



water affairs

Department:
Water and Environmental Affairs
REPUBLIC OF SOUTH AFRICA

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7/1

DEPUTY MINISTER OF WATER AND ENVIRONMENTAL AFFAIRS

NATIONAL ASSEMBLY: QUESTION ★35 FOR ORAL REPLY

A draft reply to the above-mentioned question asked by Mr G R Morgan (DA), is attached for your consideration, please.


DIRECTOR-GENERAL (Acting)

DATE: 1/9/09

DRAFT REPLY APPROVED/AMENDED


MS R MABUDAFHASI, MP
DEPUTY MINISTER OF WATER AND ENVIRONMENTAL AFFAIRS

DATE: 03.09.09

Note that
This document was brought to me on Thursday
the 3rd Sept. while I was suppose to reply questions
in parliament on the 2nd Sept.

NATIONAL ASSEMBLY

FOR ORAL REPLY

QUESTION NO ★35

DATE OF PUBLICATION IN INTERNAL QUESTION PAPER: 25 AUGUST 2009
(INTERNAL QUESTION PAPER: NATIONAL ASSEMBLY NO 11)

★35. Mr G R Morgan (DA) to ask the Minister of Water and Environmental Affairs:

- (1) (a) How much money is owed by municipalities to water boards as at the latest specified date for which information is available and (b) what efforts are being made by her department to assist the boards in obtaining payment from the municipalities;
- (2) whether the most recent tariffs she approved for individual water boards will impact on the capital expansion plans of any board; if not, what is the position in this regard; if so, what are the relevant details?

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REPLY:

- (1)(a) Money owed by municipalities to water boards is R1 155 923 542 as at 31 July 2009. This constitutes the following:

Current debt:	R 630 290 676
Arrears:	<u>R 525 632 866</u>
Outstanding balance:	R1 155 923 542

- (1)(b) My Department facilitates meetings between the Water Boards and National Treasury. The latter has the mandate to mediate between a Water Board and the relevant Municipalities for payment in terms of section 44 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). My Department, DPLG, National Treasury and SALGA formed a task team during 2008, which visited all the regions to engage Water Boards and Municipalities on bulk water agreements and non-payment issues. The outcome varied from region to region in that in some regions, for the first time, Water Boards and Municipalities were talking to each other, which has resulted in more regular payments to Water Boards.

The following three cases indicate the nature of disputes facilitated by DWA.

Dispute between Umgeni Water and Msunduzi Municipality:

This dispute involved the sale of the Darvill Works, originally owned by Pietermaritzburg Municipality (the predecessor to Msunduzi), to Umgeni Water. The works were sold as

a going concern, for R36 million with effect from 1 May 1992. The Municipality undertook to "repay" the purchase price to Umgeni over a twenty-year period plus interest. In addition to the sale, the parties agreed that Umgeni would be responsible for operating the works and would have an obligation to receive and treat waste water from the Municipality (including the area of the Greater Edendale Complex) in exchange for ongoing payments from the Municipality. The dispute arose in July 2004 when the municipality withheld payment to Umgeni alleging that Umgeni received a profit from the contract and they needed to know the extent and the management thereof.

The facilitation process began on 18 July 2007 when a dispute resolution meeting was held with both parties and National Treasury. Thereafter, the Department (supported by an independent technical team) conducted an in-depth assessment of available documents including interviews with the concerned. A report was submitted with recommendations that were acceptable to both parties. One of the recommendations was for Umgeni to pay back the profit generated from the management of Darvil works.

Dispute between Bloem Water (BW) and Ukhahlamba District Municipality (UKDM):

BW was appointed by UKDM in 2003 to provide operation and maintenance services in the Sterkspruit area. The scope included the provision of water services, the collection of revenue in the WSA area and the management of water services for a period of one year commencing on 1 July 2003 to 30 June 2004. Subsequently, the contract was renewed annually by UKDM with mutual consent from BW and was due to expire on 30 June 2008. In addition, BW was also appointed as an implementing agent for MIG projects for several villages within the jurisdiction of the WSA. The term of the contract depended on the nature and duration of the projects.

The dispute was based on the non-payment of invoices for operation and maintenance services including outstanding project claims. As at 31 July 2008, BW claimed that a total amount of R13, 65 million was outstanding including interest which in the region of R6, 3 million (constituting 50% of outstanding amount). From the side of the Municipality, the main issue was the legitimacy of invoices submitted by BW and payment thereof.

The Department facilitated the establishment of the Mediation Committee that included the National Treasury where both parties presented their case. The resolution thereof was as follows:

- All outstanding payments for operations and maintenance services would be made by 15 November 2008,
- All outstanding claims for project fees would be paid by December 2008 (Outstanding Project claims = R0, 6688m and Outstanding O&M Claims= ±R1, 5m).
- Provided the above has been complied with, BW committed to write off all interest charged (±R5 005m) to the Ukhahlamba District Municipality.

Dispute between Tshwane Municipality and Moretele Municipality:

The dispute involved R38 million owed by Moretele to Tshwane municipality for bulk water. From the various meetings as facilitated by the Department and former Department of Provincial and Local Government, the resolutions were as follows:

- Tshwane agreed to cancel all interest charged from the total debt,
- Moretele committed to pay R8million per month until the debt is settled.
- National Treasury offered to work with Moretele to look into their future budgeting
- As a long term solution, the Cooperative Governance and Traditional Affairs Department is considering to incorporate Moretele into the City of Tshwane.

- (2) No impact is envisaged on the capital expansion plans of any Water Board. Capital projects are financed by a combination of loan funding and internal cash resources which are accumulated over the years due to operating surpluses and in most cases from under expenditure on capital projects.

At the end of June 2008, Water Boards had accumulated approximately R1, 9 billion in their cash reserves. In the light of the strong balance sheets, the tariff proposed by the former Minister had no real negative impact on Water Boards' ability to spend and borrow for capital development.