



**Mr Thami Hlongwa**  
Umgeni Water  
Chief Executive

## Umgeni Water: A year of outstanding results and a future filled with potential to grow

**F**inancial Year 2017/18 closed on a high note and also marked the beginning of unprecedented growth for KwaZulu-Natal State-owned entity Umgeni Water.

The organisation is the second-largest water board in South Africa and an undisputed leader in the potable water and wastewater treatment industries. Key outcomes of performance in FY 2017/18 (1<sup>st</sup> July 2017-30<sup>th</sup> June 2018), disclosed by the Executive leadership of Umgeni Water in a series of stakeholder engagements that began this week, reflect, in some instances, significant positive change from the prior year despite a protracted drought and accompanying water shortages:

- Respected ratings agency Fitch – one of the global top three - again assigned a rating of AA+ to Umgeni Water. Standards & Poor further continued to give confidence on the organisation’s national scale rating by upgrading it to AAA for long-term. This again reflects investor confidence and that Umgeni Water consistency remains a secure and preferred investment destination
- At the end of the June 2018, the organisation posted a surplus/profit of R1, 18 billion, again illustrating its financial self-sustainability, at a time when other State-owned enterprises require cash injections from National Treasury to meet their financial commitments. Umgeni Water’s strong financial position will impact directly and positively on consumers, in that the organisation will be able to keep bulk potable water tariffs at affordable levels; it will again allow the organisation unhindered access to financial markets to borrow at pre-determined limits in order to implement infrastructure required to increase security of water supply and extend water services to communities that still do not have adequate access to safe drinking water, and also meet other commitments without difficulty
- The estimated six million consumers that ultimately receive water treated by Umgeni Water have again received assurance of excellence in drinking water quality. The 14 bulk water supply systems operated and managed by Umgeni Water collectively recorded excellence against all risk categories specified by South African National Standards (SANS) 241: 2015 for drinking water quality. This places the potable water supplied by Umgeni Water among the safest in the world
- Durban Heights Water Works, in Reservoir Hills, Durban, received the prestigious Amanzi Award, which is made by the Water Institute of Southern Africa for consistent provision of good quality



**Durban Heights Water Works**



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water in a metropolitan area or a city. An estimated 600 000 consumers receive water that is treated at and supplied from this system

- At least three major projects, with an estimated combined budget of approximately R2, 5 billion, were under implementation. They are upgrade to Midmar Water Works; new uMshwathi Bulk Water Supply Scheme, and upgrade to Darvill Wastewater Treatment Works. Spin-offs from construction have included job creation, local economic development through procurement of commodities and services from local suppliers and Black Economic Empowerment through allocation of a minimum of 35% of contract value to Black-owned Business Enterprises.
- Umgeni Water’s commitment to ensuring that the work it does and services it provides are life changing and often translate into tangible legacies, as is evidenced in expenditure of approximately R400 million on three projects that will enhance the quality of life among rural communities through improving assurance of water supply and provision, for the first time, of a reliable supply of safe drinking water. The projects are uMshwathi Bulk Water Supply Scheme, upgrades to the Maphumulo system and new Lower Thukela Bulk Water Supply Scheme
- Prevailing drought in the first two quarters of the financial year impacted on volumes sold. Recovery in sales occurred from January 2018 after significant rainfall in the Mgeni System resulted in the levels of dams increasing. The ultimate outcomes were a contribution to 16% increase in revenue and R1, 18 billion surplus/profit



Laying pipeline in uMshwathi BWSS

The strong set of results were achieved under the leadership of the Chief Executive, Mr Thami Hlongwa, and the Board, appointed in September 2017 to hold office until a permanent Board is appointed. Mr Hlongwa began his five-year term in July 2018, after initially serving as Chief Financial Officer and later Acting Chief Executive of Umgeni Water.

In the period under review, there was also disruptions at some construction sites caused by “military veterans” and “business forums” that arrived there to demand jobs and 30% of awarded tender values.

In many respects and in several areas of activity, Umgeni Water has set the benchmark, both for the water sector of the present and the future. Its strong performance in the most recent financial year, and in some



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preceding financial years, has been the reasons for several South African and foreign water sector institutions selecting Umgeni Water to learn about and apply the organisation's best practices.

In the new financial, currently in its second quarter, the organisation is bracing for an expanded role in KwaZulu-Natal which will allow consumers resident outside Umgeni Water's traditional supply area access to the organisation's expertise that has been the hallmark of its resiliency and success. The organisation's reputation and record for excellence have been the key factors for its selection to operate and manage some schemes in the District of Thukela on behalf of the District Municipality. This is ground-breaking for Umgeni Water as it will operate in new territory where challenges are many and need for innovative solutions demanding. Umgeni Water is ready for this challenge which will allow it to give meaning to Enabled and Innovative Growth, which is the focus of its corporate plan.

In its traditional supply area – where six Water Services Authorities are served – a great deal of emphasis and energy will be expended on accelerated infrastructure roll-out, Black Enterprise Development and participation in major infrastructure construction, employment creation and socio-economic development through reduction of backlogs.

In this regard, R1, 5 billion has been committed to be spent on elimination of backlogs through provision of new infrastructure or upgrades to infrastructure. This holds potential for creation of hundreds of jobs and a significant contribution to local economic development. From a longer-term perspective, Umgeni Water's Five-Year Capital Expenditure Programme budget amounts to R9, 7 billion. When spent, benefits to the economy will be immense and, by the same token, Black Economic Empowerment will also be a major beneficiary.

Umgeni Water's record, therefore, as an enabler of job creation, poverty alleviation and equity speaks for itself.

***Issued by the Corporate Stakeholder Management Unit, Head Office, Pietermaritzburg***