



consumer  
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## THE IMPACT OF 'DAY ZERO' ON CGCSA

FEBRUARY 2018

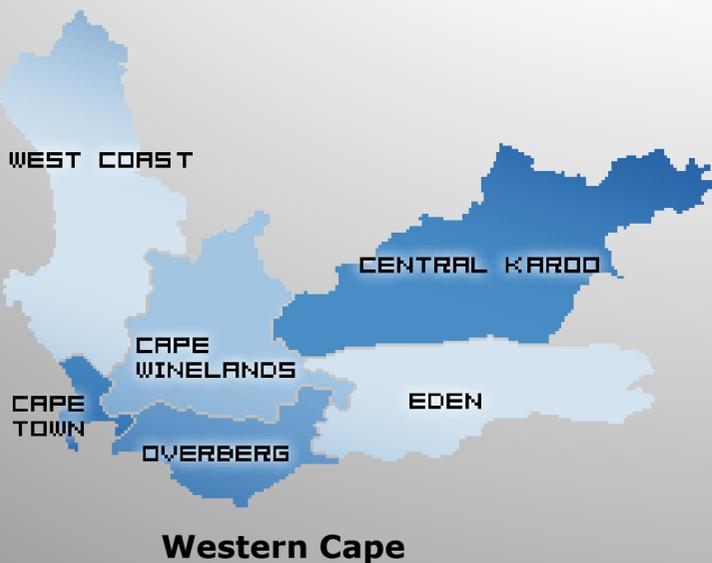
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The purpose of this overview is to provide factual intelligence that will empower management to make informed decisions and allow management to consider whether or not to take corrective precautions to protect and mitigate risks in terms of property, staff, clients and business operations.

The City of Cape Town Metropolitan Municipality is facing the risk of water supplies being depleted owing to drought conditions. On the day that the municipal dam levels drop below 13.5% 'Day Zero' will be declared. Below follows an overview of the effect that the onset of 'Day Zero' could have on CGCSA.

### BACKGROUND

The Western Cape is experiencing an enduring drought since 2015 owing to low levels of rainfall and unseasonably dry winters, leaving dam levels at just over a quarter full. The City of Cape Town Metropolitan Municipality announced on 20 February 2018 that the municipality currently only has enough water supplies for 131 days. The Municipal Government has implemented level 6B restrictions, which includes restricting water usage to 50 litres per person daily since 1 February 2018. Low rainfall in a Mediterranean climate in accordance with higher water consumption owing to a population that is growing substantially over a short period of time, is speeding up the onset of 'Day Zero'. 'Day Zero' will occur when dam levels are below 13.5% capacity and the commencement date at present is expected to take place on 9 July 2018. Current dam levels are at 24%.



### DAY ZERO IMPLICATIONS

As previously stated, the municipality has implemented level 6B water restrictions, which includes limiting water usage to 50 litres per person per day in an attempt to lower residential and commercial water consumption by 45% and agricultural consumption by 60%. The municipality also discourages the utilisation of boreholes for outdoor purposes in an attempt to maintain groundwater resources.



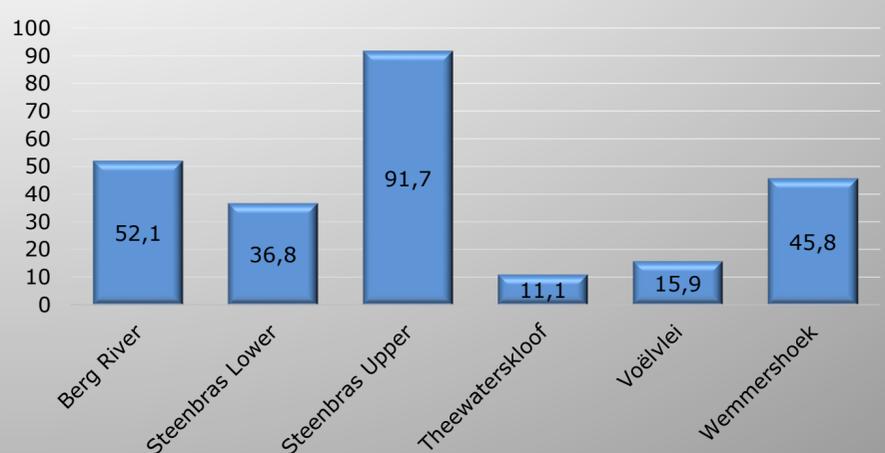
45%



60%

In the event that 'Day Zero' comes to pass and dam levels reach 13.5% capacity, the water supply will be cut, with exceptions to certain areas such as Cape Town Central, informal settlements where water collection systems such as communal taps are already standard practice and designated facilities such as hospitals.

### DAM LEVELS FOR 23 FEBRUARY 2018



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The municipality has designated 200 collection points (the exact locations are not yet known) where residents are expected to queue, under police and military supervision, to collect 25 litres of water intended for daily washing, food preparation and personal hygiene in the event of 'Day Zero'. At present the municipality is exploring various alternative water sources including desalination plants, vapour collection and aquifers. The highest risk associated with 'Day Zero' is that of diseases such as typhoid, gastroenteritis, salmonella, cholera and mosquito-borne diseases spreading due to poor hygiene practices owing to limited water supplies. In addition, the Western Cape is a high-risk province for listeriosis, where approximately 109 cases have been reported thus far. The Western Cape provincial government has stated that plans are in place should disease out-breaks occur.

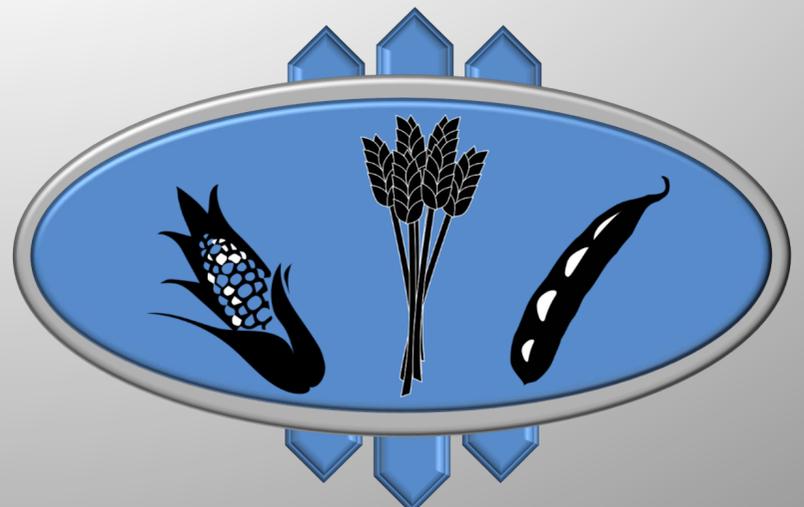
### IMPACT ON CGCSA

The on-going drought in the Western Cape is expected to reflect negatively on the credit rating of South Africa as well as the gross domestic product (GDP), decreasing the potential for investors. The City of Cape Town is allegedly incurring large amounts of debt in an attempt to alleviate drought conditions and is struggling to promote economic growth amidst decreased production and lowered water consumption. As the Western Cape accounts for approximately 13% of the total GDP, this could affect the economic growth of South Africa as a whole. The Western Cape provides an estimated 20% of South Africa's agricultural labour force as well as 22% of the agricultural based GDP in the third quarter of 2017.

The drought has directly and indirectly led to the loss of an estimated 84 000 jobs and a profit loss of between R13 - R20 billion for commercial farmers in 2017. Therefore, the risk for unemployment is high.



Wine production is also expected to decrease significantly which is expected to result in an increase of consumer prices for wine. The price of soya beans and maize (as well as maize products such as cereals, candy, canned food and maize meal) is expected to increase owing to the lower harvest yield brought forth by the drought conditions as well as the decreased water consumption by the agricultural sector. Furthermore, maize shortages could result in higher livestock mortality rates due to decreased amounts of feed, leading to decreased production of meat, eggs, milk and associated by-products such as dairy products.



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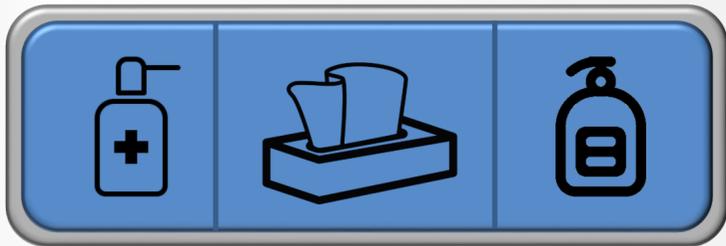
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The fruit and vegetable industry has also been affected by the drought as farms in the Western Cape have been forced to plant approximately 50% less onions, 20% less deciduous fruit and 80% less potatoes than the previous season. Fruit orchards have also been cut down, which has led to large scale seasonal unemployment.

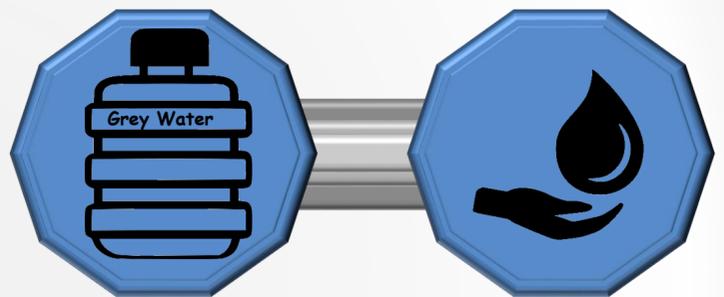


In addition, the demand for bottled water in Cape Town and surrounding areas has increased, with online price checks for the product having increased by 577% since December 2017. Furthermore, the demand for products such as dry shampoo, hand sanitizer and wet wipes has also increased as consumers are supposedly attempting to stock up in preparation of 'Day Zero'.

### RECOMMENDATIONS

Using water conservatively and within the limits set forth by the municipality is advised in order to relieve the situation and to potentially delay 'Day Zero'. Ensure that hygienic conditions are adhered to in terms of food production and trade. It is advised to collect grey water (relatively clean water from sinks and kitchen appliances) to ensure that lavatory facilities remain operational and to maximise water usage efficiency.

It is not advised to utilise water sources such as streams that have not been purified or sea water as it could be contaminated, corrosive and/or could lead to dehydration if consumed.



Be wary of criminal elements claiming to be municipal or provincial officials who might attempt to obtain entry into a premises, obtain a bribe and/or extort money. Businesses are advised to design a business continuity plan by determining minimum and historic needs in order to ensure that all essential services remain operational so as to keep businesses afloat in the event of 'Day Zero'. It is also recommended to prepare employees and develop contingency plans to mitigate retrenchments, unemployment and down time. Moreover, in the event that a fire breaks out ensure that a method to douse the flames such as sand or sprinkler systems that make use of inert gasses and/or liquid chemicals is at hand if water is not available.



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