that as many persons as possible attend the meeting. Please note that you do not have to be a member of SARPA to attend this meeting. Everyone is welcome

Who should attend: -

All Revenue Protection / Credit Control Managers (Electricity and Water), Financial Officers involved in Credit Control issues, Customer Services Managers responsible for Revenue Loss Management, Metering Manufacturers, Companies performing Credit Control / Revenue Protection tasks for Utilities, Data Management Companies, Companies supplying Protection structures / seals / remote metering to Utilities as well as those entities responsible for non ferrous thefts in Utilities.

If you have any questions in this regard, please visit us at our website www.sarpa.co.za or contact Rens Bindeman on 082 850 5318 or sms / send a message to rens@mweb.co.za.

Rens Bindeman
Technical Advisor

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WEBSITE POSTINGS

Latest E-Bulletins added to site
<http://www.sarpa.co.za/library/sarpabulletins/>

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EDITOR'S NOTE

Dear Readers,

Welcome to the September edition of the *SARPA Bulletin*!

As this bulletin carries the objective of keeping its readers up-to-date with the latest industry developments, I welcome and encourage you to send me your thoughts, editorial contributions and comments. I would also like to thank you for the information and support already kindly received.

Please note that the opinions expressed in this newsletter are not necessarily those of the South African Revenue Protection Association. SARPA also reserves the right to edit content for clarity and/or brevity.

Dion Abrahams

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