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SECOND REPORT

**OF THE PORTFOLIO COMMITTEE ON STATE ENTERPRISES AND PARASTATALS
MANAGEMENT**

**ON SUPPLY OF WATER TREATMENT CHEMICALS BY CHEMPLEX CORPORATION TO
HARARE CITY COUNCIL**

THIRD SESSION – SEVENTH PARLIAMENT

Presented to Parliament on 16th December 2010

[S.C 13 -2010]

ANNOUNCED

1st April 2009

That the Committee consists of the following :

Hon. Chikwinya , Hon. Kagurabadza, Hon. Matibe, Hon. Mavima, Hon. Maramba, Hon. Ndava, Hon. Mkosi, Hon. Moyo, Hon. Musumbu , Hon. Mutseyami, Hon. Ngwenya, Hon. Sibanda, Hon. Ziteya, Hon. Ziyambi,

Hon. Mavima to be the Chairperson

ORDERED

In Terms of Standing Order No. 159

a) At the commencement of every session, there shall be as many committees. Rules to be designed according to government portfolios as the Standing and Orders Committee may deem fit.

b) It shall be the function of such committees to examine expenditure administration and policy of government departments and other matters falling under their jurisdiction as Parliament may, by resolution determine.

c) The members of such committees shall be appointed by the Standing Rules and Orders Committee, from one or both Houses of Parliament, and expertise of the Members and Senators and the political and gender composition of Parliament.

d) Each Select Committee shall be known by the portfolio determined for it by the Standing Rules and Orders Committee.

Terms of reference of Portfolio Committees – Standing Order No. 160

“Subject to these Standing Orders a Portfolio Committee shall:

a) Consider and deal with all bills and statutory instruments or other matters which are referred to it by or under a resolution of the House or by the Speaker;

b) Consider or deal with an appropriation or money bill or any aspect of appropriation or money bill referred to it by these Standing Orders or by under resolution of this House; and

c) Monitor, investigate, enquire into and make recommendations relating to any aspect of the legislative programme, budget, policy or any other matter it may consider relevant to the government department falling within the category of affairs assigned to it, and may for that purpose consult and liaise with such department; and

d) Consider or deal with all international treaties, conventions and agreements relevant to it, which are from time to time negotiated, entered into or agreed upon.

1. BACKGROUND

- 1.1 From January to March 2010, the Portfolio Committee on State Enterprises and Parastatals carried out an inquiry on the functions and activities of the Industrial Development Corporation. The Committee gathered oral and written evidence from the Industrial Development Corporation's officials based at IDC headquarters in Harare. The Committee also conducted fact finding visits to selected IDC enterprises in Harare and Chitungwiza. Amongst the companies visited was Chemplex Corporation which owns Zimphos. Zimphos manufactures aluminium sulphate (alum) at its factory situated in Msasa.
- 1.2 After analyzing the evidence, the Committee produced a report which was tabled in Parliament on 18th March 2010. In this report, the Committee highlighted the plight of Chemplex, wherein Chemplex Corporation said it was operating at 20% capacity utilization mainly due to the decision by the Harare City Council to stop procuring liquid aluminium sulphate. It was further reported that Harare City Council has been Chemplex's biggest client through procuring 80% alum. The Zimphos factory was designed to specifically meet the requirements of Harare City Council for the past 5 decades.
- 1.3 The Harare City Council did not have an opportunity to appear before the Committee to give oral evidence, but furnished the Committee with a written submission. Before the report was tabled in Parliament. After further deliberations on Chemplex's plight and Harare City Council's decision, the Committee invited both Harare City Council and Chemplex Corporation's officials at the same time to discuss the matter, in particular Harare City Council's side of the story.

1. METHODOLOGY

- 2.1 The Committee received written and oral evidence from;
 - a) Harare City Council
 - b) Chemplex Corporation
- 2.2 Analysis of submissions and exhibits.

2. COMMITTEE'S FINDINGS, OBSERVATIONS AND RECOMMENDATIONS.

3.1 Harare City Council

- 3.1.1 The Harare City Council officials in their presentation informed the Committee of the Council's operations. It was said that the local authority has two plants: Morton Jeffrey and Prince Edward and they produce about 600 mega litres (ML) and 100 ML per day respectively.
- 3.1.2 The Committee was informed that the Local Authority's Chemical bill is US\$2 million per month. Out of that bill, City of Harare is footing 60% and 40% is being paid for by UNICEF. However, it was made clear that by the end of the year, around November

and January, Harare City Council will be meeting the full bill of US\$2 million. In addition, Harare City Council currently procures 155 Metric Tonnes (MT) of Bulk Sulphuric Acid from Chemplex Corporation on a monthly basis. UNICEF has placed an order of 3000MT of Granular Aluminium Sulphate from Chemplex for the local authority.

- 3.1.3 The Committee learnt that there was a crisis from January 2008 to February 2009. During this period, the Morton Jeffrey Water works would be closed for several hours due to power cuts. The liquid Aluminium Sulphate deliveries were not reliable and of poor quality. It was emphasized to the Committee that during this period the Council was left with no choice but to use the available product then. The situation got so serious to the extent that owing to pressure from some high level officials, local authority ended pumping sludge, whose suitability was questioned.
- 3.1.4 Further probe revealed that there was a period whereby the responsibility to supply water was on ZINWA's before being handed over to the City Council in March 2009. During ZINWA's Administration, the volume of portable water went down to about 333ML per day. When City of Harare took over, the volume rose to the current level of 700ML from the two sources, Morton Jeffrey and Prince Edward. Estimates though, indicate that the demand for water is almost 1000ML per day, implying that there is a shortfall of 300ML.
- 3.1.5 During the period in question, Chemplex was equally affected by the power cuts, the economic meltdown, lack of foreign currency and non payment by ZINWA. It was explained to the Committee that the production of aluminium sulphate requires water, and at that time it was unavailable. In order to procure materials for water treatment, ZINWA moved to the solid aluminium sulphate.
- 3.1.6 Upon being asked by the Committee to confirm whether Harare City Council indeed had stopped procuring Liquid aluminium sulphate, the response was that it was indeed true that the Council had stopped procuring liquid sulphate from Zimphos. The local authority stated that the city's job was to reliably supply water, it is a requisite that the supply of chemicals has to be viable. During the crisis period
- 3.1.7 Harare City Council informed the Committee it is policy that procurement of goods and services, including water treatment chemicals go through a tender process. The awarding of tender take into consideration competitive pricing. This implies that Zimphos should go through the tender process like any other bidders. It was further explained that the tenders for water treatment chemicals has got specifications requirements and those companies that do not meet the specifications requirements and those companies that contract would be terminated. In addition, the Council has floated the tender for an annual supply and delivery of water treatment for 2010 which is currently under adjudication.
Find out % awarded to Chemplex.

- 3.1.8. The City council stressed to the Committee that the Council emphasizes on the issue of quality and pricing, without any compromise. Whoever is to supply chemicals to the authority should have the ability to supply the agreed quantities on time. Plant shut down will not be tolerated as has happened in the past. In the meantime the Council supplies portable water to Harare, Chitungwiza, Norton, Ruwa and Epworth. The City Council outlined its conditions upon supply of chemicals. These are reliability, quality and price competitiveness. The process also involves a technical and financial evaluation.
- 3.1.9 Regarding the quality of products, UNICEF has set up two laboratories to analyse the samples. Of the 3000MT of Alluminium Sulphate to the City Council, 200MT have been divided and there is an outstanding 1 000MT. It was brought to the Committee's attention there have been instances when Zimphos chemical failed the test. Other than Zimphos, there are also some products that City of Harare procures from South Africa. This additional procurement is to ensure that there is adequate stock cover, therefore guaranteeing regular water supply.
- 3.1.10 In response to the City of Harare's presentation, Chemplex informed the Committee that its plant was prepared to meet 80% of Harare's requirements and another 20% going to other local authorities. Chemplex chronicled how the company, like any other was seriously affected by the economic melt down between 2007 and 2009, namely lack of foreign currency, unavailability of spares and non payment of goods by ZINWA. Chemplex went on to pledge that it was prepared to business with Harare City Council. "Our sincere request is that engage us, we are committed and we can supply Harare City Council's requirements".
- 3.1.11 It was further explained that there was no need to doubt Chemplex's ability. In terms of transporting liquid aluminum sulphate, the company now has in place its own company called D and G haulage. The company's standards have made it to be ISO certified. However, the company officials that appeared before the committee refused to comment on the pricing aspect by saying that prices cannot be discussed in public.

4. COMMITTEE'S OBSERVATIONS

- 4.1 The Committee analyzed the evidence gathered and noted the following observations:
- 4.1.1 The economic meltdown affected the operations of most companies including Harare City Council and Chemplex Corporation.
- 4.1.2 The quality and shortage of water worsened during ZINWA's management.

- 4.1.3 The Harare City Council restored regular supplies of potable water to areas that have been affected for five years such as Mabvuku, Tafara and Epworth
- 4.1.4 UNICEF and other donors came in handy, particularly during the cholera outbreak and saved lives of citizens.
- 4.1.5 The City of Harare is commended for the insistence on quality and price competitiveness before procuring water treatment chemicals.
- 4.1.6 Chemplex Corporation is operating below capacity, at about 20% utilization.
- 4.1.7 The Committee's enquiry provided a platform for Harare City Council and Chemplex Corporation to narrow the gap arising from relationship and both are prepared to work together with the end of product providing quality services to the citizens.

5. **RECOMMENDATIONS**

- 5.1 The Government should support local companies, especially where government has a stake. The policy would benefit the country because this will curb exportation of labour and money and increase the tax base through revenues paid.
- 5.2 Chemplex Corporation needs a capital injection and it should provide a strategic plan of its requirements and Chemplex should also re-design its plant to meet the needs of its clients.
- 5.3 There should be a regulatory body to ensure adherence to standards.
- 5.4 In order to have checks and balances, the City of Harare should revive the daily water reports and also provide status of pumps, quantities of chemicals used.