



# FROM THE DESK OF THE **CHIEF** **EXECUTIVE**

**F**our eventful and exciting months have passed since my appointment as Chief Executive of Umgeni Water. This period was dominated, in part, by an intensive stakeholder engagement programme, conducted jointly by the Board and Executive Management. As you are aware, stakeholder satisfaction is one of the key strategic objectives of our organisation, hence the endeavours we have undertaken to enhance relations across the entire spectrum of stakeholders.

As Q1 drew to a close and Q2 approached, we began dialogue with the political representatives and senior management of our customers and different segments of the KwaZulu-Natal Provincial Government, to look, learn and share information on some of the key areas of concentration of Umgeni Water. I am delighted to inform you that the information we provided was enthusiastically welcomed by our hosts as it gave them high-level exposure to our work in ensuring security of water supply and elimination of backlogs, now and well into the future. At least two of the engagements undertaken, with the Provincial Department of Co-operative Governance and Traditional Affairs and the Provincial Planning Commission, were ground-breaking as they were the first with these organs of Provincial Government. Clearly, we are now seeing the benefits of a burgeoning relationship with the Provincial Government of KwaZulu-Natal.

I will now share with you some of the key areas of discussion and the outcomes. As you are aware, I undertook in my first communique with you that I would provide information of relevance to you and our organisation as often as is practically possible so that you are kept informed and, when required, are able to make informed decisions. This communication initiative is in line with this pledge.

At the engagement with **Ugu District Municipality**, its representatives brought to our attention that its systems were not functioning to optimum. To this end, the potential exists for collaboration to address this challenge. The cost of provision of water to and the recovery of cost from users in poverty-stricken deep rural Ugu are also onerous for the municipality. We were asked to consider the possibility of a discounted tariff to address this situation, but this is not possible as it could set a precedent that may become unmanageable and extremely costly. The municipality has to look at other avenues of subsidising the cost of providing water to rural communities, while Umgeni Water, for its part, is willing to assist in identifying possible sources.

Discussions with **Mbizana Local Municipality and Alfred Nzo District Municipality** centred on the Greater Mbizana Bulk Water Supply Scheme, and in particular delays in completion of the Ludeke Dam due to rain damage; perceived insufficient compensation to owners for land affected by the dam's construction; and operation and maintenance of the scheme post its commissioning. Alfred Nzo DM was of the view that it had adequate capacity for the O&M of the scheme, but required the assistance of Umgeni Water for skills transfer. The meetings with Mbizana Local Municipality and Alfred Nzo DM were fairly successful as they uncovered the impediments that are the cause of frustration among Umgeni Water's project management team members. I am convinced that these challenges will be resolved as we continue discussions in the months ahead.

The Greater Mbizana Bulk Water Supply Scheme, for which Umgeni Water is implementing agent, is one of most strategically important projects in the Eastern Cape as it will unlock the potential of Mbizana, where development is being hampered because of water shortages. The current situation is dire in that key government structures, such as health-care facilities, police stations and prisons, are also affected by water shortages and have to be supplied by water tankers. On completion of phase 1 of this scheme, approximately 50% of the population - estimated at 262 000 people - will benefit from the project.

Umgeni Water is currently employing strategies to position itself as the regional leader of the water sector of KwaZulu-Natal. With this in mind, the Board and Executive of Umgeni engaged with the **Department of Co-operative Governance and Traditional Affairs (CoGTA)** and the **KwaZulu-Natal Planning Commission** on separate occasions.

In her opening remarks at our discussion, the MEC said she was not pleased with the poor or inadequate access to water and sanitation that is still prevalent in several parts of our province. Umgeni Water generated exposure for its Infrastructure Master Plan in its presentation to the MEC and her delegation. The Infrastructure Master Plan and Five-Year Infrastructure Programme of Umgeni Water will address water backlogs in many parts of KwaZulu-Natal, and in that way alleviate the hardship faced by communities affected by erratic water supply or poor access to safe drinking water. We were pleased with the outcome of our engagement with the MEC which resulted in the extension of an invitation to Umgeni Water to join a technical committee that has been formed to implement the resolutions of a provincial water and energy summit that was held recently. Other key areas of discussion with the MEC included CoGTAs priorities of improving reliability of water supply to schools and clinics and ensuring adequacy of water resources to meet economic and housing growth in ILembe.

We were given ample opportunity to respond, and reiterated the organisation's position on small schemes as a source of supply. The proliferation of borehole schemes and small water treatment plants are not cost-effective and sustainable alternatives, therefore, bulk water supply schemes are generally the most feasible option to pursue. The growth potential within the ILembe District will require substantial long-term investment in potable water infrastructure. To that end, Umgeni Water is constructing the Maphumulo Bulk Water Supply Scheme and will begin work soon on the Lower Thukela Bulk Water Supply Scheme.

For the first time, on 6<sup>th</sup> November 2012, the Board and Executive of Umgeni Water had an opportunity to formally engage with the **KwaZulu-Natal Planning Commission**, which is based in the Office of the Premier. As you may be aware, the Planning Commission will, from a provincial context, help define the kind of KwaZulu-Natal we would like to see in 30 years from now and also map out a route map on how to get to that destination. There is a direct correlation between the strategic development plans of the province and the infrastructure planning and implementation that takes place at Umgeni Water.

We presented Umgeni Water's Five-Year Infrastructure Programme to the Commission, after which pointed questions were asked about water resource availability by 2030. In response to this, we released details about augmentation projects (Spring Grove Dam, planned desalination and planned wastewater reclamation). At the same time, we emphasised the fact it was not entirely the responsibility of Umgeni Water to ensure adequacy of water resources, but that the national and provincial governments also had a role to play. Another issue that came under the spotlight was dissatisfaction over the level of service that was being provided within uThukela Water's area of supply and the need for assistance to be provided by Umgeni Water in order to find sustainable solutions to this situation.

The **public launch of Umgeni Water's Annual Report 2011/2012** on 25<sup>th</sup> October 2012 was a resounding success, evidenced by the attendance of the media and other stakeholders and the positive publicity received. Individual briefings were also held from 29<sup>th</sup> . 31<sup>st</sup> October 2012 for various financial institutions and bond holders. They included Investec, Alan Gray, Cadiz, Prudential Asset Managers, OMSFIM PSG, RMB and RMB. Future Growth, ARGON AM and Atlantic Asset Managers. The companies were impressed with the organisation's financial performance for the year, and all of them showed keen interest in providing future financial solutions to Umgeni Water.

On 26<sup>th</sup> October 2012 we hosted a delegation from **Athi Water Services Board**, which is based in Nairobi, Kenya. The 14-member delegation that was received by the Executive at Umgeni Water's Head Office also undertook a technical visit to Midmar Waterworks, as part of a benchmarking exercise. Like Umgeni Water, Athi Water Services Board is a state-owned enterprise. The objectives of the visit by the utility to Umgeni Water were to exchange knowledge in the following areas: bulk asset development and finance and supply chain processes. This is the fourth delegation from Africa to visit our organisation in the past two years which reflects the high esteem with which Umgeni Water is held on the continent.

Black Economic Empowerment is a key objective of the government and part of the upliftment process of historically disadvantaged individuals, communities and companies. Umgeni Water has always been committed to this process. However, it has been agreed in various forums that the current form of BEE is ineffective. Hence, it is important to explore other forms and variations of the current format. A new BEE model has been launched at Umgeni Water that facilitates established companies to share 30% of Umgeni Water-awarded contracts with emerging BEE companies. This ensures transfer of skills and access to work that result in economic empowerment and value for all stakeholders.

That said, if you would now allow me to indulge in a bit of reminiscence. My return to Umgeni Water as Chief Executive has been, thus far, among the most pleasant times in my working life. This has been made possible by the co-operation and support I have received from everyone with whom I have had occasion to interact. Thank you.

We are now in the final days of what has been a wonderful year for Umgeni Water. The organisation will close 2012, firm in the knowledge that it continues to add value to the people we serve, our customers and the Government of South Africa. In the year ahead we need and have to sustain the high-performance momentum we have created and which enabled us to produce the splendid results of 2012. Our work is not done; in fact, it has just begun. Our priorities for the New Year are articulated in the organisational Score Card, Business Plan and Shareholder Compact we have with the Executive Authority. There are clear deliverables in these documents, which have to be met in order to achieve our targets.

I know and am convinced that the hardworking team we have at Umgeni Water will continue to perform at optimum in order to accomplish these objectives.

Yours in Service Delivery and Black Economic Empowerment

Cyril Gamede