

## Session 2 (External)

### ADDRESS BY THE CHAIRMAN OF BOARD UMGENI WATER, ANDILE MAHLALUTYE, AT THE UMGENI WATER SUPPLIER BRIEFING SESSION HELD AT THE ICC, DURBAN , ON 17<sup>th</sup> JULY 2012

**The Acting Deputy Director of Policy and Regulation, Department of Water Affairs, Mr Helgard Muller**

**Members of the Board of Umgeni Water**

**Members of the Executive of Umgeni Water**

**Members of the Media**

All Protocol Observed

Today marks a milestone for Umgeni Water . it is a time when we recommit and enthusiastically espouse our support for empowerment of small, medium and micro enterprises and, through this, our active commitment to socio-economic development. Umgeni Water has travelled a long road in its attempts at ensuring that the construction opportunities it generates is spread out equitably, and this invariably has the effect of ensuring that the benefits are also spread across the landscape of emerging, micro, small and medium-size businesses.

But, like many other entities, we have had our challenges. We faced two choices in this regard: we could have sat back and said the problems are insurmountable and, hence, did nothing, or actively sought solutions. We chose the latter, and that is why we are here this afternoon . to share with you the measures we have implemented, and will continue to implement, in order to ensure established SMMEs and emerging enterprises like you also have an equal chance in bidding for construction work available through projects to be implemented by Umgeni Water.

Some of the key measures we have implemented in the past two months were a significant revision of the Umgeni Water Broad-Based Black Economic Empowerment Policy and the Five-Year Capital Expenditure Programme. **(Details of this will be provided in presentations to be made later)**. With the revision of the BBBEE Policy completed, our Vision to be %be leading water utility that enhances value in water services provision+has been advanced to a new level.

The BBBEE Policy of Umgeni Water forms the basis of programmes that seek to give preference in procuring of goods and services; infrastructure development roll-out and to promote entrepreneurship in Black communities in order to enable such groups to meaningfully participate in the mainstream of the South African economy.

In the 5-year horizon of Umgeni Water's Capex Programme for 2013 . 2017 some 100 projects have been earmarked for implementation. There are specific

classifications for these projects - i.e. Augmentation, Development, Rehabilitation and Upgrade. The total Capex Budget of Umgeni Water amounts to R 4.5 billion.

If we look at the larger projects that are being undertaken or are to be implemented, they include:

- The Maphumulo Bulk Water Supply Scheme at a cost of R349 million
- The Lower Thukela Bulk Water Supply Scheme at a cost of R894 million
- Mhlabatshane Bulk Water Supply Scheme at a cost of R186 million, and
- Maphephethwa WTP upgrade at a cost of R35 million

In the first year of the Five-Year Capex Programme, an amount of R792 million has been earmarked to be spent on some major projects. These projects include the Lower Tugela Water Treatment Works, Lower Thukela Gravity Pipeline and Maphumulo Phase 2.

There are massive opportunities for you as service providers to perhaps form joint ventures and ensure that your businesses are in a state of readiness to participate in projects similar to the ones I have mentioned and which are earmarked for implementation in the next year and beyond. You need to think creatively on how you will participate and at what level.

Umgeni Water is committed to ensuring that, as the largest bulk water supplier in the Province of KwaZulu-Natal, there are support programmes in place for SMMEs, especially black-owned, to upgrade their business activities, improve their competitiveness and skills and engage in new investments. Some of the initiatives Umgeni Water will be pursuing are the following:

- To promote the objectives of Black Economic Empowerment, some identified tenders will be issued with an express requirement that established entities are to form joint ventures with BEE suppliers in order to be eligible to tender.
- This will require tenderers to jointly contract for certain projects that will result in the transfer of skills to BEE suppliers. Umgeni Water will consider joint ventures conforming to the following requirements:
  - An approved contractual relationship is established
  - The BEE supplier executes work with its own resources and management, proportional to their participation in the joint venture.
  - The BEE supplier shares in the potential risk/profit inherent in the contract proportional to their participation in the joint venture
  - Shorter payment cycles (payment of invoices from Black-owned SMMEs within 15 days from the date of statement)

- Training in areas - such as finance, quality improvement, environmental regulations and technical enhancement.

Umgeni Water recognises the historical disparity of previously disadvantaged communities and commits to promote BEE by making procurement accessible to Black Economic Enterprises, through processes that are competitive, fair, transparent, equitable and cost-effective. This will be done within the framework of the Constitution of South Africa, the Preferential Procurement Policy Framework Act and Regulations and the Broad-based Black Economic Empowerment Act.

**Some of the key objectives of Umgeni Water's BBBEE Policy are:**

The primary task of the procurement function at Umgeni Water remains unchanged: to find reliable, cost-effective suppliers for the enterprise. This means that economic empowerment is viewed as a business imperative aimed at the following.

- To encourage the establishment of value adding joint ventures between traditional and emerging BEE suppliers, thus giving the latter access to technology, skills and knowledge.
- To contribute to skills development and job creation through the employment of targeted labour.
- To facilitate access to procurement activities by BEE suppliers.
- To ensure that previously disadvantaged individuals achieve full participation and involvement in businesses that support Umgeni Water in the supply of water services
- To develop and/or establish new, sustainable business with black entrepreneurs, through the procurement process.
- To encourage the establishment of value-adding joint ventures between traditional and emerging BEE suppliers, thus giving the latter access to technology, skills and knowledge.
- To contribute to skills development and job creation through the employment of targeted labour.

Umgeni Water is committed to creating a vibrant black small, medium and micro enterprise (SMME) sector and to encourage the formation of new enterprises of all sizes. Accordingly, Umgeni Water emphasises the need to procure goods and services from previously disadvantaged individuals and companies. In this regard Umgeni Water will put in place initiatives, in line with the guidelines contained in the codes of good practice, to assist these entities to become financially and operationally independent. These initiatives may include Joint Ventures; Targeted Supplier Development; Skills Development and Job Creation

I implore you to take cognisance of the matters that I have brought to your attention. Umgeni Water looks forward to entering into reciprocally productive working relations with you to further develop this vibrant and socio-economic hub of KwaZulu-Natal.

I thank you.