Public private partnerships and the poor - Dolphin Coast water concession
[Case study: Dolphin Coast, South Africa]

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Public Private Partnerships

Dolphin Coast Water Concession

David Hemson & Herbert Batidzirai

Case study: Dolphin Coast, South Africa
Public Private Partnerships
and the Poor

Series Editor: M. Sohail
Public Private Partnerships
and the Poor

Dolphin Coast Water Concession,

David Hemson & Herbert Batidzirai

University of Durban Westville
About this series

The purpose of the project *Public Private Partnerships and the Poor in Water and Sanitation* is to determine workable processes whereby the needs of the poor are promoted in strategies which encourage public-private partnerships (PPP) in the provision of water supply and sanitation services. One of the key objectives is to fill some of the gaps which exist in evidence-based reporting of the facts and issues around the impacts of PPP on poor consumers. This series of reports present the interim findings and case studies of an analysis of both the pre-contract and operational phases of a number of PPP contracts. A broad view of PPPs has been taken and situations where the public sector is in partnership either with formal private sector companies, or with small scale local entrepreneurs, or with NGOs employed in a private sector capacity have been included.

*M. Sohail*

*Series Editor*
‘The people of Dolphin Coast are our most precious commodity and if we do not pay particular attention to them, all our efforts will be worthless.’

(Mayoral Minute, 1998/99)
Preface

This case study of the Dolphin Coast Water Concession is one of a series of studies undertaken on behalf of the Water and Engineering Development Centre (WEDC), Loughborough University on Public-Private Partnerships and the Poor in Water and Sanitation. The work describes the development of the concession of Dolphin Coast over the past five years in its local environment and within the context of emerging policies putting a new face to local government in South Africa. Private sector participation invokes different attitudes by stakeholders that include the local authority, the concession Company, ratepayers, communities, and unions. Although the Concession is still in its infancy, this study attempts to assess whether the concession is delivering a good water and sanitation service to the low-income communities, the working conditions for workers, and ultimately its contribution to the general development of the Borough of Dolphin Coast (BoDC) area. The project is funded by the Department for International Development (DFID), Infrastructure and Urban Development Department and commissioned by WEDC: Loughborough University, United Kingdom.

The research has been conducted by Dr David Hemson of the Institute for Social and Economic Studies (ISES), University of Durban Westville (Key Informant Interviews, write-up), Davison Herbert Batidzirai (Documentary Research, Key Informant Interviews, Interviews with Workers, write-up) and Sibusiso Nkomo (Interviews with Councillors and Focus Group Discussions) both also of ISES, University of Durban Westville.
Acknowledgements

The researchers and the series editor would like to thank the following key people for availing themselves to the researchers: Nick Hall (BoDC Engineer), went out of his way in providing us with relevant material, contact details and took the researchers on a preliminary visit to the development areas of Dolphin Coast; Tokkie H.M. Saayman (BoDC Secretary), Thierry Chatry (Managing Director, Siza Water Company), Dudu Khumalo (KwaZulu-Natal Water Provincial Coordinator for South African Municipal Workers Union (SAMWU), Feisal Dawood (BoDC Councillor), Andrew Ferguson (BoDC Town Clerk), and Bonnie H. Maraj (Mayor of Dolphin Coast), Ian Coates (BoDC Councillor) and Mark Hultzer (SWC Customer Services Manager).

We are grateful to Dr James Leigland (Finance Consultant with the Municipal Infrastructure Investment Unit in Midrand (MIIU), who gave us his time to provide an assessment over the phone.

Thanks also to Kerryn Haselau of the National Business Initiative (NBI), who provided us with our first entry point into the study through the provision of material on Public Private Partnerships and contact details at BoDC. Vanessa Maclou of DWAF was invaluable in discussing the project and personnel, and making preliminary introductions before field visits were made.

Many thanks to Councillors Jethro Banda (Shakashead) and Norah Nzuza (Nkobongo) who gave us an assessment of the impact of the Concession on their communities, and allowed us to conduct interviews in their constituencies. Special thanks go to the communities and workers who freely gave us their time and provided important insights into the operations of water and sanitation services in Dolphin Coast, complementing the views and expressions of other key stakeholders.
Contents

About this series ........................................................................................................... v
Preface ............................................................................................................................ vii
Acknowledgements ...................................................................................................... viii
Summary ....................................................................................................................... 1

1. Introduction .............................................................................................................. 5

2. Methodology ........................................................................................................... 7

3. Limitations ............................................................................................................. 9

4. Historical background ......................................................................................... 11
   4.1 Background to Borough of Dolphin Coast (BoDC) ....................................... 13
      4.1.1 Investment and growth ........................................................................... 15
      4.1.2 Water services, household income and consumption ......................... 16
      4.1.3 Municipal demarcation and water services ........................................ 17
   4.2 The BoDC prior to 1994 ............................................................................. 17
   4.3 Service coverage area ............................................................................... 19
   4.4 Size of population served ....................................................................... 19
   4.5 Income range ...................................................................................... 20

5. Housing and employment ................................................................................... 21
   5.1 BoDC Housing Company ......................................................................... 21
   5.2 Private projects ..................................................................................... 23

6. Finance ............................................................................................................... 25
   6.1 BoDC financial commitments .............................................................. 25
   6.2 Financing ............................................................................................. 26
   6.3 Funding for Infrastructure .................................................................... 26
   6.4 Background to the Concession ............................................................. 27

7. Drivers of the Concession ............................................................................... 31
   7.1 The Water Committee ........................................................................... 31
   7.2 Councillors’ Experience ......................................................................... 31
Summary

A variety of public-private partnerships has been proposed as a solution to the perceived incapacity of local government to service the needs of the rural and urban poor. In South Africa the best known is the BoTT (Build, operate, Train and Transfer) program, but there are also other forms including outright divestment, outsourcing, service contracts, and concessions. Recently two concessions (one in the Dolphin Coast and the other in Nelspruit) have received widespread publicity. To date there has been widespread official advocacy but no evaluation of these projects. This appears the first study of an operational concession in the context of post-apartheid South African policies.

Planning studies characterise the KwaZulu-Natal coastal region as having a littoral and ‘shadow’ zone; a geographical division between a coastal strip and the immediate interior, which also serves as a social division between development and underdevelopment. The borough of Dolphin Coast (BoDC) is made up of parallel strips of an affluent recreational zone and poor residential communities. The former is on the coastal strip in the East and the latter falls in its shadow among sugar cane fields on the other side of the N2 freeway to the West. Luxury hotels aimed at a local and international clientele are being constructed, although not at the rate anticipated. There is a high level of poverty and unemployment in the shadow communities and a considerable lag in housing development.

This relatively developed town provides unusually good conditions for securing municipal revenue to assist in the upgrading of the shadow communities. The Dolphin Coast Concession has had complex origins. Originating in local and practical concerns it has received substantial state support in advocacy, preparation, and implementation. The Concession covers settlements in urban and peri-urban areas that include those with low levels of service or no service at all. Although the most rapid population growth is in the undeveloped West, the proportion of water provided to the poor communities is only 10% of the total supplied. While there has been accelerated water delivery, average consumption is static, which implies static growth of consumption among the poor. The greatest proportion of revenue is received from the unproblematic well-off group in the East.

The Borough appears to have a highly motivated employee structure governed by political representatives with a keen business sense. There appear to be no political divisions on the question of privatisation among the Councillors who view this as the
historic and irreversible direction of policy internationally and locally. The BoDC, through government grants, made a considerable investment in infrastructure in the Dolphin Coast area shortly before Siza Water took over responsibility for the system. This political and infrastructural environment has made for the smooth operation of the planning and preparation of the concession, the transfer, and its subsequent oversight.

For the local authority, government and the Company, the concession is working in an exemplary manner. Opposition at the time of planning came largely from the unions, but was finally overcome through high-level intervention from Ministers and ANC leaders. Dissenting views now come largely from the communities involved and from employees. Community members complain of water bills taking priority over all household expenditure, of receiving high bills when water has not been utilized, of monthly charges for water and sewerage, and of problems in service. They also complain of a lack of consultation and, at times, view the BoDC, Siza and the Councillors as hostile to their interests. Promises of welfare assistance to the poorest to meet their water bills have not been met. The engagement of local labour in housing and other community development has only been partially met.

The views of the Councillors for these areas are less critical of the concession, and reveal some distance from the evaluation made by the community. They make a more positive assessment of the Company’s services and are critical or sceptical of statements made by the community. It has been difficult to assess thoroughly the perceptions of the community in a short study, but it is clear that residents regard the costs of the service as higher than surrounding areas. These costs are appreciably higher than those of the nearby Durban Metro largely because of the separate sewerage charge that was previously hidden in the municipal rates.

The workers are divided over the change from municipality to the private sector. Although there is appreciation of the training that has been provided, there is also criticism that their new skills are not sufficiently used or rewarded. In addition, there is some concern that the higher pay has been eaten away by the employee contribution towards benefits. The workers complain that they have to work more intensively, although they are proud of their record of service in making repairs, etc.

From the number of visitors, local and international, who have visited the concession, it is clear that it is serving as an exemplar of the way in which central government is directing local government initiatives. Its present operation has the support of the Council and of the government and serves as a showcase for private sector participation in municipal affairs. The concession has surmounted the difficulties of transition, the transfer of personnel, and the opposition to the sewerage charges. It faces the difficulties of further enlargement of the municipal area, and of possible opposition to the higher charges it makes for water provision to the poor. There is significant opposition to the policies of the concession by the poor in the shadow communities.

An evaluation of the local policy framework in relation to water provision concludes that the rationale in decision-making is largely one of private sector participation, cost reduction and recovery rather than one based on an explicitly pro-poor policy.
<table>
<thead>
<tr>
<th>Information &amp; participation prior to concession</th>
<th>Council</th>
<th>SWC</th>
<th>Workers</th>
<th>Level 2</th>
<th>Level 4</th>
<th>Councillors</th>
<th>Unions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communities were involved</td>
<td>Communities were involved</td>
<td>No information given</td>
<td>No participation</td>
<td>No participation</td>
<td>Communities were involved</td>
<td>Involved up to a certain level</td>
<td></td>
</tr>
<tr>
<td>Training (Workers)</td>
<td>Workers were trained</td>
<td>Workers were trained</td>
<td>Nearly everyone is on training or has been trained</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Remuneration (Workers)</td>
<td>Good</td>
<td>Good</td>
<td>Static for the past 2 years</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Water Supply Breakdowns</td>
<td>Used to be a problem now under control</td>
<td>Used to be a problem now attended to swiftly</td>
<td>Attended to swiftly and are now infrequent</td>
<td>Not attended to swiftly</td>
<td>Not attended to swiftly</td>
<td>Attended to swiftly</td>
<td>-</td>
</tr>
<tr>
<td>Equipment</td>
<td>Adequate</td>
<td>Adequate</td>
<td>Adequate for tasks</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Housing</td>
<td>Have worked hard and won awards</td>
<td>Adequate but requires more control over allocations</td>
<td>Not enough housing</td>
<td>Adequate</td>
<td>Adequate</td>
<td>Adequate</td>
<td>-</td>
</tr>
<tr>
<td>Tariffs</td>
<td>Ok</td>
<td>Ok. Level 2 rates are actually below expenses</td>
<td>Too high</td>
<td>Too high</td>
<td>Too high</td>
<td>High</td>
<td>-</td>
</tr>
<tr>
<td>Relationship with the BoDC</td>
<td>Work as a team</td>
<td>Very good. Meet weekly.</td>
<td>Good</td>
<td>Suspicious</td>
<td>Suspicious</td>
<td>Very good</td>
<td>Not good</td>
</tr>
<tr>
<td>Relationship with SWC Management</td>
<td>Very good. Open door policy.</td>
<td>Company working very well. Capable team.</td>
<td>Not good</td>
<td>Bad</td>
<td>Bad</td>
<td>Good</td>
<td>Not good</td>
</tr>
<tr>
<td></td>
<td>Council</td>
<td>SWC</td>
<td>Workers</td>
<td>Level 2</td>
<td>Level 4</td>
<td>Councillors</td>
<td>Unions</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------------------------------------------</td>
<td>-------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>-------------</td>
<td>---------</td>
</tr>
<tr>
<td>Relationship with Councillor</td>
<td>Work together well.</td>
<td>Work together well.</td>
<td>-</td>
<td>Not good</td>
<td>Not good</td>
<td>-</td>
<td>Not good</td>
</tr>
<tr>
<td>Water quality</td>
<td>Very good</td>
<td>Very good. Weekly tests done.</td>
<td>Very good</td>
<td>Questionable</td>
<td>Questionable</td>
<td>Good</td>
<td>-</td>
</tr>
<tr>
<td>Donations</td>
<td>Positive for uplifting the community.</td>
<td>Positive and cementing relations within the community.</td>
<td>Good</td>
<td>Not appreciated: insufficient</td>
<td>Not appreciated: feel no link</td>
<td>Uplifting the community</td>
<td>-</td>
</tr>
<tr>
<td>Concession status</td>
<td>Working very well.</td>
<td>Working very well.</td>
<td>-</td>
<td>Not working well</td>
<td>Not working well</td>
<td>Working well although there is room for improvement</td>
<td>Not working well</td>
</tr>
<tr>
<td>Unionization</td>
<td>Encouraged. No problems</td>
<td>Encouraged. No problems</td>
<td>50% members. Positive</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
1. Introduction

Post-apartheid South Africa has inherited a massive backlog in the provision of basic services to previously disadvantaged communities. The delivery of water is perceived to be the most significant indicator of progress (Bakker and Hemson, 2000). Local authorities face the challenges of upgrading and developing previously neglected areas under their jurisdiction that have been denied the necessary infrastructure for human needs. Initially a series of projects in health, education, welfare, water, and other sectors were conducted under the rubric of the Reconstruction and Development Program (RDP). With the financial stringency introduced by the Growth, Employment and Redistribution Policy (GEAR) there have been funding constraints and cutbacks in delivery and, significantly, a change in emphasis from public to private delivery. This has provided an impetus in both policy and practice for the involvement of the private sector. Partnerships with the private sector and other complementary arrangements with the government and the private sector are dominating delivery both in the rural and urban areas. The question is how this policy shift affects the poor communities.

Public-Private Partnerships (PPPs) represent indirect access by the government, through private partners, to resources provided by the private sector. For Jackson and Hlahla (1999), South Africa’s developmental challenges amount to over R100 billion in infrastructural investments over the next 10 years. These authors argue municipalities lack the institutional and financial capacity to address this alone and particularly have difficulty in accessing private sector finance to supplement their own resources and government grants. These restraining factors are stated to be driving municipalities to show increasing interest in Municipal Service Partnerships (MSPs) including PPPs, as a way of improving efficiency and accessing capital markets.

There is a high level of advocacy in the literature on local government. The Institute of Municipal Infrastructure and Engineering of South Africa (IMIESA) for instance, has summarized the benefits of PPPs as follows:

- Involvement of the private sector allows the municipality to expand and improve its water and waste water systems thanks to private investment
- Communities get improved access to services
- Staff can look forward to improved opportunities for training and extended employment terms
- There are new business opportunities where local entities can benefit from international expertise and management brought by water and sanitation concessionaire companies (IMIESA, February 1999).
From such a statement of benefits flowing from PPP there appear no disadvantages. This study will make a detailed analysis of the benefits and disadvantages as seen by leading players and the community before making a preliminary evaluation of the venture.
2.

Methodology

The study makes use of a combination of methods to get information about the setting up of the concession and its operation. The use of different methods helps to check errors that may be encountered through the reliance on a single method. Both primary research and observation were used in this study. Primary research consisted of face-to-face interviews with key officials in the Dolphin Coast area, telephonic interviews with key officials, separate focus group discussions with levels 2 and 4 consumers, and face-to-face interviews with ward councillors. There is an abundance of written materials on the Dolphin Coast. The first part of the research consisted of gathering archival material on Dolphin Coast Concession and PPPs from libraries, newspapers, the Internet, National Business Initiative (NBI), the BoDC and Siza Water Company (SWC). The information obtained constituted a useful database for this study.

The primary research had the following components: Key Informant Interviews, Focus Group Interviews and Workers Interviews. Interviews with key stakeholders in Dolphin Coast were conducted in October 2000 to March 2001. A number of telephonic interviews were conducted with various officials including Dr James Leigland (Finance Advisor with MIIU, Johannesburg), Ian Coates (Dolphin Coast Finance Subcommittee), Mark Hultzer (SWC Customer Services Manager) and Lance Veotta (SAMWU) among others.

Primary research included observation of the communities, individual interviews and the conduct of focus group discussions. Two focus groups were held at the beginning of December 2000 and three further focus groups were held in February and March 2001. During 2000, six workers including a supervisor from SWC (out of a total of 37) were interviewed. In all cases, the researchers prepared issues for discussion prior to the interviews. In the case of Key Informant Interviews, the researchers allowed the interviewees to relate the whole concession development process as they saw it. This allowed the interviewee to feel at ease and the interviewer to get to grips with the issues at stake. This was then followed by interactions to centre on specifics and probe issues and relationships.

The interviews with workers and councillors were again conducted by pursuing the central issues but without a rigid questionnaire and intensive survey thus allowing a free range of opinion. The researchers prepared open-ended questions that were asked to all respondents and allowed qualitative responses. The interviews conducted by Sibusiso Nkomo were in Zulu and others in English were all tape-recorded and transcribed. Further details of the methodology employed in the study of community relations and poverty are provided below.
3. Limitations

There are a few limitations to the study. The first is the timing of the study. The period close to the end of the year is not suitable practically for research, as the approach of the year-end is generally one of winding down. This, however, did not significantly affect the research as the researchers managed to finish planned interviews on time. This seasonal period as well as time available for the research also added pressure to the research process. Unfortunately, there were unplanned delays in starting which led to a compressed time period for delivering the report.

The limited time and budget did not allow researchers to interview all the stakeholders, e.g. bulk water supplier, Department of Water Affairs and Forestry, Body Corporates, Development Committees, Ministry of Local Government and Provincial Affairs, and private contractors among others. It was also not possible to survey a representative sample of the population of the areas being served by the concessionaire. However, the study has concentrated on the qualitative responses of poor communities to the initiative.

Distance was also an important consideration. The researchers had to travel frequently to Dolphin Coast; about 50 km from Durban and transport arrangements were not always easy.

The local government elections, held on 5 December 2000, had some impact on the research process. People were somewhat politically sensitive during the run-up to the elections. There were political parties campaigning and the question of service delivery including water had been put on the table by the ruling ANC. This could have led to communities not expressing their opinions in a forthright manner, as they could have been suspicious of researchers' motives. Despite this, there was no feverish political atmosphere and the major problem was the availability of respondents rather than any political antagonism. In fact, their opinions were freely articulated.

In spite of these limitations, the study provides useful insights into the whole set up and functioning of the Dolphin Coast Water Concession from the planning stage in 1996/1997 through to the implementation and management processes that followed in the past two years.
4. Historical background

The following functions are provided through different institutional arrangements in water delivery, which range from exclusively public to entirely private provision. Generally, water provision is now becoming a mix of both public and private, and can include community and NGO management elements. The choice of institutional arrangement depends on the different circumstances of each country/local authority and the legislative framework in operation. The following are the processes identified in water delivery:

**Figure 1. Water functions that can be performed by different institutional arrangements**
Sohail (April 2000:5-7) has developed the following Public Sector Participation Strategy:

- **Strategy**
  - Responding to PSP Drivers
  - Developing overall policy
  - Investigating the range of options

- **Implementation**
  - Procuring the PSP arrangements
  - Implementing the PSP arrangements

- **Termination**
  - Regulating the PSP arrangements, re-basing prices and termination

These are the institutional processes, which can be identified from inception to implementation of the Dolphin Coast Water Concession.

Table 2 below shows the chronology of the Dolphin Coast Concession, features of which are within the context of the above-mentioned strategy.

**Figure 2. Map of the Dolphin Coast**
### Table 2. Chronology of Dolphin Coast Concession development

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-1994</td>
<td>Refuse removal, control rooms, parks and gardens maintenance outsourced</td>
</tr>
<tr>
<td>01/03/96</td>
<td>BoDC inherited water and sanitation services</td>
</tr>
<tr>
<td>27/11/96</td>
<td>Decision to have private partner in water and sanitation service</td>
</tr>
<tr>
<td>1996</td>
<td>BODC approached DCD and DBSA for assistance</td>
</tr>
<tr>
<td>27/02/97</td>
<td>RFP Document issued</td>
</tr>
<tr>
<td>11/97</td>
<td>Council announced the preferred bidder</td>
</tr>
<tr>
<td>01/98</td>
<td>Minister of Constitutional Development and Provincial Affairs visit to announce the successful bidder</td>
</tr>
<tr>
<td>29/01/99</td>
<td>Concession Contract signed</td>
</tr>
<tr>
<td>01/04/99</td>
<td>Asset register handed over to Siza Water Company</td>
</tr>
<tr>
<td>01/04/99</td>
<td>Concession commences operations</td>
</tr>
<tr>
<td>08/99</td>
<td>President Thabo Mbeki receives Freedom of Borough and praises the concession</td>
</tr>
<tr>
<td>07/2000</td>
<td>BoDC receives Provincial and National Local Government Housing Award</td>
</tr>
</tbody>
</table>

### 4.1 Background to Borough of Dolphin Coast (BoDC)

The area termed the Dolphin Coast is situated approximately 50 km to the north of central Durban along the North Coast Development Corridor. The BoDC was established by a proclamation gazetted on 1 February 1995. Prior to this amalgamation of local authorities in 1995, the Ilembe Regional Services Council was responsible for all services except water and sewerage reticulation services, which were provided through the North Coast Water Services Corporation (see attached map above). According to Nick Hall (Interview, November 2000), the Dolphin Coast Council was not involved in bulk water purchase until 1995, when there was a reconstitution of local authorities to take over water and sewerage services, buying water in bulk and selling water to individual customers.

Planning studies such as the Provincial Spatial Growth and Development Framework characterise KwaZulu-Natal as having a coastal and ‘shadow’ corridor between Durban and Richards Bay. This corridor is assessed as “probably the most vital prospect for the so-called ‘crowding-in’ of new investment” (S2.14). The Dolphin Coast is situated strategically within this corridor. The BoDC contains within itself a littoral and ‘shadow’ zone; a geographical division between a coastal strip and the immediate interior, which also serves as a social division between developed and developing areas. The channels of movement (freeway, link roads and rail) mark this division. The borough is made up of parallel strips of an affluent recreational zone and poor residential communities; the former on the sea-facing strip to the East and the latter falling in its shadow among sugar cane fields on the other side of the N2 freeway and rail line to the West. Luxury hotels aimed at a local and international clientele are being
constructed, although not quite at the rate anticipated. In the ‘developing’ areas, although there are signs of new housing, there exist very high levels of unemployment and social deprivation.

This advancing development provides unusually good conditions for securing municipal revenue to assist in the upgrading of the shadow communities. The newly constituted King Shaka Council now includes the BoDC and covers urban, peri-urban, and rural settlements including those with low levels of services or no services at all. Although the most rapid population growth is in the undeveloped West, the proportion of water provided to the poor communities is only 10% of the total supplied. The greatest proportion of revenue is received from the unproblematic well-off group to the East.

The development of the shadow area as narrated by Councillor Jethro Banda (Interview, November 2000) has been characterised by demands, conflict and finally Council intervention to provide housing and services. In some areas, despite the deprivations of apartheid there was still considerable land ownership by Africans and Indians. In the 1980s, the pressure for urbanisation grew. Working people wanted to be nearer to workplaces, housing plots were sought from farmers whose names have great historical association with the political and cultural history of the region: Dube, Ntuli, Mbokazi, and Ntala. Over time, income from rent became more lucrative than the sugar cane farming prevalent in the region. As important, there were Indian landowners who were prepared to rent out land for settlement. By the late 1980s there were clearly decisive changes making a drift from incremental increases in squatting near small towns to considerable informal settlements. Land use was shifting from agriculture to dense urban settlement but there were delays in recognition of the need for new institutional and legal arrangements. By the early 1990s, as presented by Banda, there was immense pressure for land rights by squatters in the area, but the landowners did not want to sell their land to the municipality to make this possible. The occupants of land eventually found the rents too high and the situation unbearable.

We started talks with the landowners but they refused to sell us the land. Then the people started a rent boycott. The situation was very tense and hostile. During this period there was a violent uprising against the local landowner in Shakashead, Mr. Padayachee, who also owned a sawmill and hardware store. The tension culminated with the sawmill being burnt down and the hardware store destroyed in 1996.

The municipality then finally agreed to buy the land, but the landowners started to evict the people, which resulted in the death of two people. People were evicted and forcibly removed from the houses. We took the matter to court. We won the case and the municipality started to expropriate the land. After that, we started building (Interview 4 April 2001).

---

1 The Nobel Peace Prize winner and former President of the African National Congress, Chief Albert Luthuli, who was a democratically elected chief, a sugar cane farmer, and representative of African farmers in the area lived and died in Groutville just north of the communities described here. Groutville is now also part of the King Shaka District Council.
Despite the civic conflict, the Dolphin Coast area has enjoyed relative peace and stability in comparison with much of the region that, until recently, was racked by political violence. The evolution of the larger urban settlements in Etete and Nkobongo was less dramatic.

4.1.1 Investment and growth

The relatively peaceful evolution of the area has an influence on investment in the region.

“We have, to a large extent, been spared from the violence and political murders in the remainder of KwaZulu Natal” (Mayoral Minute, 1996/97:20).

During the past five years, the municipality has maintained a growth rate of 6% per year, which is the highest growth rate of any municipality in South Africa (The North Coast Courier, 29 September 2000). Development is mainly in housing, and the value of building plans per year is a good measure of the level of development and investment taking place over the past five years.

Table 3. Building plans approved

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993/94</td>
<td>R17 523 800</td>
</tr>
<tr>
<td>1994/95</td>
<td>R71 535 900</td>
</tr>
<tr>
<td>1995/96</td>
<td>R63 043 780</td>
</tr>
<tr>
<td>1996/97</td>
<td>R104 543 739</td>
</tr>
<tr>
<td>1997/98</td>
<td>R108 350 800</td>
</tr>
<tr>
<td>1998/99</td>
<td>R135 600 000</td>
</tr>
</tbody>
</table>


From July through to September 2000 a total of R52 million worth of building plans were approved (Interview with Tokkie Saayman, November 2000). An International Airport is scheduled for construction in 2005 at La Lucia, approximately 30km to the south of Dolphin Coast, which will give a major boost to the economy. This project started some years back, was then halted over lack of funds, but it is hoped that by 2005 construction and completion of the project will be resumed. The project is part of a matrix of projects that have a bearing on the modus operandi of the concessionaire.

The Dolphin Coast area depends on tourism for its survival while commerce and industry plays a minor role in the local economy. The busiest months are April, July and December, all holiday periods, which see a sharp inflow of people and put great pressure on urban infrastructure and services. In the period around July, there are about 9,000 tourists in the Dolphin Coast area whereas in December the figure rises above 19,000 (excluding day visitors).
4.1.2 Water services, household income and consumption

In 1997 there were 3,153 water meters which yielded R250,000 in revenue per month for the provision of 113,000 kilolitres (excluding water losses). At the same time, income from sewerage tariffs amounted to R271,000 per month (RFP Document, 1997:12). Revenue has been increasing at a slow pace. Although the turnover increased yearly, net income decreased in 1996. This was a small indicator of some of the challenges that faced the BoDC soon after the amalgamation of local authorities.

Total revenue generated from Water Supply and Sanitation in previous years is as follows:

Table 4. Revenue from Water and Sanitation Services 1993 – 1996

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions</td>
<td>5.24</td>
<td>5.85</td>
<td>6.95</td>
<td>7.33</td>
</tr>
<tr>
<td>Net Income</td>
<td>0.42</td>
<td>0.56</td>
<td>0.70</td>
<td>0.67</td>
</tr>
</tbody>
</table>

Source: RFP Document, 1997

The Dolphin Coast has fewer than 5,000 customers. SWC uses its own billing software, which is in use in other areas operated by SAUR International. It has the capacity to handle more than 100,000 customers but other programs like Pastel are used for smaller invoicing. This system was already in use when the BoDC handed files over to SWC. Owners of vacant plots are invoiced to stimulate them to build.

There are 500 vacant plots in Ballito now. With the new billing system, non-payment of bills by these owners will affect future prices of their properties. We tell owners from time to time to pay up and there are cut off procedures (Interview with Thierry Chatry, November 2000).

The Dolphin Coast is divided into two distinct areas, the East and the West. The East has the coastline and has wealthy people and fewer households whereas the West is predominantly black with low household income. Those staying in low cost houses have subsidised rates; they pay different fixed water and sanitation rates from those on the East. There is a big difference in consumption patterns between the East and West. Monthly water consumption in the coastal area averaged 119,800 kilolitres (all areas) whilst the West averaged 30,010 kilolitres (all areas) for October/November 1999 (Siza Water Company Five Year Investment Report, 2000). Revenue follows consumption: 80% of SWC income comes from 20% of customers who are on the East Side (Interview with Thierry Chatry, November 2000).
4.1.3 Municipal demarcation and water services

The recently constituted King Shaka District Council, which has taken shape after the December 2000 local elections, is now responsible for water and sanitation services in an area that includes the Dolphin Coast. The area now has a patchwork of different systems that need coordination; there are at least three different systems in operation -- the concession, Umgeni Water and independent Council provision. KwaDukuza-Stanger (130,000 people of which 90% are poor), for example, draws water from the Mvoti river and has a separate contract with Umgeni Water to run the reticulation service. Groutville, with approximately 120,000 people, includes more or less half of the population of the new local authority but there is nothing to show that the local authority was active in the area. There are areas where there are no water and sanitation services at all bar a few boreholes, e.g. Driefontein, Nkwazi, with about 8,000 people and no water services, was originally farmland, but appears to have become a dumping ground for unwanted and retrenched workers. There are no house connections and this is regarded as having stopped any further development in the area for the past 10 years. Mandeni is a tribal trust land with a lack of housing. Darnal which was previously a township owned by a sugar company did get government funding but the water supply in the town and surrounding areas is regarded as totally ineffective. (See map of Dolphin Coast).

With the growth of ‘wall-to-wall’ municipalities throughout the length and breadth of South Africa, there are now mixtures of very different levels of services. A municipal official observed:

Now we have all these spots all over the place and these were created because a few small landowners lived there. There is no water system in place in some areas and there isn’t a fully-fledged township existing although there are a number of standpipes in certain areas. Now as a local authority, you suddenly end up inheriting this (Tokkie Saayman, Interview 7 March 2001).

The changes, which local government have experienced in the last few years, have been quite dramatic and have stretched the capacity to manage services.

4.2 The BoDC prior to 1994

The BoDC started as a much smaller entity but with the matching diversity of the wider administrative area into which it is now absorbed. According to the Financial Mail (February 5, 1999), the Dolphin Coast, prior to 1994, was a ‘higgledy-grouping’ of small, mostly peri-urban villages serviced by the Joint Services Board (JSB). The Borough was created from a collection of 10 towns and settlements spread over an area of approximately 160 km². Prior to March 1996, the Port Natal Ebodwe Joint Service Board provided water and sanitation services for the towns in this area. When the Board was abolished in 1996, the BoDC took over the service delivery functions after Durban Metro declined to manage and operate the BoDC Water and Waste Water System. This responsibility was delegated by the BoDC to Umgeni Water, which ran the system for nearly two and a half years.
Prior to 1994, there was no water system in Shakashead, and standpipes were installed there only in 1995/96. Although there were new demands during this period, the water service generally was in serious disrepair. According to BoDC officials, Umgeni water never built the infrastructure of the water and sanitation system during the time it was running the services.

*The condition of the pipeline system in Ballito was horrible. They haven’t upgraded the water service for 30 years. It was a horrible system for all areas, not only western areas but white areas too* (Tokkie Saayman, Workshop 14/03/01).

According to Dr James Leigland (in *Development Southern Africa*, Volume 16, No.4, Summer 1999:624) on taking over, the authority faced the following challenges:

- Poor infrastructure and inadequate service provision where 50% of the population lived in informal settlements
- Small staff (22) responsible for operation and maintenance, no technical and management staff were employed
- Need for services had doubled by 1997 while the population had increased to 40 000
- Population growth estimated at 250 000 by 2020
- System upgrade estimated to cost up to R200 million (1997 prices).

Coupled with these challenges, the Borough of Dolphin Coast was facing budgetary constraints and declining resources from national government because of a shift in government policies, particularly the introduction of greater financial austerity and greater restriction on municipal borrowing. The BoDC had no access to private capital markets because of its small size and its lack of credit worthiness.

Prior to 1994, the only housing program undertaken by the local authority in terms of the program of Government housing for the poor was the Protea Heights project in Shakaskraal comprising 200 housing units (*Mayoral Minute, 1998/99*). Other predominantly African areas consisted of shack settlements.
4.3 Service coverage area

The water and sanitation service of the Concession covers the following 10 areas:

- Ballito Bay
- Etete
- Nkobongo
- Salt Rock
- Shakashead
- Shakaskraal
- Sheffield Beach
- Tinley Manor
- Umhlali Village
- Zimbali

The RFP Document (1997:12) notes that just before the concession started operations there were 3,422 rateable properties, 3,153 with water connections, and 2,524 with water borne sewerage in the BoDC area. According to Siza, there are now 3,200 water customers and 2,000 sewerage customers (Siza Water Company Five-Year Investment Report, 2000). The difference might have something to do with the difficulty in gathering accurate information about the water and sanitation system prior to the concession.

The white areas were fully covered, while the deprived predominantly black areas had no or inadequate service (Partnerships, 3rd Quarter 1999). Institutional changes caused by the political transition in 1994 and the work of the Demarcation Board that has now taken effect after the 5 December municipal elections have altered the boundaries of the local authority and adjusted its ambit again. More needy areas continue to be swallowed up as the government, in an attempt to pool resources, reduces the number of local authorities and integrates areas.

4.4 Size of population served

Although the area has an estimated (1996) population of 27,787 people that peaks at about 56,000 during holiday periods, no proper census has been conducted. The last population census of 1996 was conducted before the recent influx of people into the area and two communities apparently refused to participate. The fluctuating population makes it difficult to model income as well as provide services in the area. The population is expected to grow by an average of 2.29% between now and 2,016.
Despite this, there is surplus capacity in water provision because of the fluctuating population.

In December 1999 over three weeks we provided a surplus capacity and then this suddenly dropped off despite us having a huge capacity available. We must have pumps all in place, water meters, etc., but we only need all this for a short time (Interview with Thierry Chatry, November 2000).

The Dolphin Coast is becoming an attractive residential area for better-off people moving from Durban. The growth in ‘development’ areas has been rapid in the township of Nkobongo; there were 746 families in 1995, rising to about 2,395 families by 1997. The population figures in official reports are stated to be under-estimations and the council continually reassesses the number of households to get a realistic perspective of the population.

Table 5. BoDC population

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nkobongo</td>
<td>1318</td>
<td>1000</td>
<td>9931</td>
</tr>
<tr>
<td>Etete</td>
<td>328</td>
<td>1500</td>
<td>7476</td>
</tr>
<tr>
<td>Shakashead</td>
<td>333</td>
<td>500</td>
<td>3499</td>
</tr>
<tr>
<td>Formal towns</td>
<td>5500</td>
<td>0</td>
<td>15400</td>
</tr>
<tr>
<td>Total</td>
<td>7479</td>
<td>3000</td>
<td>36306</td>
</tr>
</tbody>
</table>

4.5 Income range

The majority of households on the West Side earn less than R800 per month while the majority of households on the East earned more than R3 500 per month.

The fact that the majority of people in the townships earn less than R800 affects demand and payment for water and sanitation services. If the concession income modelling were based on population figures alone and the number of housing units, revenue projections would have to be revised downwards. The hoped-for growth market of the West Side could become a non-starter as households battle to earn a living. Those on the East Side are probably reaching a service saturation point, although demand and revenue will rise as families that are more affluent move in.

Table 6. Income distribution by household (Siza Water Extrapolation)

<table>
<thead>
<tr>
<th></th>
<th>Less than R800 per month</th>
<th>R800 - R1 500</th>
<th>R1 500 - R3500</th>
<th>R3 500 +</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nkobongo</td>
<td>647</td>
<td>268</td>
<td>115</td>
<td>20</td>
<td>1050</td>
</tr>
<tr>
<td>Etete</td>
<td>793</td>
<td>328</td>
<td>140</td>
<td>22</td>
<td>1283</td>
</tr>
<tr>
<td>Shakashead</td>
<td>224</td>
<td>93</td>
<td>41</td>
<td>7</td>
<td>365</td>
</tr>
<tr>
<td>Formal Towns</td>
<td>331</td>
<td>386</td>
<td>1538</td>
<td>3245</td>
<td>5500</td>
</tr>
<tr>
<td>Total</td>
<td>1995</td>
<td>1075</td>
<td>1834</td>
<td>3294</td>
<td>8198</td>
</tr>
</tbody>
</table>

Source: Siza Water Five-Year Investment Report, 2000
5.

Housing and employment

Water and sanitation services do not exist in a vacuum, and are directly related to the extent of housing development. Housing, employment and other commercial developments provide a stimulus for water and sanitation services and for employment. Councillors find that unemployment is worrisome in the BoDC; the question is how the employment of local labour may be facilitated by development projects.

Unemployment is at 40-50% and in 1995/96 we felt we must provide housing but also parallel employment opportunities to help people pay for services. Everything is development, development, and more development and employment has taken a back seat but the issue should have been parallel. Unemployment could be a serious problem if not checked in time (Interview with Andrew Ferguson and Feisal Dawood, November 2000).

5.1 BoDC Housing Company

The BoDC inherited informal settlements such as Nkobongo, Shakashead and Etete in 1995. Etete was the biggest of the three informal settlements with an estimated population of 5,892 people at that time. The Provincial government provided funds for the construction of homes and water pipeline systems but in some areas, like Shakashead, landowners were unwilling to sell their land to the Borough for housing projects.

In old and new Nkobongo, we have built 1200 homes formally and success is a double-edged sword as we are pro-active and people are coming in from the whole area and hoping to be beneficiaries. Previously we had only 40 outside the system and cleaned that up but nine months later there were another 700-800 shacks; we have purchased land 94 hectares at a cost of R1.7 million (Interview with Andrew Ferguson and Feisal Dawood, November 2000).

To speed up housing development, the BoDC formed the Dolphin Coast Housing Utility Company (DCHUC), a non-profit Company that builds houses in Dolphin Coast and is run along business lines. When Council buys land, there is an agreement that is signed between the BoDC and DCHUC. The Company then takes over the development of that land.

The Town Planner and Town Engineer take part in Company meetings as their work impacts on the Company but do not take on any responsibilities. SWC is also a member of DCHUC because of the bulk water and sewerage infrastructure that SWC provides.

The government is interested in what the BoDC is doing. Most municipalities have failed to provide housing for their communities, e.g. Richards Bay has failed to build
RDP houses in the past four years. The municipality has potential in housing delivery (Interview with Tokkie Saayman, November 2000).

Presently the BoDC has the highest per capita expenditure (R240) on people development among the more than 400 local authorities in South Africa. The Council has spent more than R68 million on developing poorer areas (North Coast Courier, August 18, 2000). The award to the Borough of Dolphin Coast for being the best provider of housing in KwaZulu-Natal for the year 2000 is a testimony to energetic delivery in housing. There are, however, no middle-income housing development programs in the area.

To date the following houses have been provided for about 9,000 households in the low-income areas of the BoDC:

- 1,304 houses built in Nkobongo
- 332 houses built in Shakashead
- 400 and 514 under construction in Nkobongo and Etete respectively
- 6,550 more houses are in the pipeline (Information on Council Offices notice board, November 2000).

These figures are at variance with what Siza reports in their five-year investment plan.

According to SWC, as at the end of 1999 the following housing units had been built:

**Table 7. Future Housing Development, 1999**

<table>
<thead>
<tr>
<th>Location</th>
<th>No of erven</th>
<th>Anticipated occupation date</th>
<th>Occupied as at December 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nkobongo</td>
<td>1200</td>
<td>1996 – 1998</td>
<td>950</td>
</tr>
<tr>
<td>Shakashead</td>
<td>650</td>
<td>1997 – 1998</td>
<td>365</td>
</tr>
<tr>
<td>Etete</td>
<td>4200</td>
<td>1997 onwards</td>
<td>0</td>
</tr>
</tbody>
</table>


As can be seen from the contrast between anticipated occupation date and actual occupation date, housing in the townships appears to be falling behind (largely it seems because of delays in funding). This affects water supply and revenue generation. Most of the housing projects started a year late, and in Etete the project is almost three years late and marks a considerable lag in demand for water and sewerage connections (Siza Water five-year investment report, 2000:3-4). The projected water demand is therefore likely to be scaled down. Now, however, housing development is in full swing in Etete and making progress elsewhere.
5.2 Private projects

Private upmarket developers have built at least 3,300 housing units. As reported in the RFP Document (1997:5), private developers are spending more than R11 million on reticulations for water and sewerage services between 1997 and 2002. The table below shows the housing developments in this sector as contained in the RFP Document as well as the current figures:

Table 8. Upmarket Residential Development

<table>
<thead>
<tr>
<th>Location</th>
<th>No of erven</th>
<th>Housing Units</th>
<th>Projected from RFP as at Dec. 99</th>
<th>Actual as at 1 Dec. 99 SIZA Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zimbali</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coastal Development</td>
<td>750</td>
<td>750</td>
<td>300</td>
<td>70</td>
</tr>
<tr>
<td>Coastal Development</td>
<td>109</td>
<td>109</td>
<td>44</td>
<td>10</td>
</tr>
<tr>
<td>Ballito Extension 3</td>
<td>14</td>
<td>138</td>
<td>55</td>
<td>0</td>
</tr>
<tr>
<td>Shakaskraal (Protea Heights)</td>
<td>140</td>
<td>510</td>
<td>204</td>
<td>0</td>
</tr>
<tr>
<td>Ballito Extension 5</td>
<td>327</td>
<td>850</td>
<td>340</td>
<td>195</td>
</tr>
<tr>
<td>Umhlali Extension 1</td>
<td>370</td>
<td>370</td>
<td>148</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>2310</td>
<td>3327</td>
<td>1331</td>
<td>275</td>
</tr>
</tbody>
</table>

Source: Siza Water five-year investment report, 2000

Again, there is a lag in the completion rate of houses in this luxury market, which could have a marked impact on the demand for water and sewerage services. Projected income will also need to be revised downwards, since payments to the BoDC will not change and this could affect Siza Water’s profits. As noted above, the East Side contributes about 80% of the total revenue from water and sanitation services. Similarly, the projected industrial and business developments have not gathered momentum due to the delay in the airport construction. These developments will have positive spin-offs for water and sanitation services.

Private developers paid an amount in excess of R1.8 million to the BoDC by the time the local authority handed over water provision to SWC (in respect of water and sanitation) and this amount has been transferred to SWC. Ballito has an attractive market because of its close proximity to the beach, and from Ballito to Sheffield a full range of water projects are being implemented. There are two private projects on the West Side where developers are putting up houses. SWC does not carry the costs and risks of the private contractors, especially in situations where there are no profits. SWC is participating in projects (of a 1-3 year span) that are ongoing but is not prepared to participate in projects that could last for longer periods of up to 10 years (Interview, Thierry Chatry 2000).

Hotel developments have not picked up as scheduled and this is an additional concern. The table below shows the projected RFP figures and the present actual numbers:
Table 9. Planned Hotels for Zimbali

<table>
<thead>
<tr>
<th>Hotel</th>
<th>No of Rooms</th>
<th>Status as at 1 February 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Golf Lodge (Sun International)</td>
<td>80</td>
<td>Complete</td>
</tr>
<tr>
<td>Lagoon Hotel (Hilton International)</td>
<td>100</td>
<td>Not started</td>
</tr>
<tr>
<td>Ocean View (Hilton International)</td>
<td>250</td>
<td>Not started</td>
</tr>
<tr>
<td>Interchange Hotel</td>
<td>250</td>
<td>Not started</td>
</tr>
</tbody>
</table>

Source: Siza Water five-year Investment Report, 2000

This delay will also affect the concession just as have housing, business and industrial development delays.

According to Thierry Chatry, SWC considers the full design of each project at the beginning but finds developers unwilling to put down funding at the beginning of such projects. SWC’s participation in water provision is developmental. Three projects are being implemented in Shakaskraal for service levels 2 and 4, 1,000 water units are being installed in Nkobongo and 5,000 units in Etete (Interview, November 2000). Section 32.1 of the contract allows the concessionaire responsible for technical support to households to engage emerging contractors in the construction of VIPs and sullage soakaways, and other suitable systems, funded jointly by a government grant and household contributions (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999).

Every Province has a different legislation in terms of water and sewerage contribution by the developer. This poses problems for land development and a national system is advocated.
6.

Finance

The BoDC had carried out considerable investment with funds from government grants in the water and sanitation works shortly before the concession contract came into force. SWC is expected to invest in the expansion and improvement of the infrastructure while meeting previous investment obligations in water and sewerage.

6.1 BoDC financial commitments

The BoDC committed R85 986 269 in capital investment of which water received R1 million and sewerage R2.4 million in the 1997/98 budget. Government grants contributed R73 559 914, operating income R146 585, external loans R8 227 020 and internal loans R2 752 750 (RFP Document, 1997).

The capital budget for the BoDC has been falling over the years due to the phasing out of the Provincial Housing Funding for developing areas. Water and sanitation services have been taken over by SWC and so no further financial commitments from the BoDC are required. The RDP housing program gradually eliminating informal settlements is still in progress.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Budget</td>
<td>R85 986 269</td>
<td>R22 150 835</td>
<td>N/A</td>
</tr>
<tr>
<td>Water</td>
<td>R1 000 000</td>
<td>R2 003 800</td>
<td>N/A</td>
</tr>
<tr>
<td>Sewerage</td>
<td>R2 400 000</td>
<td>R567 000</td>
<td>N/A</td>
</tr>
<tr>
<td>Government Grants</td>
<td>R73 559 914</td>
<td>R7 937 250</td>
<td>N/A</td>
</tr>
<tr>
<td>Operating Income</td>
<td>R146 585</td>
<td>R73 465</td>
<td>N/A</td>
</tr>
<tr>
<td>Internal Loans</td>
<td>R1 752 750</td>
<td>R4 620 320</td>
<td>N/A</td>
</tr>
<tr>
<td>Civil Works</td>
<td>N/A</td>
<td>R3 029 000</td>
<td>R5 765 000</td>
</tr>
<tr>
<td>Amenities &amp; Health</td>
<td>N/A</td>
<td>R538 670</td>
<td>R1 002 475</td>
</tr>
<tr>
<td>Protection Services</td>
<td>N/A</td>
<td>R1 294 680</td>
<td>R768 950</td>
</tr>
<tr>
<td>Administration</td>
<td>N/A</td>
<td>R2 306 435</td>
<td>R959 389</td>
</tr>
<tr>
<td>Electricity</td>
<td>N/A</td>
<td>R4 017 000</td>
<td>R4 690 500</td>
</tr>
<tr>
<td>Developing Areas</td>
<td>R73 158 834</td>
<td>R8 394 250</td>
<td>R0</td>
</tr>
</tbody>
</table>


6.2 Financing
Approximately R30 million in capital investment has been committed by SWC during the first 5 years of the contract. The tender requires that investment be made in the development, maintenance and management of the services for both water and sanitation in the whole area. According to the former Minister of Water Affairs and Forestry, Valli Moosa, direct investment by the concession amounts to R130 million (*Financial Mail*, February 5, 1999). The BoDC officials insisted that the Borough was not in a position to raise this level of funding. These broad figures, however, were queried by the unions who argued that the company was not investing its own capital in infrastructure.

6.3 Funding for Infrastructure
The BoDC had invested progressively in water and sewerage service assets, with the bulk of funding coming from the Government Infrastructure Capital Grant.

| Table 11 Funds Spent on Water and Sanitation 1993 - 1997 |
|----------------|----------------|----------------|
| Year          | Amount         | Amount         |
| 1993/1994     | R1 624 991     |                 |
| 1994/1995     | R2 798 672     |                 |
| 1995/1996     | R2 0340 224    |                 |
| 1996/1997     | R5 943 346 (budgeted) | |

*Source: RFP Document, 1997*

The Government has contributed significantly to capital projects but these funds are being phased out and this is leading both to declining investment generally and to a heavier reliance on internal loans.

<table>
<thead>
<tr>
<th>Table 12 Sources of Funds for Infrastructural Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>External Loans</td>
</tr>
<tr>
<td>Internal Loans</td>
</tr>
<tr>
<td>Operating Income</td>
</tr>
<tr>
<td>Government Grants</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

*Source: Mayoral Minute 1998/1999.*

External loans have been on the decline while internal loans have been on the increase. Government grants are also on their way out while operating income is on the rise as SWC starts making payments to the BoDC.
Bulk infrastructure investment in Nkobongo in the 1997/1998 fiscal year was as follows:

<table>
<thead>
<tr>
<th>Table 13 Bulk infrastructure for Nkobongo in 1997/1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reservoir</td>
</tr>
<tr>
<td>(Council Contribution)</td>
</tr>
<tr>
<td>Sewerage Extension</td>
</tr>
<tr>
<td>(Council Contribution)</td>
</tr>
<tr>
<td>Sewerage Works</td>
</tr>
<tr>
<td>(Council Contribution)</td>
</tr>
</tbody>
</table>

Source: Mayoral Minute 1997/98

By the end of 1997, the BoDC had 10 reservoirs/tanks with a total capacity of more than 11,000 kilolitres. This is one example of infrastructure investments made by the BoDC before the transfer of equipment and assets to SWC. The BoDC financial commitments averaged 10% of the total funding requirements.

6.4 Background to the Concession

Contrary to the public view that private involvement started in the late 1990s, the Dolphin Coast's drive towards private involvement in the provision and management of services started well before the democratic elections of 1994. According to Tokkie Saayman (Interview, November 2000), services such as refuse removal, control rooms, parks and gardens maintenance, street sweeping, road verges maintenance and refuse removal were already outsourced before the water Concession. The decision to look for a private partner for water and sanitation services was taken on 27 November 1996. The involvement of the private sector was anticipated to bring in management efficiencies and access to cheap capital. It was anticipated that the Concession would sustain losses for some years before making a profit: a practice prohibited to local government. The Council went about looking for a private partner with many years of worldwide experience in the field. There was strong support for this initiative nationally. The former Minister of Department of Constitutional Development (DCD), Valli Moosa (Financial Mail, February 5 1999) believes that local government should concentrate on its core business that is taking charge of development strategy, and should not be in the business of buying and selling. In his view, business in services should be left to other actors who can best provide for them.

Since 1996, the Town Council of the BoDC has adopted a policy that service delivery should be based on efficiency and community participation, equity and efficacy, inclusion and cost effectiveness. There have been several programs to upgrade previously disadvantaged areas, e.g. more than R68 million has been pumped into programs like housing, which has directly benefited the whole community. According to the Government Digest (September 2000), there are plans to focus on Local Economic Development (LED) and the implementation of programs designed to create job opportunities for the people. To date there has been an emphasis on local participation and local purchases to support the development of the area. However, this has not yet gathered momentum and there are complaints of stagnation in the western area.
According to Dr James Leigland (Summer 1999), the decision to consider private participation in service delivery was pragmatic rather than ideological. Changes in local government boundaries after the 1996 elections stretched the area of jurisdiction of the BoDC and posed a challenge to local government capacity. Compared to other municipalities, it is argued, because of the magnitude of its problems as well as its strategic position, the BoDC had to implement a PSP program quickly. Chippie Olver (Financial Mail, February 5 1999), the former Director General of Local Government, has mentioned that smaller local authorities are being squeezed, and that they all have capacity problems. All are lacking in key technical skills and have huge investment needs. In December 1996, the BoDC officials found out that it was very difficult to finance new water and sanitation projects without outside assistance. The Council also needed resources to commit to the development of low-income houses. The Council did not have the necessary reserves and had to rely on government capital grants and to a lesser extent on borrowing.

In summary, restructuring requirements were based on:

- High investment needs to replace major assets and meet service delivery backlogs
- Poor revenue performance--shortfalls experienced largely because of low rates of payments in some areas
- Diminishing capacity to borrow

(Kotze, Ferguson and Leigland, 1999:626)

A concession contract was believed to be the best option because it was believed to lead to improved management and capital investment while stopping short of divestment. The decision arrived at after considering other options, was that Council should seek a suitable partner and formalise the partnership via a long-term exclusive concession contract. According to the authors of the survey, the closer a service delivery system comes to total collapse, the more compelling is the PPP logic, and the easier it is to make a convincing public case for the partnership option. The closer the system is to total collapse, however, the weaker will the city's negotiation position vis-à-vis a preferred bidder (1999:643). As noted above, in 1996 the BoDC faced the demand for a large investment program to enable it to take the responsibility to provide water and sanitation services to communities in an efficient manner. The BoDC needed to implement a water loss management system, a telemetry system for reservoirs; to rehabilitate and upgrade pipelines and sewerage treatment works; to install a bulk supply system to cope with the future demands; to create a new customer management system and install diesel generators to act as backup for pumping stations among other tasks.

In 1996, the municipality approached the Department of Constitutional Development (DCD), which brought in the Development Bank of Southern Africa (DBSA) to provide consulting assistance. R1 million was granted by the DCD to carry out feasibility studies on the water and sewerage reticulation system. On 27 February 1997, DBSA asked for a Request for Proposal (RFP) from the Dolphin Coast Municipality. The Borough Engineer, Nick Hall, developed a data room to gather comprehensive
information on all activities such as housing, socio-economic studies, water and sewerage system etc. This process of preparing the concession took close to two years to complete at a cost of R2.4 million provided by the DCD.
7.

Drivers of the Concession

Drivers are the identified elements that have pushed the concession to the fore. These are mainly the institutions and people involved in the process, the underlying factors and processes, as well as the legislative and socio-political environment. The government through the Department of Constitutional Development exerted strong pressure on all parties to see the concession launched.

7.1 The Water Committee

The Water Committee of the BoDC has four Councillors: Bonnie Maraj, Ian Coates, Clive Thompson, and Feisal Dawood. The Committee was the principal driving force before the concession contract was signed and was responsible for attending and participating in numerous meetings, drawing up the tender and reviewing tariffs among other functions. The committee demonstrated high levels of commitment to the Concession.

7.2 Councillors’ Experience

A common experience in business among Councillors has undoubtedly had a paramount influence in building a uniform attitude of support for privatisation initiatives. According to Councillor Dawood, most Councillors have extensive experience in small businesses. The Mayor Bonnie Maraj, who has been at the wheel in driving forward this concession, has many years of business experience, having run his father’s bus company and working in a senior position at an insurance company.

7.3 Appraisal of Public Supply

The BoDC was the first municipality in the country to go the PPP route after the 1994 general elections. However, this is probably not the first water service to be outsourced, as there had previously been the Albert Falls Company in Howick KZN, which had covered a relatively small area. Mayor Maraj noted that the enthusiasm for the PPP process stemmed from the then Minister of Local Government, Valli Moosa, who said municipalities should provide services to the poorest of the poor as a constitutional obligation, to ensure services to those previously denied basic amenities. The decision to implement a concession was based on the Councillors’ response to the question, “How do you reach out to the poor within the jurisdiction of municipalities without physical, financial and management capacity, bearing in mind that all services require money?” (Interview with Mayor Maraj, November 2000).

7.4 Cost Factors in Local Government

Although a considerable number of Councils have insufficient reserves to carry out their tasks, the Dolphin Coast does not fall into this category. By going the PPP route, Council looked to benefit by:
Unlocking investment capital from the private sector

Promoting efficiency and effectiveness gains

Providing access to non-financial resources

Gaining fiscal and macro-economic benefits

(Mayoral Minute, 1996/97)

These factors are inclined towards monetary and fiscal issues and do not contain explicitly equity or pro-poor factors. In the view of a leading official, cost factors are paramount as most municipalities have inadequate management and financial structures. Municipalities operate on a cost recovery basis over an annual cycle; the margin of viability is small, affecting the long-term prospect for municipal enterprises. Municipalities have been allowed to charge their clients as much as twice the bulk tariff rates for electricity that has effectively subsidised services in poorer areas. This arrangement, however, is, falling away and will impact negatively on municipalities that depend largely on revenues from electricity. Municipal officials argue there is also a problem with public decision-making that can prove to be lengthy and costly to the municipality. A month's indecision on a project could put the whole budget completely off meeting the effective target. The official felt the BoDC should be run as a business and not on political lines even if this leads to union hostility (Interview with Tokkie Saayman, November 2000).

The Council is preoccupied with issues of cost. In a discussion, a senior official gave an off-the-cuff example of cost/benefit analysis by noting that it costs less to have a private contractor provide services like replacing electrical fittings because Council has more overheads in employment especially in relation to social security. As a further example, Council used to operate a caravan park at a loss of R350 000 per year. The park was leased to Caravan South Africa which invested in the enterprise and now pays R300 000 annually to Council and is making brisk business (Interview with Tokkie Saayman, November 2000). There is a strong inclination in Council policy towards cost cutting and increased efficiency through forms of out-sourcing and a belief that this will be the future basis for all local government policy in South Africa.

7.5 Policy Environment

Various development programs’ access to capital markets have been cut back over the years. According to the former DG of local government, Chippie Olver (Financial Mail, February 5 1999),

The capital markets are scared of lending money to local government. A private company is more attractive provided it has a good track record. Ideally, municipalities will break away from the classic mould of providing all skills and services in-house. They should become highly powered; aggressive units that can test the market, manage tendering, squeeze from the market the most favourable deal for residents, and then monitor and ensure contract compliance.
Funding restraints have constrained development programs and delivery backlogs are piling up. Faced with these restraints and stagnant living standards the tendency in policy is towards reducing standards of service delivery. Addressing the Water Institute of South Africa (WISA) 2000 Conference at Sun City, the Minister of Water Affairs and Forestry Ronnie Kasrils said:

*Government is considering speeding up the delivery of minimum water and sanitation to all South Africans by changing the RDP delivery standard of 25 litres of water per person a day within 200 metres of every household to 500 metres in difficult areas.* (Government Digest, September 2000)

There has also been talk of reducing the standard amount of water to be supplied in projects to below 25 litres per person per day.

### 7.6 Water System: decay and low level of services

Prior to private participation in water and sewerage services, areas such as Nkobongo had two standpipes servicing approximately 4600 people.

> We had a small water committee and the people paid 10c per 25l to the individual in charge. This nightmare lasted for four years. When we joined the Borough, the community wanted to move the tap into a yard but this also was not successful. When the account’s debts were too high we closed off the water for a few hours and then the community got active in paying and we opened the system again (Interview with Andrew Ferguson and Feisal Dawood, November 2000).

None of the informal settlements had water reticulation to households. By 1996, the reticulation system was in a state of decay with fairly high levels of water loss. In Etete, the water pipe system was old having been laid in the 1950s. The Dolphin Coast municipality had inherited the water and sewerage services on 1 March 1996 with an ill-equipped staff complement of 22 members but with responsibilities over bulk water distribution and sewerage treatment works. Following the amalgamation, investment requirements were estimated at approximately R17 million per year, but the total municipal budget was around R12 million per year.

> To service the area efficiently capital expenditure had to be increased by 2000%. Ultimately, this would have to be serviced by rates and tariffs with massive cross subsidisation. (Interview with Andrew Ferguson and Feisal Dawood, November 2000)

The municipality faced these problems with rising alarm. The condition of the network and high water loss against a backdrop of poor revenue and lack of funds to invest, led the Council to seek alternatives.
8.

Role of the State

Consultants (those of the DBSA, MIIU, Deloitte and Touche, Shepstone and Wylie and Bosch and Associates) have been at the centre of the process leading up to the concession: in writing the tender document, planning, analysis, and implementation. Their roles have been critically important considering the fact that this was the first concession of note in local government. The high level of expenditure on consultants is justified as being necessary to develop documents that could be used across the country as templates for other concessions.

The state has provided an environment conducive for the different role players to participate, through a high level of official support. Senior government officials have supported the involvement of the private sector through visits to the Dolphin Coast as well as through pronouncements in favour of private sector participation at public forums. The state also supported Dolphin Coast in negotiations with other key stakeholders within the Congress Alliance. The close support of the Department of Constitutional Development has been mentioned. Addressing an infrastructure investment conference, the South African President, Thabo Mbeki (IMIESA, January 1999) stated:

*The private sector has a significant capacity in the field of project management and infrastructure maintenance. Furthermore, there are new and more effective ways of delivering and managing infrastructure based on international best practice. We are working with local authorities and government parastatals to find new ways of organizing projects, so that the private sector can have a role in the different stages of planning, implementation, financing and management.*

Such support is at the heart of government’s thrust towards speeding delivery of services through private sector participation. Continued support from the highest office in the country for the concession came in August when the President addressed a BoDC Council meeting and expressed forthright support for the concession:

*Naturally, since this is a new venture in the control and management of services, there will always be those among us who will be uncertain about the viability and benefit of such partnerships. We are confident that with the right commitment as well as the correct oversight on the part of the Council, this venture, as well as similar ones elsewhere, has the potential of ensuring that our people have access to quality services* (Mbeki Speech, 20 August 1999).

President Mbeki said that the concession was an innovative approach, which brought international skills and the efficiencies of private enterprises to the management of municipal services and should serve as an example to other municipalities. Government support was sealed by this visit to the Dolphin Coast in 1999 at which the President received the freedom of the Borough.
8.1 Development Bank of Southern Africa (DBSA)

Through the agency of the DCD, the Development Bank of Southern Africa (DBSA) was appointed advisor to the BoDC. A strong team of 16 officials from DBSA was assembled to carry out the following:

- Financial modelling of the water and waste water system
- Recommendations for appropriate levels of service for different areas
- Liaison with local and national government (DWAF and DCD)
- Liaison with local and international legal counsel, IFC and other international advisors
- Recommend relative service delivery options and relative contractual mechanisms
- Preliminary survey of potential financing options
- Assist with procurement and contracting procedures (Kotze, Ferguson and Leigland, 1999:626).

All these tasks were carried out in association with the DBSA, from the preliminary assessment of the need for restructuring through to the implementation stages.

8.2 Municipal Infrastructure Investment Unit (MIIU)

The government created the MIIU to coordinate municipal investment projects involving the private sector throughout South Africa. The Water Affairs Ministry has been working closely with MIIU to determine areas of mutual interest throughout all the phases of the development of public-private partnerships in water supply and sanitation. In the last nine months of negotiations, the BoDC received additional financial and technical assistance from the Municipal Infrastructure Investment Unit. As in the case of the DBSA, MIIU has liaised and coordinated with national level stakeholders, and provided consultancy and financial assistance to the BoDC. Dr James Leigland worked closely with all the stakeholders until the successful conclusion of the contract.
9.

Policy and Legislative Framework

The White Paper on Water Supply and Sanitation recognizes the role of the private sector in the provision of water supply and sanitation. The policy trend towards PSPs in local government has seen the preparation of enabling legislation to strengthen existing provision for private sector participation.

9.1 The Policy and Legislative Context

The regulatory framework affecting water and sanitation PPPs is a patchwork of laws consisting primarily of five different pieces of legislation:

- The Constitution of South Africa; Act 108 of 1996 (especially sections 151 - 164),
- The Local Government Transitional Act of 1993
- The Water Services Act of 1997
- The Municipal Structures Act
- The Municipal Systems Act No. 32 of 2000

Section 10c (7) (a) of the LGTA allows a local government to enter into an agreement with a private partner to 'exercise a power' or 'perform a duty' of the local government, such as the provision of water, removal of waste etc. It leaves the determination of tariffs to the local authority and the recovery of tariff revenues by the private partner. The Water Services Act, 108 of 1997, states that local authorities should provide water services. Section 19 confers on local governments the power to enter into contracts with private partners to provide water and sanitation services. Section 19 (2) states that a local government may only enter into a contract with a private sector water service provider after it has considered all known public sector water services providers that are willing and able to perform the relevant functions (Kotze, Ferguson and Leigland, Summer 1999:640). This is a key provision that is relevant to later disputes related to the concession. The responsibility for water provision now falls under District Councils after the elections, although there is a six-month phase-in period.

Other pieces of legislation will affect PSP: the Municipal Systems Act No. 32 of 2000, which provides for a specific regulatory framework for municipal service partnership and local authority Water Bylaws that are developed by each local authority. The Act provides for municipalities to set tariffs, a clause that is now being contested by the private sector. Although these legislative provisions are generally seen as supportive of the private sector, there are concerns that the emerging framework could be restrictive.

There is a rapidly changing legal framework, the Municipal Systems Bill which provides a limit on tariffs, and the Amendment to the Municipal Structures Act which provides a new slant questioning whether a project is bankable or not. There was a
big coalition of interests on the Water Services Act regulations which steered that change. It looks as though we are starting all over again (in implementing PSP) and this is convincing donors like USAID that the government is pulling the plug on partnerships. This is a blow to long-term concessions in the country. Most of the Municipal Systems Bill is supportive to partnerships but there is the added complication of the limit on tariffs, which is a killer. In Nelspruit, this has meant that private banks do not want to participate because of the limit and the funding is left up to the DBSA (Interview with Dr James Leigland, November 2000).

Fears of such restrictions, however, have not been expressed in the Dolphin Coast, and the Company appears to be happy to have the municipality deal with ‘potential’ question of tariff changes.

9.2 Political/Policy Environment

The Council, which has an ANC majority, operates within the political framework of the Congress Alliance. The Mayor of Dolphin Coast is a long-time member of the ruling African National Congress (ANC). When he won a seat as Councillor there was no absolute party majority in the Council. In the pre-election (1994) period there were 13 Councillors; eight ANC, two NP, two DP, and one independent. He is proud of the Council’s achievement as an ANC member: “The ANC is first in achieving quality!” (Interview with Mayor Maraj, November 2000). The Mayor who is a symbolic figure for the Council associates a pro-poor stance with non-partisanship.

The approach taken by Councillors is depended upon a common mindset, vision, common sense and the human factor. I made the case for the poor visible and there was consensus on this issue. There is a good working relationship in Council. Mandela took a stance that local government is not about party politics and this is the same stance that I am taking (Interview with Mayor Maraj, November 2000).

The Mayor feels communities should not be polarized along party lines since people have the same needs. “In Stanger there were divisions along party lines and this destroyed service delivery”. Despite stating they are not influenced by political considerations by Councillors, the Managing Director of SWC bemoans politics, which cloud business issues, which he feels are time consuming and delay the implementation of projects (Interview with Thierry Chatry, November 2000).

The Department of Water Affairs and Forestry (DWAF) and independent researchers have concluded that between 40 – 60% of rural people do not have an adequate supply of clean water. Government increasingly stresses that the private sector should be involved in the extension of water services to new beneficiaries in these areas. These PPP initiatives would thus be at the centre of the extension of services to the rural poor. A primary concern has been raised about cherry picking where the concessionaire is likely to service and upgrade better areas with greater certainty of regular revenue. To offset this, there is a balance in policy between the regulatory framework and the incentives given to the private partner. In the case of Dolphin Coast, the contract sets the parameters under which SWC will operate. This includes the extension of services to the RDP areas, the employment of local labour, funding of development projects
through the development fund, among other requirements (RFP Document, 1997). SWC is therefore not in a position to service only lucrative areas.
Union opposition to private sector involvement in the provision of services that have traditionally been provided by state institutions has characterised the concession. According to councillors and officials, unions have presented the greatest obstacle to the BoDC initiative and the contract had to make significant accommodation to union demands to accommodate them.

We were opposed to privatisation from the outset. We compromised under section 19.2 of WSA. It doesn’t matter who delivers but the question is at what cost to the disadvantaged. There is room to restructure and create further efficiency and effectiveness in service delivery by the local authorities. What is needed is funding. To say outsourcing is not privatisation is to play with words, we have a totally different view (Lance Veotte, 14/03/01).

10.1 Negotiations with Government and Unions

According to Tokkie Saayman and Nick Hall, unions were engaged in the build up to the Concession. After the announcement of the preferred bidder in 1998, a period of negotiations with interested stakeholders followed. Negotiations covered staff, assets, investments and other issues and the Dolphin Coast municipal staff was kept informed of all deliberations.

We gave the assurance to unions that we would take the workers back if something went wrong (Interview with Mayor Maraj, November 2000).

The negotiations were conducted with national figures. To surmount union opposition, the then Mayor had a personal engagement with Sam Shilowa, the then Secretary General of COSATU.

He had 55 questions pertaining to the Concession, which I responded to adequately. Shilowa could not find any fault in the Concession (Interview with Mayor Maraj, November 2000).

The BoDC liaised with SAMWU and COSATU in various meetings and in these discussions had direct support from government and the ANC:

Valli Moosa intervened and supported our position of going through the private participation route. He felt municipalities had no capacity to deliver considering the inherited unserviced areas after the last municipal elections. The Minister stood by us at every meeting with COSATU because he knew that COSATU was going to roll over since COSATU had an ideological stance on privatisation/outsourcing of services (Interview with Mayor Maraj, November 2000).
Negotiations took more than one year (from January 1998 onwards) and covered feasibility studies, meetings with stakeholders and decision making by Council. According to the officials involved, the negotiation process took longer mainly because everything was done from scratch, and if all the information had been available negotiations could have been concluded much faster. Consultations with unions took time and are said to have held back the project for a while as bargaining positions changed.

According to municipal officials, initially there was support from the local labour union, South African Municipal Workers' Union (SAMWU), to the BoDC’s concession proposal. However, SAMWU later voiced its concerns especially its fear of retrenchments.

COSATU needed assurance in terms of tenure of employment since a private Company was taking over the workers. Negotiations occurred at a top level, culminating in COSATU and SALGA signing a framework of agreement for the restructuring of municipal service provision, the National Framework Agreement (NFA) on 11 December 1998. Through the working of the Congress Alliance, union opposition was sufficiently overcome and the signing ceremony took place in the presence of the Minister of Constitutional Development only a few weeks later in January 1999.

COSATU and SAMWU were, however, not happy with the final signing of the concession agreement that they argued transgressed the NFA, and ferried busloads of people to protest against the Borough of Dolphin Coast (Interview with Tokkie Saayman and Nick Hall, November 2000). The unions stated the contract came as a shock to “all but the inner circles of the department and the Dolphin Coast municipality” (Weekes, 1999). The sectoral forum of the NFA was, in the view of the unions, the forum at which the Dolphin Coast case should have been discussed.

The framework agreement, consistent with national legislation such as the Water Services Act, states that the public sector is the preferred deliverer of services. Before any public-private sector partnership is considered, “local government must be given the opportunity to ensure the effective functioning of such service delivery” and government decisions about prioritising needs and allocating resources must be made “on the basis of the social need, not on the basis of profit”. In addition, there are provisos that a full cost-benefit analysis be undertaken in every case put forward for privatisation.

The Dolphin Coast deal, it is argued, had done none of these. It was clear that it had to be thrashed out in the sectoral forum. However, before this could happen, SAMWU read in the press late in January that the contract with SAUR had been concluded with the full backing of DCD officials (Weekes, 1999).

The union movement felt that the contract had made a mockery of the NFA where agreements were to be reached before privatisation initiatives were launched.

_The key negotiator from SAMWU, who was originally involved in the Dolphin Coast Concession negotiations is said to have been away working on the Rand Water_
project when the contract was signed. He is reported as stating that he had signed no document agreeing to the Dolphin Coast Concession. (Interview with Dudu Khumalo, November 2000)

Despite this, the Mayor argues that local union opposition had been overcome and replaced by consent from the workers themselves:

_The manner in which the Borough undertook to protect the water and sanitation workers was the winning factor over the unions. The BoDC sat with the 22 workers and the winning bidder to discuss all issues concerning their welfare, such as leave conditions, bursaries, pensions, training, and staff shares that amount to 4% of total wage bill._ (Interview with Mayor Maraj, November 2000)

### 10.2 SAMWU and IMATU

Some of the workers at SWC are affiliated to IMATU although others have joined NEHAWU. Most of the members joined IMATU at a time when there was infighting in SAMWU leaving no one in charge of recruiting members (Interview with Dudu Khumalo, November 2000) (See Section 12.3 on SWC workers). Before the Concession, of the initial 22 employees in the water and sanitation sector, 17 were affiliated to SAMWU and the other five did not belong to any union (_RFP Document, 1997:20_). IMATU has a different approach to restructuring, as it is stated to believe that whatever happens privatisation is inevitable. According to Dudu Khumalo of SAMWU, IMATU attracts members to its ranks because it gives loans to its members and because of encouragement at a meeting by Neil Mcleod of Durban Metro Water and SWC to join IMATU (Interview, November 2000). It appears that the membership of SAMWU has declined since the Concession was signed. This is supported during the interviews with the workers (See 12.3 SWC Workers). It seems that workers were prepared to join the Company, and receiving promises that they could return to the municipality appeased workers.

According to the workers, SAMWU did not provide enough information and support to workers for them to join or maintain membership. Due to logistical problems, Dudu Khumalo has not been able to keep pace with developments in the Dolphin Coast. She states there is no conflict between IMATU and SAMWU since they both sit together at the Bargaining Council and other forums. Some members of IMATU actually go to SAMWU for arbitration if they have problems and many have dual membership. Khumalo feels that private companies may attempt to do best for their employees now but over a period of time conditions could worsen for workers.
11. Key Features of the Contract

The process of developing and implementing the contract took about two years. The resultant contract document (265 pages) was the product of inputs from various stakeholders including technical, legal and financial experts.

11.1 Bidding Process

In April 1997, 15 firms and consortiums submitted proposals to the Borough of the Dolphin Coast. This number was short-listed to four companies, on advice from DBSA, to ease the adjudication process. Detailed bids were then requested from the four and three were received on 31 August 1997, focusing on two areas - financial and technical issues. Umgeni Water had to be withdrawn because of a stated conflict of interest (Umgeni is a supplier of treated bulk water to the BoDC), although it was later re-engaged after legal opinion was received. The proposals were in turn sent to the DBSA for evaluation since the BoDC felt it did not have the capacity to undertake the task. The four companies short-listed were:

- Dolphin Coast Water Services Corporation
- SAUR International
- Umgeni Water/Compagne Generale des Eaux Consortium
- Water and Sanitation Services South Africa Pvt Ltd.

According to the officials involved, these four companies were technically capable and passed the first round having done their homework thoroughly; and there was little difference in proposed water tariffs (Interview with Tokkie Saayman and Nick Hall, October 2000). The DBSA made the final recommendation and in November 1997, a Council meeting announced the preferred bidder based on technical issues. In January 1998, the then Minister of Constitutional Development and Provincial Affairs visited the Dolphin Coast to announce the successful bidder, SAUR International. The announcement was followed by negotiations that lasted a year to prepare the necessary documents.

The concession to manage the local authority’s water and waste water services for the next 30 years was led by SAUR Services (the South African arm of SAUR International), which won what was described as the one billion rand service contract. Chippie Olver noted that over 40 other local authorities including Johannesburg were preparing similar schemes (Financial Mail, February 5 1999). The Dolphin Coast Water Concession was signed between the Borough of Dolphin Coast and Siza Water Company on January 29, 1999 and implemented on April 1, 1999. The contract is exclusive to the winning bidder. Section 5.4.1 of the contract states that the concessionaire is granted the sole and exclusive right to supply Water Services to
Customers within the concession area for the term of the Contract. Section 5.4.2 further states that the right in 5.4.1 is personal to the concessionaire and may not be transferred, ceded or assigned by the concessionaire. This does not mean that work cannot be subcontracted as Annexure Interim Emergency Plan, Section 3 states that the concessionaire will conclude contracts with appropriate civil engineering contractors within the concession area or the immediate vicinity to ensure that in the event of an emergency situation they will be available to supply immediate support to the concessionaire (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999.)

11.2 Termination/Extension of Contract

At the end of the 30 years, the contract may be terminated or renewed, it may be awarded to another Company, or the municipality could take over the provision of services. The Company may terminate the agreement, although a penalty would have to be paid to the BoDC.

Provision is made to ensure that there is assured smooth water and sanitation services after the expiry of the contract. Section 55.1 of the contract reads: “provided the contract has not been renewed or extended under 5.3, the concessionaire shall 19 (nineteen) months prior to the expiry of the term of the Contract deliver a maintenance bond issued by a reputable financial institution in favour of the Council acceptable to the Council, particularly as regards the format, amount, the identity of the guarantor, the security offered and its terms” (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999). Section 55.3 further states that the maintenance bond shall be issued in an amount which is equivalent to 2% (two per centum) of the turnover of the 28th year of the Contract term. The maintenance bond shall within 150 (one hundred and fifty) days after the anniversary date of its first issue, be reinstated and its maximum amount referred to in 55.2 in respect of the 30th (thirtieth) year of the Contract term shall be adjusted to an amount equivalent to 2% (two per centum) of the turnover of the 29th year of the Contract term. A similar mechanism is built in, in the event that the contract is terminated before its destination, e.g. performance guarantee that can be used if SWC decides to pull out of the contract.
12.

The Concessionaire

The concessionaire was required by law to have local partners as a means of empowerment and to register locally to operate within the confines of South African law. This was seen to be politically palatable in the eyes of distracters who often see private sector involvement in traditionally government functions as mainly white or foreign.

12.1 SAUR Services

SAUR International has extensive operations internationally particularly in Africa and has concessions covering everything ranging from waste disposal to tending graveyards for the Brighton and Hove Council in England. The SAUR Group is one of the leaders in the private management of public utilities employing over 22 000 people on four continents, providing services to over 34 million people (IMIESA, February 1999). Research linked to the trade union movement presents a critical view and highlights breakdowns in contractual relations and issues of corruption. A report by the Public Service International revealed that SAUR had been fined by the French Fair Trade Council in July 1997 for an illegal agreement with other companies to share secretly a public works contract. In Gdansk, Poland, within two years of SAUR taking over water services, a new, secret contract was negotiated after problems in water provision. Finally, the report mentioned an investigation in France into SAUR and two other companies for corruption and the operation of cartels (Weekes, 1999).

SAUR’s introduction to South Africa is fairly recent. It gained a foothold into South Africa by establishing the SAUR Services Commercial Office in Johannesburg six years ago. According to Thierry Chatry, the Managing Director of Siza Water Company, other contracts by SAUR in Southern Africa include operations in Mozambique where there is a water concession contract with the city of Maputo (AIM, 1999), and Zambia, where there is a 5-year management contract of a mining town in the copper belt area. While a management contract does not require a lot of investment, a concession contract is more risky and requires political stability among other things to function effectively (Interview, November 2000). Thierry Chatry feels a successful Dolphin Coast Concession would not only benefit SAUR International, but all the companies involved in the water sector. It is clear that SAUR Services through SWC would like to use the establishment of the BoDC concession as the foundation stone for future business in South Africa.

Patrick Vincensini, General Manager of SAUR International, Southern Africa, hailed the concession award by saying:

*The award of the contract will herald the approach by government to provide quality service to all... our Company has been involved in service provision for over 60 years, 40 of them in Africa. SAUR has been operating services in 40 countries around the world, 18 of them in Africa.* (Urban Management, June 1998).
12.2 Siza Water Company
After winning the bid, SAUR International formed a local Company, Siza Water Company (SWC) - a consortium of five partners. SWC has been responsible for the provision of water and sanitation services to the Dolphin Coast since 1 April 1999.

12.3 Shareholders
Fifty eight percent (58%) of shares in SWC are owned by SAUR Services, and four South African empowerment partners own the remainder of shares, viz.:

- **SAUR Services Ltd.** (58% of shares)

- **Metropolitan Life Ltd.** (23% of shares) - sixth largest life assuror in South Africa with strong financial track record. A major shareholder is the empowerment group New Africa Investment Holdings (NAIL).

- **Women’s Development Bank Investment Holdings (Pty) Ltd** (5% of shares) - established in 1996 for women participation in the economy.

- **The Investment Progress Group Holdings** (IPG) (5% of shares) - established in 1995. Group of professionals from previously disadvantaged communities.

- **NANO Investment Holdings (Pty) Ltd** (5% of shares) - young professionals of previously disadvantaged communities mostly MBA graduates (IMIESA, ‘Dolphin Coast Concession signed’ February 1999).

The concessionaire can only change share ownership upon approval by the BoDC but is compelled to hold not less than 25% of shares. This is designed to ensure that international management expertise is maintained throughout the duration of the contract. Section 70.4 of the contract stipulates that should SAUR fail to maintain its prescribed minimum shareholding of 25% (twenty five per centum) plus 1 (one) share in the concessionaire, the Council may subject to giving SAUR 30 (thirty) days notice to rectify the breach, at its election, terminate the Contract (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999).

Although various figures are provided in relation to the value of the contract, the precise amount of foreign capital invested is not clear although total capital invested amounted to about R7 million. The shareholders mentioned above did not invest in SWC and received shares without adding to its financial equity, and appear to be free riders in the Company (Workshop, 14/03/01).

12.4 Experience of Managing Director
The Company has placed a relatively young director who has trained in Water Treatment Engineering in the key position of MD. Thierry Chatry, the MD, was Operations Manager for a SAUR Services concession in France in a city in which the Company provides water and sanitation services to about 500 000 people. His African
experience was gained in Ivory Coast, West Africa where he taught for two years. He worked in Senegal and received technical, safety and English language support before coming to South Africa (Interview, November 2000).

12.5 Roles and Responsibilities of Concessionaire

As the Concessionaire, SWC has been granted the right to possess, use, operate, manage, maintain, rehabilitate, redesign, remove, improve and expand the existing works at its own risk and cost. The Company is also expected to meet prescribed levels of service that are based on affordability and to take full commercial risk by maintaining and developing the infrastructure, providing the service, billing the customers and being responsible for tariff collection. SWC leases existing assets and the new assets. Section 23.1.1 of the contract provides for the concessionaire to acquire full rights of ownership in respect of all new works acquired by it during the contract term. SWC will take over all existing debts pertaining to the service network. Section 15.1 of the contract allows the Council to be responsible for the discharge and payment of all amounts (including both capital and accrued interest) and other financial obligations associated with or connected to the Existing Works (the Existing Works Debt) of whatsoever nature arising out of or in connection with the financing obligations of the Council in respect of the Existing Works and shall indemnify and hold the concessionaire harmless against any breach thereof (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999). However, all fixed assets including new infrastructure invested by SWC will remain the property of the BoDC although they are entrusted to the concessionaire for the duration of the contract.

According to Partnerships (3rd Quarter 1999), the Concessionaire is seen as a service provider but investments will revert to the BoDC at the termination of the agreement to enable the BoDC to continue offering services. Alternatively, the BoDC will have gained sufficient experience of private participation and could decide whether to re-tender as an option to ensure efficient service provision or to take over itself.

12.6 Preparatory Phase for Siza

Mr. Thierry Chatry arrived before the signing ceremony in 1999 and had only two months to set up an office, create customer service files, a customer services department, implement new billing software (from Microsoft Excel to in-house software for consumers), sort out technical issues and negotiate with the BoDC water and sanitation staff over transfer to SWC. Most of his time was spent on logistics in the first two months resulting in services commencing on 1 April 1999 and the first bills to customers under SWC coming out a month later (May 1999).

This was very sensitive, as 10% mistakes could have led to a bad atmosphere. We inherited 24 staff of which one was administrative. We recruited in addition a secretary, customer and community service personnel. Negotiations for transfer of staff was easy because the staff complement was small (Interview, November 2000).
13. Development

The development of the concession went in parallel to the development programs of the BoDC that also involved SWC. Water demand is dependent on housing, commercial and industrial development. Without involvement in accompanying housing developments and other infrastructural developments, the Company would not gain from the expected returns.

13.1 Agreements

The 30-year period of the concession was considered long enough for the Company to make a profitable return on its investment. During the first 10–15 years, it was anticipated the developmental work would be accompanied by possible losses. The concession agreement placed regulations on staff appointments and retention, security of tenure, leave, salary, benefits, training and union membership. Section 47.4 of the contract for example, stipulates that the concessionaire warrant that the employee contribution rates and the insured benefits offered by the pension and/or provident fund to be established by the concessionaire shall be no less favourable than the Municipal Funds rates and insured benefits enjoyed by the employees.

The preferred bidder is obliged to employ locals preferably and to limit the employment of people from outside the Dolphin Coast area. A capital investment program for the system, to be reviewed every five years by the BoDC, is being implemented. This is very important as it gives a sense of direction for the general development of the area. A particularly important area where the BoDC plays a balancing act is in the determination of water and sanitation tariffs (See Appendix (1) tariffs determination). Section 40.1 of the contract states that the determination, amendment and approval of all Tariffs shall be undertaken exclusively by the Council in accordance to all prevailing Regulatory Provisions and the provisions of this Contract (Dolphin Coast Concession Agreement, 1999). This appears unfair to SWC but tariff increases involve complex negotiations in which its interests are well represented, and in practice the opposition to increased tariffs and substantial sewerage charges have been overcome.

13.2 Employee Retention and Development

The undertaking not to terminate employment and to permit continued union activities by workers has been described as the defining moment for the concession. These issues appeared until then to be the main bottleneck for the concession agreement. Section 46.10.1-2 of the contract states that the concessionaire undertakes not to terminate a contract of employment of any employee, based on operational requirements in respect of the supply of water services and/or the operation and maintenance of the works as a direct result of the conclusion of the Contract; and to allow continued enjoyment by each employee of the rights to freedom of association and collective bargaining rights enjoyed prior to the effective date in as far as the composition of collective bargaining mechanisms in the sector or industry to which the concessionaire belongs allows for the
enjoyment of such rights (Borough of Dolphin Coast *Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999*).

Of the original 22 staff from the BoDC who transferred to SWC, only two have left employment, and with additional recruitment there is now a staff complement of 37. The MD states his commitment to good staff, good management, a staff-training scheme and the achievement of the best service level.

*Each employee works on his or her own with defined responsibilities. The whole idea is to raise the productivity of employees. They also function in independent teams with independent tasks* (Interview with Thierry Chatry, November 2000).

According to James Leigland, since January 1999, city officials, residents and former municipal employees all seem quite happy with the way things are going. No one has been retrenched so far and employment has increased by 46% as Siza begun improved maintenance and system expansion. A new Provident Fund has been created for employees and an Employee Benefit Trust has been created that now holds four percent of Siza shares (Leigland, August 2000).

Section 48.2.8 of the contract states that the concessionaire will support the development of employees with potential, in appropriate ways, which may include inter alia mentorship, job assignments and exchange visits with SAUR group operations worldwide. SWC made a commitment that selected staff will be trained in Ivory Coast, although this has not happened two years down the line. Other workers have gone for training in France but these were higher-level employees.

Local training and development programs are being implemented. So far, five workers have been assisted to pass their driver's licenses and one his motorbike license. “The Company was prepared to offer bursaries, etc. and the workers are now far better off” (Interview with Andrew Ferguson and Feisal Dawood, November 2000). However, some workers disagree with this assessment (*See Section 11.3 SWC Workers*).

In August 2000, technical workers underwent a basic plumber training course at nearby Mount Edgecombe.

*The workers have been given excellent training by SWC. Two employees have recently returned from training in Paris. The workers are proud with what Siza is doing for them and do not want to go back and work for Council. Recently I presented certificates to workers at a ceremony in Ballito.* (Interview with Mayor Maraj, November 2000).

Even if SWC pulls out of the deal or the contract is terminated, workers will still be assured of employment. Section 74.1 of the contract (employment provisions on termination of contract) stipulates that if the contract is terminated by any party pursuant to an event of force majeure in terms of 85, the Council shall- on the termination of the contract-, make arrangements for the employment of personnel employed by the concessionaire so as to ensure the continuity of the supply of water services, with due regard to and in strict compliance with all regulatory provisions in
force. In particular personnel will be transferred to the substituted entity or the entity designated to continue to supply the water services, on the same terms and conditions as from the date the contract is terminated (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999).

13.3 SWC Workers

Due to time constraints, it was not possible to interview all the categories of workers, i.e. managers, labourers, technicians, supervisors, customer services clerks, meter readers and financial officers. However, six of the 37 workers, including the supervisor, were interviewed. Permission from the Managing Director of SWC was requested and granted. These workers were interviewed at the SWC’s main depot and undertaken at random as they came and left the depot, and each interview lasted about 35 minutes. Below are extracts from the interviews with the workers. Workers were not happy when they were transferred from the BoDC to SWC.

When we signed up we were not happy. We signed as if we were forced.

There were 16 companies that wanted to come here and offered us benefits like payment for transport costs. This Company (SWC) stated clearly that it is not prepared to assist us. I now look at this Company differently and question how this Company got this job if it is not prepared to assist us.

Not all the workers worked for the municipality before. Some came from outside companies, such as Umgeni Water, and are happy about the transfer:

I am happy working for the present Company. I did not get any information about the Company until I was called for an interview. I tendered my resignation letter when I saw that the Company has a future. Because it’s an International Company, it operates in 19 countries in Africa. That’s when I realized that Umgeni was just a drop in the ocean.

Employment Contract: Workers find their contracts hazy and are not sure about their contents and some feel the Company has conned and taken advantage of them. Most workers are plumbers including the supervisor who also assumes supervisory functions.

There are things hidden in the job descriptions, you end up doing what you should not be doing.

They said they will follow the municipality rules and will not change anything. The municipality offered subsidies now they say they do not have that, you have to work for 5 years for the municipality to be entitled to the money. The same applies if you have worked for 10 years. But there was an agreement in the books of the municipality, now we are struggling.

This appears to refer to the housing subsidy.
When a person comes from outside with a lot of paper work and an interpreter, you are going to sign and your statement is going to be changed and put in the way they like. This can be diverted to suit them. I did not like to see the man who signed for us leaving for another Company.

Training: Most of the staff have been to the training centre. The supervisor says he has not been trained but the rest of the technical staff has been trained, they have driver’s licenses, and a Module 2 plumbing course. However, some are still waiting for training:

I am looking for a place where I can be sent for training.

Other staff members are to go for four training modules before trade testing in Pretoria. Seventeen are going in three groups and the first group will qualify next year. Staff are over enthusiastic about this.

I have no problem because I have been trained. The only problem is that my skills are not being put to good use.

Others are however discontented with training. Workers are told they are being empowered for their future and that multi-skilling is designed to make them productive and versatile but there are complaints of lack of advancement:

We go for training but when we come back there are many plumbers and staff end up doing what they are not supposed to be doing. The only enrichment is that we have been sent to school for training only. Other than that there is nothing else.

You cannot have 10 plumbers fixing one pipe. The level of education of workers will be better, the level of service will increase accompanied by an improvement in operation and maintenance. It made financial sense in the past to outsource work but now there is no need to outsource because all skills are available in-house (Mark Hultzer, Interview February 7, 2001).

As a leading Company official explained, there are problems in deploying trained workers. Most workers at SWC have undergone a plumber training course. Before they go further with their training, they will receive literacy training. Some employees of SAUR International came from Paris and Ivory Coast for training in Ballito. Two SWC people from the Finance and Customer Services section went for training in the use of the in-house software for SAUR called Galatee. Councillors report that the transfer had been welcomed. Not only water employees wanted to transfer to SWC, but the other 200 Borough workers also said they wanted to go to SWC because the terms of service looked better (Ian Coates, Interview 14/03/01).

Changes after joining SWC: There is a mixed reaction to the transfer. Some feel things have changed for the better while others feel the situation is static, and others even feel things are worse. The belief in workers is that each person who can drive should have his own work vehicle.
I can say the work that I do is slightly worse. This Company promised us so many things at the beginning, which it hasn’t delivered. We got our packages like drivers’ licenses, now this Company does not want to buy more vehicles. The vehicles only take three people who are plumbers; I do not see any improvement.

At the municipality it was better, they are still paying us what we used to earn at the municipality. There is too much work here, we were happy working for the municipality, here when you haven’t worked you get punished.

The supervisor, however, feels that the workers benefited from SWC. Some workers are waiting for the end of the second year of SWC operation to see if there are any substantial changes for the better.

During the last three-month period of Umgeni Water, the Human Resources Manager for Siza Water went to Cape Town Municipality to ask for the salary levels of the water department and compared those to Johannesburg Municipality. He then came with the highest salary for Dolphin Coast. During that time, some of the staff were earning R900, R1 200 and some more than R2 200 but all were brought to the scale of R2 200. No one earns less than R2 200, which is higher than other municipalities. This amount excludes standby allowances. All of us get standby allowances and overtime but the problem is the 20% contribution to SANLAM, which the workers feel drop their salaries and hence the feeling that the previous Company was better.

We are taking things as they are. We cannot see whether the Company is going wrong or right since it is still a new Company. I will wait until the end of next year and see how much salary increase they will give us, if I am not happy I will leave and look for work elsewhere.

Others feel there is a big difference in work related issues after they joined SWC. The supervisor feels staff does not have a good educational background and that there are problems in understanding issues. Some are unsure how much work will be expected of them since they are on standby.

At Umgeni Water I was a plumber and now I have supervisory activities, time scheduling, etc. although I am not remunerated. I can be promoted to a certain position. This chance was not available with Umgeni Water.

Conditions have changed for the better, e.g. contributions to SANLAM, 4% shares for staff and qualify after five years but within one year the Company made 104% profit that made us to qualify for shares. We will only know next year in April whether we will get something or not from the shares depending on the profits that we will make.

Financial information is conveyed to staff and they have attended a course on share ownership. The 104% profit above appears to contradict an official who reported that SWC made a loss of about R2 million in the first financial year.
**Union Members:** Most workers were members of SAMWU before they joined SWC. The situation has changed significantly since they joined the SWC. Most workers joined their present union in the second half of last year. The reasons given for not joining their previous union is unanimous: SAMWU was not available when it was needed.

Out of 33 staff, 17 are members of NEHAWU. There were two other unions known to the staff but those organizations did nothing for the staff. I joined NEHAWU because I was a member of NEHAWU before coming to SWC and had seen the benefits of the union. There are no serious problems so far and we have invited NEHAWU to our meetings.

The previous union SAMWU came at the end when everything had been signed and there was nothing that could have been done. We are members of NEHAWU but do not know the numbers here. We were stranded when the previous union did not seem to worry about us.

They tried to fight for us not to join the new Company but the whites had decided and agreed on what was to happen even though the union knew what was going on. It was stated that those who wanted to stay may do so and those who want to leave may leave. I decided to stay with others rather than left alone so that we could get our packages.

**Team Work:** The majority of workers report that they work in teams. However, some work alone and are disgruntled. Some say they are trained but are not remunerated for their skills.

We work as teams and each team has responsibilities. There is a lot of difference with our previous work. In this Company, we attend meetings once a month to discuss issues. We have representatives to the Company, from NEHAWU. We convene meetings and get all information regarding the Company.

We work alone because you can go to work with somebody and that trusted person who is believed to know the work will drop you at work and you will be left to do the hard labour by yourself.

With things as they are we don’t get paid (for our skills) we end up doing things at a slower pace than usual. When you ask for money they tell you that you are still under training. The main thing is that we will be going to Pretoria to receive our certificates but we have been trained in Durban. I am a driver by profession but I do not get paid for it.

**Breakdowns:** According to workers, there has been a high level of breakdowns in the past, which have since been reduced.
In the past, we had problems until we called in Bosch and Associates who made a big input. Now we have small problems like someone running over a pipe. Breakdowns have come down a lot. It takes about one hour or less to establish a problem and about four hours to fix the problem.

There used to be many breakdowns but we have replaced the pipes so that they don’t burst. If you are on standby for a day or so you may be called to look at minor things. It’s quick to repair because we know what we are doing.

At the beginning, the breakdowns were frequent but now they are few because we are now using plastic pipes instead of asbestos pipes, which are being replaced. To repair pipes it depends on the size of the pipes and the time of the breakdown. We do not want to take more than one hour to repair a pipe.

Salary/Benefits: The majority of workers are not happy with their present earnings and claim their salaries have not been increased in the past two years. The major complaint is that the SANLAM Provident Fund Account eats into their earnings. Some responses were:

Other staff are not happy, e.g. lets say you earn R1 000 but on the payslip you are paid R800. I don’t think that R200 will go to the provident fund. I get the impression that it was better where I was working before because I earned the full amount.

I earn the wages that I used to earn before. The Company should help us by lending us money up to R10 000 so that we are able to fulfil our needs. We can then pay back over a long period. The Company is failing us here, it has the money but is only paying us R2 000 a month. That is not good, there were people coming from SANCO wanting to give us money but the Company did not sign the papers.

The salary that I used to get two years ago I still get it now, not a cent more has been given since then.

Housing: It appears that there has not been a decisive improvement in housing for the workers despite the ambitious housing development in the BoDC. Most workers say they do not have homes of their own and that they stay in different areas. The only housing provided by the Company is that used when workers are on standby duties, at the end of the standby period they take their belongings with them.

We were told the Company does not provide housing because of tax issues. We have now highlighted this with NEHAWU and would like the Company to look for the cheapest medical aid and housing for staff. Housing plans were for R50 000 but SWC staff qualified for R46 000. The Company does not provide housing so staff backed out.
It appears the Company is prepared to support workers who make applications for bank loans for housing, but the workers complain that they cannot afford the repayment charges.

**Workers and management:** Workers complain that there are communication problems at work. Some feel their supervisors do not really speak on their behalf when they have problems, but others feel communication lines are fine.

*This Company pretends to like us but it’s clear that it’s not like that. It’s up to you as an adult to see which way things are going.*

*We wait for their responses, which never come. There are people who are chosen to represent us so we are told not to go direct to the office. There is a gentleman who you are supposed to talk to first, then he goes to management. The problem is when he goes to management he comes back and tells you to carry on with your work. This contributes to the problems.*

**Problem Solving:** Meetings are called from time to time and workers raise a variety of issues. Some claim no communication takes place to prepare new initiatives. A few feel that even if they are to approach Councillors, their representatives do not know what is going on.

*When you have problems nothing happens, the only thing that happens is that the things that you have been using are given to someone else without consulting you, e.g. using a Company car. After you go to the training centre, when you come back the car is given to someone else. You are not told where you went wrong.*

### 13.4 Social Investment Program

Section 51.5 of the contract recorded that the concessionaire will establish and implement a fund within six months calculated with effect from the effective date, the primary objective of which will be the uplifting and development of the youth and community within the concession area (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999). Siza Water Youth and Community Development Fund (SWYCDF) was established in September 1999 and is managed by a local committee. Projects to be funded are identified in the community by community leaders. The program kicked off with R75 000 and saw equipment being donated to schools and funding of small-scale agriculture programs being implemented among other projects.

*Three children have been sponsored by the fund to attend an environment conference in Lisbon. A competition was run in schools and the best three essay winners were selected, one Indian, one White and one Black* (Interview with Mayor Maraj, November 2000).

Scholarships have been provided to each of the eight local schools. Drama skills workshops were held at schools. To date more than 16 Community Development Projects have been funded through the SWYCDF. By the end of November 2000, more
than R80 000 had been allocated to these projects (Interview with workers’ supervisor, December 8, 2000.)

Some community members have complained that the community development fund was not doing well in the community. It was alleged that few individuals benefit from the fund and that the grant making process was not transparent. Mark Hultzer (Interview February 7, 2001) disputes this notion and feels that everyone participates. The money that is granted to projects that qualify for support is paid to the suppliers of goods and services and not directly to the beneficiary of the grant. The amount of money granted is not decided by one person but by the committee.

### 13.5 Payments by SWC to the BoDC

SWC has paid a contract fee of R200 000 and a performance guarantee of R5 million to the Council as defined in the contract. The performance bond acts as a guarantee in the event that SWC fails to deliver or withdraws from its mandate. All debts with respect to water and sewerage system were transferred to SWC upon takeover of services. SWC pays an average of R2.6 million per annum for the use of assets for the first 17 years. Thereafter the annual payment will drop drastically as the previous debts related to water and sewerage works are cleared up. An annual concession fee of R554, 850 (to increase with inflation) is to be paid by SWC (*IMIESA*, August 2000). This amount will be used to set up a monitoring and compliance office. The following is the rental schedule for the 30-year period:

<table>
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<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
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<td>R3 237 058</td>
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<td>Year 9</td>
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<td>R2 901 701</td>
<td>R2 707 166</td>
<td>R2 546 472</td>
<td>R2 166 059</td>
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<td>Year 12</td>
<td>Year 13</td>
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<td>R2 046 800</td>
<td>R1 910 523</td>
<td>R1 787 691</td>
<td>R1 670213</td>
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<td>R1 433 389</td>
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*Source: Concession Contract Document, 1999*

The Dolphin Coast Water Committee, Bosch and Associates, Deloitte and Touche as well as Shepstone and Wylie are on the monitoring panel (see Section 21.2). Concession fee and payment provision schedule, annexure B1 number 6 of the contract, stipulates that the annual concession fee to be paid by the concessionaire to the Council will be due and payable quarterly in advance at the offices of the Council.

The determination of fees to be paid by the Concessionaire is a highly complex process that takes into consideration population growth, investment requirements, tariff regime, bulk water purchases, level of payment by consumers and inflation among other things.

The profit should be just high enough to provide an optional incentive for a concessionaire to use all its expertise in improving and extending the provision of services (Kotze, Ferguson and Leigland, 1999).
There are penalty clauses in the agreement for failure to perform on agreed tasks. Section 70.1.4 of the contract states that if the concessionaire defaults under any financing agreements and, as a result of such default an amount of R10 000 000 (ten million Rands) or more becomes due and payable by the concessionaire to any Lender prior to the stated maturity date set for the payment thereof in the Financing Agreement concerned provided that the Lender has not agreed to the restructuring of the debt. Annexure F of the concession agreement has all the schedules of sanctions (Concession agreement document, 1999).

The unions are very concerned about the amount of capital, and its source, injected to date by SWC in the infrastructure. Councillors argue that SAUR was able to raise funds from DBSA and local banks, which the BoDC would not have accessed as a local authority. They argue that a R5 million performance guarantee is in place and SWC took all existing loans worth millions of Rands. SWC has relieved the Borough of payment on capital loans and now the local authority is able to direct resources to LED and service delivery to other areas. A R550 000 fee is also paid annually for monitoring. SAUR made an initial equity investment of R7 million from its sources but the other shareholders did not put any money on the table, they were actually loaned money by SAUR to bring them on board (Ian Coates, 14/03/01).
14. Key Relationships

For the concession to work effectively and efficiently, communication lines among the implementing structures: the BoDC, SWC, and the community, have to be open.

14.1 Communication channels

Two full-time community liaison officers from the BoDC deal with various community issues including water and sanitation. They are responsible for communication with the communities through community liaison committees. Community liaison officers also meet on a monthly basis with the development committees that are constituted in the communities. Various media are used to communicate with all stakeholders ranging from meetings to community notice boards.

14.2 The BoDC Community Liaison

Before the implementation of the concession, the BoDC stated that it had intensive consultations with Councillors, Rate Payers Associations (RPA), Chamber of Commerce, local farmers, newspaper reporters, the DBSA, SAMWU etc., to inform people and get their input about the concession. Workshops were held with the communities of Etete, Nkobongo and Shakashead from 21 to 24 January 1997. On this basis, it appears the communities did not oppose the move towards private sector participation in the provision of water and sanitation services. There was however no public presentation of monthly charges for water and sewerage. The former Mayor argues that most people have been exposed to living in ‘formal’ houses for the first time. Households have been told about electricity, water, schools and the rates they would have to pay before moving on to the properties.

Without informing and consulting development does not work. The R16 500 housing subsidy they receive has a component for training by consultants (Interview with Mayor Maraj, November 2000).

Despite such professional assistance, there is evidence of problems of on-going communication between residents and the Borough on services.

14.3 Relationship between the BoDC and the Community

Monthly meetings are held with development committees in each settlement or whenever necessary. Public meetings are held from time to time to elect representatives to these committees and to discuss other ad hoc issues. The BoDC officials feel that they are working well with the communities. The communities have been told that the provision of infrastructure is a partnership between the public sector, private sector, communities and labour in the provision of services (Pumla, addressing the Etete Community on January 21 1997). However, the communities argue there is no consultation in decision making (see, Impact of Concession on the Poor, page 83).
14.4 Relationship between SWC and the BoDC

All the officials at the BoDC feel the relationship with SWC is very good. Nick Hall continues to have weekly meetings with SWC, and there is evidence that the relationship is actively cultivated. The former Mayor was invited to tour other SAUR International service operations overseas. The program took him to Paris, London and Montreal and was impressed with what he saw: “The Company is efficient and professional in its work” (interview with Mayor Maraj, November 2000). Some may argue that the visit was designed to win continued support from the BoDC and that it was a public relations exercise, but undoubtedly the international character of the Company has been of advantage in its public relations.

14.5 Relationship between SWC and the Community

The BoDC had a few meetings with the communities before the implementation of the concession. In addition, SWC has had meetings with communities, leaders, civic associations, Ratepayers Associations and maintained communication via newspapers. Similar to the experience with the BoDC and the community, the community feels this relationship is lukewarm or hostile they argue SWC does not assist in any real manner although the Councillors are more positive (See Impact of Concession on the Poor).

Relations between SWC and the communities are lukewarm but sometimes it is not the service provider or the local authority, which is to blame. Meetings are called but few people turn up.

The relationship between SWC and the community can be improved. Education is needed because people lack information. It’s not that SWC is cheating. A practical example where I dealt with a problem was when people came with letters from SWC to say water meters would be removed and they won’t have any water in future. I went to SWC and spoke to them and arranged for a meeting. Hendrick Ntoleng (SWC employee) came in and explained how the basic water system works. Payments improved after that. There is the need for more educational workshops and we need to see more of SWC at these meetings (Jethro Banda, Workshop 14/03/01).

SWC believes it is doing a lot in this regard and has two community liaison officers on the ground besides other communication channels designed to communicate with the community.

We use people like community liaison officers to be able to go on site and pick up directly the information. For us if you don’t transfer complaints to our customer services department its a classic problem. It means that in the customer services you have no information because people don’t complain officially. We have to have people involved in the community through community liaison officers, technical people to be in contact with the representative of the community or we attend a lot of
meetings with the development committee. We get a lot of information through the development committees (Thierry Chatry, Interview 26 February 2001).

It can be argued people who claim to represent the community have their own agendas. In this scenario, there may be different interests within a community and information from the top may not reach everyone thus leading to sour relations between the community and its representatives. SWC’s position at times becomes one of exasperation especially with regard to tariffs:

Every time you raise any question, any problem, you have to have an official on the ground that go around to explain. It’s too expensive, I am not going to waste my time to explain this all the time. I can’t change the feeling of the people, I can solve technical problems like breakdown of standpipes, that I can do. I can explain to the customer but thereafter the price is the price, my contract is my contract, my business is my business. This is the price I have in the contract; this is the way to deliver my service. I can’t give an answer on the tariff of the water (Thierry Chatry, Interview 26 February 2001).

The community fund (SWYCDF) is however a very useful vehicle for SWC in its relationship with the community. The water invoice in the community or the ability to pay is not the target of the community fund. According to Mr. Thierry Chatry (Interview, 26 February 2001), it is very useful to have a network of relationships through the community fund because it is a very good way to inform people about the company.
15.

**Bulk Water Supply**

Within the region, Umgeni Water supplies treated water to the Durban Metropolitan area, the Dolphin Coast and Groutville. It continues to supply treated bulk water to the Dolphin Coast because there are no water treatment works in the BoDC. The BoDC signed a 30-year contract with Umgeni Water and Siza Water worth R4 million per year whereby SWC buys water from Umgeni and distributes it to retail consumers in the Dolphin Coast area. Previously Umgeni sold bulk water to the Borough and SWC distributed this water in turn to the consumers. SWC paid Borough for the water, which in turn paid Umgeni (*North Coast Courier*, August 18, 2000).

The actual average annual daily supply by Umgeni Water to Dolphin Coast TLC at the inlet to Ballito Terminal reservoir, for the last 12 months ending June 1997, was 6355kl per day (*Integrated Development Plan Document*, July 1999). The average water demand for Dolphin Coast was 178 500kl per month with high consumption in the months of January, April, July and December. The table below shows the average water consumption of all the areas covered by the concession:

<table>
<thead>
<tr>
<th>Zone</th>
<th>Town</th>
<th>Number of Properties</th>
<th>Metered Properties</th>
<th>Average Monthly Consumption kl RFP</th>
<th>Oct-Nov 1999 Consumption SIZA Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coastal</td>
<td>Ballito</td>
<td>1264</td>
<td>1195</td>
<td>53589</td>
<td>71150</td>
</tr>
<tr>
<td></td>
<td>Zimbali</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7000</td>
</tr>
<tr>
<td></td>
<td>Salt Rock</td>
<td>595</td>
<td>468</td>
<td>13722</td>
<td>15800</td>
</tr>
<tr>
<td></td>
<td>Chakas Rock</td>
<td>353</td>
<td>332</td>
<td>13962</td>
<td>15475</td>
</tr>
<tr>
<td></td>
<td>Sheffield Beach</td>
<td>193</td>
<td>193</td>
<td>5136</td>
<td>6975</td>
</tr>
<tr>
<td></td>
<td>Tinley Manor</td>
<td>315</td>
<td>128</td>
<td>3397</td>
<td>3400</td>
</tr>
<tr>
<td>Shakas Kral</td>
<td>Shakas Kral</td>
<td>558</td>
<td>486</td>
<td>14318</td>
<td>18300</td>
</tr>
<tr>
<td>Nkobongo</td>
<td>Nkobongo</td>
<td>7</td>
<td>0</td>
<td>100</td>
<td>Incl. in S’kraal</td>
</tr>
<tr>
<td>Umhali</td>
<td>Umhali</td>
<td>70</td>
<td>105</td>
<td>4291</td>
<td>6800</td>
</tr>
<tr>
<td>Shakashead</td>
<td>Shakashead</td>
<td>1</td>
<td>0</td>
<td>10</td>
<td>1130</td>
</tr>
<tr>
<td>Etete</td>
<td>Etete</td>
<td>67</td>
<td>246</td>
<td>3916</td>
<td>3780</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>3153</td>
<td></td>
<td>112441</td>
<td>149810</td>
</tr>
</tbody>
</table>

*Source: Siza Water Five-Year Investment Report, 2000:7*
The difference between the RFP and SWC assessments may be due to increased demand for water service or due to inaccurate recording made during the preparation of the RFP Document. Demand has not increased significantly if inaccuracies are taken into account, and the five-year investment report concludes that consumption has remained static (2000:8).

In 1997, the bulk water tariff rate was R1.178 per kilolitre, and in July 2000 Umgeni Water increased its bulk tariff by 13%, a figure almost double the inflation rate, without consultation with its stakeholders. Speculation was that the increase was because Durban Metro had managed to cut its water loss from 40% to 15% and that Umgeni was seeking to recover some of its lost revenue. As a result, Durban Metro decided to cut back on its bulk requirements from Umgeni Water and the decline in demand placed the bulk supplier in crisis.

Water loss for the Dolphin Coast at the beginning of 1997 stood at 30% largely as a result of the continued use of old pipes that were laid some decades ago. In Annexure B3: Quality specifications and operating standards, section 3.2 compels the concessionaire to carry out within the first 12 (twelve) months of the contract a study of water pressure and flow throughout the concession area to identify problem areas and make proposals for remedial action. Remedial action shall be included in the five-year plan. The concessionaire will endeavour to consistently reduce the unaccounted water on an annual basis so that in year 8 (eight) of the contract the level of unaccounted for water shall be approximately 14% (fourteen per centum) (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999). The concessionaire has actually surpassed expectations by reducing water loss from 30% to 16% within one and a half years although it has still to meet the final target of 8% (Interview with Mayor Maraj, November 2000).

Although SWC has managed to reduce water loss from around 30% to 16% over a one-year period against a target of 5 years, the ratepayers are not happy with the percentage of water loss in the Dolphin Coast area.

*Bulk Water suppliers such as the Rand Water Board in Gauteng have achieved a lot in the last 15 years. Umgeni Water has done nothing to deal with water losses. Water losses for the concession are still above the required level of 8%. Rand Water Board in Gauteng spent a lot of money to stop all of this, but nothing has happened in our areas* (Gert Myburgh, Workshop 14/03/01).

Umgeni Water is in a difficult situation similar to SWC. If it cuts water losses, this will affect its cash flow position. SWC tries to market its services in order to sell more water, but at the same time the company tries to encourage people to conserve water so that they can pay promptly a very evident contradiction in commercial practice. Therefore, the old pipes have not been replaced; they are a valuable resource. Umgeni Water is aiming to get a bulk contract for KwaDukuza-Stanger but at the same time would like to ditch the schemes it has been running as part of its profile building process.
They want to get rid of the schemes as quickly as possible. Umgeni’s recoveries were 40-50%, they just brought a whole company to help them deal apparently they had super results with this. Umgeni is looking at both the local and the international scene, e.g. Nigeria and other places so there is no way they are prepared to fail. Strategically their failure can have massive implications; you could understand why they are focusing on that. Once that is done and the bulk is up and running they will actually go up for another concession as far as the reticulation is concerned. (Francois Buck, interview 7 March 2001).
When SWC took over operations, it created accounts for each customer detailing the account number, place, history of consumption etc. There is a big difference in consumption patterns between the East and West: monthly consumption in the coastal area averages 119 800 kilolitres (all areas) whilst the West averaged 30 010 kilolitres (all areas). On the basis of the population statistics provided in Table 5, average consumption per person in the better-off Eastern area is 260 l per day, and in the poor Western area about 47 l per day which is just 18% of the consumption in the East.

The municipality has a cross-subsidization tariff structure to reduce costs for the poor. This compares with other local authorities in the region, e.g. Durban Metro, which has a stepped tariff structure. This ensures that those who cannot afford it can receive a basic cheap service while those who take water for granted and waste it because they regard it cheap and freely available are forced to pay more. Over time, this leads to changed consumption patterns (South Africa Water Bulletin, May/June 2000). Nevertheless, cross-subsidization through tariff structure is being phased out:

*Tariff bands are being narrowed in phases from 1999-2004 for the East and West, thereafter the tariffs will be the same.*  (Interview with Thierry Chatry, November 2000).

The provision of water on a cost recovery basis undermines the principle of cross-subsidization; moreover, the existing relatively limited cross-subsidies will be gradually eliminated. Whether this will continue with the free water policy is an important policy question.

### 16.1 Tariffs for Water and Sanitation

A three-tier system is in operation with the first 10 kl technically “free” although every connected household customer pays a connection charge. The Dolphin Coast has actually gone beyond Durban's first six-kilolitre lifeline tariff; the next band is the 10-35kl range followed by the over 35kl band, which is more expensive. Previously customers did not pay separately for sewerage as a service, although this cost was included in the rates. Now a standard charge has been built into the water invoices and in addition a sewerage tariff is based on the volume of water consumed. Section 42.1.1 of the contract states that the domestic sanitation services tariff structure shall be proportional to the quantity of water consumed while section 42.1.2 states that the industrial tariff will be structured having regard to both the volume and strength of the sewerage discharge (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999). The invoice no longer goes to the sitting tenant but to the registered owner of each connected premise.

*Sewerage has nothing to do with the rates; now invoices reflect sewerage charges based on the volume of water consumed (approximately 80% of water charges)*
was just a way to calculate the amount. Some of the body corporates objected but we told them we have to play with the tariff to cover the cost of the service. (Interview with Thierry Chatry, November 2000)

Bylaws were changed in July 2000, a year after operations commenced. Some individuals did not understand the whole charging concept, prompting SWC to become engaged in education and awareness programs through its customer services department.

*Now sewerage service is split away from rates and identified as a service charge. When people paid R50 it was buried within the rates and the charge gave them a bit of a fright. Durban has followed; you cannot measure sewerage through outflow but on the inflow of water. Durban worked out a definite relationship and countrywide this is the preferred method. Most of the costs are in sewerage and if people are not happy I can only have a measure of sympathy and would look at the contract again.* (Interview with Ian Coates, November 2000)

The metered water charges are made up of two elements:

- A basic charge
- A volumetric charge based upon consumption through the meter.

A similar structure applies to sewerage charges. Some of the better-off residents do not understand why they should pay a lot of money for sewerage services in situations where, for instance, they use a lot of water in swimming pools.

*There is not one service in the world which provides a product 24 hours a day at a customer’s home at less than one cent per litre. It doesn’t help to know that maybe only 3% is used to drink and 97% for other purposes; all of the water has to be potable. This has a huge value and a big impact on people.* (Interview with Thierry Chatry, November 2000)

The customer services division was difficult to start up as some customers were upset by these changes. One client with 235 flats received a huge invoice because each flat is charged a basic fee rather than a charge per block. According to the former Mayor Maraj, property owners on the East Side had it easy in the past. They used to pay low rates for water and sanitation, which have since gone up substantially, but now accept the new higher rates (Interview, November 2000). Sanitation charges are imposed on the number of unit’s vis-à-vis the volume of water consumed.

*Basic charges, you can explain, you can send newsletters, you can have meetings; these things are based on practical, factual evidence. When we structured the tariffs, they were agreed by all parties there. Maybe it will be necessary to simplify the process during the next tariff reviews. The cost of running water service costs a lot; one has to charge for it to recover the costs. Costs of putting the infrastructure is important and it is a huge cost that need to be funded.* Before people jump to the
conclusion that they are being robbed by SWC, one needs to go for an extra mile and explain.  (Ian Coates, Workshop 14/03/01)

Since Ballito is a tourist area, during winter flat owners pay less as there are fewer people on holiday then, and during summer they pay more due to an influx of tourists.

The return on infrastructural investment by SWC is linked to consumption patterns. It was anticipated there would be losses in the first five years since upgrading had to be carried out while demand was still low. With time, consumption patterns would catch up with the investment in infrastructure and profits would be made. According to a BoDC official, Siza Water made a loss of about R2 million in the first year of operation. Although this loss was reported for the first year of operation, others report profits were already being made.

Either most people do not understand basic charges or they do not want to pay basic charges. SWC has done a lot to explain but this should be an ongoing activity rather than a once-off affair. There is need for proper education even for people who have been there before and the information should be conveyed by someone from within the area in a language understood by all, preferably Zulu.

For Tokkie Saayman (Interview, 7 March 2001) the problem is not that water is expensive because for years in Nkobongo and Shakashead, nobody ever complained that they could not afford to buy water from the standpipes. He feels the root of the problem lies in higher levels of service promoted by the municipality and the government in certain areas that incorporate water provision and sewage disposal that is so unaffordable. Council officials and Councillors argue that the Company has to cover its operating costs. If the basic charges are taken away, they will definitely affect the cash flow of the service provider. Councillor Coates (Workshop, 14/03/01) has a personal opinion on basic charges:

Even if you don’t consume a lot of water, you should contribute sufficient enough to cover the cost of capital infrastructure provision. We should not have applied a basic charge across the board; we should have applied a differential tariff. In the next review I think we should look at this. If the basic charge is taken away in developing communities, back, the source of income will be taken away, you have to give it the other hand. There is no way you can make the business sustainable if you take out that component without replacing it to keep the books balanced.

Last year the tariffs went up by 7.5% and in Durban by 21% and yet the bulk supplier had increased its tariffs by 14%. Council officials are sceptical over arguments that people cannot pay. “Tariffs do not take into account whether people can pay or not. There are people who can say they cannot pay but they drive around in a Mercedes or a good car.” (Tokkie Saayman, 14/03/01). Tariff adjustment follows a formula, which is reviewed every five years. Special reviews are done under certain pre-determined circumstances. The formula is reviewed from time to time in case there are some criteria within the formula that become skewed.
In the contract there is a cap on the amount of profit to be made (10–15%). If they (SWC) have a huge profit we would say hey we want a tariff review, it means either you are not spending money on the developmental side of the issue and therefore retain too much money, or you are charging us too much or the tariff formula went wrong somewhere. At the 5-year review meetings there is an opportunity for both sides to present their cases. (Ian Coates, Workshop 14/03/01)

16.2 Tariff Rates

Umgeni Water, the predecessor of SWC charged the following rates for water consumption in 1997:

<table>
<thead>
<tr>
<th>Table 16 Domestic Water Tariffs by Umgeni Water, 1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 10kl</td>
</tr>
<tr>
<td>11 - 35kl</td>
</tr>
<tr>
<td>36+</td>
</tr>
</tbody>
</table>

Source: RFP Document, 1997

The current and proposed tariff rates by SWC are as follows:

<table>
<thead>
<tr>
<th>Table 17 Current and Proposed Domestic Water Tariffs, 2000/2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site metered (basic charge per month for level 4 supply)</td>
</tr>
<tr>
<td>0 - 10kl consumption</td>
</tr>
<tr>
<td>11 - 35kl consumption</td>
</tr>
<tr>
<td>&gt; 35kl consumption</td>
</tr>
<tr>
<td>Water dispensers per kl.</td>
</tr>
</tbody>
</table>

Source: Proposed Tariff of Charges 2000/2001, BoDC

As can be seen there has not been a marked increase in the water tariff since 1997. Until recently, those consuming water within the 11–35kl band have actually been paying a little less than was the case under Umgeni Water. However, those exceeding 35kl are paying more than was the case previously. Poorer communities with standpipes (level 2 service) pay a rate higher even than the highest rate at level 4 service. Company officials argue most level 4 consumers do not exceed the 10kl and therefore technically they do not pay the R3.53 per kilolitre unless if the household is big and uses a lot of water. However, all households that are connected face a basic charge now equal to R24.60.

In studies of other poor communities, despite a stated pro-poor policy, the poorest in the community pay the highest tariff R3.94 per kilolitre. This works out at 10c for a 25l
bucket and for an expenditure of R5, a family would get 1.25kl; and 10kl would cost R40. At the moment the lifeline tariff does not apply to consumers at this level.

Compared to Durban Metro Water, SWC charges are higher and sewerage is the most expensive part. Durban Metro does not charge for sewerage, instead the cost is buried in the rates paid by owners of properties.

Table 18: Tariff Schedule for Durban (from July 1999)

<table>
<thead>
<tr>
<th></th>
<th>Ground tank (low pressure)</th>
<th>Roof tank (semi-pressure)</th>
<th>Domestic (full pressure)</th>
<th>Industrial, commercial and other users</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-6kl</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6-30kl</td>
<td>-</td>
<td>R1.94</td>
<td>R2.89</td>
<td>R2.89</td>
</tr>
<tr>
<td>&gt; 30kl</td>
<td>-</td>
<td>R5.78</td>
<td>R5.78</td>
<td>R2.89</td>
</tr>
<tr>
<td>Fixed charge</td>
<td>0</td>
<td>0</td>
<td>R20.50</td>
<td>R20.50 to R 2050</td>
</tr>
</tbody>
</table>

Source: Durban Water Tariff Schedule, 1999.

A series of cost comparisons are made below. In Table 19 consumption of water by a household at 11kl (1kl above the lifeline tariff) amounts to R83.69 while a bill for 9kl (1kl below the lifeline tariff) amounts to R77.25. The lifeline tariff of 10kl does not appear to benefit households substantially: the difference between the two bills is only R6.44, as the sewerage basic and volume charges still apply. A bill constructed around consumption of 9kl in Durban (Table 21) excludes the sewerage charges and amounts to R52.63, which is R24.62 cheaper than the Dolphin Coast example.

Table 19 Example of bill, Dolphin Coast West Side Consumer

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>R24.60</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption (e.g. 11kl x R2.74)</td>
<td>R2.74</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewerage basic</td>
<td>R36.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewerage volume (11kl x R1.84)</td>
<td>R20.35</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>R83.69</td>
</tr>
</tbody>
</table>

Water R54.74 at 21kl (includes 10kl free water plus basic charge), basic cost R71.64.

Table 20 Example of bill, Dolphin Coast West Side Consumer

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>R24.60</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption (e.g. 9kl x R0.00)</td>
<td>R0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewerage basic</td>
<td>R36.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewerage volume (9kl x R1.84)</td>
<td>R16.65</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>R77.25</td>
</tr>
</tbody>
</table>

Table 21 Example of bill, Durban Metro Consumer

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>R23.20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption (e.g. 9kl x R3.27)</td>
<td>R29.43</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewerage basic</td>
<td>R00.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sewerage volume</td>
<td>R00.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>R52.63</td>
</tr>
</tbody>
</table>
In the East, **Sewerage tariffs** are applicable to all properties situated within the Dolphin Coast irrespective of whether such properties are connected to the sewerage mains or not. The charges vary depending on the level of service (level 2 to level 4) although charges are not made for VIPs. A variable charge per kilolitre of water consumed per month is levied. The schedule of tariff of charges for 2000/2001 is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic (per kilolitre)</td>
<td>R1.65</td>
<td>R1.84</td>
</tr>
<tr>
<td>Conservancy(per m3 of load)</td>
<td>R21</td>
<td>R24</td>
</tr>
<tr>
<td>VIP</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

*Source: Proposed Tariff of Charges 2000/2001, BoDC*

Commercial charges are somewhat lower than domestic charges. Fixed tariff rates differ between the East and West but are a high proportion of the total cost of water and sanitation to poor households. Properties funded through the National or Provincial Government RDP budgets are exempt from the availability charge. This charge is applicable to all vacant properties situated within the Dolphin Coast TLC serviced by the Council's sewer mains that are not connected to the sewerage mains, but can be connected. The same applies to water connections for all properties. This is designed to provide an incentive to property owners to develop their properties. Poor communities also benefit.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewerage East</td>
<td>R87</td>
<td>R96.80</td>
</tr>
<tr>
<td>Sewerage West</td>
<td>R54</td>
<td>R69.80</td>
</tr>
</tbody>
</table>

*Source: Proposed Tariff of Charges 2000/2001, BoDC*

(See Appendix (1) for tariff determination).
17.

Customer Management and Cost Recovery

Customer management exists to ensure there is a positive relationship between the concessionaire and the consumers and revenue collection is done efficiently. The way in which it operates indicates whether the concession is involved in cherry picking or cherry planting i.e. whether the Company is selective in the communities it serves to make the highest level of profits.

17.1 Customer Services

Two customer service offices have been opened, one in Shakaskraal and the other in Ballito. These serve as contact points between customers and SWC. Their location might not be convenient for every customer but this service was non-existent prior to the concession.

To date four newsletters have been distributed by SWC through customers’ bills. These newsletters are informative and provide a platform for SWC to reach all its clients. Issues communicated in the newsletter covers various areas such as HIV/AIDS, tips on saving water, reporting faults etc. Other communication channels used by SWC to keep in touch with its stakeholders include community notice boards in English and Zulu, face-to-face communication, posters and flip charts, schools liaison, functions and activities, regular contact with the BoDC, communication with government and other organizations.

17.2 Levels of Service

There are three levels of water and sanitation services provided by SWC:

- Level 1 service where communities provide their own water services (e.g. river source), i.e. there is no water supply from SWC and there is no sanitation
- Level 2 service is a water dispenser (tokens are provided by Bambamanzi) with a VIP for each household
- Level 3 service provides for a 200-litre tank and a septic tank for each household; this is not implemented at present
- Level 4 service is a full water connection with flush toilet for each household.

Company officials feel that the Bambamanzi water dispensers are ideal for the RDP areas because they reduce water consumption. According to Mark Hultzer, an average of 2 – 8 kls per month is consumed by a family of four (this works out at a daily consumption per person ranging from 15 – 60l a day). Level 2 consumers spend between R5 – R20 per month on tokens for the Bambamanzi. There are 12 water dispensers within 100 – 200 metres of households in Nkobongo serving an average of 20 households each. The Bambamanzi system that was initially installed was
problematic, as it was prone to vandalism. Mark Hultzer reports that the new system is working well, is getting better all the time and is not difficult to maintain. Some people cannot cut down on their water consumption while others are very careful. Of particular note are pensioners who manage their water consumption within their ability to pay (Interview February 7, 2001). SWC Customer Liaison Officers have carried out a lot of consumer education for pensioners and other consumers. There is now lobbying by consumers to have monthly charges dropped.

The communities of Nkobongo and Shakashead are offered two levels of service. The choice of service level depends on various factors that include employment status and affordability. Residents can start at level 2 and later apply to upgrade to levels 3 or 4. Annexure B4: Customer relationships and management procedure, section 3.1.3 of the contract gives a time frame for attending to any application for water service by stating that any application for a new connection will be dealt with within 10 (ten) working days of receipt. Consultations take place at grassroots level before any decision is made. This has not been tested because of the very low number of applicants.

The whole of Dolphin Coast has only 4500 customers, a small clientele if compared to Durban Metropolitan area, which has a population of over three million and 270 000 customers. The majority of customers are on the coastal area while a small number is in the development areas such as Nkobongo, Etete and Shakashead. Nkobongo has 150 customers that have level 4 service but a high level of disconnections, while 500 – 600 households are being served by standpipes in the same area. This figure has not changed for about a year. In the year 2000, there were only three household connections. The low rate of connectivity to level 4 can be attributed to high unemployment rate in the area, the slow rate of housing construction, and the convenience of standpipes as opposed to high costs associated with house connections. It is argued that the poor families that have occupied some of the houses cannot afford the level 4 service. According to Mark Hultzer, non-payment of water bills is high in this area. Even if level 4 service was promoted, most people would default on their payments. Already there are a number of customers who have been cut off for non-payment. He feels SWC and the BoDC should develop level 3, the intermediate between full water connection and standpipes (Interview February 7, 2001).

In Nkobongo, there are ‘wrong” people in some of the houses i.e. those that cannot afford level 4 service. Effectively there is no demand for level 4 service in Nkobongo.

  *People have moved from nothing to level 2, which is a big improvement. In 3 - 4 years time and when incomes become stable they will ask for connections. Shakashead and Nkobongo are RDP areas which have failed at level 4 service. SWC would like something between yard connection and the standpipe. However if customers want to put up low-pressure tanks that’s ok as it reduces costs.* (Interview February 7, 2001)

The installation of 500 units of water connections in Etete has just been concluded.
Although it is ideal to provide for all services, development is in phases and the implementation starts with level 2. (Interview with Thierry Chatry, November 2000).

According to Company officials, the difference in service between the VIP and the full flush toilet system is not huge but levels 2 and 4 water connections differ significantly in costs. Level 4 service is desirable but might not be affordable to the poor leading to debt and disconnection. Management feels that a lower level of service is preferable:

Level 4 sanitation is being pushed for by politicians, this type of service is not really necessary in some areas. (Interview with Thierry Chatry, November 2000)

Houses in the low-income communities are “starters” and it is anticipated that owners will build additional rooms using approved designs by the Council. Rates paid by householders are dependent on the type of service level chosen. Section 53.6 of the contract states that vending points pertaining to the supply of water services, based on the principle of pre-payment, will be entrusted to recognized members of the community. However, this has not happened since the prepayment system is electronically based.

17.3 Decline in Level 4 Service

In the development areas, both Shakashead and Nkobongo started with roughly 130 units each for level 4 service. Because Nkobongo had the bulk infrastructure in place, the first level 4 connections started.

In Nkobongo to start level 4 service, people had to put a deposit but some customers never paid it. The second problem we got was when the customer could not afford and we start to send the customer a second invoice. We started to set up arrangements for them to pay. After we got some customers who said, “I don't have the money to pay every month for your invoice, I prefer to go to Bambamanzi” we just remove the meter in this case.

Roughly, we can say today we have had to cut off 50% of the people who use the full level 4. We arrived when the Shakashead project was in the middle of being implemented and it was already complicated. We checked that there those with level 4 houses had the highest income. (Thierry Chatry, Interview 26 February 2001)

In Etete today the first phase of the housing project is considering only level 2 but SWC is busy planning with the local authority on what sort of level of service can be put in place. In the contract document, SWC is expecting 1200 units to have level 4 in the new township but practicality this is not possible considering the experience of Nkobongo and Shakashead. Most people are unemployed and cannot afford full level 4 service and there has been a mismatch between households and services from the start. Company officials complain that it is extremely difficult to invest in an area where the system will be used by a handful of people.

In the ‘RDP’ Etete, all houses have VIP toilets while the old Etete has no VIPs although households would like to be connected to the main sewerage pipe. An affordable
solution should be found to cater for these different needs and to avoid the same problems that befell Nkobongo and Shakashead. This can only be achieved if the local authority and SWC work together closely in planning and selecting housing beneficiaries with the accompanying investments in sewerage equipment.

_The customer has got the choice, not a problem. The big problem is the sewerage side, you can’t change the normal toilet to VIP and what happens if people don’t have water and they use normal toilets. So technically its a priority for us because we start to look at disconnection of the system and somewhere its not relevant to put level 4 to have only 50% of people using level 4 because then its not the same. It’s good for the development to put pipes if you consider that in this area the people are going to improve their income and it means that it is going to be very easy to develop the level of service. When this happens people can apply and we connect them._ (Thierry Chatry)

There is no problem with the quantity of sewerage that goes into the sewerage system in the development areas. In areas like Nkobongo, the gradient is steep and allows sewerage to flow naturally. When this is joined to Shakaskraal the flow increases. Shakashead is flatter and very sandy, so sand blocks some storm water drainage systems. Some pipes run through the sugar cane fields and can become blocked, flooding the pipes causing them to shift their position. Some areas are dry while others are muddy and filled permanently with water.

_In other areas the ground is dry but 20 metres away there is ground water. The geological conditions pose service problems. At this stage my concern is that all the VIPs we have got in Nkobongo, Shakashead and Etete don’t have any problems yet but I saw in Nkobongo and Shakashead after the rain we had water running on the roads and bulk lines. I don’t think its affecting the VIPs because there is concrete above the ground and the flow around them is not much._ (Thierry Chatry, Interview 26 February 2001)

The sewerage network that runs 2-3 metres parallel to the streams in the area was not designed properly because when it rains nearby, a lot of water finds its way into the pipes through manholes.

_When you have got rain you can’t cope, your pipes are full, your rate of flow on your treatment plant is high, so it’s a huge problem. I am more concerned when you have got infiltration from the stream because here its not people who are connected who cause the problem but its the design where we put the line is not very clever. We followed the network gradient and on that gradient, that’s where you have got the stream. In Shakashead and Umhlali, after a big storm in May 2000, the pipe that was put 3 years ago was washed away and it cost a fortune to fix. The insurance can cover this or the insurance can say no, the design is not good so it’s the problem of location or we must go back to the people responsible for the design._ (Thierry Chatry, Interview 26 February 2001)
The maintenance of the water dispensers has been a nightmare for SWC. Previously it took a long time to fix the Bambamanzi meters due to a shortage of spares for the dispensers. It took about three months to get the parts from Israel for the dispensers that are manufactured locally by CONLOG. Mr. Hultzer reports that now dispensers are not down for more than a week due to the upgrade done on the motherboards. In the past batteries only lasted for two months. The system was also incapacitated by thefts of batteries by people who wanted to use them for their TVs. There was an incident in 1999 when 18 Bambamanzi machines were ripped apart for their batteries. In the process, the units including the motherboards were damaged. The new batteries are made of lithium, are much smaller, and can last between 2 – 5 years. Technically the new system is more manageable provided there is someone who is knowledgeable about it SWC has decided to create their own in-house expertise.

According to Hendrick, the workers supervisor, there are 28 prepayment meters in Etete, 47 in Nkobongo and 8 in Shakashead. The volume of sales from these machines is very low while maintenance costs area high.

*In fact, from each community we don’t sell a lot of water. When you calculate the cost of operating a standpipe and divide this cost by the number of units drawn its very expensive. When we decided on the price in the beginning through the tender, in fact it was ok. We calculated from the standpipe to have an acceptable price. For me practically it’s impossible to put a real price on the Bambamanzi management system, it’s very expensive.* (Thierry Chatry, Interview 26 February 2001)

(See Appendix (2) for service levels, targets and assumptions used).

The SWC contract stipulates that the boundary can be modified but this was referring to incremental changes in the boundary. However, the area that has been incorporated is bigger than the Dolphin Coast area. The new local authority cannot change the fact that SWC already has a contract in the Dolphin Coast area. The situation looks complicated but ideally there should be one provider for the three entities, which have been merged.

*You can extend the agreement in my mind to an area where there is an adjacent to the present area; you could with Driefontein because of its proximity to Ballito as compared to the rest of the municipality but you can’t extend the contract legally without going on tender to an area three times your original size.* (Tokkie Saayman, Interview 7 March 2001)
18.

Water Policy (Section B)

According to both SWC and the BoDC, the whole concession is developmental yet there are contradictory tendencies. The policies of Council are congruent with those of the government, and in the concession, social development is balanced against business interests.

18.1 Implications of Lifeline Tariff

The Durban Metropolitan Council has pioneered the provision of free water for the first six kilolitres and the government has since bought the idea and now wants to implement such a lifeline tariff throughout the country. The conditions in Durban are significantly different from other areas, which makes it difficult for the principle to be readily applied throughout South Africa. A lifeline tariff depends on a significant prior investment in infrastructure and an advanced process of cross subsidization locally or via the inter-governmental support grant. Without this, it is difficult to see the lifeline tariff working especially for poorer Councils and communities, which have to depend on subsidies for the continued supply of water. This will work only if government increases subsidies considerably. The priority appears to be the inclusion of the urban poor in service delivery based on cost recovery. A lifeline tariff is stated to be problematic where there is not well-structured cross-subsidisation.

18.2 Policy towards the Poor

From its inception, the advocates of the concession have stated that welfare would be provided for those who could not pay. When a resident at a community workshop in 1997 asked whether only those working would be provided for, the response of Pumla of the DBSA was, “No, the services will be made available to all. Plans will be made for pensioners, the unemployed etc. who cannot afford to pay” (Workshop at Etete January 21, 1997).

The basis for awarding the concession was that the concessionaire would provide a cost-effective and efficient water and sanitation service to residents of the Dolphin Coast. The RFP Document states that the majority of the areas inherited in 1995 are in dire need of development. In view of this challenge, the BoDC argued that it needed to join forces with the private sector to ensure reliable and efficient delivery of services, such as water and sanitation to these areas (RFP Document, 1997).

The BoDC Mayor states that delivery of basic services to the communities disenfranchised by apartheid remains the primary objective of the Council (Mayoral Minute, 1996/97). However, this pro-poor policy has to be contrasted with the statement by the Town Clerk:
Outsourcing water supply and reticulation made perfect business sense as the service ate up most of Council’s budget. (Andrew Ferguson, in The Mercury; August 30, 2000)

A similar view is also provided by Tokkie Saayman (interview October 2000), who notes that the RFP Document is based on affordability and the recognition that government and municipalities have no money to provide for all services. This suggests that the driving force is financial rather than pro-poor policy. The Mayor once wrote:

*It needs to be recorded that Council has always acted with due regard to the concept of the global competitiveness.* (Mayoral Minute, 1998/99)

Although the Mayor makes pro-poor statements, he acknowledges that Council cannot just operate without taking into account growth opportunities. A mixture of growth and development has to take place for any Council venture to be successful.

A clause in the concession contract (section 27.3) states that if the concessionaire is unable to meet the requirements of all the customers within the concession area it shall give preference to the provision of a basic water supply and basic sanitation service, which is service level 2. This is aimed specifically at the poor, and implies radically different levels of service.

In addition, clause 45.2 of the contract stipulates that the Council and the concessionaire shall from time to time agree on methods whereby funds and/or other concessionaire undertakings which are allocated by Council to assist indigent families to pay for the supply of basic water services may be best utilised. It is recorded that such assistance may be in the form of *inter alia* crediting customer’s accounts, alternatively by the Council purchasing from the concessionaire vouchers, coupons or tokens that will be provided to such customers by the Council and the concessionaire undertakes to adhere to and comply with the procedure instituted by the Council in this regard. The decision as to which customers are eligible for such support shall be made by the Council exclusively pursuant to procedures and criteria adopted by the Council. The provision of this form of support by the Council for the indigent customer is dependent on the necessary funds being made available to the Council, by the government and may be withdrawn at any time (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999).

Evidence from interviews with officials, Councillors or communities, reveals that none of these provisions appears to have been implemented, although all these issues will have to be revised prior to the implementation of the free water policy.
19.

Impact of Concession on the Poor

As mentioned in the section on methodology the research into community responses was participatory and involved observation and focus groups attempted to involve residents of the communities as objects rather than subjects of research. Five focus groups averaging eight people each were conducted on the basis of the service levels that are provided by SWC, in this case levels 2 and 4 consumers. Three of these were held in Nkobongo, at present the largest formal community, and two in Shakashead. In all cases, Councillors were consulted first to get permission to go into their respective constituencies. Community leaders were also consulted and assisted in arranging a balanced gender and mixed age group by service level. There were delays in getting the appropriate groups because of the elections scheduled for 5 December 2000. Two were held in December 2000 and the other three in February and March 2001; the former concentrating on issues directly related to water service delivery and the latter to more general questions of poverty, employment, and broad social issues. On one occasion, the few participants turned up and the discussion had to be cancelled. The focus groups were held over the weekends to cater for those who work during the week. Subsequent follow-up research concentrated on gender-specific focus groups to encourage the voice of women.

A methodology has been adopted which pays close attention to the voices of the community through focus groups, individual interviews, observation, and gender sensitivity. Particular attention was given to recording the unofficial voices of the residents and workers together with the views of councillors and officials. All researchers conducted the observation and some key interviews, while the focus groups and most community interviews were conducted by Sibusiso Nkomo in Zulu. Tables and lists of issues have been constructed from the focus group material and items have been mentioned on the basis of there being no contradictory view; where there have been opposing views (and these have been few) these points have not been recorded as unchallenged and significant.

‘Community’ in South Africa is often an over-employed and loaded term, which can encompass meanings from racial ordering to recognition of oneness and lives in common at a number of levels. Generally, it has come to be used to refer to the settlements of the poor. The apartheid regime in its use of such terms as Department of Community Development, etc, put a racial stamp on the term, and, unfortunately, this usage is still not entirely lost in the post-apartheid era as settlements are still largely segregated entities. In this report, community is taken as a self-reference (“in our community”) by people of poor settlements of African people variously termed ‘developing’ or ‘RDP’ settlements. Community used here may refer to a specific area or to the combined areas in distinction to the surrounding rural areas or to the prosperous Eastern areas.
### 19.1.1 Relevance to Community Interests

One of the first questions from all respondents was, “How will all this benefit us?” This question often followed by others delving into the prospects for change in favour of the poor arising from research -- often frank scepticism was expressed of any change benefiting the people arising from recording of their views. Despite this, there were no significant problems in getting the people to present their ideas and opinions. There is, of course, no ready answer to the classical question posed, as researchers are not the decision-makers in the community or political structures. What is the relationship between research and social reform? At a recent United Nations conference on poverty in Southern Africa held in Cape Town, a keynote UN speaker argued that the fact that poverty is being discussed by policy-makers in itself indicates that a solution will be reached. The researchers are not so sure that there is such a unilinear relationship between discussion and action towards ending poverty. The idea of a report back to the community was raised in discussion with the people interviewed to assist in the community understanding its prospects and dilemmas. There are, however, significant differences in opinion within the communities studied which complicate simple processes such as report-back meetings or other forms of feedback to communities. The validation workshop that took place on 14 March was an important aspect of checking the conclusions of the study and providing some form of feedback to officials, the company, and representatives of the community.

**The setting of poor communities:** The ‘developing areas’ of African settlement in the Dolphin Coast are brand new but featureless working suburbs, bereft of parks, other open spaces and trees. The houses are small, constructed around the imperatives of shelter, water, and electricity. Compared to the large townships of Durban, these communities are relatively small, uncluttered by cars and other traffic and give the impression of new settlements. There are three settlements of significance in the Dolphin Coast local authority, from North to South along the R102: Etete, Nkobongo, and Shakashead. (see map).

**Etete,** a large area within the Dolphin Coast, with a mixture of Indian and African population groups. Etete is still developing and has the largest number of households of all the townships. Few people have taken occupancy of houses that have already been completed there. Though most Indians stay in poor corrugated iron houses, they largely have house connections and water borne sewerage with septic tanks. The African population lives in mud shacks, which are largely unserviced. Those who are better off have had these plastered and painted.

The RDP housing project in Etete, which was approved by the now defunct BoDC, was started sometime last year. About 300 houses have been completed and the construction of other houses is continuing at a brisk pace.

Unemployed residents have already occupied some of the completed houses. There has been much debate about the allocation of houses as a number of these occupants are said to be scholars at the nearby Nonhlevu High School. Apparently, young people

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2 Interview with UN official, SAFM, 27 March 2001.
used their identity documents to apply for housing without the knowledge of their parents. Community leaders are concerned they are living there alone without any parental guidance. There is also a concern about behavioural consequences of especially girls staying on their own. There is an expectation of higher teenage pregnancy, HIV/AIDS and conflicts over lovers as they try to secure a source of income. This is a source of concern in terms of affording to pay for services. Such teenage occupants were said to be unlikely to be able to meet service charges.

At the moment, the Etete community has not really gelled. There is no common purpose because in part most still have to occupy their new houses. There have been no overt leadership squabbles, though there was some concern about the councillor staying far away and not being readily available. The community is still accessing water without charge from the standpipes. Thus, there is now no problem of affordability, though that is going to change once building has been completed. The only concern is that standpipes are too few and far away for some. Occupants report no problem with sanitation as all houses have VIP toilets.

Though no problems are apparent for now, they are anticipated to surface in the future when payment for services is required.

A 1999 socio-economic survey of Nkobongo (Siza Water Company Social Development Plan, 1999) revealed that it had a population of 1,050 households (4,821 people) while Etete has 1,283 households. The population has grown enormously since then through natural increase, displaced farm workers, and the attraction to the growth of housing by the poor from surrounding areas. Estimations of population (about 10000) are provided in Table 5, and can only be evaluated after the completion of a social survey commissioned to establish precise figures of population which is about to take place. What is undeniable is the deep poverty of the community. The majority of households (62%) in both Nkobongo and Etete earned less than R800 per month. Only 2% of households earned more than R3 500 per month. As more people occupied recently completed housing, new shacks continued to spring up in the hope that they would get housing.

Nkobongo has benefited from the bulk infrastructure investments made prior to the concession. A reservoir, sewerage extension and sewerage works were among the programmes implemented in the 1997/1999 fiscal year. Residents in Nkobongo now buy water tokens from an office in the community hall; previously tokens were purchased at Shakaskraal Customer Service Centre some 5km away.

Shakashead is a relatively small community with older formal housing occupied by Indian and African residents, hundreds of new houses, and three shack settlements mostly in low lying and often damp land. There is a hall that can be used for small meetings. The conflicting relationship between residents and the landowner has been described previously and today African and Indian families live together in the older ‘formal’ housing and in the new RDP houses. The ruined sawmill and hardware store stand on an incline and a compound housing 150 people is also to be found there. There is a well-established primary school with a small playing ground. According to local
residents, the main priority apart from the need for more houses is that of playing grounds and a crèche. The concern is that boys and young men should be occupied with sport and other public activities to keep them from drink and crime. The statistics show that the pattern of poverty is very close to that of other communities.

**Allocation of houses:** In all communities, there is much controversy about the allocation of houses. More than any other issue, housing crystallizes the tensions in the communities, as it is the most tangible benefit to accrue to the poor from the post-apartheid period. Poor households with nothing to their name are recipients of assets worth R17 000. There is keen competition for the houses as they become available and a definite perception among ‘locals’ of outsiders being given preference. Some leading figures working within the community complain that they find it impossible to get their names on the waiting list. They feel that educated people in the area are seen as threatening the existing authority and not wanted, and that politics of this kind is inhibiting development (Interview, 8 March 2001).

The allocation of houses is evidently fraught. According to a leading council official, “We knew that there could be questions of corruption and nepotism and we asked the community through the development committees to decide on the allocation of houses”. Since then there have been allegations of members of the development committees putting their relatives and friends who are not on the original list into houses. According to Tokkie Saayman, the councillors of each area feel that they should be more directly involved in sorting out these allocations (Discussion, 14 March 2000). Whether this will solve the problem is not clear.

These issues raise the question of participation in the planning of reconstructed settlements. Participation is a key element of the Reconstruction and Development Program and has been described as containing the potential of empowerment (Moser, 1989). Empowerment in development has been described as shifting control to the people to plan and implement projects, including the construction work. In this way, the built environment becomes a vehicle of empowerment (Marschall and Kearney, 2000:16). It is clear that the housing and infrastructural projects in the communities under discussion have not involved communities in decision making to this extent. The problem of the allocation of houses is evidence of one of the problems that can result from the planning and implementation of projects without sufficient community participation. The complaint about insufficient use of local labour in RDP projects is another.

**Contradictions in community development:** There is a sharp contrast between new houses and general improvements and the deep poverty of the people; a disjuncture made more vivid by the lack of integration between these ‘developing’ communities and the affluent coastal strip. It appears there is a growing gap between the smart penthouse development facing the sea and the developing communities hidden behind canefields and the N2 freeway. Although people express the view that there is mutual dependence between peoples, the actual relations tend to be political and administrative rather than social and economic.
The developing communities of the Dolphin Coast are passing through a phase of rapid social change: housing development is continuing; infrastructural development in the form of roads, bridges, stormwater drains, is taking place; and other services are being extended. However, a stable community with well-defined and operating social, civic and political structures has yet to develop. As part of this process, there are strong contests over the definition of insiders and outsiders in the community, an issue highlighted by the arguments over allocation of houses. This fragile sense of generalised community as “we locals” is partly a problem of geography, as the communities of Etete, Nkobongo and Shakashe, are separate communities spread out along the R102 separated by cane fields and the commercial center of Umhlali. From another perspective the problems of intercommunity conflict and social problems point to a certain lack of civic integration that partly reflect the pace of recent development (development in Etete is so recent most of the houses built still have to be occupied). Although there are the formal elements of direct political representation through ward councillors (supported by proportional representation councillors), a fully developed civic culture has yet to grow, and there are, at times, fierce conflicts and a feeling that in many ways the community is not moving forward.

A key question in relation to all service delivery is that of the stagnation in income levels in the post-apartheid period and the postponement of forms of relief by national government such as the income support grant. Development initiatives are undertaken on an impoverished social base and this poses problems of access to the entitlements of citizenship, exclusion, and the financial sustainability of services among other things. This problem profoundly affects all attempts at social reform and infrastructural development and there are complaints of no clear strategy of poverty alleviation.

The question is fundamentally: how can service delivery be extended when people cannot afford to pay for basic services? The government is now grappling with the one side of equation by promising to provide a certain quantity of basic services free, but funding for the extension of services to meet the basic needs of the poor is still hamstrung by budgetary constraints. The other issue is the need for considerable growth in incomes for households to make services become sustainable.

These questions are occasionally explored by the press, and debated by academics, but although there is a range of opinions, many of the people locally are drawing their own conclusions.

The government does not keep its promises. They do not even have the conscience to keep their promises. These are supposed to be free houses and water too should be free. But we are still paying for both. So which promise has been kept?

However, while the government appears distant their representatives are nearer at hand and blame is apportioned at this level.

In fact, we can say that the government is not doing anything, but we should be blaming our representatives. It is they who are doing nothing.
Despite these criticisms, councillors of the African National Congress have been returned to their positions in the recent December 2000 elections in these three communities. These attitudes, however, indicate the fierce debate that is taking place within the community over the possibilities of basic reforms, political representation and social empowerment.

**Social movements:** In the period under review (October 2000 - March 2001) there is evidence that some of the attitudes expressed were turning into social movements of protest. Prior to the research, there was a march to the local police station to protest crime in the community. During the research itself, in February there was a march from Nkobongo to a local factory in Shakaskraal to demand the employment of local labour. In March, there was a movement to occupy the houses that were almost complete in Nkobongo. Dissatisfaction about joblessness, crime and housing allocation is becoming more articulate but has not crystallised in civic organisations.

**Poverty and delivery:** The reformist thrust of the post-apartheid government has been around issues of service delivery and poverty alleviation. The two are often weakly connected: delivery is often implemented by agencies external to the communities and without their full participation, and people cannot afford to pay for services. These features are plaguing development projects. These contradictions will be explored in the responses of residents to cost recovery strategies, in the implementation of services, and in strategies for development.

The provision for poverty alleviation embodied in the programs of the Reconstruction and Development Program (RDP) apply very generally through subsidies to capital works. Government anti-poverty policy is not clearly spelt out but poverty alleviation could be regarded to apply through public works, welfare in the form of old age pensions, child benefits and other measures— even those these were often in place under the old regime. At a local level, there is general scepticism that there is an anti-poverty program in place within the local authority.

*We do not as yet have any program of poverty alleviation because we do not have a link.*

*Interviewer: What programs are there in the community to address poverty?*

*All: There is nothing.*

*Interviewer: Don’t the churches help?*

*All: No.*

As it turns out there is evidence of some charity from churches in some communities, but the communities feel there is no identifiable link between the general pronouncements on poverty and their daily grind. The blame for this tends to be placed firmly on community representatives rather than on the national government. Local
residents tend to present themselves as illiterate and vulnerable to the educated elites who exploit them.

*The municipality has done nothing. On that, I blame our representatives who sit on committees. Maybe they take the money from the municipality because they know they are dealing with illiterate people. No one ever speaks for us.*

To be able to understand the effects of anti-poverty programs we have first to be able to understand the nature and structure of poverty generally and in the communities under study. A review article by *Chambers* (1995) argues that there are various dimensions to poverty, the most obvious being the question of low income, but also includes a wide range of other features such as social and political indicators. These points will be taken up in an extended discussion below.

In South Africa, the prime defining poverty indicator is that of income, and those households falling below the R800 income line are regarded as living in poverty. The statistics that are available are built around this benchmark, and indicate that the overwhelming majority of the people in the developing communities are below this line, marking them as very poor.

### Table 24 Table of income by area: percentages

<table>
<thead>
<tr>
<th>Area</th>
<th>Less than R800 per month</th>
<th>R800 - R1500</th>
<th>R1500 - R3500</th>
<th>R3500 +</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nkobongo</td>
<td>62</td>
<td>26</td>
<td>11</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Etete</td>
<td>62</td>
<td>26</td>
<td>11</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Shakashead</td>
<td>61</td>
<td>25</td>
<td>11</td>
<td>2</td>
<td>100*</td>
</tr>
<tr>
<td>Formal Towns</td>
<td>6</td>
<td>7</td>
<td>28</td>
<td>59</td>
<td>100</td>
</tr>
</tbody>
</table>

* Rounded off

The segmentation of income within Etete, Nkobongo and Shakashead, is surprisingly stable with a wide base of very poor, a smaller base of poor, and a tiny group of households with reasonable incomes. Unfortunately, the data available does not indicate the range within the very poor. In the communities, the old age pension of R570 is regarded as a substantive income and often forms the basis of the household. (Surveys show that households suddenly grow in size when a woman reaches the pensionable age of 60 years). By way of a sharp contrast the coastal strip, included in the table under the heading ‘formal towns’, which includes the white residents, shows the complete reverse range of incomes. There is a concentration of households in the better-off segment and relatively few with below R1500 income. There is a stark contrast between the Dolphin Coast’s Eastern and Western zones; one with First World incomes and lifestyles and the other with Third World incomes and conditions.

In addition to the prime indicator of income, Chambers mentions other features of poverty such as social inferiority, isolation, physical weakness, vulnerability, seasonality, powerlessness and humiliation. Community responses indicate awareness of those issues. To a large extent, the indicator of social inferiority applies to women as
a group but not to ethnic groups within the community, isolation to the aged, and physical weakness to the disabled and diseased. Officially, there are policies in favour of women’s emancipation; the ANC, for example, stipulates that one-third of candidates for local government positions should be women. Despite this, South African society is still deeply patriarchal and although women’s rights are entrenched in law, their applicability is still largely circumscribed by the effectiveness of legal enforcement. South Africa is one of the few states in Africa that does provide a national state pension scheme and it is this income that provides the most definite form of income support in townships (Lund, 1996). This provides some defence against vulnerability and powerlessness. Pensions, which are directed to grandparents, are largely redistributed within the family to secure access to schooling, clothing, and food.

The poor are the vulnerable in society and generally lack the possibility of alternative sources of income, steady employment, and safeguards against loss of income or by dispossession through crime. Closely associated with the vulnerability is the question of seasonality, which represents the risk for the poor of changes in income over the year. In addition to these factors that have a certain objective basis are the socio-political factors of powerlessness and humiliation. These conditions are identified by the poor as demarcating their lack of the means of accessing resources. This could be changed through community organisation, representation and resistance to humiliation, but these qualities are what are often missing or unevenly present in the communities of the poor.

Generally, people complain that they have to struggle to get their entitlements.

_The councillor should help all those people who have reached the age to get a pension._

In addition, they face humiliation in dealing with their representatives.

_If our councillor is not around to sign some documents for you, forget about going to bury your dead in Nkobongo. You have to wait for him till he comes back. Sometimes he plays hide and seek with you. His sisters have even learned to hide him._

The poor argue official society (the official channels) are not helpful and often a hindrance to their getting what they are entitled to. The relationship between poverty and power is discussed under various headings more fully below.

**Instability of income:** The elements of vulnerability and seasonality are identified by the poor of the Dolphin Coast and undoubtedly contribute to the instability of household income. Instability is identified by vendors having to depend on the vagaries of the informal street markets, by workers facing retrenchment or by casual workers having to wait on uncertain demand, and on the seasonal demand for labour within the rhythm of the sugar cane cultivation and harvesting. In addition to these questions there are the risks of sickness to which the poor are more vulnerable and pregnancy and childbirth which affect women’s prospects for raising income.
**Hierarchy of poverty:** From the focus group discussions and individual interviews, the communities identified a range of gradations between the ‘well off’, the poor and the very poor members of the community. The division between poverty and absolute poverty is marked by the incapacity to meet service charges in the form of education for children or for water.

*There are those who are poor in a normal way and the very poor. People are struggling hard to survive, and some cannot even afford to send their children to school.*

There are those who can afford to pay for services and those who cannot. Education is regarded as highly expensive.

*In January, I paid R400 just for my daughter. For my sons, I have not paid yet. I have to pay R380 for each. I am paying R150 a month just for them to travel to school. We can’t make ends meet by paying so much on our water account.*

Critical to such a hierarchy of poverty is the question of employment, but even the luxury of a job does not automatically elevate members of the community from being working poor as the table below indicates.

<table>
<thead>
<tr>
<th>Grades of poverty</th>
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<tbody>
<tr>
<td>&quot;Well-off&quot;: steady job</td>
</tr>
<tr>
<td>State pension: ability to care for children and meet service charges</td>
</tr>
<tr>
<td>Casual labour: uncertain and low wages</td>
</tr>
<tr>
<td>Domestic labour and gardening: greater certainty but lower wages</td>
</tr>
<tr>
<td>Street vendors: second hand clothes, tomatoes, etc</td>
</tr>
<tr>
<td>Poorest self-employment: gathering and selling medicinal herbs from the bush</td>
</tr>
<tr>
<td>Very poor: cannot afford to send children to school</td>
</tr>
<tr>
<td>Poorest: cannot afford to buy water</td>
</tr>
</tbody>
</table>

*Source: Focus groups and interviews*

Such a listing does not constitute a stable hierarchy, as the instability of income-generating activities for the poor means that there is no such stable ranking of people and activities. The ranking of the levels of living reflects categories that are thought to be significant by the community and mentioned in interviews. Among the poorest of the poor are those in menial or self-employment.

*These women do washing or clean yards for Indians and other people. They get that R3 or R5 and are grateful for that.*

*These people are gathering herbs and selling or washing clothes. They only get enough money to feed their children of which they have many.*
Social solidarity: Despite the appearance of relatively small communities at ease with themselves, there are tensions and difficulties which tend to undermine the prospects for growth and development. The features of civic malaise point to a lack of the elements identified in the term social solidarity (basically, trust within the community, social cooperation, and conflict resolution) which is necessary to the notion of community. Social capital does not capture an element of pressure politics (May 2000). This includes a range of feelings and actions that include networks of social support that can be seen, with some over-simplification, as providing solidarity within and resistance without.

The concept of social solidarity is close to that of social capital but differs by stressing cross household and income cooperation rather than entrepreneurial or competitive aspects. The ‘developing’ communities are united through their living conditions but not readily united in other ways. In the divisions of poverty, there is sharp competition for what resources are available which can breed a fierce and rough individualism rather than feelings of compassion and ubuntu. This is recognised in interviews:

As a community, we can do anything. The problem is that in this community there is no unity. Everyone is for himself or herself.

The people here are not united. They are not caring. Everyone does his/her own thing as if nobody else exists. What is worse is that they have no backbone and no truth.

The considerable difference in services between the urban communities and the surrounding peri-urban and rural areas attracts newcomers to the developing communities, and this is a cause of some tension between households living in formal situations and those living in shacks. In the language of the communities there are strong expressions of division among ‘insiders’ and ‘outsiders’; the former are those in housing or longer term residents and the latter are those more recently attracted to the areas and living in shacks.

A review of social solidarity draws out the following positive and negative indicators of social solidarity:

<table>
<thead>
<tr>
<th>INDICATORS OF SOCIAL SOLIDARITY</th>
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</thead>
<tbody>
<tr>
<td><strong>Negative indicators</strong></td>
</tr>
<tr>
<td>Growing crime</td>
</tr>
<tr>
<td>Lack of cooperation among educated elite</td>
</tr>
<tr>
<td>Supplementation of income through shebeens</td>
</tr>
<tr>
<td>Political divisions</td>
</tr>
<tr>
<td>Feelings of alienation from official society</td>
</tr>
</tbody>
</table>

92
Overlaying the question of ‘insiders’ and ‘outsiders’ is an additional sharp social division between the educated and uneducated. Education appears to correlate strongly with the ability to exercise power in the urban setting (the ‘educated’ includes not only those who have metric but also those who have the ability to speak English and interact with the powerful in ‘official’ society).

*Whether it is the forum, development or whatever committee, it is always the same people who are in these committees.*

Among the tiny educated elite, the question is often sharply posed of cohesion or conflict. Observation and community assessment tends to confirm that among party and community leaders; church, women groups, civics, and other organisations existing in the community, there is little cooperation and considerable evidence of conflict.

*There is the development committee, SANCO or civic, and the ANC committee. But they don’t work together; once you start talking the councillor suppresses you. So you do not know whom you can talk to.*

In particular, there appear to be conflicts between councillors and those closely associated with them and the rest of the community. This is a powerful disincentive to a coherent anti-poverty and community empowerment strategy. Despite the expression of high levels of dissatisfaction, civic counter forms of organisation appear weak. Civics themselves were evident up to the period before the elections of 5-7 December 2000, but their leaders were attracted to the poles of the various parties. Despite sitting in the same representations, the community has reverted to a sceptical/hostile attitude towards its representatives. The election demonstrated that, in a sense, the main contest was not the formal one between party candidates, but also inter-party battles. In the preparation for the 1996 election in Nkobongo a candidate stood against the incumbent councillor and won the majority of the votes, but then declared that he would not take the position as he feared for his life. There were further contests in this ward prior to the 2000 Local Government elections. Although this exchange took place within the ANC, similar forms of heated and personalised politics exist in the various parties contending for the vote of the African poor. Conflict and distrust are concentrated around the allocation of resources and in particular those of the newly built houses. Those who are excluded from power argue that they are also being denied residence within the communities.

An argument has been presented that leaders are more divided than the rest of the people and this leads on to a lack of social solidarity against the impositions of official society. A resident provides an argument that redress could be made through collective action but that the Councillor does not support this.

*Leaders are actually worse. When we take complaints to them, they say there is nothing they can do unless we pay….You might be the only one who has not paid and others have paid. Why I say this community is disunited is because I once suggested that we should stop paying until our situation has been addressed. Had we done that*
and we seen to speak with one voice, maybe somebody would have acknowledged us. 
But I heard that others were continuing to pay. So that fell away.

This view posits a different form of solidarity; a solidarity of resistance which would 
enable negotiations about the difficulties experienced by the people.

You cannot take a stand as an individual. You need to be a group to be powerful. 
The biggest problem is that we do not have real leaders. They usually come to us 
with promises, of which none have been fulfilled. So how can we trust them?

As the views above show, residents tend to view poverty not as an individual disability, 
but a collective problem to be solved by collective action.

Leadership: Despite the conflicts among the educated that tend to paralyse community 
action, there are some indicators that the communities are not as quiescent as described. 
There is the generalised concern about rising crime and protest movements against 
outside labour. Neither in themselves are they positive, but they do indicate the 
potential for community action. More positively, it has to be recorded that the 
communities under discussion have residents from throughout the region and beyond, 
yet there is no appearance of ethnic divisions: ‘outsiders’ are not considered on these 
lines. These points should be mentioned, yet the evidence of considerable competition 
among the tiny elite has been mentioned. This is one line of fracture; the other is the 
horizontal antagonism between the representatives and the represented.
Residents of the ‘developing’ communities complain vigorously that their councillor 
representatives are not available to them and avoid making contact.

We do go to him. This week we went twice to report on people’s problems. He said 
okay he would be coming to see those people. He never pitched up.

He does not like to meet the committee. One Saturday he was supposed to meet the 
committee, we waited and waited for him. He did not pitch up. As we were going 
home, we met him and he made a feeble excuse.

Such responses may indicate that councillors are subject to extraordinary demands and 
shy away from the pressure of responsibilities; whatever the reason for not being 
available to the residents there appears to be gulf between the people and the people’s 
representatives. The conflicts appear to go quite deep and are at times associated with 
threats of violence.

If somebody who is also in the committee assembles us to report something when the 
councillor is not there, that person is looked upon badly and called names by the 
councillor. In fact, he says that person ought to be killed.

Yes, we got houses. We are staying in them right now. But we are completely 
dissatisfied as a community. In this place there is no togetherness, no unity.
We are not happy at all. This situation is not good. How can we fight for a person thinking he is our leader, but in return he does not fight back for us if we have problems?

Despite such evidence of many fraught contests, an experienced community leader has a positive outlook about the leadership:

*I would say that leadership is actually very good. At the same time that goodness creates problems. There is no central structure where they all meet. So it means that with so many structures in the community, if you have a project you have to consult all structures individually. Then they will have to go to seek approval from their constituencies. That is time consuming. On the whole, leadership is good, though leaders in governance structures are a little problematic.*

Such a view acknowledges the criticism made by ordinary members of the community but tends to look to over-arching projects and initiatives to unite the people.

**Jobs and joblessness:** Every discussion within the community about social empowerment tends to centre on the question of jobs. The universal unemployment of youth and adults of both genders has a devastating impact on the community. Relatively few people have access to ‘real’ (steady) employment such as the workers of SWC and Council workers who live within the developing communities. Most work is to be found in the domestic setting or in landscaping and gardening. Residents work for Indians locally or for whites in the areas more distant from the developing areas. This work is low paid and mostly casual (wages for domestic workers are stated to be as low as R12 a day, the equivalent of 4 cool drinks or 4 loaves of bread), providing only irregular incomes and building considerable resentment.

This general joblessness and economic depression also affects all working for change. Despite the general poverty of the community, there are perceptions of differences in living standards and a linkage between the poor and the very poor. A self-employed man earning between R100 - 200 a week argues he cannot earn much because the people he serves are unemployed. He comes to the following depressing conclusion:

*There is a problem of unemployment; there is not even hope that most will ever get a job in their lifetime*

*There is a small group of working people. Most of the people are unemployed and are failing to satisfy their basic needs.*

It is universally acknowledged that the key question is that of jobs. While many see a job as marking the line between the poor and the very poor, the problem is that employment prospects for people within the community are unsure and transient. As a self-employed man remarked:
Women work as domestics for Indians and men work for Indian contractors. They are exploited and not paid fairly. People are not happy but there is also the feeling of being let down by the government.

A woman argues that unemployment was making the people feel unwanted and unable to provide for their families. This is presented as the classic dilemma of working people having the ability and desire to work to become a useful member of society but not having the opportunity.

*Everyone who is sitting here has got use of hands. Definitely we do not want to sit around doing nothing. We want to work and earn our money to support our children. If I do not provide for my child and I do not give them food, honestly they are going to steal it from somebody. If we have got jobs, we can do something.*

Significantly no resident expresses the view that self-employment is the way in which they can survive; on the contrary all state that through work they can contribute towards bringing themselves and their families out of poverty.

**Crime:** There is a widespread opinion that the communities in which the respondents live are becoming more problematic and that social solidarity is being undermined by members of the community living off others. The fear is particularly of unemployed youth.

*Our children are now beginning to behave badly because of poverty. They use bushes at night to hide and wait for people coming from work. Because they do not have jobs, they steal clothes from the washing lines. They do this in broad daylight. This is shaming us. They go and sell these clothes to get money to buy food. Smaller ones scratch through plastic refuse bags looking for food. Life here is not very good.*

*They rob people by stealing clothes from the lines. They are hungry and survive through crime. If you have done your washing, you cannot go anywhere. You have to look after it. Otherwise, you will find it all gone.*

*What should a kid do if I don’t have food in the house?*

Some residents, as the last statement shows, have ambivalent feelings towards these youth arising from a sense of incapacity of the older generation being able to support their own, and express a mixture of guilt and responsibility. However, crime carries a threat of social disintegration. There are forms of robbery through intimidation that reveal a form of violent redistribution from those with jobs to the unemployed and undermining social solidarity. A society in which those with something are under the direct surveillance of those living without emerges:

*They know that it is payday and somebody is working maybe at House 373. They know that the person drinks and they see him at the local shebeen or he is with friends in the house. They wait until he is on his way home or the friends leave. Then they knock and demand money.*
Women particularly complain of being under surveillance of the unemployed criminally inclined youth, with the implicit threat of rape. A working woman states:

Some of us work night shift and they know us very well. They say they know that we walk on foot. Why they don't do anything is because we do not carry money at that time. So if they tried anything, it will mean they want my body, because they will get nothing else.

In the view of the community, the crime situation has worsened recently and is linked to new forms of drugs that are more expensive, and lead on to robbery and violence. Dagga is generally used among youth and is relatively cheap, but new mixtures of drugs are much more expensive and accelerate crime.

Recently there has been a sharp rise in the rate of crime and drug abuse. It is now a normal occurrence to see young boys smoking Mandrax and dagga on the street corners. People with cars have to take extra precautions now. Cars are now burgled or stolen. The crime rate has increased dramatically, because of high unemployment of the youth.

Crime largely appears through youth preying on those with some form of income and in particular those who are ‘well off’; who have some form of employment.

Demands for local labour: Throughout poor communities around the world there is a demand that local residents should be prioritised for the jobs that are available locally. For the poor this consolidates some idea of community and practically means a saving of transport to more distant areas if they are employed. Anti-poverty policy, diffuse as it is, gives some weight to the employment of local labour particularly in public works. The Department of Public Works has a model contract for labour intensive projects aiming to employ local people. With all the development of housing and infrastructure there has been some work for local people, but two problems have been raised by residents. The first is concern that people related to councillors who are not residents have been first in the queue, and the second is that these jobs are short-lived and do not lead to further employment.

People were promised jobs in the building of public infrastructure but this does not appear to have happened to a large extent. At the Nkobongo workshop convened by DBSA consultants in 1997, residents were told that the partnership would lead to an increase in construction and expansion of services, the digging of trenches, laying of pipes and reading of meters “which would all lead to higher employment opportunities” (Workshop with Nkobongo Community, 22 January 1997).

In Section 37.2 of the contract, the concessionaire undertakes to utilize labour within the concession area in carrying out work in respect of the supply of water services and works unless a special skill or experience is required which is not readily available in the concession area or South Africa on reasonable terms. The concessionaire shall wherever practical use materials produced within or sourced from suppliers within the concession area (Borough of Dolphin Coast Concession Agreement entered into
between Borough of Dolphin Coast and Siza Water Company, 1999). Training for local labour is regarded as an important factor in the implementation of housing projects. Local labour and local content has been used in various capacities and especially in the moulding of blocks. The contract compels the use of labour intensive techniques where feasible. However, the Mayor (interview, November 2000) notes that it could have taken longer to finish the housing projects if they had to train as many people as they would have wanted. Shakashead ward Councillor, Jethro Banda, concurred with the Mayor on the issue of local labour by stating

*The housing programs (LED program) were not employing as many local people as originally hoped.* (North Coast Courier, 29 September 2000)

The promises made in promoting the concession can be related to the need to boost morale of residents so that they approve these projects. From a review of the use of labour and materials in the area, it appears there was no advantage during construction to the previously disadvantaged. Unfortunately, employment of local labour has not happened as planned which is partly attributed to delays in beginning the construction of projects and the need to complete them as rapidly as possible.

In the community, there is great demand for the jobs that are available and criticism of the distribution of these jobs. Complaints about the allocation of work abound, in particular that those in positions of influence give priority to those close to them rather than those desperately needing work in the community.

*In the committee, there were people who were appointed to assist with hiring. When there is work, they fetch their relatives from outside.*

*They fetch people from KwaMashu, Durban and Johannesburg, while people in this community are not working and some sleep without eating.*

The people are particularly incensed that a project to provide land to attract industry to the area near Shakaskraal has not led on to employment of local people.

*There are four factories across the road. There is Readymix, Pandora, Belle and Umgeni Products. There is not even one person from this area who is a registered worker in those companies. It is only people from outside who are hired.*

*If the job is easy and paying well, they take their relatives. If it is hard and not paying much, they pick anybody and put him/her there. Like in Pandora, it is only outsiders.*

These views were extended by the local insider who provides a more sympathetic account below. There is considerable resentment that the local people have to travel some distance to find employment, while local jobs go to those further afield. The jobs that local people access are said to be casual, irregular and more distant.

*Job opportunities are few, in fact they are non-existent, even in these nearby firms, it's mostly people from outside this area who are employed.*
They come with their own people and say they cannot retrench them.

Local people have to go to Saltrock, Shakasrock, Sheffield and Ballito (high-income areas near the beach) to seek casual work. Sometimes you are lucky to get something, which lasts for a week.

There is considerable debate as to why local workers are not employed. It seems as though outsiders and young people are preferred.

I know the reason why people are not hired. They say we are old. That is their reason. Now my question is this, since I am old, do I not eat; I do not need money. They leave us and hire small kids, who have no responsibilities.

All the responses indicate that access to jobs is the primary concern for both men and women in the communities researched. These attitudes moved towards social action during the period during the research. Early in March 2001, there was a march on a company near Shakasraal to protest the employment of outside labour. The manager accepted a delegation of four on to the company’s premises and said there was nothing he could do as the existing workers were protected by industrial law. He did not think that those he employed were outsiders as they spoke Zulu but added that he would consider local people if the business expanded. The marchers argued that the manager should have held talks with the local committees first, as they would have given him people who should be hired (interviews, 8 March 2001). This social movement shows the intensity of feeling about local access to jobs, a cause that does not seem to have been taken up by official representatives.

Although there are some public works planned, a local leader is not sure that public works will make a substantial difference to poverty alleviation.

There are jobs when there is construction of RDP houses but they are not long lasting. For example, a company could get a five-month contract after tendering. After the contract is finished where do all the people who were working for it get a new source of income?

He argues that the emphasis should rather be on skills development:

I do not think we should focus on the number of short-term jobs created by government public works. Rather we should have more skills development programs. This will help to offset the void left by the departing companies. People will be able to generate their own income, using their newly acquired skills.

Research into the employment of local labour has produced evidence that some employers have responded positively to the demand for the employment of local labour. Yet such an open policy has not succeeded in bringing more local employment. In an interview, further statements were made that leaders in the community use their influence to bring in ‘outsiders’. According to a respondent (interview 4 April 2001) the Chair of the Development Committee in Shakashead, was employed by a company in the industrial estate. She was given the authority by the Councillor to put forward the
names of other people to be employed, but instead of proposing local people, she brought her own friends from Driffontein, Kwa Mashu and elsewhere. Since the chair of the Development Committee has the position for only a year, she can no longer be held responsible by the community.

The discussion about job creation is just starting within the Dolphin Coast. One councillor argues that there should be the sale of land to companies at concessionary prices to bring more jobs to the communities. On the question of local economic development and job creation, not much has been achieved, but jobs, rising and stable incomes are essential for viable communities and sustainable services.

**Access to housing:** Housing is one of the few substantial resources that are becoming available to the poor and there is intense competition for the new houses. Yet the access to housing is unclear to the homeless and seems determined by agencies beyond their control. Again, there are perceptions of ‘outsiders’ being placed first in line and the ‘insiders’ being excluded.

*People who were supposed to get houses did not get them. People came from outside and got houses. People fetched people of their clan name. There is no truth here.*

*There are people who are old residents of this place who are still in the squatter camp because they did not get houses. There are new people, coming from outside living here in the township. Nobody knows how they came here or how they got those houses.*

The attitude towards the present housing and other reforms is mixed as every benefit comes with a cash requirement. Even the benefit of housing is seen with some ambiguity:

*There are no jobs and we are poor. We are thankful to the government for building us these houses. Despite that, there is now a problem because we are expected to pay for these houses. Why should we pay because we are poor? Even water is hard to buy; hence, some people are drinking from the stream.*

*We have houses, which we were given by the government, but the borough now wants us to pay for them. We do not have money.*

*We were thankful to the government for building us these houses for free. Now things have changed we have to pay.*

The very evident advance of housing is now seen as a provisional and possibly temporary benefit as the accumulating unpaid bills for rates could lead eventually to displacement.

*People are threatened with evictions. Why were they given houses in the first place then? People did not know that later they would have to pay for these houses. They thought they were a free gift from the government. It later transpired that we have to*
pay rates. Sometimes you are unemployed for the whole year and you cannot afford to pay these rates.

The inadequacy and instability of income is a constant downward pressure on poor people accessing and maintaining shelter and other basic needs. In addition, there are other problems relating to security of tenure and acknowledgement of ownership. Housing is seen as not shelter alone, but the location of the families and services. Apart from the issue of rates, the cost of water appears to be the main burden faced by homeowners. There is also certain annuity about ownership being proven.

We are thankful to the government for building us these houses. Water was connected to these houses. Now this water is not affordable. It is very expensive. We are working. We sometimes do casual jobs. So with that little money you have to go and pay for this water. Even when you don’t use this water, when you go there they will tell you that they have charged interest. You don’t know where does this interest come from.

Another thing I would like to know about the houses. The title deeds were out a long time ago. Why are they keeping it in the lawyer’s office and not giving it to the person. Why are they holding it back?

Coping: In a context of generalised need and insufficient incomes, the question is how households survive and individuals meet their basic needs. The poor adopt strategies of survival that are essential to maintaining an existence.

I usually make trade offs. When I pay for one, then I do not pay for the other. Like now, I do not have electricity because I had to pay for water. I have to wait until payday to get some electricity.

As a variety of studies have established, pensions are essential to the survival of extended families. The R540 received monthly is stretched across the generations.

I have children, who have got wives and kids. Their children go to school. I cannot take my pension money and pay for the house. Children have to go to school. They have to eat. On the sixth it was payday. I bought groceries and distributed them to all my children houses. I also have to buy electricity. I have to buy exercise books for schoolchildren.

The prices are constantly rising, to a point where I now feel that I cannot afford to pay. I usually ask myself what would happen were I to suddenly fall seriously ill and need to go a doctor. Because after payment for services, I am usually left with enough to buy mielie meal and beans. There is no money for anything else.

Services are the first priority followed by food and the juggling with household income ensures short-term survival. However, this is threatened by illness. A well-established feature of township life is the operation of shebeens by women as a key form of income generation. Unfortunately, this is divisive as some women see their potential household
income passing through their husbands to other women. Shebeens also put stress on the family.

*It is tough because I also have to look after my family back home because no one is working. Before I used to sell goods and some home brewed liquor. Since I fell ill, I have stopped all that.*

**Charity and philanthropy:** The surrounding wealthier communities are not very indifferent to the poverty around them. The local press reports occasional forms of charitable outreach by churches based in the better-off communities, although the existence of charity is a matter of some debate. A white woman known as Ma Flo has taken an interest in the Nkobongo community, although other communities feel neglected.

*It is people themselves who go to the dump to look for scraps. Sometimes they go to ask from her at Ballito. If she has anything she gives them.*

*Once some whites tried to distribute food parcels. There is this man, Nyawuza; he tried to grab food by force. Those whites left and they said they would never come back to this community. That was on Good Friday in 1999.*

**Social action and solidarity:** There is an on-going debate within the community about civic responses to the problems of joblessness, crime, and social conflict. The social problems of crime and unemployment, while all encompassing and difficult to solve at a local level, have accelerated local action.

*We have actually tried. We once marched to the police station to present our concerns. We have also revived the community-policing forum. Personally, I feel the best solution would be the creation of more job opportunities, especially for the youth. I have heard that local business people have also met to try and find a solution to this.*

For the more established members to the community the problem is foremost that of the youth who are seen to be rotting and falling into a downward social spiral.

*I would say crime is number two. The first problem is how we target the youth. I say this because they are the most vulnerable people in this situation and they are the most easily affected group. They start abusing alcohol and drugs. This leads them to abandoning school. Finally, they end up committing crime.*

The concession, however, is seen as undermining the social solidarity that should exist between the community and the council. The profit motive is seen as propelling the Company against the poor, while the Council as a non-profit agency is felt would be more sympathetic.

*The bills for water are no longer the same as when the water service was run by the municipality. I think that is because the municipality did not aim to make a profit through service provision. The private always aims to maximise profits. This*
necessitates that they charge a higher rate than the municipality. The problem with this is that most people, especially those with full connections, cannot afford to pay their bills. Eventually they are disconnected. Hence, there is an outcry from the community about this situation.

Most people cannot afford because they are unemployed. As a profit generating business, the company is sometimes forced to cut off the water supply to these people. Faced with the same situation the municipality would not do so, since water is one of the basic services.

Usually in our areas i.e. black areas, you will find that 75% of the people are unemployed. Only 25% are employed. Even within that 25%, most are earning less than R800 a month. Thus, they cannot afford to pay for services amounting up to R200 a month.

Poverty and women: The researchers sought out the voices of women in this debate as the prime providers of households and often the key to community initiatives. Women complain that within the family there is no basis of trust and cooperation.

Even if we have partners, today's men are not trustworthy. They do not stay for long. They are afraid of responsibilities. Some of them drink heavily. The women also drink. Such households have serious problems. Even those who do not drink have problems. I think everyone has got problems.

The female perspective in the community is to demand rights to employment to secure the future of their families.

We want our rights as women. We want jobs, so that we can feed our families.

Because of this, there is a growing problem of crime and drug abuse. This is coupled with the prevalence of health problems associated with poverty such as tuberculosis and HIV/AIDS. This situation is hard to remedy because of the constantly recurring leadership squabbles in the area. As a result the community is divided, and is not pooling its resources to address the problem of poverty.
20.

Responses to Concession by the Poor

The research into community responses involved observation and focus groups. Two focus groups averaging eight people each were conducted on the basis of the service levels that are provided by SWC, in this case levels 2 and 4 consumers. There were delays in constituting the appropriate groups because of the elections scheduled for 5 December 2000 and on one occasion for few participants turned up and the discussion had to be cancelled. Focus groups were held first at Nkobongo as the major settlement and later at Shakashead. The focus groups were held over the weekends to cater for those who work during the week.

20.1 Level 2 Consumers

The general feeling is that SWC is not providing a good service and residents would like to see something done about it.

History of water source: At first, the community of Nkobongo had no taps and they drew water from bulk tanks supplied by the government. They bought water, paid 5c per 25 litres, and supplemented supplies from the river nearby as well as water from the Indian areas at 30c a container (25 litres). One tap was installed and later a second was added. The system was then changed to a coin operated water dispenser, which accepted a 5c coin to provide 25 litres of water. After the township was built, the Council installed the electronic dispenser system administered by Bambamanzi.

Alternative water source: Even though Council officials regard the expenditure on water from dispensers as cheap, the residents seek out alternative sources. During the rainy season, the residents get water from the river to lessen their costs.

As it is raining, we are happy we are getting water from the river. In winter, it is hard as the river dries up.

Consultation: Residents state they were not consulted by the Borough about the concession and SWC, the monthly charges, and cost. Many were only told that the Company would provide water. Residents feel in the past, issues were brought to them and they were told what was going to be done for them.

We were told it comes from overseas, when it first arrived it was not introduced to us. We were not told anything.

At first we were told about Umgeni Water; thereafter we were told Umgeni had bad quality water which is not all right for us. There was not enough consultation and we could not foresee the problems we are experiencing now. At that point we should have asked why we were breaking away from Umgeni water.
We are told in such a way that most people become happy and accepted what is offered.

**Breakdowns:** The Community said that in the past, there was a person hired by the Company who stayed in the community to take care of breakdowns but this person was dismissed for misconduct and not replaced. The residents seem to be referring to the bailiffs who manned the standpipes before the introduction of the electronic dispenser system. They now claim they have to go around the township looking for water if there is a problem with the dispensers.

*There was somebody who was hired to service the taps, and breakdowns were reported to him. Out of the blue, he was no longer there. Since then we have never had any good service.*

*Even when they had closed at night, we could go to the bailiffs and ask them to open the taps for us. Most of the time they acceded to our request.*

*The problem with the system is that it easily breaks down, and you have to travel long distances in search of water. Then you find long queues on one or two standpipes that are working.*

*There is a problem of the breakdown of machines; sometimes even if you have money in your card, water does not come out of the tap. We then report to SWC who come and repair. The taps then work for a few days but they break down again. Sometimes water keeps on coming when there is no card in it.*

There is a particular problem for working mothers.

*It takes time because sometimes you are coming from work and you are in a hurry to get water. Sometimes you even go to bed without getting any water. Your card then is of no use.*

There seems to be a feeling that the residents themselves cannot report breakdowns:

*You have to report to the Councillor’s house and she will pass on the message the following day that is if she likes. Even if a problem is reported, it may take up to a week to have it sorted out.*

This statement contradicts what the workers, management and the councillors have said that there were frequent breakdowns in the first months of operation but these have been drastically reduced and services rapidly re-established after breakdowns.

**Charges:** Residents find there are a number of technical problems, and would like to see the tariff remain constant over the years as they are finding SWC expensive.

*When they installed the new system, they told us that it was 6c per 25-litre container but now we do not get this. Sometimes the machine charges 18c and sometimes 24c*
per 25 litres. If you have 6c left in the card, you may not get any water. The machines have problems reading the cards at times and then you have to go without water, but if you take the same card to another machine it can give you water.

We prefer the Company that provided us with free water before.

The last quotation refers to the period before the electronic bailiff, and somewhat contradict other residents who stated earlier that they were paying 5c per 25 litres. Andrew Ferguson and Faizal Dawood feel the prepaid system is preferable:

Prepaid is the best option. People are very happy, as it is affordable at R3.94 per kilolitre; this is way below Durban and KwaDukuza (Stanger) (Interview with Andrew Ferguson and Faizal Dawood, November 2000).

Relationship with the Councillor: The general feeling is that the local ward Councillor is not helping them with their water problems.

Sometimes the Councillor chases you away without hearing your problem. She does not ask you what the problem is and sometimes she tells you this is not an office.

Quality: A number of residents feel that water is not of good quality.

We are not satisfied because this water is not cleaned. Not even once have we heard that the water is interrupted for one hour for cleaning or treating.

Sometimes we see the whitish colour of lime used in the water as we see in the suburbs where we work. Even when you come across something in the water, you just throw it away and continue to fetch your water.

The same bulk water supply is used in both the East and the West and these responses show the importance of perception in water delivery.

Preferences: Residents make their own comparative analysis with the rural areas they have visited, and the overall feeling is that the Dolphin Coast Water is more expensive than elsewhere.

Individual households have their own meters in the places I have been to in the rural areas. It’s only that I do not know which Company is providing that water because to me it’s a good system. They are not paying any charges except for water consumption. They last paid R50 for the installation of pipes then they never deposited any more money. The R50 was kept by the Amakhosi so that if anything happens to the pipes they can be repaired from these monies collected from all tribes.

I also saw the same system at Groutville. I saw that it was a better system that water should come to your home.
Even at Folweni, they are using the same system. Each and every household has water in its yard. Even if you had to pay R250 for pipe installation, that is a once-off payment; after that you only pay for water consumed.

The opinion here seems to be strongly in favour of yard connections and against the fixed water charges.

**Umgeni Water:** Most people know about Umgeni Water, which is supplying water in surrounding areas such as Stanger and Ntshaweni.

*There is a house which I used to visit and they paid about R10 or R20. Umgeni Water supplied them with water.*

*Tongaat and Stanger and other places still use Umgeni and have no problems. We did not look closely at that but now as we see we are convinced something was offered to some people in certain offices. I think our organizers were given something in exchange for putting us at the mercy of the Company that is making money, that is why we are oppressed. This thing is between Siza, the municipality and our councillors. These three are benefiting through us.*

**Tokens:** Residents buy water tokens from an office in the community hall in Nkobongo, which is centrally situated. Prior to this office being opened residents had to get their tokens from Shakaskraal. This office was closed on weekends.

*Before this arrangement, we were getting tokens far away at Shakaskraal and they were closed on Saturdays and Sundays.*

*When the money is finished in the tokens, we go there and recharge them for whatever amount you want. When you insert the token card in the standpipe, it will show you how much you have like in the computer.*

The main concern is that of the cost of recharging, which they feel, has gone up, as residents claim that the recharge started at R5, but now Siza refuses this amount and demands a minimum of R10.

*They tell you it starts from R10, but in other places they recharge for R5 so we end up not knowing the right thing. It is the same with electricity. It started with R10 but now if you come with R10 they tell you they want R20, there is no longer electricity for R10. But another person will go and get it for R10.*

*Like me I have just bought a R10 card for electricity. It is the same with water: these people are crooks.*

**Sponsorship by SWC:** Most respondents feel that SWC is doing nothing for them. The consensus is that when SWC donates goods, they do not call the community and discuss with them what they are giving.
They sponsor our children who play soccer with our money. They are taking more from us and giving back so little--they sponsor us for R500 and help put kids in the Roman Catholic School. We are not happy with that because those of us who are not so poor as to have our kids paid for by the Company, we are not getting anything.

They take thousands from us and give us back little in return; we are not happy with the way they have done things. In fact, we are not thankful for what they have done.

Even if Siza wants to sponsor us we are oppressed here. Even if they want to do something, you will never know because we are not near them. It is our leaders who have close contact with the Company. They know everything, even when they lie and use those benefits for their own interests we will never know.

Well I see what they give at schools, what about the thousands they supposedly gave the whole community? We never hear anything about them now. Only two or three people are in the know. The whole community is not satisfied about this. The community seem to be those three people.

We get that from reports when you visit schools. The principal tells us the Company has donated this and that, this is wrong they should start by informing the community so that we can thank them and show our appreciation.

20.2 Level 4 Consumers

The level 4 consumers in the Nkobongo Township also express considerable dissatisfaction.

**Source of Water:** Before the water connections in their homes, they used to get water from community standpipes where reportedly they paid 25 cents per 25 litres of water.

Most of the time we fetched the water from the river. Then they installed the taps where we bought our water at 25 cents a container. This was followed by a coin-operated system, where you put in 5 cents in a slot and then water came out. So if I was thirsty on the way I would simply put in a 5 cents coin, have a drink and be on my way. Finally, they have installed this token card system.

I started by fetching water from the community standpipes. I was then allocated to one of the houses with water inside. I used to fetch the water from the standpipes at 25 cents a container, but now I cannot even talk because I am suffering too much.

In the beginning, when this was still a squatter camp, we fetched our water from the river. Then they installed a pipe, which was manned by Mr. Goqo. We used to fetch water from that tap at 25 cents a container. After that, they developed the area and built the low cost-housing township. They also changed the water system to those community stands, which use a token card. They also built those houses where I am living, which have water borne sewerage system. All along we knew that the town board operated the water system. Then we heard that a company called Siza Water, which has built an office right here, in this hall, would operate water.
Some were not sure:

I am not 100% sure; I think Umgeni Water also had a hand in the installation of the system. So, I am not certain why the whole water provision system was turned over to Siza Water. I first heard about Siza Water when we first entered into these houses. It was here in the hall that Solomon told us about the new water company and that the old one was to fall way.

**Satisfaction** Most people are not happy with the service but this is mainly centred on the water tariffs they are paying now. There appears to be considerable alienation and resentment from the communities; and in particular people are angry because they do not understand why they continue to receive bills even after they are cut off.

We are not satisfied because it is too expensive and the price is continuously rising. It is not constant.

Even when the water supply to the house has been shut off, the billing continues. The money is still expected, even when you are no longer drawing water.

There is nothing that Siza Water is doing for us. I decided to dig a pit latrine and stopped using the toilet inside the house. But I always receive the water bill. I took the bill to their offices to ask why. They told me that this is a payment for the pipes. But at the clinic, they had told us that the payment for pipes would be deducted from the payment for houses that we made at town board.

When you have water, you cannot stop using it. Our toilets have small cisterns unlike other places. But when the bill comes at the end of the month, you will be surprised to find that you have to pay R180 or even R220. There is some unevenness in the bills; those who use more water sometimes pay R100. You are not sure how much you are supposed to pay each month.

People who have connections are reverting to standpipes because they fail to meet their bills. In discussion with Council officials and the management of SWC, it was stated that communities told of the implications of full water and sewerage connections before taking occupation. However, most residents are not happy with the way things have developed.

I first occupied my house in December last year, but the bill that I received indicated that I started using water in August. The bill arrives monthly, you pay and they still shut off the water without any notice. As I speak, there are other people who no longer have water in their homes. They are now drawing water from the token card standpipes.

In my opinion, since I do not want to talk on behalf of the whole community, Siza Water is failing to deliver. This Company is exploiting us. Everyday their rates are increasing. You can try your best to save, but if you are supposed to pay R75, the bill might come out at R89. If you go to their offices to query this, they will tell you
that the community signed an agreement. We do not know who signed that agreement on our behalf. It hurts me deeply to talk about Siza Water.

Consultation: The majority of respondents feel there was no consultation before the implementation of this concession, and some blame their representatives for misrepresenting their cause.

As far as I can think, I do not remember the community being involved in making the agreement to transfer water provision to Siza Water Company.

There was no vote within the community when Siza Water Company entered the area. The agreement was between the Company and the whites at town board. They made their agreement and then transferred the Council workers to the Company. The community was never involved. What we saw was the installation of piped water into houses. When we asked why they were no longer building the four-roomed houses as promised, they never answered us. They continued with the installation of pipes and we were told that we would have to pay for that. No one ever voted for Siza Water to come here.

It is our elected representatives who are the problem. They sign agreements without consultation with the community. For example, if Siza Water wants to do something, they should come to us and tell us that Siza Water is planning to do this. They should then seek a mandate on what to do. Then we will call Siza Water to come to us and explain what is it that they want to do and why. Because our representatives are not doing that, tomorrow Siza Water can charge us R300, we will have to pay because there is no one who is speaking for us. In fact, our Councillor has failed to deliver. She does not report back to the community; as long as they tell her, she is okay.

Breakdowns: Residents say they report to the Councillor if they experience problems with burst pipes and the Councillor has been helpful.

It once happened that a pipe burst near my house. I went to report at the Councillor's house. The Councillor promised to phone the Siza Water people. They arrived at 7 p.m. to repair the pipe. So I would say we report at the Councillor's house.

There is a Siza Water Customer Services Office at Shakaskraal. I have personally reported there three times about a burst sewerage pipe. Till today no action to repair has been taken. (It was established during the interview by other participants that the pipe she was referring to had been repaired some time ago.)

Some residents are emphatic they want copper pipes installed rather than plastic pipes.

You see these pipes which carry drinking water are small in diameter. They are also made of poor quality material because they easily burst. They should have installed copper pipes.
If the pipe bursts in the house at night, you cannot shut off the water. If that happens you are supposed to phone. There are no phone booths nearby and sometimes you might not even have the money to phone.

A closer look at the community reveals that there are few public telephones in good repair in the area, which defeats the reporting process even if the residents have the contact telephone number available. The Company reports that four complaints were received directly from members of the community.

**Charges:** In the focus group, residents stated that the community did not know how water and sewerage tariffs are determined. Notices are put out on Siza Water notice boards, newspaper adverts as well as in newsletters that are sent together with the bills explaining the tariff increases and how they are calculated. Siza has also produced pamphlets in both Zulu and English on how to save water. Despite this, many people still think there is corruption and profiteering in the tariffs and billing system.

The community has a problem with the rise in water rates because Siza Water made an agreement with the councillors without involving the community. They make their agreements privately in the offices and maybe they also make payments to each other. In the end, this affects us negatively.

Another thing which is happening is that there have been numerous meetings organized here in the hall for Siza Water Company to come and address us. Every time we have come here and waited for Siza Water representatives to come but every time they have not pitched up. I now tend to believe that they know the corruption that they made, hence they are afraid to face the community. They know they will have a problem if they come to address the community.

**Payment:** Most people are committed to pay for water but say they are not able to cope with high monthly bills. Some think SWC is overcharging them since they do not use a lot of water. This seems to be a common complaint about fixed charges. Other residents insist that if their water is cut off, they should not continue to receive water bills. Some such as pensioners show a high level of commitment to paying even to the extent of prioritising their water bills before anything else:

I never miss even one payment. Sometimes I even go without food. When I get my pension, I first pay at Siza Water and Dolphin Coast.

There are people who are working, they use water to wash in the morning then they go to work. Some do not even have children and sometimes even the wife is working. They use water again when they come back from work but when the bill statement arrives, the amount to be paid is almost the same for everyone. It is better if you know that you have used the water. Some people work at Ballito as sleep-in domestics, but they also pay the same amount as everyone else.

Just to corroborate what my brother is saying. I am staying alone in my house but I pay R75 every month. I ask myself why because I usually wash a pair of trousers
and a shirt to save water. But at the end of every month I have to pay R75. My last statement was for R79-95. I am still wondering why.

In my house the water supply was shut off a long time ago. Still the statement arrives. According to the last one, I am supposed to pay about R60. I don’t know what this money is for because the water supply was cut. When I queried here in the hall they told me that it is for the pipes. I do not know why I have to pay for this pipe because I am not using it. In fact, they are exploiting us.

For the structure of typical water bills that help provide points of reference to these statements see Table 19 and 20 above.

**Meter Reading:** There is agreement that two people employed by SWC do the rounds reading meters, although there are grumbles about the statements being delayed.

The problem with these statements is that they are behind by one month. For example in December, you will receive the statement for November. You do not receive the statement for the same month.

Sometimes if you are lucky you will see the meter readers. They use keys to open the lids on the meters, which are always locked. You will just see a person writing in the book. One day I asked one of them what he was doing without first reporting to me. He told me he was reading the meter.

**Relationships:** The community is suspicious of SWC and the municipality that has provided housing in the new settlement. Many people say they cannot afford to pay for water and would like the water delivery system to be changed.

These two entered into our area in a subtle way to make profits. They came to make profits not to help people. Take my case; I am a pensioner. Sometimes I go without food because I have to pay for this water. I am 64 years old. Where do they think I would get money to pay for water? Really if they had come to us before, we would have not agreed to let Siza Water operate. We would at least have taken Umgeni Water. People who are under Umgeni Water are better off. They are paying about R20, while we are paying between R66 and R75. They are exploiting us.

**Quality:** The general feeling is that water and sewerage services are not up to standard. Most complain that their water taps are located in the toilets. Some claim that sewer from neighbours sometimes seeps around their houses. They state that the sewerage system is not working well and the Councillor had promised a meeting to address this but that it never got off the ground.

The toilet and the drinking water tap is in the same room. You are ashamed if a stranger asks you for drinking water because you have to fetch it from the toilet. At least local people understand the situation.
According to a company official, in Nkobongo a plastic tap and sink is placed near to the toilet (interview with Mark Hultzer, January 2001). Residents do not know that SWC does not treat water and want visible proof of the application of chemicals to purify the water.

They do not put pills or chemicals to clean the water. We want chemicals. We want to see water sometimes having a change in colour to show that it is being cleaned. Now it is as if we are drawing water from the river or pool. We are fed with poison.

Customer relationships: a respondent gave a view of her debts with Siza Water, the effect of these on her relationship with her employer, and her difficulty in maintaining the household. It is worth relating in full:

I don’t pay for water. The reason is that I am unemployed. The last time I worked, I had a fight with my employer. I showed my employer all my bills and told her that I am maintaining children who are boys. We fought when I told her that her pay was small. My boys do not work. The last letter I received said water would be reconnected if I pay R1100. I don’t have that kind of money. Where I am working I only earn R350 a month. Secondly, in 1999 I went to Ballito, I was looking for this girl, Sindy, who at Shakaskraal office. I wanted to speak to her. The Indian there asked me about my problem. I ask about this letter they had sent me. I ask where do they think I am going to get R1100 when I am being paid R350. From that I have to feed my family. Bus fare also comes from that. That is why I walk on foot to work, which is far away at Saltrock. They told that I could pay in instalments. I told them that even then I cannot afford it. I thought these houses for the poor people, hence the subsidy. But now they are demanding rates. There are old women, which only get pension. They cannot afford. There are people who are supposed to get pension but they do not get it. So I told them I cannot afford to pay and be reconnected. Even the rates have debts, but I am not going to pay them.
21.

Councillors’ Perspectives

Councillors are the elected representatives who live in the communities and are the points of contact between the people and a higher level of decision-making in the Council itself. They have first hand information of both Council activities and lower level day-to-day operations. In interviews, insights were provided by two African Councillors who support the water concession but are also aware of the problems faced by the people. The views of councillors on the water committee are presented elsewhere. These two representatives of the community are not on the water committee and their views provide a useful counter-point to the expert views of those closely involved in planning the overall implementation. In a nutshell, these Councillors expressed agreement that the Concession is working and will change the face of Dolphin Coast for the better. The underlying explanation for the discontent of residents, they argue, is that people are not well informed and need to be assisted to build a harmonious relationship with Council and the Concessionaire.

According to Councillor Banda (interview, November 2000), everything is moving smoothly and he has not heard of any serious complaints from the community. If there are complaints about water bursts, they are responded to more quickly than in the past. He acknowledges complaints about charges but feels the water rates are not of the Company’s making.

When it comes to water rates, we are facing a problem, which is not a result of the concessionaire. The concessionaire takes water from the bulk suppliers and then distributes the water to the people. Our bulk supplier, Umgeni Water recently raised its rates. The cause of that I think is not our problem. We had a meeting with Umgeni and lodged a complaint. We told them that we do not think that the rise in rates is a good thing. We have invited people from government, even the Minister of Water Affairs, to try and address this problem. We are not happy with this, but it has got nothing to do with the concessionaire.

Throughout this process, the community was involved in decision making and planning.

We communicated with the people from day one in planning, up until the last house was built and allocated, I would say the people were involved. This was a people driven process from day one to the end. We managed to build 342 low cost houses. In January we will be building another 204. We are planning to build a sports ground and a community hall.

The working class housing emerged from the surrounding sugar cane fields. Although the Council has managed to build a number of houses for the poor, leading to the award of the Housing Authority of the Year for Dolphin Coast in 2000, squatters continue to be a perennial problem in the view of councillors.
Our biggest problems are the farmers around us. They fetch people from far away places such as Transkei, to come and work on the farms. When these people are still strong and working, they are housed in farm compounds. Once they lose their strength, they are fired and evicted from those compounds. Some of these people have been here for eight even 10 years and beyond. They already have their families here. They have kids that are schooling here. So where do you expect them to go? They start building shacks in the area. That is why as we are building houses, yet new shacks are coming up daily. This is a problem created by farmers and it needs to be addressed.

When the Council found that it had insufficient capacity to manage water provision particularly in development areas and began to look for partners to help improve the provision of water and sewerage services, he argued that there was consultation with the people.

We as ANC Councillors had to get the mandate from the people. We consulted the people and involved them. In all areas, there are structures like the Ratepayers Association for whites in Ballito. They have an observer status in the Council and they receive all the Council minutes. In disadvantaged areas there are development committees. They also sit in our meetings and have an input. In that way I think the whole community was involved in the whole process. It was explained to them that this was the route we were taking and why. The majority of people were happy, especially the structures.

The process went on smoothly without any major hitches. According to Councillor Banda (interview, November 2000) the only major problems concerned workers and unions:

The workers were worried that if they were transferred to the private Company they will lose their benefits and job security. We addressed that problem. Even when we had reached an agreement with the local municipal workers union, COSATU at the national level was not happy. So we went to Johannesburg and sat down with the COSATU leadership. We ended up getting the agreement of Sam Shilowa.

The Councillor had a meeting with the community in early November 2000 and received no major complaints.

In a meeting I called two weeks ago, none of those with toilets inside told me of any problems. Actually, no one has said we must do away with this Public Private Partnership or get rid of SWC. They only talked about minor problems that can be easily rectified.

In terms of water charges, the Councillor admitted that there is a problem but feels this could be resolved.

Siza Water has basic charges which people are not happy with. If you are in arrears, they also charge you high interest. People are not happy about this. We
have had talks with SWC and I am confident we are going to solve this. But if you look at the water rates, minus the basic charges and the interest, the water is very cheap.

The Councillor was concerned about the basic water and sewerage charge - scrapping it would seriously affect the concessionaire. The basic charge is the monthly water availability connection fee, similar to that for a telephone and electricity. The Councillor also mentioned that those staying in low cost houses are subsidised, as they pay lower rates from those on the East. He accepts that the basic charges may be necessary to maintain quality services but feels they are a huge burden to the people and should be scrapped.

SWC claims that there is 10 kilolitres you get free of charge. Then they start charging after additional kilolitres. Sometimes the person does not even go beyond the 10 kilolitres. In my own opinion this basic charge should be scrapped. The person should pay directly for the amount of water used. I think that should change. We will reach an agreement with SWC. I do not see this as a problem, because SWC has agreed that we need to sit down and negotiate on that one.

There are people who have toilets inside and those with toilets outside. If your toilet is outside you will fetch water from the standpipe like the one outside. To use that standpipe, you need to have a token card. You may buy a card for any amount starting at R10. Some people have told me that a R20 card lasts them for three months, others two months. Those with toilets inside are the ones who are paying basic charges. If you are allocated that house, before you enter you have to pay a connection fee. This is because there is plumbing installed inside unlike the other houses and the fee is R609. It includes the toilet basin, sink and the plumbing, plus the meter.

Councillor Banda, as other Councillors, highlighted the mistake made by Council of allocating houses with water borne sewerage system to those who cannot afford monthly payments.

In my ward when the houses were allocated they made a mistake, and about 10 to 12 people were wrongfully allocated. These people are unemployed so they were wrongfully allocated to water borne sewerage houses. We are in the process of correcting that mistake. I think it is wise to take people who are working and earning maybe R1500 or R2000 to stay in level 4 houses. We should shift them to other houses they can afford. That is why it looks like Siza is having a hard time in terms of payments. But this problem will be addressed.

Also, there were people who were allocated houses but were not aware of the allocation. The municipality started charging them from that time though they had not yet occupied the houses. There is also a problem of people who forcibly entered into other people's houses. These used water. Once it was found that the house was not theirs, even if they were removed, the rightful owner was left with the water debt. On the whole, I think these are minor problems which we can handle.
Siza Water wants to take action against defaulters but temporarily suspended this move.

You know there is this culture of non-payment, which is a problem among us. Sometimes it is not because we cannot afford, but we are negligent. So I think we need to enforce Masakhane programs on our people. Once people have an understanding that they have to pay, since there is nothing for free, I think this would run smoothly.

According to the Councillors, breakdowns are attended to swiftly.

The problem we have, which is not really that of the Company, is that most of our people are illiterate. They do not know the right channels in case they want help. To give you an example, sometimes the standpipe is broken. Two to three days elapses without it being repaired. Maybe I was not there and when I arrive, I ask if they have reported. They will say yes. I take the phone and phone the toll-free number to the municipality. You just phone and tell them to report to Siza that there is a breakdown. In all the cases I have reported, they have responded within three hours, even at night. I do not know whether they give me special treatment because I am a Councillor. Everything that I report they attend to.

Some people feel there are insufficient service points and that they have to travel for long distances to pay for water. Presently some areas are felt not to justify the existence of a full customer service office.

We have a problem, people from Shakashead have to travel about 10 kilometres to pay for water. I think that problem needs to be solved by us as Councillors. We had the same problem with electricity. We had to buy electricity at municipality offices in Ballito. We addressed that problem by giving a local person a tender for a validator machine. The next move is that there should be a Siza Water office in the area. Then it would be easy for people to pay for water and buy and recharge token cards. That is still in process. We are planning to do it shortly.

In response to the Nkobongo community, which complains they cannot get validation for R5 anymore, Councillor Banda confirmed that tokens could no longer be recharged for any amount less than R10. On the dispenser there is a counter slot, which shows how much is left on your card. Although the first token card is free, if you lose it you have to pay R30 for a replacement.

The Councillor confirmed that some people with level 4 supply are reverting to the use of standpipes primarily because of the basic charges, which they deem to be prohibitively expensive.

I have heard that such a thing is happening. As I have said, the problem is not with the water rate, but with the basic charges. That is what people are complaining about. Also, there is a problem of negligence, where the person does not pay until he/she accumulates a big debt. Then every month they add this interest. This then
hurts people. That is why some people end up having the idea that water is expensive. It is not the water which is expensive, but it is those charges on the side which are expensive. We are in the process of addressing that. After addressing that everything will be smooth.

On the issue of SWC workers, the Councillor’s position is that the majority are happy working for the Company. “Many were positive. Even those I met on the street, when I asked about conditions at Siza they were positive, new posts were opened and local people were employed.” SWC is also helping the community through the Siza Water Youth and Community development Fund (SWYCDF). “The only problem is that people still do not know what they should do to get help from Siza and yet the agreement clearly details this.”

The Ward Councillor for Nkobongo, Norah Nzuza, is also content with the way water is being provided in the area, but would like both the Company and the Council to be monitored. Before the electronic bailiff system, Nkobongo had the tap system in operation, which was operated by bailiffs but was unsuccessful.

The bailiffs did not pay for water, Councillors did not pay for water, and the local elites did not pay for water and so it was easy to dodge the system. With this system everyone pays for water.

Those at level 4 with water borne sewerage system can shut down their taps and use communal taps as well.

With the tap system, we lost a lot of money because the Council did not have the capacity to follow up and monitor the water usage. We were defrauded of sums up to R20 000. The community paid for the water but the people who were manning the system did not pass on the money to Council, they took the money and put it in their bank accounts. The tap system never worked because Council failed to follow up and take proper action. In the past, if you were a bailiff, your family, friends, and relatives did not pay for water and only the people you did not care for paid for water.

The government saw this (the concession) as a way out. People were not going to lose out. A person can monitor his or her consumption and knows how much water is there on the card and the amount of water he or she can get. It costs about 15c to fill a 25-litre container. Poor people benefit and those with tokens can charge those without up to 30c/25 litres. The rate per kilolitre is low.

She feels the complaints lodged about the Company are not really valid.

The prepaid system is new; it reduces losses through water theft especially at night when the person who is supposed to guard the water tap has gone to sleep. The card system has problems, we are still learning and the Company is still learning too, for example, how to repair the system when there are breakdowns.
The Councillor feels that Council made mistakes when it allocated houses in the area; it should have liaised with the communities when allocating houses so that the people who could afford them were allocated appropriate houses.

If you allocate a house, you should ensure that the person can survive and sustain services, e.g. a pensioner should be allocated a house with the VIP system because R540 per month (the pension) is nothing. A working person can afford level 4. I think we should start all over and those who are better paid should occupy level 4 houses. The problem is not with the people who cannot afford to pay for services, but with the people who allocated the houses. The next thing the people do is changing the house into a mansion with sewerage system. They end up spending all the money on upgrading the houses.

Those in informal settlements will get temporary standpipes since the Council is concerned about the cholera epidemic engulfing many parts of KwaZulu Natal.

We are moving fast on that. We have bought a piece of land where we are going to develop low cost houses. We will move people once we allocate them site numbers to avoid bribes. If you start by building houses you will have stories about people coming from outside paying up to R2000 to get houses. When you do that local people lose their rights.

Surprisingly the Councillor states that there are no individuals within the community needing welfare assistance. She expresses a maternal attitude as well as relationship of sharp criticism:

We have not heard of anyone who cannot afford to pay for water. If there are people who cannot afford they should come to us otherwise we will never know. Our community is small even the smallest thing is brought to the Councillor, for example, quarrels between lovers. Sometimes they treat me as a policeman. Here we help each other with food, clothing, and other things.

Sometimes I think people are lazy. We have vast tracts of land for gardening given by the municipality. Some people claim they are not allocated gardens but when I ask them whether they have asked for them they have no answer. Some make the excuse that they are not educated. But they do not ask us to provide them with educational programs. Some people are making R1000 a day but they say they are unemployed.

People are not prepared to work. It takes one month to master the construction of only one sentence. In the 1980s, I was staying in a squatter camp and worked as domestic servant. I encouraged people to start working to do many things but they were reluctant. I developed myself and left them there, they are still there. The mentality is that the government should provide them with everything.

Some community members feel they are no longer consulted on what is going on in their areas. The Councillor has a somewhat different opinion on participation:
When people are called to meetings they do not come to air their views. Then those present elect themselves on the basis of friendship and take decisions for the people, they do not get mandates from the people. When they report back they present reports that suit them. People are crooks, they need to be monitored. Councillors should monitor people. Sometimes you think you are liberating people while you are oppressing them. Everyone looks at their own self-interest; as a Councillor you should put the people’s interest before your own.

Through their community development program, the Company makes donations to schools and offers bursaries. Although Level 2 residents have been complaining about these donations, the Councillor is very positive about the Company and critical of the lack of community feeling, termed ubuntu.

There is a problem with us black people; most of the time we want to see money coming into us as individuals. We do not appreciate what goes to the whole community, for example, a person will ask why they are building the road there but this will benefit all of us. The person will realize later when he or she has a problem that it is now easy for the ambulance, fire engines and police cars to have access thus ensuring a quick response to emergencies.

The Councillor feels that people are happy and satisfied with the service.

My ward people are satisfied; they are getting water in a satisfactory manner.

The problem is that the community does not want the response time to be too long. If it takes two or three days, the community gets discontented. Council should make sure that the Company responds quickly. They are not as slack as the municipal workers who sit-down under the tree and watch out for the supervisor. In a private Company you work according to schedule and take breaks at specified times.

She says breakdowns are reported to customer services offices depending on where they are located, or community members phone in or contact a local Councillor.

A Councillor puts a sense of urgency in the process. There are other Councillors who do not care about their communities.

She views the acceptability of the concession as based on the needs of the municipality and the anticipation of investments that are going to come from the Company.

Some things will hurt some people while others will benefit. Some workers have told me that there is a lot of work and they no longer dodge work as they used to do under the municipality. On the whole they are happy. When I asked them about benefits they were happy. However, a few were discontented; they want to come back to the municipality. Maybe things are no longer the same as they were when the agreement was signed. Council should look at benefits, housing, leave schemes, maternity benefits etc. The Company signed a 30-year concession and things are going to be
patchy in the beginning, however no one is going to be dismissed or lose their rights. Workers should continue to liaise with Councillors and attend caucuses.

Councillor Nzuza notes that unions were involved in the negotiations leading to the award of this concession although civics were no longer involved.

Any Company that comes faces a barrage of questions from civics. They are sometimes rejected without even being given a chance to explain their objectives. Most of their objections are ideologically based. They do not want to look objectively at what is happening and participate fully in the process. They should participate from the beginning so that they develop a warm relationship with the Company. Civics people are not neutral, even we Councillors are heavily criticized by them. We do inform them about what is happening. The problem is that they do not understand what is happening.

She strongly believes the lifeline tariff can be implemented and is sustainable, and that there is no reason for residents not paying.

Like that of houses it means we have to look at how long could the government continue providing housing. Instead of the housing subsidy decreasing, it is actually increasing. It has gone up to R18 000. It is standing at R17 500 currently although when it started it was R12 500. If that is the case, how can they fail to meet water charges? I see it as sustainable and it’s going to work.

Assessment: There seems to be a high level of conflict between councillors and many residents made up of disappointments, crushed expectations and a sense that councillors are on “the other side” and are inaccessible. The dynamics of local government tend to place councillors, who work within the financial and general policy framework of government and in particular GEAR which stresses cost recovery and minimal budget deficits, in opposition to the perceived needs and interests of the poor. This is not an accidental development as current finance policy places increasing emphasis on cost recovery and favours public-private partnerships in which profits are also at stake. The stresses on community/councillor relationships must have been anticipated--the question is whether the communities, councillors and local authorities have the resources and policies to resolve such levels of conflict.

The relationship between councillor and community is complex and there is mutual dependence on both sides.
22.

Risk Assessment

The implementation of this concession poses a number of risks to all the stakeholders involved: government, the BoDC, SWC, SAUR International, workers, consumers, and unions. This section will highlight risks posed to SWC, the BoDC and the Community.

22.1 Risks to Siza Water Company

Siza Water Company faces the following risks in its quest to service the Dolphin Coast area:

- Delays in the development of the area: housing, hotel, business and industrial developments threaten the success of this concession. Initial plans were modelled using projections made in the RFP Document that are no longer valid. The income accruing from water and sewerage services will have to be revised downwards as the demand for services remains fairly stagnant. The level of local economic development is not being sustained.

- Unreasonable bulk water tariff increase: SWC does not have much say in the determination of water tariffs, which is the responsibility of the BoDC. If there are two or three increases to adjust tariffs because of bulk water increases, consumers could be disenchanted and blame SWC.

- Non-payment of services: This could lead to cut-offs as people fail to pay for services. The majority of poor in the townships are unemployed, and already there are people with level 4 service who have reverted to level 2. This impacts on water demand for the concessionaire.

- Stretched boundaries and hence a greater coverage area: The new municipal structure will inevitably force the SWC to service the extended boundaries. A clause compels the concessionaire to service all areas will be incorporated in the present municipal area. Most of the new areas require huge capital/infrastructure outlay.

- Union activities: Unions remain opposed to private sector participation in services that were traditionally provided by the state. During November 2000, there was a strike by municipal workers in Johannesburg and other local authorities of South Africa against the privatisation of municipal services. This has the potential to polarise relations with workers and the development of concessions locally and in the rest of the country.

- The lifeline tariff: This risk relates to the challenge of providing the 6 kl free to both residents using dispensers or having house connections. The standing charges would have to be revisited and probably new levels of service provided (See below).
22.2 Risks to BoDC

The Council faces the following risks:

- Anything that goes wrong will be blamed on the BoDC: many people do not know who is responsible for water provision; they think SWC is a Company of the municipality. Any problems will eventually be blamed on the municipality since it initiated the concession.

- Breach of contract by SWC: If targets are not met is there the will and ability to enforce the clauses that provide for penalties?

- Through the concession, the BoDC may be losing good earnings: at the time when the municipality was providing water and sewerage services the level of development was low. Now there are areas that are developing which could contribute to the revenue of the BoDC. However, other factors such as resources, experience, and technical expertise seem to have been given greater weight by Council.

- The BoDC may wish to remedy structural faults in the implementation of the concession and find that the SWC is unwilling to restart negotiations and amend the contract.

- If SWC experiences problems, investment may be low and assets may be run down in an effort to make profits.

22.3 Risks to the Community

The community faces the following risks while being served by a private Company:

- High tariffs: This is the greatest risk to the community. The community is convinced that a private Company has to make profits, and when increases in tariffs occur these will not be easily accepted. They argue strongly that tariffs should remain constant but this would affect revenue.

- Cut-offs for non-payments: The risk of cut-offs is greater now that a private Company is providing water. With the Council people considered, they could delay payments and they argue that the government should provide these services free of charge.

- Cherry picking: There is concern that SWC would invest only in areas that are economically viable. Already the East Side with 20% of customers provides SWC with 80% of its revenue. Will the SWC provide and upgrade services to the poorer West?

- Accountability is no longer direct. The relationship between the BoDC and the community is no longer one of direct responsibility concerning water and sewerage services. This could alienate the community from Council in the long term.
22.4 Vandalism

Irregular connections are not a problem in the area and vandalism has only manifested itself once. Over the weekend of 23 August 2000, approximately 18 standpipe meters in Nkobongo were vandalized: batteries in the machines were stolen and token slots damaged. Some were repaired by SWC the following day while others were removed for repairs (*Siza Document*, October 2000). Mark Hultzer, Customer Services Manager for SWC has said “in order to avoid this kind of vandalism in the future, Siza Water are investing in a battery free system, which should remove the temptation of theft.” SWC has been working with community leaders to find ways to counter the problem.
23.

Monitoring and Reporting

Monitoring is crucial to ensure contract compliance. Without monitoring and reporting, SWC could short-change the people of the BoDC while generating profits. Since the task of monitoring is complex, the BoDC feels it does not have the capacity and is dependent on legal, technical and financial experts. Ian Coates notes that the next thing after launching the concession was the monitoring role (Interview, November 2000) and a consortium of Deloitte & Touche, Shepstone & Wylie legal services and Bosch & Associates are engaged in this work. These concerns have all been involved with Council matters in the past.

23.1 Reporting

Section 60.1 of the contract states that the concessionaire shall annually produce within 60 (sixty) days of the completion of each 12 (twelve) month period, commencing with the first year, an annual report on service levels which shall be delivered to the Council covering the preceding 12 (twelve) month period. Section 60.4 compels the concessionaire at the time of submitting the annual report on service levels to the Council to publish a summarised extract from the annual report on service levels, and inform customers of its existence; make a copy of the annual report on service levels available for inspection by any customer, at each of its offices during normal working hours; and present or send free of charge a copy of the annual report summary to any customer or to any competent authority so requesting (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999). This does not appear to have been undertaken, although the Company has published a five-year plan as required by Clause 58. Other reporting requirements are contained in this document.

23.2 Monitoring and Evaluation

Despite the concession, the BoDC remains the water services authority for water provision in the area covered by the concession. The monitoring component involves the legal, accounting and technical aspects, which are reviewed every five years. Siza reports on a quarterly period to the BoDC (Interview with Mayor Maraj, November 2000).

The Concession is required to pay a fee of R554 850 to set up a monitoring and compliance office. The monitoring team comprises of:

- Borough of Dolphin Coast
- Deloitte and Touche (Financial)
- Shepstone and Wylie (Legal)
- Bosch and Associates (Technical)
The agreement provides for some weighty penalties. Siza Water Company may be fined up to R500 000 for individual infringements. Council also has the power to approve tariffs levied for water and sanitation services, and to determine the quality of water and sanitation and level of investment required. There are also compliance clauses where penalties are imposed if the service provider fails to meet any of a long list of performance targets.

Initially it was envisaged that the monitoring function would be performed by a single person but with the complex nature of the task, it was decided to look for external team support and the incorporation of other activities that were outsourced by council.

*There is no way you can find someone who is a technical expert, a legal expert and a B Com graduate at the same time and do all that monitoring. It was decided to use a team and but then the elections came. The reports from consultants are now becoming available to Council.* (Ian Coates, Workshop 14/03/01)

Although Council favours expert opinion, Civic associations would like to be involved in the monitoring exercise because of the problems they have been experiencing with respect to water and sanitation services. “We don’t know who sits on that monitoring committee” (Gert Myburgh, Workshop 14/03/01). They want access to key documents and reports and complain about outsourcing the monitoring function. Councillor Coates explained the reason for using Deloitte and Touche:

*Deloitte were doing our internal audits. If we had to tender it will have taken two years. We decided to use them because they knew exactly what we were doing. Both the BoDC and Deloitte did not have an idea about costs involved. Internally the BoDC has refuse removal, verge cleaning, beach cleaning etc that were outsourced.*
The question was why do monitoring only on this contract (water and sanitation); let's do it to all services that are outsourced. This will empower us and enable us and motivate capable staff to work permanently on this. The water component is a major one but not the only one. (Ian Coates, Workshop 14/03/01)

The civic are not happy with this process, and would have preferred a different team and closer involvement to do the monitoring.

We do not have a problem with the financial side of monitoring but the technical side. The consultant appointed to do that was employed for the past 20 years but they have done nothing to ensure that upgrading occurs. The company has worked for the previous supplier, worked for Umgeni, worked for the Borough and now for the current company. The local authority had a tendency to give contracts to the same company and this does not work well in the long term. Council does not want someone else getting the work. Even with Deloitte and Touche they have been good but I can assure you that the town treasurer will go and watch four rugby games. (Gert Myburgh, Workshop 14/03/01)

SWC also feels that if there is no expertise in-house, someone from the outside should do the monitoring work. Having an outsider removes the element of bias although it has its own problems. SWC does not want a tight approach as far as monitoring is concerned. “I don’t want monitoring like a real watchdog. It’s clear you should have good monitoring with good people appointed. They must be independent. (Thierry Chatry, Workshop 14/03/01).
Demarcation and the Free Water Policy

Section 5.2.3 of the contract stipulates that in the event that any new area is incorporated into the concession area during the term of the contract and the supply of water services to such new area has already been incorporated into the then current five year plan, the concessionaire will supply water services to such new area in accordance with the term of that five year plan (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999). The work of the Municipal Demarcation Board is going to impact on the water concession. The King Shaka District Council has now been formed from the amalgamation of the Dolphin Coast TLC, Stanger/KwaDukuza TLC and Nkwazi TLC after the municipal elections of 5 December 2000.

Council is worried about the impact of the new boundaries on service delivery. The Mayor (Interview, November 2000) notes that Council is trying hard to create jobs but with demarcation, the issue will become more complex and difficult. Mr. Saayman adds that government should assess the impact of making Councils bigger and supports the Mayor's views by saying that there are two problems: its either planning is too conservative or development is taking place too fast (Interview, November 2000). Rural areas present a big challenge because they are not economically viable while demanding much higher levels of cross-subsidization if they were incorporated.

The concessionaire, however, appears to have some kind of protection in this regard in the form of section 5.2.6 of the contract which states that if the incorporation of a new area prejudices the financial or technical feasibility or viability of the contract, the Council and the concessionaire shall use their best endeavours to find other solutions such as the availability of government or provincial government grants and subsidies.

24.1 Free Basic Water Policy

Since February this year (2001), President Mbeki and the Minister of Water Affairs, Ronnie Kasrils, have confirmed that the policy of the government is to provide poor households with 6kl of free water per month (Kasrils, 2001). While the broad policy initiative was launched at the national level, the implementation of such a decisive change in policy, it has been made clear, is the responsibility of local government. This policy is stated to be aimed at alleviating the plight of the poorest of the poor.

The benefits of the free water policy are firstly the goodwill which will be created by providing free water (which is hoped will encourage those consuming more to pay), and secondly the savings which will result from not having to bill poor consumers. According to Mark Hultzer, it costs R22 to invoice a customer who often utilises 6 kl or less and free water policy could drastically reduce the billing work and pursuit of non-payment. The Company accepts that the fixed charge would have to be withdrawn for
those consuming less than 6kl and this would remove a point of complaint and reduce costly administration.

A crucial basic need would be made inclusive of the poorest households, there would be a reduction of water borne diseases, and the imperative of cost recovery from poorest households would be removed. The example of the Durban Metro’s policy of providing 6kl free to all households has become the benchmark for water policy nationally. Such policy marks an important line of approach different from other countries where universally the poorest are expected to pay and poverty alleviation (if available as a specific welfare measure) is generally targeted at improving the ability to pay. The success of the strategy the government is insisting is dependent on local government accessing national subsidies, which are already in existence, and using measures of cross subsidisation. DWAF has stated that there will be no additional subsidies available to implement the policy and that local governments have to ring fence the existing subsidies available and devote these to water provision. This is a matter of some controversy as will be indicated below.

24.2 Responses to the new policy

The key officials and councillors of the Dolphin Coast involved in water policy initially responded defensively to the proposal. As councils throughout South Africa, they were working to take stock of the re-arrangements as the new King Shaka District Council (including KwaDukuza-Stanger, Nkwazi, Darnall, the Dolphin Coast, and other areas) was being bedded down. This newly constituted municipality was beginning to come to terms with a variety of water service providers and very different levels of service within its boundaries.

In interviews conducted with Council officials, the following issues were raised:

- There had not been good communication with DWAF as there was no knowledge of precisely how the policy would work, about the Task Team to assist municipalities, computer software, etc.

- That there would be major difficulties in withdrawing the fixed monthly charge across the board as the Dolphin Coast was a tourist destination with many absentee landlords

- That the technical solution would be to provide a new level of service in the form of a new Level 3 on the lines of the Durban Metro with provision of 6kl via tanks

- That it would be very difficult or impossible to provide water borne sewerage with the free 6kl per household.

From the side of the company some similar points and new questions were raised:

- That the free water policy and its implementation locally were the responsibility of the national and local government and that the BoDC had the responsibility of setting tariffs and ensuring that the concession was viable
That there would have to be much stricter control over the loss of water

That it was technically possible to provide free water from dispensers by charging the tokens to provide 200l free but that this would not be accumulative

That free water would be problematic and difficult to sustain at the Level 4 services (household connections)

That everything depended on providing a Level 3 service probably on the lines of the Durban Metro’s roof tank scheme

That there was a concern consumer using greater volumes would reduce their consumption if higher tariffs were charged.

These issues will be explored in detail in the following section.

24.3 The Challenge of Free Water to the Concession

SWC states that it already provides 10kl water free to consumers. The issue is, however, not quite so simple. The problem is that this is limited to those consumers with household connections and in a sense, as has been explained by municipal officials, this provision is made good by the fixed monthly charge. The fixed charge is used to recoup costs of maintaining the reticulation system. The company has metered sites, metered standpipes and the software to manage water consumption and has made it clear that when the 6kl free provision is made it will have to make greater efforts to ensure that those consuming more than 6kl pay more than the current tariff. The company would respond to the implementation of free water by limiting and strictly monitoring water supply and managing the system more carefully. If the fixed charge is withdrawn representatives argue there is still a need to absorb costs supplying water.

Cross subsidisation and cost recovery: The Dolphin Coast, like many other local authorities such as Durban Metropolitan Council, has a three-tier tariff structure. When the national free water policy applies, SWC has made it clear it will have to extract more income from the 6 – 10 kl bracket. According to Mark Hultzer if SWC cannot get income from the 6 – 10 kl range, the company will have to get the money from higher tariffs for those consuming more.

Unfortunately, tariffs for tokens will have to go up and the poor will continue to pay a high price for water. There is no profit from the standpipes; tariffs on standpipes are way too low from SWC’s perspective. (Mark Hultzer, Interview February 7, 2001)

The SWC regards the Council as being responsible for dealing with changes in policy and their implications at the local level, and Council will have to work out how to implement the system since the company cannot unilaterally decide on the tariff rates. At one level the Company is concerned, but at another it looks to the contract to protect it from changes that arise from a new policy framework.
On a day-to-day basis for me, the free water policy is nothing because I am not the water authority. I am the water provider and I deal through my contract with the local authority. I have no power to make political decisions...I remain always in my contract and I work with my contract. It's clear that we are very concerned but I cannot be the entity that is going to decide. (Interview with Thierry Chatry, 26 February 2001)

Mr. Chatry is concerned about the practicality of the free water policy, which will need the Council to approve using the formula contained in the contract document. The business plan will have to be reviewed and new tariffs agreed. All this would have to be resolved through negotiation: “For me it’s very clear I cannot decide by myself”. Cross subsidization occurs through the stepped tariff structure, for example, those consuming more than 35 kl pay a higher charge of R3.60 per kilolitre. The subsidization of those consuming less works directly through the tariff structure, and the higher volume consumers will in future face a tariff that will, in part, provide a subsidy to free water. Precise elasticity of demand for water at the higher levels of volume is not known but could have some effect on the cross subsidization effect.

The proposed introduction of 6kl lifeline tariff in July 2001 will have an impact on water consumption in the coverage area but it is difficult to work out the precise implications. The bottom line for the Company is that total revenue should equal total costs if the free service is to be sustainable. The net effect on the Dolphin Coast operations is that tariffs will have to be adjusted upwards even if there are subsidies coming from the council or the central government.

A new level of service? The Company stresses that the decision to provide free water is a political decision. SWC is concerned to propose that the Council should help set a new level of service.

It’s very clear I cannot decide by myself; first, we need to talk about what levels of service because in Durban, the 6kl free is not a problem but it’s only for a certain level of service. We need to create the same level of service, so we must prioritize quickly. Probably if you want to talk about free water you need to calculate the cost implications, the implications for turnover and revenue collected etc. (Thierry Chatry, Interview 26 February 2001)

The Dolphin Coast area has no level 3 service like the roof tank system in Durban. The housing designs in the development areas are not compatible with the development of level 3 service.

Sewerage Service: There are two sewerage schemes in the Dolphin Coast, one on the coast and the other based in Shakaskraal. Etete is not connected to the sewerage scheme but the plan to create a sewerage scheme and to find a way to connect the sewerage scheme with Shakaskraal is in the 5-year plan. There is, however, a considerable distance between the two areas (about 5 km), and to connect one site to another is not going to be easy and will be expensive. Etete has steep gradients and some houses are on sand while on others there is water also seeping from the ground.
This position is supported by the BoDC officials who exclaimed:

Now if you have to go and put in sewerage systems, what are you going to do with that 6000l of water? Approximately 50% (3000l) will go to your sewerage flow and what do you do then? Who is going to pay for that? If they don’t pay for the water who is going to pay for sewerage? It’s a wonderful idea but somebody has to pay for it you see. (Tokkie Saayman, 7 March 2001)

The sewerage service is the most expensive part of the reticulation services run by SWC. Running costs for sewerage are more expensive than water because of pumping requirements, installation of big pipes (10 times wider than water pipes), high electricity bills, sewage treatment and chemicals required for the treatment works. The townships have low sewerage usage and this affects the smooth flow of sewerage. According to Mark Hultzer (interview, February 7, 2001), with low flow, you cannot have a sustainable sewerage flow system.

I think that on the economical point of view it’s not so difficult to implement a free water service. My concern is the sewerage side. In Durban when they talk about level 3, they consider water borne sewerage, which is non-existent here in Dolphin Coast. Sanitation is more expensive than water because you need works plants etc. If you don’t have any income from water, are you going to have the same with sanitation? About 80/90% of water used by consumers goes to the sewerage system. (Thierry Chatry, Interview 26 February 2001)

The solutions that the Company puts in place will be linked to existing assets. The Dolphin Coast area is different from Durban, as the infrastructure simply does not exist in an area like Etete.

Suddenly I have no pipes for about 10 km – 15km. I must create the mains and so the costs of the bulk infrastructure is so huge and automatically you ask who is going to cover this investment if these people at level 3 are not going to bring in any income. So it’s clear the cost of this investment is different. When you have a mix like this of urban and rural areas, there are large distances from one point to another. (Thierry Chatry, Interview 26 February 2001)

A number of officials are pessimistic about the national free water provision. Apart from infrastructural shortcomings and the geological conditions that do not allow an effective septic tank system to be implemented (some places cannot absorb water on site because of the clay conditions), the Dolphin Coast area has a metering problem caused by absentee landlords. This is a group of people that could subsidise the water and sanitation service for the poor.

What I use as a basis for income is my basic charge. If I am going to give my absentee landlord who owns millions of Rands worth of penthouse free water for a year and he only comes here for three weeks here, my basis for running my reticulation system disappears and I will have to pay. It’s a major problem for the local authority and poses more problems for SWC. The wealthy cross subsidises the
poor but only when the wealthy is paying. So if I have got an absentee landlord there, we are going to have a reverse situation and I am scared of that. (Francois Buck, Interview 7 March 2001)

Since the absentee landlords will not consume more than 6kl during most months there could be a major decline in monthly income.

24.4 Solutions
Free water provision can work if the losses to the service providers can be made up. However, increased tariffs will create other administrative pressures. If the tariffs are increased, there is the danger that higher consumers will cut their consumption thus effectively reducing the revenue of the service provider. If one looks critically at the Dolphin Coast situation where there are absentee landlords, sustainability becomes questionable without central government support.

**Equitable Share:** Since no population census was conducted in Etete and Shakashead during 1996 because the communities complained local people were not employed, central government records show that there is no one living in these areas. This has had a marked effect on the value to the Borough of the equitable share. The Dolphin Coast did not receive an equitable share from central government for these areas in the past. At the same time, the Dolphin Coast has not allocated the equitable share to water but rather to Local Economic Development. According to Councillor Dawood (Workshop, 14 March 2001), when equitable share came through no individual received support from the local authority. The local authority did not have capacity at the time to provide welfare and the money was used for a social survey.

Using the grossly incorrect 1995/1996 census figures, the equitable share amounted to R58 per person per year for 27 000 people and was used for LED projects.

> When we look at the number of range of issues, the government wants us to look after it stretches the imagination beyond the breaking point. R58 for one year does not buy one much water. Health, road systems, water, etc. all are covered by the equitable share. We received R 800 000 equitable share from central government last year and the money has gone into LED projects, that’s where we spend money, not on individual people. (Tokkie Saayman, 14/03/01)

Officials at the BoDC feel the equitable share is grossly inadequate given the mountainous tasks they have to perform and the unsustainable services that the new municipality inherited. Since population figures are used to calculate the equitable share, the local authority is urgently conducting a census to enumerate the population of the area.

> The government says we provide you with equitable share provide all the services that we pass on to you. Now suddenly everything must come out of equitable share. It’s a pipe dream on the part of government. The department of Water Affairs has provided 8 to 11 million people countywide with water. But the annual loss on those projects is R850 million, and that’s only your loss. At the KWANALOGA conference
last year, they said the new municipalities must operate these projects because they get the equitable share. The R850 million loss is to be suddenly absorbed by municipal structures which have no money (Tokkie Saayman, 7 March 2001).

For the envisaged free water service to be sustainable, all the relevant stakeholders including SWC, Council/District Official, businesses, community members, national and provincial government, unions, banks, farmers etc. should take a collective approach in resolving the associated pressing issues: Answers will have to be found to the following questions:

- Who should provide water and sanitation service to the ‘newer’ areas and at what levels of service?
- What other sources of finance should be tapped: money from other departments, lottery funds, other donors?
- How can the finances generated from the water and sanitation service be ring fenced? If every service is to be ring fenced, how can funds be allocated to areas of urgent need?
- There should be resolutions of the political and social differences if the collective spirit necessary to the free water campaign is to be harnessed. Without this, advances in the campaign will be fraught with delays and squabbling. Given the nature of politics in the area, is this feasible?
- LED projects and other turnkey projects that put an emphasis on local labour are critical to the general development of the area. How is this process going to be kick-started?
- Finally, Council representatives argue that central government has no right to dictate how the equitable share should be spent. This is the share of revenue that constitutionally falls to local government, and should be allocated by Local Government as it sees fit.
25.

Evaluation

It is difficult at this stage to give a fair judgment of the performance of the concession so far. Although there are complaints in particular from the communities, the project is operational and, in its daily practice, management is becoming aware of these issues. Its success depends on the current assumptions remaining in place, and no adverse changes in the policy environment taking place. Despite criticism, the BoDC officials feel they have made the right decision.

What if there was no concession? The last customer would have got his supply 30 years from now; through all this would have had to have been staggered and Council would have had the burden. (Interview with Andrew Ferguson and Faizal Dawood, November 2000)

The question of community participation, however, points to longer-term difficulties.

25.1 Pilot Project in development

The Concession has to be viewed from the perspective of pro-poor policy. The key elements in this regard include, in addition to tariff and operational issues: an empowerment component, social development, staff funding, and an investment unit among other things. Thierry Chatry, the Managing Director, believes the concession is working well and should be viewed as a pilot project. Technically, the BoDC is not a big area and this might have contributed to the crisis-free environment by allowing problems to be managed and resolved (Interview, November 2000). Comparisons are made in SWC’s favour on occasion in comparison with the perceived problems of the Nelspruit concession, which is publicly referred to as a “pilot project in difficulty” which could undermine the standing of public sector partnerships. The Company feels the government should use the Dolphin Coast experience to implement bigger projects nationally.

It should be emphasized that the Dolphin Coast is structurally different from other areas of urban and extensive peri-urban development, in having a solid base of unproblematic customers in the prosperous east that contribute the overwhelming proportion of the income. The prospects for further growth of the economy of the District are good. The BoDC is within a development corridor that stretches along the East Coast from Port Shepstone in the south to Richards Bay in the north. Its close proximity to Durban, and location in a prime commercial and tourism heartland gives it a strategic advantage to other locations. The announcement of the revival of construction of the new international airport favours this growth. The surroundings of the BoDC are unique while other factors such as stability, public housing development, private development by wealthy individuals and companies, and the development of tourism play a critical role in shaping the activities and operation of the concession.
We started on a wrong footing in relation to jobs but the situation is better now. We need to create employment/jobs. We are starting a skills training centre now and other projects. Water and sewerage outsourcing is designed to realign resources and provide services. With the latest cholera outbreak, not a single case of cholera has occurred in this area but in areas around us (Tokkie Saayman, 14/03/01).

25.2 Awards and achievements

Officials perceive the concession as releasing the municipality from debt. Leigland in an interview with IMIESA reported that liabilities are being taken off the town’s balance sheet and the town is able to borrow money for the first time in three years because of the strengthened balance sheet. Unaccounted water (or water loss) has dropped from over 30% to 16% in a period of one year. Tariff collection rate has increased from 75% to 97%. Three SWC customer service centres are now operational with established payment procedures and a full time community liaison officer for disadvantaged areas. According to officials, tariffs for water are now lower for the small consumer than before the concession contract. An earlier report established that residents felt there has been a rapid response to customer complaints, with new standpipes and house connections in disadvantaged areas, a service upgrade in other areas etc (IMIESA, August 2000).

The Concession is widely regarded within government circles and among water companies as a success. At the beginning of the year, the US government sent 16 officials to learn about the concession according to the Government Digest (February 2000). Operation and maintenance targets are on track, while performance on customer reaction times for queries as well as revenue collection reported then to be above expectation.

The Water and Sewerage Works Department had 22 staff at the inception of the Concession and now employs 37. Three percent of the salary bill is used for training, a proportion that is regarded more advanced than the BoDC’s previous staff programs. There is also a staff share ownership scheme, a system that is universal within SAUR International. According to Nick Hall (Interview, October 2000), the BoDC can now concentrate more on people development than was possible before the concession. Water supply is on target and prepayment meters have been installed in the townships.

So far SWC has complied with most of the requirements, although there are minor problems here and there which could have equally applied to the municipality had it continued to provide water and sewerage services on its own, for example the increase in water tariffs from Umgeni. (Interview with Nick Hall and Tokkie Saayman, October 2000)

In a letter to the local newspaper, Mr. Thierry Chatry (The North Coast Courier, July 14, 2000) noted that in the first 15 months that SWC has operated on the Dolphin Coast, the Company has brought international knowledge and expertise to the concession as well as local and international funds for the expansion and upgrading of water and sanitation systems. This can be contrasted with the more modest regional and national
institutional and professional links of the BoDC and its very restricted access to capital markets.

Success can also be seen in the Council, which won the Provincial and National Housing Awards for the year 2000. In August 1999, the Borough received the congratulations of the President, Thabo Mbeki, who was granted the freedom of the Dolphin Coast. The BoDC Mayor has been invited to many places to give lectures on the achievements of the Dolphin Coast Concession, such one given late 2000 at the University of the Western Cape. In short, the Concession is regarded officially as a public example of how other municipalities could move towards privatisation without sacrificing delivery to the poor.
In the past few years there has been a visible acceleration of privatisation in service delivery. Since the adoption of the Growth, Employment and Redistribution program in June 1996 the government has prioritised the involvement of the private sector in development activities, and argued this is the strategic choice for local government. The various private sector participation initiatives that have been encouraged depend on the new policy and legislative environment that has been created. A review of concessions has concluded that for similar ventures to succeed there is the need for:

- A supportive, consistent legal and regulatory framework, including the Municipal Systems Act which has been developed to build uniform regulation nationally
- Coordination among national government and other stakeholders must take place
- There must be financial and technical assistance to local authorities
- Unambiguous signals to be sent to PPP opponents; a forum to resolve issues with labour should be established
- Thorough technical preparation by local authorities with the help of consultants
- Observation of “some common-sense principles of negotiation” such as full time representatives, evenly matched negotiating teams, and strong political will (Kotze, Ferguson and Leigland, Summer 1999:640).

These are the features of an enabling environment in which private sector participation is both privileged and driven forward. Through strategic state assistance in the preparation of the concession, generic documents have been written and the project itself provides a model for other municipalities that want to implement similar projects. These are the intended consequences of policy.

Following evaluation of the local policy framework for water provision in the BoDC it can be concluded that the rationale in decision-making is largely one of private sector participation, cost reduction and recovery rather than one based on an explicitly pro-poor policy.

However, a number of factors need to be taken into account that point to unique factors at play. These factors include the relatively limited size of the municipality, the structure of Council, the business experience of Councillors, the relatively high levels of development in the municipal area, the surrounding industrial and economic base, and the level of housing development. The turn towards privatisation in national policy has developed the sense that the BoDC in establishing the concession is at the cutting edge of change.
The establishment of an independent and dedicated water committee built a certain sense of élan and excitement, which is an aspect of the political capital available locally:

_We had an excellent committee. The difficulties were mind-boggling but we had international standard attorneys and major financial institutions were involved; it was an unbelievable experience. Any local authority should now not take more than 6 months to adapt the contract to their conditions. We went through 10-15 drafts._ (Interview with Andrew Ferguson and Faizal Dawood, November 2000)

The BoDC has since 1996 adopted a policy that service delivery should be based on efficiency and community participation, equity and efficacy, inclusion and cost effectiveness. There have been several programs to upgrade previously disadvantaged areas, e.g. more than R65 million has been pumped into programs such as housing, directly benefiting the whole community. According to the _Government Digest_ (September 2000), there are plans to focus on Local Economic Development (LED) and the implementation of programs designed to create job opportunities for the people. According to this source, to date there has been a strong emphasis on local participation and local purchases to support the development of the area, although this review concludes there has been insufficient emphasis on local labour.

These achievements are generally known and widely disseminated. This study, however, has revealed a surprising level of dissatisfaction from the communities served and from company employees. These views are strongly expressed. At one level the problems appear to be political, such as the widespread feeling that proper consultation about the concession and services has not taken place. At another, the issues relate to the management of services, such as the general grievance about fixed charges for water and sewerage. These issues are raised graphically in this study because they are the prevailing views of the communities although not necessarily those of their political representatives. This disjuncture between residents and representatives points to the problem of articulation of interests of the poor: there is frustration expressed by the community with the Councillors and by the Councillors about community attitudes. The determination of government to ensure that there will be a lifeline tariff nationally may ease some of the tensions; but evidently much more is expected in terms of genuine social reform.

There are a number of matters that should be under urgent review. Residents need to know how to read the meters, to guard themselves against what they perceive as fraud. The question of fixed charges is a provocative issue in the townships and is a heavy burden on the urban poor. Welfare assistance needs to be applied for the poor particularly for those on pensions who desperately need house connections and find it difficult physically to access the street dispensers. In addition the request for civics and community organizations to be actively involved in monitoring and evaluation and should be welcomed as an opportunity to discuss many of the issues raised in interviews.

In discussion recently, a senior water official in KwaZulu-Natal has said that the typical flaw of concessions both locally and internationally is that of a missing community
component. It is precisely in this area that most debate has been raised about the Dolphin Coast Concession, and where probably the most emphatic demand for change will arise. A final evaluation of the Concession has to be undertaken both with this and the implementation of the new free water supply to the poor in mind.
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*North Coast Courier*, September 29 2000

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**Republic of South Africa. National Framework of Agreement**


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Interview with Nick Hall (BoDC Engineer) held at Borough of Dolphin Coast Offices on 31/10/00
Interview with Thierry Chatry (Managing Director, Siza) held at Siza Water Offices on 07/11/2000
Telephone Interview between Dr Hemson & Ian Coates (BoDC Councillor) 08/11/2000
Telephone Interview between Dr Hemson & James Leigland (Municipal Finance Advisor, MIIU) November 2000.
Interview with Dudu Khumalo (Water Provincial Coordinator- SAMWU) held at SAMWU Offices on 10/11/2000
Interview with Faizal Dawood (BoDC Councillor), Andrew Ferguson (BoDC Town Clerk) held at Borough of Dolphin Coast Offices on 13/11/2000
Interview with Bonnie H. Maraj (Mayor of Dolphin Coast) held at Borough of Dolphin Coast Boardroom on 16/11/2000
Interview with Tokkie H.M. Saayman (BoDC Town Secretary) held at Borough of Dolphin Coast Offices on 16/11/2000
Focus Group Interview held in Nkobongo, one with level 2 consumers and the other with level 4 consumers. 02/12/2000 and 03/12/2000.
Focus Group Interview held in Nkobongo over community solidarity and poverty. 08/03/20001.
Focus Group Interviews, two, held in Shakashead and both over community solidarity and poverty. 09/03/2001.
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Interview with Mandla Mlambo
Interview with Sipho Gwala 17/02/2001
Interview with Vusi Makhosini
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Workshop on the Dolphin Coast Concession at Zimbali Lodge 14/03/2001 (see workshop participants below)
Interview with Councillor Jethro Banda, 04/04/2001.
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<th>Name</th>
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<td>Dudu Khumalo</td>
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<td>Organiser</td>
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<td>Ian Coates</td>
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<td>Gert Myburgh</td>
<td>BURRA</td>
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<td>B.H. Ntholeng</td>
<td>SWC</td>
<td>Foreman</td>
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<td>Mark Hultzer</td>
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<td>Thierry Chatry</td>
<td>SWC</td>
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<td>Bonny Maraj</td>
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<td>H.M. Saayman</td>
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<td>Jethro Banda</td>
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<td>David Hemson</td>
<td>SPP-ISES-UDW</td>
<td>Program Coordinator</td>
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<td>Sibusiso Nkomo</td>
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<tr>
<td>Khan Sohail</td>
<td>WEDC, UK</td>
<td>Research Manager</td>
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<tr>
<td>Herbert Batidzirai</td>
<td>SPP-ISES-UDW</td>
<td>Researcher</td>
</tr>
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</table>
Appendices

Appendix (1) Tariffs Determination
An agreement on tariffs was signed between SWC and the BoDC. Under the agreement, the BoDC is responsible for determining tariffs using an agreed formula on a 5-year period. The 5-year tariff structure is reviewed periodically in line with developments taking place including the consumer price index (CPI). SWC has no voice in the negotiation and setting of bulk water tariff, e.g. Umgeni Water increased its tariffs by 13% in July 2000 without consultations with its customers. SWC had no choice but to accept the increase and pass it on to the customers. Annexure E2: Tariff review schedule of the contract makes a provision that a five year tariff review is a review at the end of each 5 (five) year period of the contract term in order to re-evaluate the assumptions used in the previous 5 (five) year period, agree on a new five year plan with the council and to set the parameters for the following five year period. The tariff to be determined and approved by the council in each five year tariff review will be the tariff to be implemented for the first year of each five year cycle and will form the base tariff for that specific five year cycle. The annual tariff review uses a complex water price index (WPI) to determine the tariff as follows:

\[ \text{WPI} = F = aF_1 + bF_2 + cF_3 \]

Where
\[
a = \text{pro rata average contribution of bulk water to all expenses in the Five Year Plan} \\
b = \text{pro rata average contribution of operating costs to all expenses in the Five Year Plan} \\
c = \text{pro rata average contribution of capital costs as expressed in the depreciation account, existing debt repayment and financing costs to expenses in the Five Year Plan}
\]

**Formula 1 B Bulk Supply Costs**

\[ F_1 = \text{Index for Bulk Supply which is calculated as follows} - \]

\[ F_1 = \frac{BK_1}{BK_0} \]

where
\[ BK = \text{price per m}^3 \text{ of treated water sold by the Board at point of delivery} \]
Formula 2 - Operating Costs

\[ F_2 = \frac{f_1 EI + f_2 SAL + f_3 CPI}{EI_0 + SAL_0 + CPI_0} \]

Where

- \( f_1 \): pro rata average contribution of electricity costs to operating cost as per the Five Year Plan
- \( f_2 \): pro rata average contribution of staff costs to operating cost as per the Five Year Plan
- \( f_3 \): pro rata average contribution of the balance of operating cost to operating cost as per the Five Year Plan
- \( EI \): kWh rate in force in the Concession Area
- \( SAL \): Labour Index published by Statistics South Africa for the Durban/Pinetown area (statistical release P0142.2 Price Indices for the Civil Engineering Industry).
- \( CPI \): Consumer Price Index

Formula 3 - Capital Costs

\[ F_3 = \frac{CPI + f_4 (1.10 - CPI)}{CPI_0} \]

Where

- \( f_4 \): pro rata average contribution of lease rental of Existing Works to the sum of capital costs as defined in 2.2.1.3.

The following weighting values will be applicable in order to calculate WPI for each of the years subsequent to the first year of the first five-year period of the contract:

- \( a = 0.31 \)
- \( b = 0.39 \)
- \( c = 0.30 \)
- \( f_1 = 0.06 \)
- \( f_2 = 0.262 \)
- \( f_3 = 0.678 \)
- \( f_4 = 0.166 \)
The five-year tariff review considers a number of parameters which include bulk water price, electricity and chemicals, concession fee, inflation, interest rate, tax rate, grants, and the population size. Apart from the yearly and five year review, there can be an extraordinary tariff review in the event of drastic increase in bulk supply charges, material adverse government action, emergency situation, occurrence of natural disaster, implementation of new government policy, failure of government and/or provincial government to provide grants for subsidy and the occurrence of any event which substantially affect the operating costs of the concessionaire which is beyond control of either party. Examples include unforeseen change in population growth or settlement patterns, and the incorporation of a new area into the concession area that was not already part of an existing five-year plan.

Appendix (2) Service Levels, Targets and Assumptions
Overleaf is a table of levels of service for water and sewerage as contained in Annexure B2: Performance and service levels (Borough of Dolphin Coast Concession Agreement entered into between Borough of Dolphin Coast and Siza Water Company, 1999).
Source: RFP Document, 1997

Table 25 Service Levels of Water and Sanitation for BoDC

<table>
<thead>
<tr>
<th>Level of Service</th>
<th>Service</th>
<th>Description of Service</th>
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</thead>
<tbody>
<tr>
<td>Minimum Level 1</td>
<td>Water supply services</td>
<td>Informal source, few waterlines linked to regional scheme or boreholes. Purified and unpurified water.</td>
</tr>
<tr>
<td></td>
<td>Sanitation services</td>
<td>Unventilated informally constructed pit latrines.</td>
</tr>
<tr>
<td>Basic Level 2</td>
<td>Water supply services</td>
<td>Communal standpipes. RDP Standard 25 litres per capita per day (l.p.d. @ 200 meters. Linked to regional scheme. Purified water. Encourage private metered connections. Unmetred connections if on-site storage tank (24 hours capacity) is fed through orifice / flow restrictor. Semi-public standpipes only feasible where payment is guaranteed, otherwise supplier can disconnect.</td>
</tr>
<tr>
<td></td>
<td>Sanitation services</td>
<td>VIP or equivalent approved by National Sanitation Steering Committee.</td>
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<tr>
<td>Intermediate Level 3</td>
<td>Water supply services</td>
<td>Metered connections, tank systems (200 litres per day) similar to types used in Durban Metro. 50 to 90 stands connected to each network distribution point.</td>
</tr>
<tr>
<td></td>
<td>Sanitation services</td>
<td>In-house low volume flush toilet with septic tank and soak-away (individual upgrade from VIP). Less than 50% stands with waterborne system. Upgrading of bulk and purification plants.</td>
</tr>
<tr>
<td>Full Level 4</td>
<td>Water supply services</td>
<td>Site metered supply (100% connections). Network bulk and purification plants must be upgraded to cope with growth.</td>
</tr>
<tr>
<td></td>
<td>Sanitation services</td>
<td>Full waterborne system to sewerage treatment plant. Network, bulk and purification plants must be upgraded to cope with growth (100% connections).</td>
</tr>
</tbody>
</table>

26.1.1 Service Targets
Development activities are focusing on all areas although SWC has different strategies for different areas. There are plans to connect 600 units and build more pump stations. The current target is to upgrade services to level 4 on the coastline, from Zimbali to
Sheffield. The sewerage system on the coastline has so far been completed. Shakaskraal and Umhlali have an upgrade program for five years. Performance targets are set on a 5-year period. The monitoring team reviews these targets during implementation and at the end of every five years. If targets are not met, the two parties will meet and discuss the next step to follow. If the delays are deliberate, SWC will face penalties. However if the delays are due to circumstances beyond SWC’s control, a new schedule will have to be negotiated. Delays in the construction of houses, hotels, business and industrial premises will misalign service targets in the years to come. Below is a summary of performance targets for SWC for the first five years:

Table 26 Service Targets

<table>
<thead>
<tr>
<th>Town</th>
<th>Water Supply</th>
<th>Sanitation Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ballito</td>
<td>100% level 4 service by year 5</td>
<td>100% level 4 service by year 5</td>
</tr>
<tr>
<td>Zimbali</td>
<td>100% level 4 service by year 5</td>
<td>100% level 4 service by year 5</td>
</tr>
<tr>
<td>Compensation Beach</td>
<td>100% level 4 service by year 5</td>
<td>100% level 4 service by year 5</td>
</tr>
<tr>
<td>Willard Beach</td>
<td>100% level 4 service by year 5</td>
<td>100% level 4 service by year 5</td>
</tr>
<tr>
<td>Salt Rock</td>
<td>100% level 4 service by year 5</td>
<td>100% level 4 service by year 5</td>
</tr>
<tr>
<td>Chakas Rock</td>
<td>100% level 4 service by year 5</td>
<td>100% level 4 service by year 5</td>
</tr>
<tr>
<td>Umhlali Beach</td>
<td>100% level 4 service by year 5</td>
<td>100% level 4 service by year 5</td>
</tr>
<tr>
<td>Thompson Bay</td>
<td>100% level 4 service by year 5</td>
<td>100% level 4 service by year 5</td>
</tr>
<tr>
<td>Sheffield Beach</td>
<td>100% level 4 service by year 5</td>
<td>Existing septic tanks to be reticulated when situation demands it (See note 1 below)</td>
</tr>
<tr>
<td>Tinley Manor</td>
<td>100% level 4 service by year 5</td>
<td>Existing septic tanks to be reticulated when situation demands it (See note 1 below)</td>
</tr>
<tr>
<td>Shakaskraal</td>
<td>100% level 4 service by year 5</td>
<td>100% level 4 service by year 5</td>
</tr>
<tr>
<td>Umhlali including</td>
<td>100% level 4 service by year 5</td>
<td>Existing septic tanks to be reticulated when situation demands it (See note 1 below)</td>
</tr>
<tr>
<td>Foxhill &amp; Tafeni</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shakashead</td>
<td>200 sites will be provided with level 2 service and 250 sites with level 4 service by others by July 1998 Upgrading of level 2 service to level 4 service on effective demand</td>
<td>200 sites will be provided with level 2 service and 250 sites with level 4 service by others by July 1998 Upgrading of level 2 service to level 4 service on effective demand</td>
</tr>
<tr>
<td>Nkobongo</td>
<td>1 200 sites will be provided with level 2 service by other parties by July 1998 Upgrading of level 2 service to level 4 service on effective demand</td>
<td>1 200 sites will be provided with level 2 service by other parties by July 1998 Upgrading of level 2 service to level 4 service on effective demand</td>
</tr>
<tr>
<td>Etete</td>
<td>3 160 sites will be provided with level 2 service and 1 200 sites with level 4 service by others by December 1999 Upgrading of level 2 service to level 4 service on effective demand</td>
<td>3 160 sites will be provided with level 2 service and 1 200 sites with level 4 service by others by December 1999 Upgrading of level 2 service to level 4 service on effective demand</td>
</tr>
</tbody>
</table>

Source: RFP document, 1997
Note 1: It is recorded that septic tanks exist in some areas where the current number of houses with waterborne sewerage does not justify full reticulation and central treatment. At some stage, environmental and other development considerations may dictate upgrading from the existing situation.

Table 27 Assumptions used for Service Targets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation rate / CPI (% per annum)</td>
<td>10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local economic growth rate (real % per Annum)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997 B 2007</td>
<td>7,0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008 B onwards</td>
<td>3,5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period in years to eliminate backlogs</td>
<td></td>
<td>5 years</td>
<td></td>
</tr>
<tr>
<td>Current Population</td>
<td></td>
<td>34 645</td>
<td></td>
</tr>
<tr>
<td>Current number of households</td>
<td></td>
<td>9 125</td>
<td></td>
</tr>
<tr>
<td>Household Income Distribution per Month</td>
<td></td>
<td>1997</td>
<td></td>
</tr>
<tr>
<td>Less than R800</td>
<td></td>
<td>36%</td>
<td></td>
</tr>
<tr>
<td>R800 to R1 500</td>
<td></td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>R1 500 to R3 500</td>
<td></td>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>More than R3 500</td>
<td></td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Population Growth Rate</td>
<td>From/ To</td>
<td>Growth per annum</td>
<td></td>
</tr>
<tr>
<td>Growth in population</td>
<td>1997 B 2002</td>
<td>8,5%</td>
<td></td>
</tr>
<tr>
<td>Growth in population</td>
<td>2003 B 2007</td>
<td>6,5%</td>
<td></td>
</tr>
<tr>
<td>Growth in population</td>
<td>2008 B 2012</td>
<td>5,4%</td>
<td></td>
</tr>
<tr>
<td>Growth in population</td>
<td>2013 B 2017</td>
<td>4,0%</td>
<td></td>
</tr>
<tr>
<td>Growth in population</td>
<td>2018 B onwards</td>
<td>3,2%</td>
<td></td>
</tr>
<tr>
<td>Capital and Infrastructure Grants</td>
<td></td>
<td>1997 Value</td>
<td></td>
</tr>
<tr>
<td>Year 1</td>
<td>R 4 326 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 6</td>
<td>R 1 228 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 10</td>
<td>R 1 777 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>R 7 331 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developers Contribution</td>
<td>R 1 809 335</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The total amount due from developers for projects: Extension 3, Extension 5, Zimbali, Shakashead Light Industries, The Beacon, Salt Rock/ Compensation Farm and Sub 573/ Rem Sub. 407

Source: RFP document, 19971