50 Years of Direct Potable Reclamation at Goreangab

Outsourcing the Operation and Maintenance of the Plant

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Structure of Presentation

• What is outsourcing
• Why and How to Outsource
• Obstacles to Outsourcing
• The process followed at the Windhoek Goreangab plant
• Lessons learnt
What is Outsourcing

- OUTSOURCING is the contracting out of a business process which an organisation may have previously performed internally or has a new need for, to an independent organisation from which the process is purchased back as a service
- (Wikipedia)
New Goreangab Plant 2002
My Involvement

- Appointed SE in 1998
- Tenders already compiled and called late 1998
- Contract signed in May 1999
- Design Build Turnkey Project
- Very challenging contract
- Culminated in a number of law suits
- Plant commissioned in August 2002
- Outsourcing of operation was fairly novel at the time
Why Outsource

- Old Goreangab Operated by City
- Intention of City to also run NG
- Loan funding from KfW and EIB
- EIB Loan Condition:
  - Private Sector involvement in O&M For Full 20 year period of Loan
Models Considered

- Initial intention:
  - City appointed design team, But
  - Design Build Turnkey Awarded
  - City would Operate and Maintain After EIB Condition
  - BOX Model no longer possible
  - Int’nal Tender for O&M Contractor
  - Private Management Agreement
Obstacles to Outsourcing

• Even back in 2000, water was viewed as a Basic Human Right.

• On 28 July 2010 the UN General Assembly declared – “Safe and clean drinking water and sanitation is a human right essential to the full enjoyment of life and all other human rights.”
Obstacles to Outsourcing

- Local Authority is a Political Public “non profit” Institution
- Fear of Private Sector profit motive
- Labour Unions not in favour of outsourcing public functions
- Fear of Job Losses
- Fear of having such a Strategic function in foreign hands
Fear of Private Sector Fat Cats
Labour against Outsourcing
Our Approach to Outsourcing

• Realization that international water players were huge
• Revenues similar to certain countries
• “Unlimited “ legal resources
• City was a small entity with limited exposure to international business
• Urgent need for strong support
• Essential to engage on equal terms
Windhoek vs the World
Transaction Advisor

• With KfW funding and support an international tender was called for specialist services
• 2 German and 1 Australian company shortlisted
• Appointed Stallard -Burnsbridge from Australia
• SBB had overseen 6 outsourcing projects in Australia
Integrity of the Process

- Int’l Process: Integrity paramount
- **Probity: Uprightness of character or Integrity** (Oxford Advanced)
- Probity plan to secure all phases
- Appointed a Probity Auditor (PA)
  Retired Supreme Court Judge
- Pre-nominated evaluation panel: Screened by PA
- Probity Declarations by all involved
Integrity of the Process

- Evaluation Plan with scoring mechanism lodged with PA
- Document Control Procedure was approved by PA
- PA to preside over all tender Openings
- Copies of all Tender documents to be lodged with PA.
- PA to preside over evaluation meetings
Acceptance of Outsourcing

- Regular and proper Council Briefings
- All fears were noted and incorporated
- Strong Socio Economic criteria included
- Strong emphasis on skills transfer to Namibians
- Tenure of expatriate personnel limited
- Co-operation agreement included to ensure spin-offs for local economy
Procurement Process

- Int’l invitation for Expression of Interest
- Five of ten companies pre-qualified
- Formal Tender process under same probity measures
- Tender included mandatory criteria in terms of specific experience
- Technical Criteria 80%
- Socio Economic Criteria 20%
Procurement Process

- Established Document warehouse: Visit by appointment
- Evaluation strictly to approved plan and predefined scoring system
- PA attended evaluation meetings at his discretion
- All panelists scored independently
- Where scores varied, motivations
- All score sheets and motivations recorded and lodged with PA
Procurement Process

• EoI Process challenged by major US firm
• Due to probity records, dealt with
• Two Preferred Bidders selected to maintain competitive process
• Long Negotiations Windhoek and Berlin with preferred consortium
• Veolia + Wabag + Berlin Water Inter’l
• Significant Lawyer presence
• Agreement (PMA) signed 6 July 2001
• 20 year Agreement
**Private Management Agreement**

- **Main drivers of the PMA**
  - Health of Consumers
  - Reputation of DPR
  - **Long Term Sustainability (Marriage)**
  - Maximum Reuse
  - Risk with Party best able to carry
  - Totally Performance Based
Main driver QUALITY

Toll = Avail’ty Toll + Volume Toll

Intermediate and Final Water Quality: Multiple Barrier

Target and Absolute quality standards

Target Value Failure = PFF

Absolute Value Failure = No supply
Operational Phase

- Problems encountered
- Turnkey Commissioning 12 months
- Some failures on TK Guarantees
- Claims and Counterclaims
- Operations started October 2002
- 8 Month shutdown due to PSA failure
- Only third PSA solution proved successful
- Marriage survived tough honeymoon
The Marriage Principle
Marriage Strain

Heather and I have been going through a difficult time lately.
Lessons Learnt

• Water politically sensitive
• Keep politicians on board
• Ensure socio economic spin-off for community
• Retain focus on water as BHR not profit as driver
• Resource yourself for process
• Ensure experienced expert advice
• Engage on equal footing
Lessons Learnt

- Integrity of the process paramount
- Probity Auditor was great idea
- All proceedings meticulously recorded
- Interest of CONSUMER to be ensured
- Risk to be fairly shared
- Be ready to commit for long marriage
- Successful Outsourcing is possible
Did Outsourcing Work?

- The Marriage has survived till now
- In 2001 Namwater: N$ 3-27 / m³
- In 2001 Goreangab: N$ 5-71 / m³
- In 2018 Namwater: N$19-20 / m³
- In 2018 Goreangab: N$ 13-00 / m³
- You be the Judge
THANK YOU