



**“Excellence in water services provision”**

# **MATJHABENG LOCAL MUNICIPALITY BULK WATER PROVISION PRESENTATION**

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# 1. PURPOSE OF PRESENTATION

The purpose of this presentation is to:

1. Highlight dispute points on Matjhabeng LM on Bulk Water Account;
2. Detail Key Events Pertaining to Dispute with Matjhabeng;
3. Propose Capital Projects for Matjhabeng LM Areas;
4. Highlight Nala Local Municipality Bulk Water Debt;
5. Present Free State Drought Intervention Programme

## **2. Dispute Points on Matjhabeng Water Account**

First dispute letter was received in April 2010. After the meeting with Matjhabeng Local Municipality four main dispute points were identified:

- a. High salaries paid to staff;
- b. Structure of invoices;
- c. Inclusion of insurance on tariff structure;
- d. Inclusion of loan and interest repayments on tariff structure

The first two points were sufficiently dealt with and subsequently agreed upon after several meetings between the parties.

In our understanding the two remaining issues are insurance and loan repayments included in the tariff structure.

### 3. History of Matjhabeng Dispute

#### Matjhabeng LM Dispute Key Meetings and Events:

- April 2010 – First Meeting – Matjhabeng LM declares formal dispute against SW w.r.t water tariffs
- June 2010 National Treasury Pretoria – Mediation – no conclusion reached with regard to dispute (Agreement to pay R500k per day)
- June 2010 – CFO's Meeting (Promise to pay R 53m which was not paid)
- March 2011 – First agreement to separate disputed and undisputed amounts
- August 2011 – FS Treasury – 2nd Agreement (R14m)
- March 2012 – FS Treasury meeting refers matter to office of State Law Advisor

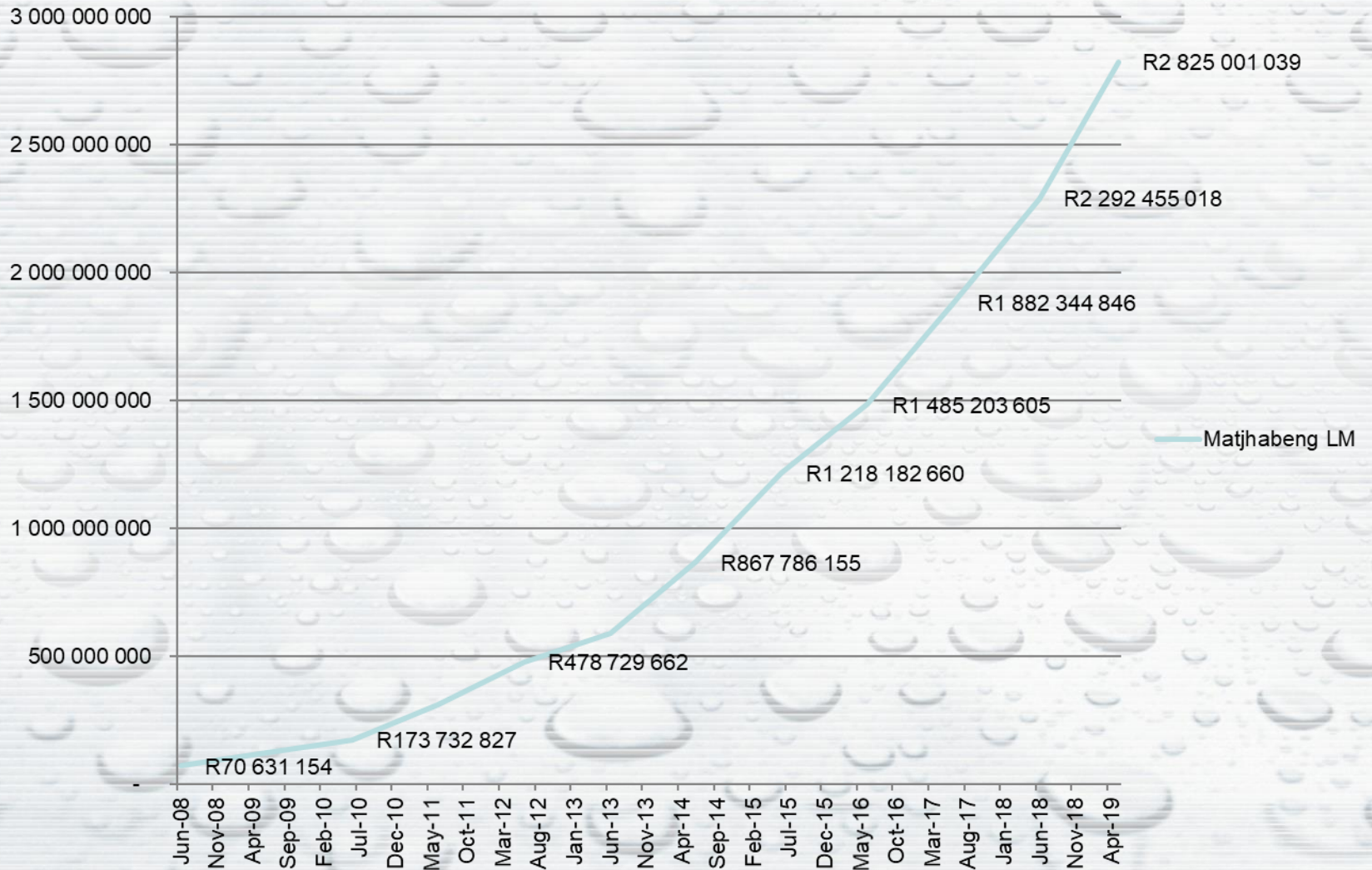
### 3. History of Matjhabeng Dispute (Cont)

Matjhabeng LM Dispute key meetings and events:

- May 2012 – State Law Advisor (promise of written explanation of dispute by Matjhabeng)
- May 2012 – Matjhabeng LM initiates court action against SW
- June 2012 – Court rules that Matjhabeng LM pay current account and refer matter for arbitration
- June to December 2012 – Parties fail to reach an agreement on appointment of Mediator – refer matter to Minister of Water and Environmental Affairs
- October 2015 – Mediation by FS Premier's Office
- February 2016 Second mediation meeting by FS Premier's office
- 2011 to Present – Payments received were always short of what was invoiced

# 5. History of account

## Matjhabeng LM



## 6. CAPITAL PROJECTS IN MATJHABENG

### 6.1 PROPOSED NEW PROJECTS IN MATJHABENG LOCAL MUNICIPALITY

NO.	DESCRIPTION	RATIONALE	ESTIMATED COSTS
1.	Construction of 4 Sludge Dams at Virginia Water Treatment Plant	Current sludge dams at Virginia Plant are running out of storage capacity	R 30 million
2.	Replacement of Pipeline Valves	Aging of water infrastructure and valves that do not seal properly	R 10 million
3.	Sealing of Leaking Reservoirs in the Matjhabeng Local Municipality Area	Leaks on the reservoirs requiring repair	R 1.5 million



## 6. CAPITAL PROJECTS IN MATJHABENG (CONT...)

### 6.2 Augment water supply pipeline for Hennenman – Ventersburg System:

The following project was identified to address the growing need for water supply to the **Hennenman ~ Ventersburg system**.

Augment the supply pipe line from Koppie Allen to Hennenman.

New parallel pipeline 600mm diameter for about 19 kilometre.

Augment the supply pipe line from Hennenman to Ventersburg.

New parallel pipe line 500 mm diameter for about 24 kilometre.

Upgrade two pump stations.

Construct 3 additional reservoirs with a combined capacity of 30 000 kl.

The cost of the total project was estimated in 2014 at R 222 000 000.and would have catered for the expected growth until 2035

This has now escalated to more than **R 360 000 000**

## 6. CAPITAL PROJECTS IN MATJHABENG (CONT...)

### 6.3 Augment water supply pipeline for Hennenman – Ventersburg system:

The pipe lines from Balkfontein to Welkom (3 x 1000mm diameter for about 100 kilometre) is in excess of 40 years old and will soon have to be refurbished/replaced. Cost estimate: R 1,600,000,000.

Sedibeng Water will not be able to provide a reliable and sustainable water service to Matjhabeng LM without funding and payment of outstanding debt.

## 6. CAPITAL PROJECTS IN MATJHABENG (CONT...)

### 6.4 Current Projects in Matjhabeng Local Municipality:

#### **Wesselsbron Pipeline Project (Portion 1):**

The scope of work entails:

- pipeline laying
- construction of scour valve chamber
- pipejacking underneath roads
- construction of air valve chambers
- supply and install scour valves and air valves

Labour: 28 personnel are employed on the project i.e. 16 Local Labourers

Cost estimate: R 63 million

Physical progress to date: 93%

Project is cutting across both Nala and Matjhabeng LMs

There are currently delayed payment to the Contractor affecting the works.

## 7. CURRENT DEBT BY MATJHABENG AND NALA LOCAL MUNICIPALITIES

CUSTOMER NAME	AMOUNT OWED	COMMENTS
Matjhabeng Local Municipality	R 3,673,123,323	Court case initiated by Matjhabeng Local Municipality
Nala Local Municipality	R 219,000,390	Court action initiated by Nala Local Municipality
<b>TOTAL</b>	<b>R 3,892,123,713</b>	

## 9. CONCLUSIONS

The following are proposed:

1. Current Account of R 50 m per month should be paid by Matjhabeng LM to Sedibeng Water;
2. Further payments should be made during from equitable share period to cover the difference between invoices and monthly payments;
3. The two parties should agree on a deadline to settle the dispute with the assistance of Independent Mediator.

**THANK YOU!!!!!!!**