



# From The Desk Of The CHIEF EXECUTIVE

Cyril Vuyani Gamede

September 2016

**G**reetings and welcome back to my blog. It has been fabulous to see the dreary days of winter come to an end and the season of new beginnings arrive. On the subject of season change, I hope you noticed the equinox on 22<sup>nd</sup> September when day and night were almost equal. It is a rare occurrence in the Northern and Southern hemispheres.

It has been a wonderfully exciting and challenging 30 days since we last interacted. The past month was interspersed with, in the words of the Clint Eastwood-starrer of 50 years ago, the Good, the Bad and the Ugly. I have often reflected on the words of American author Samuel Langhorne Clemens, better known as Mark Twain: "It's spring fever. That is what the name of it is. And when you've got it, you want – oh, you don't quite know what it is you do want. But it just fairly makes your heart ache, you want it so." Twain's phrase "Oh, you don't quite know what it is to do want" had me trying to work out whether it has any relevance to some of the developments of the past month. Let's spring straight into them.

## The Good

### 1. Water, water everywhere – in the Hazelmere system

**R**elief has finally come to long-suffering consumers in far north of eThekweni and parts of iLembe following the lifting of water restrictions. The decision to remove curtailments



on municipal water supply and use by households and businesses was taken at the end August 2016 by the Joint Operations Committee for the north and implemented on 1<sup>st</sup> September 2016.

Much to the relief of the Board and Executive, production of potable water at Hazelmere Water Treatment Plant is also back to pre-drought levels. A combined total of about 180 mm rainfall in July and August pushed the level of Hazelmere Dam to a healthy 64%. This contributed to normalisation of production. I am happy for the people of Verulam, Waterloo, Sea Tides, La Mercy, Ballito, Umhlali and parts of Ndwedwe. For two years they have had to deal with the inconvenience of water restrictions, which peaked at 40% in the driest days of the drought. Admittedly, it was not a pleasant situation, but vital to ensure that the little water available reached consumers for daily use.



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In a move to enforce curtailment during the period of water shortages, we were supplying reduced volumes to eThekweni Metro, iLembe DM and Sembcorp Siza Water. An emergency transfer scheme costing R32 million was also implemented to augment resources in Hazelmere Dam. Reduction in revenue, together with the cost of emergency schemes, had a significant impact on the bottom line. We were in an abnormal situation that required sacrifice and rapid response. Failure to reach revenue targets is always painful, but we must not lose sight of the reason for our existence, and that is our humanitarian mandate to make access to drinking water possible.

Unfortunately revenue shortfall has been exacerbated by water shortages in the Mgeni system, which has not had the amount of rainfall it normally receives. The consequence of this has been Midmar Dam and Albert Falls Dam remaining consistently at below 50% and 30% respectively. There isn't sufficient water currently available to meet the full needs of eThekweni Metro, uMgungundlovu DM and Msunduzi LM. Reduced potable water production, smaller volumes sold and accompanying below-budget revenue have become the norm, at least temporarily.

In response to the prevailing circumstances, we have adopted prudent cash flow management. Implementation of capital expenditure to the value of R2, 3 billion has been postponed and

overall controllable costs are 17% below budget due to the introduction of cost cutting measures.



Municipalities that receive water from Hazelmere system and Mgeni system are also experiencing financial strain from reduced water sales and this has often been brought to our attention. We were concerned at one stage about their ability to pay us in time, but fortunately debt default did not occur. Staff of Umgeni Water are extremely grateful to consumers and customers for their patience, tolerance and ability to adapt to what was then a worsening drought.

## 2. Forging partnerships in the global community of water practitioners

If Umgeni Water wants to remain relevant in the water sector, it must be seen at and participate in sector events that attract the crème de la crème of practitioners. This is the approach I adopt when deciding where and how to position our brand in order to create a legacy that will speak of an organisation that made a difference to global dialogue on water and development-related



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issues. World Water Week (WWW) in Stockholm, Sweden, provided precisely an opportunity to engage with and share thinking and develop solutions with leaders of the world's foremost water institutions. Global water events and other gatherings do not come more prestigious than WWW, which attracted about 3 000 participants from 130 countries.

The audience included experts from science fraternities, business, governments and civil society. Umgeni Water was also represented. The theme was Water for Sustainable Growth, which is in line with our objective of positioning water as the catalyst for sustainable socio-economic development. It was both riveting and a substantial learning experience to share case studies and brain storm over developmental issues with which counterparts and colleagues are grappling. It is fascinating how much we have in common, and that is irrespective of whether organisations are operating in the developed or developing world. Participation in this forum is so enriching that it is

sufficient to advance the global agendas for health, environment and poverty reduction.



Midmar Water Treatment Plant

## The Bad

### Turning the taps off information means consumers left in the dark

In our business there are glorious moments when we see the fruits of our labour and investments translate into tangible service provision. There are unfortunately times when the unexpected happens, leaving good intentioned business imperatives in the path of panicky technocrats who seem unsure of how to manage public sentiment. On 8<sup>th</sup> September 2016 a shut-down of Midmar Water Works and DV Harris Water Treatment Plant was scheduled to begin in order for essential work to be carried out. The municipalities that receive water from this system, eThekweni Metro, uMgungundlovu DM and Msunduzi LM, approved the shut and scheduled dates. In order to prevent the possibility of water shortages occurring during the shut, staff of Umgeni Water provided additional water to these municipalities. eThekweni Metro and uMgungundlovu DM began preparations and were geared for the shut.

As the day neared, Msunduzi LM began expressing reluctance to accept the shut despite initially signing the relevant documents. On the eve of closure of the



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WTPs, representatives of Msunduzi LM began putting pressure on staff of Umgeni Water to “abort” it. Msunduzi LM staff were told this was not possible as preparations were at an advance stage. Umgeni Water representatives also did a presentation to the political leadership of Msunduzi LM, explaining the water resource situation. On the afternoon of 7<sup>th</sup> September 2016 staff of Msunduzi LM issued an instruction to the Office of the CE that the decision to go ahead must be reversed.



They said they were not ready for the shut and claimed water shortages could occur. This was despite being given 21 days advance notice and also being provided additional water. I was asked to intervene and a decision was taken to temporarily put on hold the shut. Urgent and late-night communication had to be issued to the media that the shut was on hold. News to this effect was carried the following morning, both in external media and our Facebook platform.

There was no published information from Msunduzi LM about the postponement or the reasons for it. The municipality’s customers needed information but did not receive it from their service provider. The municipality

conveniently remained silent while Umgeni Water had to fill a void in which consumers were desperately seeking information. The reaction by consumers reflected a tone of anger and disappointment that the shut had been postponed. Households and businesses felt they had wasted their resources in finalising preparations. It is mind-boggling the extent to which an essential services provider and its constituency were out of kilter. In the absence of details from their municipality, some of people resident in Pietermaritzburg wrongly criticised Umgeni Water. We subsequently placed a notice in the media, explaining the sequence of events and why the decision to postpone the shut was taken. There was positive response to this notice and many people thanked Umgeni Water for being frank and transparent in its explanation.



It is incomprehensible why some municipalities renege or dodge their responsibility to communicate with ratepayers; it is ratepayers’ fundamental right to be kept informed, especially



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about decisions that affect them directly. This attitude serves to drive a wedge between municipalities and the people who live in their towns or cities. It also breeds suspicion and fuels accusations of poor performance. The final outcome is reflected in switching of allegiance by the electorate who have made it clear they will not tolerate poor governance.

Of concern to me is the impact of this dereliction of responsibility on the reputation of Umgeni Water. Many people are still unable to distinguish the difference between Umgeni Water and its municipal customers, and between the provision of bulk and reticulation water services. Therefore, when poor water-related planning occurs and no or insufficient information is provided about impact, the source of the problem, often a municipality, remains silent. Finger pointing and damaging accusations are then levelled at the wrong quarters. Municipalities are at the coal face of service delivery; they must accept responsibility for their actions. In this way public faith will be restored.

## The Ugly

**Yes, there was consultation before the drought levy was approved**

**T**here has been some grumblings over the introduction of a drought bulk potable water levy, which took effect from 1<sup>st</sup> September 2016.

Implementation was a cumbersome process that began a year ago. It was not an easy decision to make in these



difficult economic times, but it had to be done. At our tariff consultation process with customers in November 2015, the need for a drought levy was highlighted as a strategy to conserve water. A month earlier, at the release of our 2014/15 annual performance outcomes to the media, I mentioned that a drought levy would be introduced and I was questioned at length about it by journalists. The process for approval was launched through a submission to the Minister of Water and Sanitation. The Minister approved the drought tariff on 7<sup>th</sup> July 2016 after being satisfied that consultation had occurred in line with the Municipal Finance Management Act.

Some WSAs have now begun registering objections ostensibly on the basis they were not consulted. But they were present at the November 2015 tariff discussion and participated in it! One of the statements they have made is that they are now well into their financial year and provision has not been made for an additional cost for potable water. The point I make is that they were aware of the impending introduction of the levy and should have catered for it. Brings one back to the issue of planning, doesn't it?



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As water shortages worsened and our appeals to Water Services Authorities to reduce demand and promote conservation were ignored, I reluctantly took a decision to act.

That resulted in a cut in potable water production at Hazelmere Water Treatment Plant, peaking at 40%, and 15% reduction at water treatment plants in the Mgeni system. This came at significant financial cost to Umgeni Water, but it was imperative to spur action in order to preserve our dwindling resources.

Water Services Authorities attempted to reduce demand and force consumers to save water only after water restrictions became mandatory. In the Mgeni system, Midmar Dam and Albert Falls are still under serious strain and struggling to adequately meet demands. If the rains do not come, the situation will deteriorate and additional cost cutting will become necessary in order to meet our commitments and ensure financial sustainability.

The principle that informed the introduction of the drought levy is the compelling need to save water. The levy is an additional measure to manage the effects of the drought, enforce efficient use of water and secure sustainable infrastructure maintenance during a drought. The

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key factor that determines the rand amount to be charged is volumes consumed. What this means is that less usage equals less rand value. The stepped charges are as follows:

- 0, 35 cents per kilolitre for the first 5% restriction of water volume
- 0, 64 cents per kilolitre for 10% restriction of water volume
- 0, 95 cents per kilolitre for 15% restriction of water volume
- R1, 31 per kilolitre for 20% restriction of water volume, and
- R1, 84 per kilolitre for 30% restriction of water volume

It is important to note drought levies are not a new surcharge. They are also being implemented by Bloem Water, Overberg Water and Mhlathuze Water. In the mid-Eighties, during water shortages, similar additional charges were levied. On the municipality side, Johannesburg Water is implementing this concept on its consumers.

Now that this trip into talking the truth even during difficult times has come to an end, I bid you farewell until the next blog.

**Yours in Genuine Black Economic Empowerment**

**Cyril Vuyani Gamede**