Face Off: Utility Sub-concessions and Local Private Providers in Metro Manila

Towards Win-Win Solutions for the Urban Poor

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- 12 million people in 14 cities and 13 towns
- Rate of population growth is over 1% per year
- 30% of population is poor (2000)

**Concession Area**

<table>
<thead>
<tr>
<th>Land Area:</th>
<th>East Zone</th>
<th>West Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,400 sq km</td>
<td>540 sq. km</td>
</tr>
<tr>
<td>Service Area:</td>
<td>22 cities/</td>
<td>11 cities/</td>
</tr>
<tr>
<td></td>
<td>municipalities</td>
<td>municipalities</td>
</tr>
<tr>
<td>Total Population:</td>
<td>5 Million</td>
<td>6.6 Million</td>
</tr>
<tr>
<td>Population Served:</td>
<td>4 Million</td>
<td>5.5 Million</td>
</tr>
<tr>
<td>Water Production:</td>
<td>1,600 mld</td>
<td>2,450 mld</td>
</tr>
</tbody>
</table>
### Types of Sub-concessions

<table>
<thead>
<tr>
<th>Type of Sub-Concession</th>
<th>Source of Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Developers</td>
<td>Concessionaire or Deepwell</td>
</tr>
<tr>
<td>Home Owner’s Association</td>
<td>Concessionaire or Deepwell</td>
</tr>
<tr>
<td>Tubig Para Sa Barangay/Bayan Tubig</td>
<td>Concessionaire</td>
</tr>
<tr>
<td>Local Entrepreneurs</td>
<td>Concessionaire or Deepwell</td>
</tr>
<tr>
<td>Water Truckers and Peddlers</td>
<td>Concessionaire or Deepwell</td>
</tr>
<tr>
<td>Water Cooperatives</td>
<td>Deepwell</td>
</tr>
</tbody>
</table>
**Focus:** Depressed Areas

**Objective:** Help build communities

**Areas Where Applicable**
- Large number of clustered low income families
- High rate of illegal connections
- Very poor water quality
- Roadway wide enough to lay tertiary mainline

**Factors to Consider**
- Physical environment
- Economic conditions
- Community Relations

**Schemes**
- Individual Connections
- 4-5 Households to 1 meter
- Community with mother meter

**Tubig Para Sa Barangay or Bayan Tubig**
Performance of the Scheme

- No formal contract only connection contract
- Incentives to
  - Concessionaire
  - Group leader
  - Customer

<table>
<thead>
<tr>
<th>MANILA WATER COMPANY</th>
<th>MAYNILAD WATER SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>“TUBIG PARA SA BARANGAY”</td>
<td>“BAYAN TUBIG”</td>
</tr>
<tr>
<td>100,669 HOUSEHOLDS</td>
<td>61,370 HOUSEHOLDS</td>
</tr>
</tbody>
</table>
Two Models

Manila Water Scheme

Inpart Engineering

Scheme 1

Scheme 2
Manila Water Co. (MWCI)

- Concession flexibility on level of service; connection contract w/ MWCI
- Invests in mains
- Group leaders are mainly self-appointed

Inpart Engineering

- 25-yr BOT w/ local village gov’t; connection contract w/ MWCI
- Invests in distribution system w/in settlements
- Water tender appointment by local gov’t & residents consultation

Two Models

- Manila Water Mains
  - Mother meter Group Acct
  - 20-50 households
  - Group Leader

- Inpart Water Mains
  - Inpart Acct
  - Appx. 20 mother meters
  - Water Tender’s Acct
  - 100-200 households
  - Household meters or hosed service

- Inpart Acct
  - 455m³ H₂O Tank

- Water Tender
## Pricing Structure

**Per Cubic Meter**

### Manila Water Co. (MWCI)

<table>
<thead>
<tr>
<th>MWCI</th>
<th>Group Leader</th>
<th>Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>U$ 0.15 – 0.25</td>
<td>U$ 0.30- 0.70</td>
<td></td>
</tr>
</tbody>
</table>

- Customers shoulder all costs from road head
- Distribution system: U$ 40-60 per household; can be paid in installment
- MWCI charges ‘socialized’ rates

### Inpart Engineering

<table>
<thead>
<tr>
<th>MWCI</th>
<th>Inpart</th>
<th>Tender</th>
<th>Piped Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>U$ 0.39</td>
<td>U$ 0.70</td>
<td>U$ 0.90 - 1.20</td>
<td></td>
</tr>
</tbody>
</table>

| Hose Service | U$ 1.60 |

- No additional costs to customers except tariffs
- MWCI charges Inpart ‘commercial’ rates (uses 30,000 m³ per month)

Compare with rates from water hauler at U$ 3.70
How are sub-concessions doing?

- Respond to customers
  - Water at the doorstep
  - 20-24 hours water supply
  - Flexible tariff payment schemes
  - No connection fees
  - No documentation required, particularly for land titles

- Show strong financial, institutional and operational performance
  - Profit margin is positive
  - Direct labor cost is relatively lower than other schemes
  - Non-revenue water is low
  - Collection efficiency is 90-95%
Serve a disproportionate number of poor customers

- 50% of customers are poor
- 80% of ‘hose’ customers are poor

On average, 3.2% of household income is spent on water

- Inpart customers with piped supply spend 6.1% of income
- Inpart customers supplied with a hose spend 16%!
The Short-Term Realities

- Reliant on ‘bulk’ service, the poor tends to pay the most

- Financial incentive to directly connect customers is low
  - Under present tariff structure, the 1st consumption block is below the average price of water
  - Rapid expansion means higher tariffs
  - Radical tariff reforms will mean sharp increase for customers of concessionaires who currently enjoy the subsidy

- Tenure issues mean utilities will just not go there

- Should water source development dictate the pace of expansion in MM?
Some Short-Term Solutions

- Raise incentive to connect low consumption customers
- Rationalize water rates

- Recognize and license sub-concessions
  - Legitimate providers of service
  - Implies fair exit strategy is agreed
  - Provides them business security and access to credit
  - Brings them within a framework of accountability (water quality or pass-on pricing by water tenders)

- Improve general efficiency of utility, in particular, reduce UFW makes a BIG difference in O&M costs
How the long-term scenario plays out is not readily apparent and there are no cut-and-dry solutions. The challenge is to go from strength to strength.

In increasing access for the urban poor, sub-concessions have demonstrated such strength – that can either be sidelined or creatively employed to move the agenda forward.
Thank you!

References:

- WSP-EAP, Small-Scale Independent Providers in Metro Manila: Are They Here to Stay?, 2002
- ADB, The Role of Small-Scale Private Water Providers in Serving the Urban Poor, 2002
- Manila Water, Tubig Para Sa Barangay Presentation
- Phil. Center for Water & Sanitation, Chaos in an Unregulated Market, 2003