

MEDIA RELEASE



Viva Water Pure and Clean *Viva Forests Rich and Green*
Department of Water Affairs and Forestry - Chief Directorate: Communication
Services

MINISTER RONNIE KASRILS COMMENTS ON UMGENI WATER'S FINANCIAL RESULTS

Embargo: 17:00

Date: 28 November 2001

The financial results released by Umgeni Water provide encouraging evidence that the organisation has continued to make good progress in its efforts to put its finances on a sound footing said Minister of Water Affairs and Forestry Ronnie Kasrils today.

Commenting on the results he said that it was clear that many of the ghosts that he had been concerned about have now been exorcised and that the new Board which he appointed in July was getting down to business and establishing sound corporate governance.

"I am particularly pleased to learn that some of Umgeni's structured finance deals which could have attracted the attention of the South African Revenue Services are being wound up."

The impact of past problems was also clear to see in the high finance charges incurred by the organisation and the fact that provisions have been made for disputed invoices and past payments to treasury managers Specialised Outsourcing said Minister Kasrils.

"I have said before that I expect Umgeni to continue with vigorous efforts to contest existing invoices and to seek compensation for past payments. From Government's side, criminal investigations into the circumstances in which the contract with Specialised Outsourcing was concluded are continuing."

"The extent of the problems that have been identified and addressed in these financial statements has confirmed that financial management in the past was weak and overly driven by fee-based advisors rather than by sound management principles. To this end, I believe it is vital that the current arrangement whereby the TCTA (Trans Caledon Tunnel Authority) provides treasury management services should continue. It would be inappropriate at this stage to bring in service providers whose basic business model is to take risks with public funds to make profits for themselves."

While he regretted the events leading to the departure of former Chief Executive Crommet Molepo, Minister Kasrils said that he believed they were in part due to the unacceptable pressures brought to bear as part of the “feeding frenzy” that had developed around Umgeni. He welcomed the role played by whistle-blowers, particularly organised labour, in drawing attention to the irregularities but cautioned that there must be an effort by all parties to avoid similar situations in the future.

On the vexed question of tariff increases, he indicated that he was optimistic about progress on the last major issue, responsibility for cost and operations of the rural water supply schemes built by Umgeni. A dispute about these has in turn led to a dispute about tariffs between Umgeni and its major customers.

“My Department has been facilitating meetings between Umgeni and the relevant municipalities. I am looking forward to receiving a proposal from them, which will resolve this matter once and for all before the end of the year. My Department has outlined an approach which would help minimise the impact on the tariffs paid by consumers and the ball is now in the municipalities’ court” said Minister Kasrils.

The financial results also showed the impact of reduced water consumption brought about, in part, by Durban’s investment in water recycling. This was clear evidence of the need for greater co-operation in planning between Umgeni and all its customers.

“While we strongly encourage water conservation and reuse, the short term impact of the Durban recycling plant has been to leave Umgeni with under-utilised capacity. The consumers must still pay the costs of that capacity through financial charges, contributing to higher than necessary tariff increases. In future, we must plan together to make maximum use of available infrastructure before making new investments” said Minister Kasrils.

He concluded by thanking Chairman Omar Latiff and the Board as well as acting CEO Bongi Mshengu and his team for the remarkable progress they had made in a short time since their appointment.

Enquiries: Mike Muller
Director General
Cell: 082-807-3531