



# From The Desk Of The CHIEF EXECUTIVE

Cyril Vuyani Gamede

November 2016

**G**reetings again and welcome back to the penultimate Chief Executive blog for 2016. We are fast headed towards the end of the year and summer recess. Enjoy the fun and relaxation that come with the Season of Goodwill; you've earned it. But in the wise words of the experts, act responsibly, do not over indulge and drive carefully.

There was no letting up as the General Managers and I continued scheduled engagements with our customers on various issues. You've guessed it, the proposed bulk potable water tariff for financial year 2017/18 and drought tariff remained key items on the agenda. Other subjects on which we shared information were: status of water resources in drought-affected districts within Umgeni Water's supply area, progress with infrastructure development and targeted expansion of operation and management of various potable water and wastewater schemes.

Despite the presence of various contentious issues on the agenda and ensuing often robust discussions, conclusions that arose from these engagements were both amicable and constructive. This has opened the door for follow-up talks that are likely to be tough but cordial.

The open-mindedness of municipalities' political leaderships gives me hope there will be transparency and frankness in future deliberations. This is where we ultimately want to be with our customers. My commitment is to further nurture and develop this liaison to a point where I will be able to confidently say the new political leaders and my Executive team are, to quote an idiom, singing from the same hymn sheet.

Now let's look at some of the engagements that took place and issues discussed.

## Proposed bulk potable water tariff for FY 2017/18

**T**he proposed tariff was unveiled for customers' perusal at a briefing session in Durban. Also present were

representatives of the Department of Water and Sanitation, Trans-Caledon Tunnel Authority, National Treasury and South African Local Government Association. DWS representatives spoke about regulation and tariff determination while TCTA officials presented the proposed capital unit charge for Mooi-Mgeni Transfer Scheme 2 (Spring Grove Dam).



During opening of proceedings I explained that presentation of the proposed tariff was part of an information sharing process which illustrated transparency in Umgeni Water's dealings with its customers. In order to discount the myth that Umgeni Water's tariff is higher than that of other water boards, a comparison was made of tariffs. It emerged from a

benchmarking exercise that Umgeni Water's tariff is among the least expensive. This exercise in comparison has hopefully put to rest a perception that appears to have developed from inaccurate information.

Our presentations also illustrated the impact of the drought on Umgeni Water's activities, including hampering infrastructure development; additional human resources cost; additional energy cost through pumping; reduced volumes sold (which is currently at the level of five years ago); reduction of R2 billion in Capex budget. The scenario does not look promising in respect of above-average rainfall. Weather forecasters say this is only likely to occur in the first quarter of 2017. Projections are that it will take two rainfall seasons to emerge from the effects of the current drought. Consequently the possibility of increased cut in potable water production and higher restrictions are strong while Umgeni Water continues to be placed under enormous cost pressures. Proposed tariff increase presented to the meeting was 15%, which comprises bulk potable water tariff, capital unit charge for Spring Grove Dam (collected on behalf of DWS), capital unit charge for proposed uMkhomazi Water Project and a drought surcharge. Responses from customers included:





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1. eThekweni Metro will not be able to afford 15% increase and it will also be a hard sell to consumers. The municipality requested a breakdown of how 15% was arrived at and scenario sketching of impact, such as what projects would not be implemented if an increase of 11% or 12% or 13% or 14% was levied.

We responded by saying possible impacts have already been determined and this will be shared with customers.

2. Will there be follow-up documentation as Ugu DM Council will have to adopt a resolution on whether to accept or not accept the proposed 15% increase? Has a drought levy been included in the proposed tariff? If it has, Ugu DM will not accept a drought levy.

I responded by saying a tariff pack will be sent to customers and they must also record their comments which will be part of the submission for approval. A drought levy of sorts has been factored into the proposed tariff.

3. What is the cut-off date for submission of comments? Customers would like to see the tariff model.

We responded by saying the proposed tariff, together with Water Services Authorities' comments, will have to be submitted to the Minister by 25th January 2017. The pack to be sent to customers will include the tariff model.

4. Status of uMkhomazi Water Project

I responded by saying this project is to be funded by the Department of Water and Sanitation and Umgeni Water. It is presently awaiting go-ahead from the Minister; however, we must not lose sight of the fact that it is vitally required for the future water demands of eThekweni Metro.

## Commissioning of Hazelmere WTP Upgrade

Representatives of civil society, construction companies, iLembe District Municipality, eThekweni Metro and Umgeni Water gathered to celebrate the

commissioning of an upgraded Hazelmere Water Treatment Plant. The proceedings began first with ribbon cutting that marked the completion of refurbishment of Umgeni Water's Umhlali offices. Attendees then moved to Hazelmere WTP for an inspection and official opening. This was followed by a function at Hazelmere Dam, where a presentation was made on the upgraded project.



Addressing the crowd, the Deputy Mayor of iLembe, Councillor Shandu, was complimentary of the cordial and burgeoning relations that exist between Umgeni Water and iLembe DM and said she is looking forward to stronger co-operation in future.

I told the gathering that the upgrade, constructed at a cost of approximately R125 million, is one of the largest bulk potable water infrastructure projects to be implemented by Umgeni Water in the north of eThekweni Metro. The WTP's capacity has increased from 45Ml/d to 75Ml/d. This will enhance assurance of future supply and also make it possible to meet peak demands in the system.

It was forecast that by 2013 demand would exceed supply. As a consequence, Hazelmere WTP was operating above its design capacity, leaving very little room for downtime due to planned or emergency maintenance requirements. Upgrade of this plant then became essential and completion of work has removed many challenges. It can be safely assumed that if this work was not undertaken, water shortages and supply





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interruptions would have continued to occur, to great irritation of consumers.

The upgrade, however, was not undertaken in isolation: a group of related or interlinked projects to eliminate bottlenecks in the supply system was implemented, some simultaneously. During construction local labour was used in various segments and small, medium and emerging enterprises engaged as sub-contractors. During the pump station upgrade Umgeni Water's Contract Participation Goals target was exceeded.

The upgrade is further example of close collaboration that exists between Umgeni Water and its customers and of Umgeni Water's ability to respond meaningfully to the needs of consumers.

With water adequacy in Hazelmere Dam significantly improved and production capacity expanded, it is hoped Water Services Authorities will utilise to the fullest these benefits. The upside of resumption of pre-drought period demand will spur development and job creation.

The legacy Umgeni Water leaves will be enjoyed by the present and future generations. This project is what communities needed to lift them from the hardship they endured, and it is what customers wanted to promote and entrench socio-economic development. I also urged communities to look after this scheme by reporting incidences of servitude encroachment, vandalism or theft.

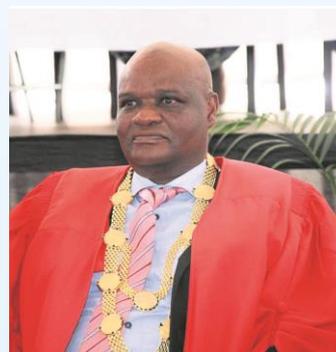
## Engagement: iLembe District Municipality

The Mayor of iLembe DM, Councillor SS Gamede, opened the proceedings by expressing thanks to Umgeni Water for the opportunity to engage with it.

Engagements of this nature provide an opportunity for stakeholders to understand each other's needs. Water resource situation as a result of the drought and progress with major projects were key items of feedback from Umgeni Water.

Drought: Water restrictions in Hazelmere system have been lifted. In Maphumulo, however, water shortages still persist. Water from Hlimbithwa River is still being used in an emergency transfer scheme and a package plant is to be installed to ease the situation.

Lower Thukela Bulk Water Supply Scheme: This scheme is expected to begin supplying approximately 25MI/d by December. Water as a constraint for growth will then cease to exist. A case was made by iLembe DM to refurbish Umvoti WW. Our response was that Umvoti WW was not intended to be in long-term use and that it is not practical to upgrade this plant. Lower Thukela BWSS is a better option. Its capacity, effectiveness and magnitude will remove the future need for Umvoti WW.



Cllr. S.S Gamede  
iLembe DM

Water augmentation needs of Ozwathini and Southern Ndwedwe will be addressed through the R1 billion Mswathi scheme.

iLembe DM also undertook to settle by December outstanding amounts owed to Umgeni Water.

Some questions that were raised at this engagement:

- Is there a commitment that phase four of Mswathi scheme will go ahead?

We responded by saying the scheme is in detail design. DWS has been asked to provide funding for phase four. Construction process will be initiated if funds are available.

- Has issues around employment and social upliftment of communities living in the vicinity of Lower Thukela BWSS been resolved?



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I responded by saying these issues have been clarified and it must be pointed out nobody should expect to be entitled to anything. Umgeni Water has an employment process, and it is adhered to strictly.

The drought levy, part of the formal agenda, prompted discussion that centred on reasons for its implementation and concerns over iLembe DM's ability to meet this commitment. I began by saying it was first unveiled to customers at Umgeni Water's tariff presentation in November 2015. In iLembe, Umgeni Water incurred additional cost through implementation of an emergency scheme, use of additional chemicals and high level of pumping. iLembe DM was informed that drought levy is not a new surcharge and the municipality should, therefore, implement it as the levy will assist in curbing demand on the reticulation side.

Points that were made by iLembe DM:

- Most consumers are indigent; therefore, the municipality will have to fund the levy
- Water supply has returned to normal in some areas as a result of improved dam levels
- The municipality attempted to introduce a levy for the use of tankers to supply water, but had to withdraw the proposed surcharge because of financial stress faced by consumers
- The municipality has experienced revenue reduction of R120 million as an impact of the drought
- If the drought levy is introduced, the political leadership of iLembe DM will become unpopular with residents

Comments that were made by Umgeni Water's delegation:

There is clearly a need to change habits and mind sets in order to achieve realisation that levies at times of water shortages have become the norm. Umgeni Water wants sustainability of water resources and one of the ways of achieving this is by

changing consumer behaviour. Water consumption, in general terms, is not reducing and there are no additional financial measures to reverse this trend. It is important to realise and accept that if a drought levy is not introduced, Umgeni Water may have to shelve some projects. Customers should look into creating a policy or policies that allow for the introduction of short-term special surcharges at times of emergencies.

## Engagement: Harry Gwala District Municipality

Issues discussed at this engagement represented a diverse mix that was intended to place in the spotlight progress – or lack of it – from the previous meeting and also identify new areas of collaboration. The drought levy was also presented to the political leadership of this municipality.



**Mayor Cllr. M.E. Ndobe**  
Harry Gwala District  
Municipality

A proposal was made to Harry Gwala DM about a year ago that Umgeni Water takes over O&M of bulk water and regional schemes within the district. A request was made simultaneously that agreements to validate this proposal be signed by both parties. Harry Gwala DM was asked to provide feedback on the status quo, and it responded by saying signing of a master agreement was presently being examined by legal teams. The master agreement in question will incorporate all areas in which Umgeni Water can be of assistance. Go-ahead has not been received as yet for it to be signed. The Mayor, Councillor Ndobe, admirably adopted a positive stance when he reaffirmed the need for Umgeni Water to work with Harry Gwala DM to improve water services in and around Ixopo town and other areas. This, however, will have to be preceded by a cost analysis.

The reality that arises from supplying water to Harry Gwala is cost of producing per kilolitre is an estimated three times more than the amount we charge per kilolitre. We have to achieve economies of scale through reduction of cost. It is,



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therefore, imperative that a proper regional scheme be considered. Failure to reduce cost of production means cross subsidisation will continue.

The drought levy was the source of much discussion and again affordability was advanced as a reason for objection. According to the Mayor, an estimated R150 million is owed to the municipality by consumers, in part as a result of high unemployment. I sketched a scenario in which there is likely to be wholesale hardship if water use remained unconstrained. Water restriction could climb from its current 30% to 50%. The drought levy is intended to achieve discipline in water consumption and, in this way, promote sustainability of the resource.

It became clear at this engagement that Harry Gwala DM is experiencing cash flow challenges, illustrated by its failure to make payment to Umgeni Water by the agreed timeframes. However, it undertook to settle monies due to Umgeni Water.

That concludes business matters. Let's take look at developments in the fascinating world in which we live. There were some awestruck moments and tears recently as we awoke to a changed environment. Here they are.

## Pirates Ahoy in the Land of Fire and Ice

It's not all that bad to be a Pirate. But don't tell that to the lads from Orlando; they are highly likely to disagree with you, especially after their 6-1 demolition by SuperSport United. In the land of many extremes, Iceland, being a Pirate has become fashionable – in fact, so fashionable that members of the Pirate Party could become the next super elite. In the October 2016 general election they quadrupled their support and emerged with 10 seats in parliament. This occurred just days before our own Pirates suffered a shock defeat, sending them reeling into temporary safe sanctuary. There was



jubilation on the streets Reykjavik when the Pirate Party celebrated its election gains, and tears in Orlando, Soweto, as the Buccaneers measured the impact of the thumping they received.

Pirate parties, now present in 60 countries, have become a new political phenomenon that has defied the predictions of the most seasoned political commentators. Although Pirate parties have policies and procedures peculiar to their countries of origin, they have a common mission: the protection and enhancement of civil rights, freedom of speech and right to privacy. They also share a common view that there should be greater political transparency and accountability, free health and tax loopholes should be closed.

Like with US President-elect Donald Trump after them, the Icelandic Pirates were scoffed at with a minute chance of becoming a political force of any significance. When the October 2016 elections results were tallied, members of the Pirate Party glided into parliament with their sails in full mast. Pirates now occupy the position of one of the main opposition parties. Who are these Pirates? By their own confirmation: anarchists, libertarians and internet hackers (they prefer to describe themselves as internet activists).

What changed so radically in this nation of 300 000 that a motely group have entered the corridors of power where they can actually wield power and hold the ruling coalition to account? Iceland was a scandal-riddled country, once described by commentators as being run by a handful of "mafia-style" families and friends. The country went through the pangs of economic meltdown after the banking sector almost collapsed, leaving the populace penniless and surrounded by austerity. It did not end there. Then revelations emerged later in the explosive Panama Papers dossier that Prime Minister Sigmundur Gunnlaughsson had money salted



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away off shore while the citizenry suffered. He was forced to resign, and the October 2016 elections were held.

Pirate Party received unprecedented support because the electorate, fed up with corruption among the political elite, wanted change. Sounds familiar?

## Hambe Kahle, Comrade Fidel

Former Cuban leader Fidel Castro went to his final resting place, probably pleased with the renewed rise of communism/socialism/leftist governments in Latin America. It is the legacy he wanted and got. Down-trodden and poor masses across the world saw in Castro the effectiveness of change – and hope in situations of sheer desperation. Castro was just that: the beacon of light that shone where darkness, hopelessness and want prevailed. Despite the propaganda dished out by the West that demonised Castro, he was to inhabitants of Cuba and communism a leader they wanted. It will be disingenuous to say Castro’s rule in Cuba was all about repression; it was, on the contrary, more about empowering people, lifting them from the shackles of poverty, giving them a meaningful life and, for Black Cubans, the right to be equal. This was despite isolation of the Caribbean nation, economic sanctions and blockades that made it virtually impossible to import or export. Cuba was stuck in a time capsule, but happy. The population of Cuba is highly literate and health care is available to all, and also available to other countries that needed it in emergencies, such as the ebola outbreak. Castro was a humanitarian, and a friend of South Africa.

He played an important role in the liberation of South Africa when he provided support to anti-apartheid movements. Similarly, the freedom of Angola from Portuguese rule was achieved through military support from the Cuban army, which fought alongside the Popular Movement for the Liberation of Angola (MPLA). Where there was oppression Castro was at hand to help remove it, and he was not scared off by constant threats from United States Presidents.

When Castro’s death was announced, I decided to switch among Al Jazeera, RT (Russia Today) and CNN (Cable News Network) to see how it was being covered. Al Jazeera’s coverage was balanced, projecting reactions in Miami and Havana; RT almost exclusively captured emotions, tears and mourning on the streets of Havana for a fallen hero. CNN concentrated only on “celebrations” on the streets of Miami



among exiled Cubans. Miami Cubans did not hide their hatred for Castro who they blamed for the installation of an unpopular government. The exiles, either middle-class or rich, left Cuba because they did not want to live in a communist state or were supporters of overthrown tyrannical military dictator Fulgencio Batista. They were assisted by the United States to flee to Miami and welcomed there.

I sat in front of my television set wondering whether I was wearing three-dimensional glasses watching one film that had three different story lines. But then this is the reality of media coverage about contentious issues and people considered friends or foes.

Farewell, Fidel, you were a hero and inspiration to millions of people who were freed from oppressive regimes. We salute you.

## Yours in Genuine Black Economic Empowerment

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