



ORGANISATIONAL OVERVIEW

Established in 1974, Umgeni Water is a state-owned water utility created to supply bulk potable water to municipalities and other customers within its operational area. The primary function of the organization, governed by the Water Services Act No. 108 of 1997, is to treat raw water to drinking standards and distribute it in bulk to municipalities. To complete the cycle, the organization is also committed to the treatment of wastewater, the implementation of sanitation projects, the provision of commercial activities and social development services. These activities enable Umgeni Water to fulfil its mission, which is:

To provide effective and affordable bulk water, bulk sanitation and related solutions to local government in accelerating the water sector's national developmental agenda.

Umgeni Water's gazetted operational area covers 21 555 km², with infrastructure comprising:

- Five dams
- Ten water works
- Four waste water works
- About 514 km of pipelines and 118 km of tunnels
- Administration buildings, including:
 - Head Office in Pietermaritzburg, KwaZulu Natal
 - Regional Offices and workshops in Mkhondeni (Pietermaritzburg), Pineside (Durban) and Park Rynie (South Coast).

Umgeni Water also manages:

- Seven dams (five on behalf of The Department of Water Affairs and Forestry and two on behalf of UGU DM)
- Two waterworks (on behalf of UGU DM)
- One wastewater works (on behalf of Umgungundlovu Municipality)
- Eighteen waterworks, seven off-site reservoirs, 19 boreholes and one untreated water supply scheme, on behalf of iLembe Municipality.

Other facts about Umgeni Water

- Umgeni Water has six bulk water customers
- Umgeni Water abstracted 423 921.22 MI of raw water during the period under review.
- Umgeni Water supplied 403 615 339 Kℓ of potable water in the year under review
- 99,88% overall volume-weighted quality compliance for bulk waterworks
- 81,1% overall wastewater compliance during 2007/2008
- Umgeni Water treated on average 82,6 MI of sewage per day
- 726 permanent employees (contract staff excluded).

OPERATING ENVIRONMENT

Umgeni Water operates in a challenging and often complex environment with natural, social, legislative and economic aspects. It is imperative for the organization to be sustainable, that the operating environment is understood and factors that could affect the way the organization operates are responded to. Understanding and adequately responding to the fluid nature of the operating environment is paramount to the ability of the organization to deliver on its strategic objectives. For this reason Umgeni Water has identified significant issues in the macro and micro environment which are likely to affect its sustainability (further information on Umgeni Water's Corporate Business Plan may be found in www.umgeni.co.za). Below is a summary of the key issues in the operating environment that have had an impact on the organization's performance during the reporting period:

- Increased customer demands
- Stakeholder awareness relative to ensuring uninterrupted service delivery
- Focus on backlog areas to ensure water services are accessible to all
- Skills shortage
- Legal compliance - requirement of PFMA to run entities on business principles
- Water stress in major catchments
- Climate change implications for the water sector
- Innovation and research.

These issues are discussed in further detail elsewhere in this report, specifically under Operational Review.

WATER VALUE CHAIN



RAW WATER



ABSTRACTION



WATER TREATMENT



BULK POTABLE
STORAGE &
DISTRIBUTION



MUNICIPALITY

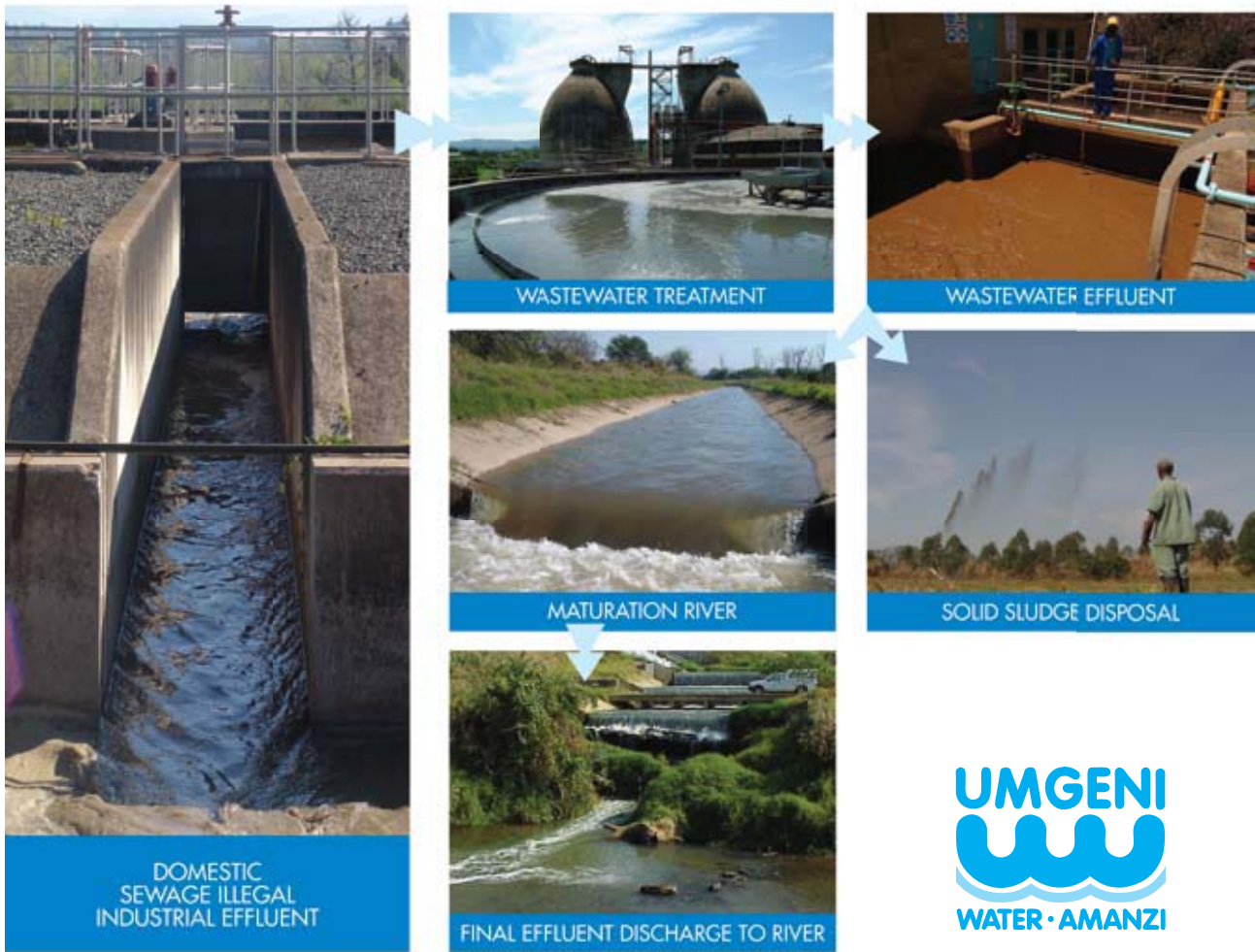


HOUSEHOLDS



The primary function of Umgeni Water is to treat raw water and distribute potable water through its infrastructure to its six municipal customers (eThekwin, Ugu, iLembe, Sisonke, uMgungundlovu and Msunduzi Municipalities. The municipalities are then responsible for reticulating the potable water to their customers (households and industries).

Umgeni Water is also involved in the wastewater treatment of domestic sewage. The wastewater treatment results in effluent, which has to conform to statutory standards before being discharged to the river, and solid sludge which is disposed of over land.



WASTEWATER VALUE CHAIN



GROUP STRUCTURE



Regulated
Business
(WSA : section29)

Commercial
Business
(WSA : section 30)

Msinsi Holdings
(Pty) Ltd.
100%

Umgeni Water
Services
100%

Durban Water
Recycling (Pty) Ltd.
18.5%



VISION AND STRATEGY

Vision

"To be the number one water utility in the developing world."

Achievement of this vision is anticipated via a combination of outstanding technical performance, sustainable contribution and value added to the developing world.

Mission

To provide effective and affordable bulk water, bulk sanitation and related solutions to local government (municipalities) in accelerating the water sector's national developmental agenda.

Strategic Intent

"To be a key partner in enabling local government to deliver effective water services."

Strategic Pillars and objectives

CUSTOMER AND GROWTH

- Exceed customer expectations
- Maintain stakeholder relations
- Increase customer portfolio

WATER AND SOCIO-ECONOMIC DEVELOPMENT

- Contribute to national development agenda and reduce backlogs
- Job creation and contribution to Broad Based Black Economic Empowerment

FINANCE

- Reduce the net debt
- Achieve and maintain an affordable tariff
- Improved return on assets
- Enhanced shareholder value

ENVIRONMENT

- Conservation of natural resources and mitigation of operational impacts

ORGANIZATIONAL

- Strategic effectiveness
- Operational competence
- Functional excellence.

Umgeni Water's organizational structure is summarized in the diagram below:





PERGASIS