

# **BLOEM WATER 2009/10 TARIFF INCREASES**

***PRESENTATION TO THE***

***PORTFOLIO COMMITTEE ON WATER &  
ENVIRONMENTAL AFFAIRS***

**30 June 2009**

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# OVERVIEW OF BLOEM WATER

- Areas of service – Central and Southern Free State and North Eastern Cape
- Established in 1991
- Local Municipalities
  - Mangaung
  - Kopanong
  - Mantsopa
  - Naledi
- District Municipalities
  - Motheo
  - Xhariep

# OVERVIEW OF BLOEM WATER

- Local Municipalities served from
  - Mangaung 1991 and 1995 (Thaba Nchu area)
  - Kopanong 2000
  - Mantsopa 2000
  - Naledi 2000
- Local Municipalities income levels (bulk water sales)
  - Mangaung R170 mil
  - Kopanong R13 mil
  - Mantsopa R0.7 mil
  - Naledi R7 mil

# COMMENTARY: WATER TARIFFS

- Bloem Water conducted a budget process whereby the Board mandated management to consult with its municipal clients as required by Section 42 of the MFMA.
- The consultation process resulted in municipalities agreeing to a 15% increase and above.
- Following the above, consultation with National Treasury and DWEA resulted in the acceptance of a 15% increase on bulk tariffs.
- Subsequently, a directive was issued by DWEA indicating a 5% reduction in the proposed increase, ie a recommended increase of 10% (R3.24 TO R3,57).
- 2007/08 tariff was R3.06

# COMMENTARY: WATER TARIFFS

- The implication of the above incorporates and encapsulates inter alia the following:
- *An increase in the raw water cost of up to 15%*
- *An increase in chemical cost: 25%*
- *An increase in electricity cost: 25%*
- *CAPEX: The lower tariff resulted in the downscaling of required CAPEX projects in relation to future years and also impacted on National Treasury requirements regarding specifically debt service ratios – disallowing Bloem Water to obtain external funding for the debt service ratio of 25%.*
- *The overall organisational implication resulted in: an increase in pressure on the operational and maintenance aspects of Bloem Water – especially in relation to CAPEX where the plan was postponed by 2 years.*

# COMMENTARY: WATER TARIFFS

## Achievements and Challenges

- *National Treasury circular 23 i.t.o section 42 of MFMA followed and deadlines met with consultation processes with municipalities, organised local government and National Treasury*
- *Municipalities agreed to increase of 15%*
- *To achieve process within the time frames with input cost eg, electricity, water resource, etc, various consultation processes with municipalities w.r.t. demand projections, risk mitigation on CAPEX requirements*
- *IDP information not aligned with the actual implementation*
- *National Treasury view on tariffs*

# EFFICIENCY OF WATER BOARD

- *Provide potable water on a continuous basis*
- *Proper implementation of preventative maintenance programs*
- *Proper and timely implementation of demand management and CAPEX plans*
- *Improve the ratio of assets to water provision*
- *Render support services to stakeholders -*
- *Render water supply chain services to/with stakeholders through partnerships*
- *Skills development initiatives internally and externally*

# Keya leboga