

WATER UTILITY: Will be country's cheapest by next year

Umgeni to keep hikes down

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UMGENI Water's strong financial performance will allow the country's second largest water utility to continue to pass on low tariff increases while a significant reduction in debt and financing costs will free up resources to address critical backlogs in the delivery of water services to the poor.

Speaking at yesterday's release of Umgeni Water's annual report, chief executive Mzimkhulu Msiwa said he is confident that Umgeni Water will be the cheapest water utility in the country by next year.

Currently, the eThekweni Municipality is Umgeni Water's largest customer, consuming 78% of bulk water supplied. The Msunduzi Municipality is second at 14%.

In line with strong cash flows and reduced gearing, Umgeni Water settled on a two percent tariff increase for eThekweni and a four percent increase for other municipalities for the 2008/9 year. Tariff increases have been under the inflation rate for the past three years, according to chief financial officer Nica Gevers.

She said that Umgeni Water's suc-



Umgeni Water general manager: finance and chief financial officer Nica Gevers shares a light moment with Umgeni chief executive Mzimkhulu Msiwa during the Umgeni Water annual financial statement media briefing in Durban yesterday.

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used to repay debt, R378,9 million was invested and R241,2 million covered net finance costs. The debt to equity ratio declined by 41% in 2008 from 3.44 to 2.04, reflecting the significant strengthening of Umgeni Water's balance sheet.

Msiwa said Umgeni Water was well positioned to deliver on its five year R1,7 billion Capital Works/Investment Programme, comprising 52 key projects of which 43 are expected to be completed before 2012.

Major projects for the 2008/9 financial year include the construction of the Durban Heights Pump Station, work on the North Coast Pipeline and the South Coast augmentation booster pump station. Design work is well under way for the Richmond pipeline, which will augment and extend water supplies to the Richmond municipality and greater Eston as well as bulk water supply to the Wartburg area.

Gevers said R501 million has been committed to short-term projects while R440 million would be used for longer term investments. A total of R371 million will be spent during the current financial year.

in marked contrast to the 4,4% average over the past five years.

Cash generated by operations increased by 17% to R844,3 million.

Of this, R106,3 million was allocated to capital expenditure, R125,4 million

revenue (due to increased water consumption in KZN), a 25% reduction in finance costs and containment of operating costs below inflation.

Gevers said water consumption in KZN grew by eight percent last year

successful turnaround strategy has taken it from a substantial accumulated loss in 2006 to a R393 million surplus. This year's unexpectedly strong 56% increase has been put down to a nine percent increase in

