



From the Desk of the Chief Executive



January 2015

It is appropriate to say “Welcome Back” as we kick off 2015 with a solid programme of activities that are intended to again shift Umgeni Water into top gear. I hope you had a restful break and a wonderful festive season and are now re-invigorated to take on the next 11 months with zest. I also had a short break and, with batteries now recharged, I am ready to participate in the roll out of the organisation’s calendar year business schedule and in the implementation of the organisational score card.

On the subject of the organisation’s programme of business activities and quarterly targets, I need to share with you that on 27th January 2015 the Executive and Senior Managers participated in a workshop that reviewed the existing organisational strategies, identified gaps in them, enhanced these strategies and developed an implementation plan. On 28th January 2015 the Board met to discuss the proposed strategies and review and tweak them. After the Board meeting the entire organisation will be brought to a state of readiness for implementation of the strategies in the new financial year.

I want to issue an invitation to you to get involved in this process by making suggestions on strategies and targets you believe should be considered for adoption by Umgeni Water in the next strategy review cycle. The suggestions you make should be formulated with the intention of ensuring that they are able to make a profound difference to the organisation, how it does its business and how it can make a greater impact on its customers and society at large. This invitation presents a marvellous opportunity for you to make an

input into shaping the direction of Umgeni Water and in developing a blueprint for the future that will enhance the organisation’s benevolent intent of ensuring that every household and business in the Umgeni Water operational area has access to water. *Your suggestions should be emailed to the Executive Secretary in my Office, Taryn Naude.*

The lessons in the Eskom situation

While on matters organisational and strategic significance, it is important that we begin to familiarise ourselves with the current operating environment and with what could pose potential challenges for Umgeni Water. Let’s first deal with the Eskom matter.

Fact: the impact of load shedding is being felt across South Africa, with consequences that are generally negative and costly. Umgeni Water has also felt the effects in its offices and water treatment works. However, the organisation is in a better position than many others in

that it is able to use petrol and diesel-powered generators as alternate sources of energy in order to continue critical functions, such as the pumping of raw

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Power struggle: At times of load shedding, generators become an energy source.



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water, the treatment of water and the transfer of potable water to municipalities.

Myth: Eskom is not about to fold up and disappear into oblivion, despite its many woes. It is a strategically important public company that performs a crucial function in South Africa and Africa through its core business of keeping the lights on. The sheer magnitude of Eskom's capacity is reflected in the fact that it generates 95% of South Africa's electricity needs and 45% of the electricity needs of the African continent, making it one of the top 20 utilities in the world based on generation. The Government of South Africa, the sole proprietor of Eskom, certainly has the best interests of South Africa and Africa as its top priority and, in this context therefore, it will again play an important role in the continued functioning of Eskom. Any action contrary to this will have disastrous consequences for South Africa.

Eskom, for its part, has accepted that it should have done things better – an admirable admission that we must support and encourage. As recipients of the product of Eskom, all South Africans have a role to play in ensuring that they also contribute to the sparing use of electricity. In this way we will also be contributing to the national good by reducing pressure on the grid. In the Eskom situation, there are, however, some underlying messages for all State-owned entities. These are: do not sacrifice or neglect maintenance of infrastructure because the consequence of this will be felt in the future; be frank with and take your customers into your confidence; be consistent with the information contained in public statements issued; avoid contradictory public utterances that cause avoidable confusion, and put into place early warning signals that will prevent crises occurring in the future.

Drought and its impact

While on matters resources and impact, Umgeni Water is currently experiencing its own woes caused by the drought in the Hazelmere catchment. Below-average rainfall and the consistently reducing level of the Hazelmere Dam have resulted in eThekweni Metro, iLembe District Municipality and Sembcorp Siza Water applying water-use restrictions in areas that are supplied by the Hazelmere Water Works. I am aware that affected consumers are experiencing difficult times through time-of-use measures, but the reality is that the Water Services Authorities in question had no alternative. If they did not apply these restrictions and if Umgeni Water continued production at normal capacity, water in the Hazelmere Dam would have hit dead storage level of 15% sooner than anticipated. To alleviate this situation, the Executive is currently examining options to augment supply to the Hazelmere system.



Hazelmere Dam currently at 34%



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I anticipate that if the drought prevails and production and supply to customers are reduced, this will impact negatively on sales and ultimately on revenue derived from the North Region. At this stage all of us must pray that the expected summer rains finally come in order to bring relief from this worsening situation. On the question of financial performance, one of the current concerns of the Board and Executive is escalating costs that are not being accompanied by increasing revenue. This is an untenable situation that cannot be allowed to continue. The effect – if the situation continues unabated – will ultimately be seen in the bottom line, meaning it will impact on profitability. And if this occurs, stringent cost-cutting measures will have to be implemented. This is currently a standing item for the Board of Umgeni Water.

Nation Building and Social Cohesion

Umgeni Water is intrinsically linked to the environment in which it operates. Agreed? Umgeni Water is a microcosm of South African society. Agreed?

Let's analyse the two statements and the questions. I guess everybody who has read this blog answered



“yes” to the questions. If you did, you are 100% correct. The answers, when interpreted, reaffirm that the respondents accept Umgeni Water is inseparable from the wider South African community and the wider body politic.

Social Cohesion and how to implement it should be enthusiastically pursued at Umgeni Water

Why this exercise? I decided to undertake it and get you involved in it after a brief visit to the Coach House, Umgeni Water's social venue where friends and colleagues meet after work hours for a tippie and chat before making their merry way back home. Nothing unusual; every major corporate in many parts of the world offer their staff a facility to let their hair down over a few drinks.

What was unusual about it at Umgeni Water? I could not help but notice patrons - all of whom clearly know one another – gravitate towards people of the same race. This was so conspicuous that it would have been impossible not to notice. Was it perhaps a case of people with common interest, as opposed to people of a common race? Or is integration at a social level lacking? Irrespective of what the answer may be, it is clear that the organisation has some work to do in fostering a spirit of comradeship.

My observation at the Coach House got me thinking about Nation Building and Social Cohesion – both of which are interlinked – and I put both concepts to a strategy session of the CE Office for a short discussion. The input was interesting, and it was decided that Social Cohesion and how to implement it should be enthusiastically pursued at Umgeni Water.



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Let's look at the definitions of Social Cohesion and Nation Building. The national Department of Arts and Culture defines Social Cohesion as: *The degree of social integration and inclusion in community and society at large, and the extent to which mutual solidarity finds expression among individuals and communities.*

The same national department describes Nation Building as: *The process whereby a society with diverse origins, histories, languages, cultures and religions come together within the boundaries of a sovereign state with a united constitutional and legal dispensation, a national public education system, an integrated national economy, shared symbols and values, as equals, to work towards eradicating the divisions and injustices of the past to foster unity, and promote a countrywide conscious sense of being proudly South African, committed to the country, the continent and the world.*

Social Cohesion is a product/outcome of Nation Building and one of the top priorities of our Government, along with Nation Building and promoting a National Identity. The Government has already embarked on a programme to promote reconciliation, unity, Nation Building and Social Cohesion. It is important for Umgeni Water – or any company in the private sector – to begin placing contemporary issues, such as Social Cohesion, under the microscope to determine what role, if any, the organisation can play in adopting them, promoting them and making them part of our every-day culture. The issues of Social Cohesion, reconciliation and

National Identity have relevance to all of us and impact, in one way or another, on business and private citizenry. Importantly, though, their integration into the work environment will be a significant contribution to the national agenda.

KwaZulu-Natal Province currently has a Social Cohesion task team that is trying to deal with underlying issues in our society. Umgeni Water is blessed that one of its Board members, Vasu Gounden, is part of this team and hopes that he can help in guiding the organisation in this regard. The violence that has recently been experienced in Soweto and subsequently other areas illustrates the fragile nature of our society.

This reference to Government's national priorities and the dialogue over them that is taking place in South Africa are also intended to receive feedback from you on how you believe Umgeni Water can adopt Social Cohesion, what projects and initiatives you believe it should implement to promote Social Cohesion and how implementation should occur. Your views matter, so please feel free to express them. Suggestions you make will be published internally and on the Umgeni Water web site, to illustrate that Umgeni Water subscribes fully to Social Cohesion and that it takes seriously what its staff have to say. *You may send your suggestions to Taryn Naude.*

Freedom of speech and expression

While on the subject of freedom of speech and expression, you would have certainly noticed coverage of the massacre in Paris and the subsequent spill over into other parts of the world over the Charlie



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Hebdo debacle. It is a tribute to the architects of the Constitution of the Republic of South Africa who, while protecting the right to freedom of speech and expression in Section 16, also saw the need to ensure that these rights do not infringe on other citizens' rights to dignity, respect and worship. In this context, freedom of the press and other media are guaranteed, but this right does not extend to propaganda of war, incitement of violence, advocacy of hatred based on race, ethnicity, gender or religion. The reality is that freedom loses its definition when the actions of its practitioners begin to become offensive, insulting and denigrate the rights of others. That then is, or borders on, hate speech which invariably spawns a vicious cycle of hatred and retaliation. There are no winners in a conflict of this nature.

The staggering sight of global inequality

Finally, I thought I'd share this money matter with you to illustrate how skewed the world has become. At the World Economic Forum gathering in Davos, Switzerland, recently research that was released by non-governmental organisation Oxfam



shows that a mere 1% of the world's richest people currently control 48% of world's total wealth. This research was based on information obtained from Credit Suisse and Forbes' annual billionaires' list.

If the trend of rich getting richer continues, by next year (2016) this elite club of super-rich – numbering not more than 80 – will control half of the world's

wealth and will have more than the wealth possessed by the remaining 99%. If you drill down the numbers, this is what comes up: 80 of the wealthiest people in the world possess \$1, 9 trillion (US), almost similar to the amount that is shared by 3, 5 billion people at the bottom half of the world's income scale. A total of 35 of the 80 wealthiest people are Americans with a combined worth of \$941 billion (US), while Russians and Germans share joint second place with 7 apiece. According to Oxfam, the 80 paid fortunes to lobbyists to maintain and increase their riches while, juxtaposed against this, more than 1 billion people on the planet continued to live on less than \$1, 50 (US) a day.

What this illustrates is that the scale of global inequality is simply staggering and getting wider – and not that I am in the Exclusive Club of 80.

Until the next blog, cheerio!

Yours in Genuine Black Economic Empowerment and Equity

Cyril Vuyani Gamede