Equitable Access to Water and Sanitation

Participation of private operators in affordability mechanisms

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UNECE Geneva, 5 July 2011
Spain: avoiding overcharging large families

• Drinking Water and wastewater collection are a municipal responsibility. Wastewater treatment is under provincial responsibility. Tariffs and tariff structures are decided by municipalities (with provincial control)

• 50% of Spanish water-users are supplied by private or mixed operators through PPP contracts and 50% by municipal companies or municipal services

• **Average** water price 1.46 €/m³ comprising 0.91 €/m³ for water, 0.25 €/m³ for wastewater collection and 0.30 €/m³ for wastewater treatment

• Water bills equal **on average** 0.59% of the household net income
Spain: Avoiding overcharging large families

• However, **wide disparities in prices** and bills because of tariff structures that generally use increasing consumption blocks and subsidise low consumers at the expense of large consumers (between 2 and 6 blocks, usually 3)

• When m$^3$ are charged with unit prices varying from 1 to 3, large families that use more water are penalised

• In many Spanish cities, **the thresholds of each block are adapted to the number of users per household to avoid penalising large families.**

Example:

<table>
<thead>
<tr>
<th>Monthly consumption</th>
<th>Up to 3 persons</th>
<th>6 persons</th>
<th>12 persons</th>
<th>Price / m$^3$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Block 1 – “social”</td>
<td>0 to 6 m$^3$</td>
<td>0 to 12 m$^3$</td>
<td>0 to 24 m$^3$</td>
<td>P</td>
</tr>
<tr>
<td>Block 2</td>
<td>7 to 12 m$^3$</td>
<td>13 to 24 m$^3$</td>
<td>25 to 48 m$^3$</td>
<td>2 x P</td>
</tr>
<tr>
<td>Block 3 - “dissuasive”</td>
<td>&gt; 12 m$^3$</td>
<td>&gt; 24 m$^3$</td>
<td>&gt; 48 m$^3$</td>
<td>3 x P</td>
</tr>
</tbody>
</table>
**Chile**: targeted subsidies that help the low-income water-users effectively

- In cities, the price per m³ is different for every water company (all but one are private). The tariff is approved by the national regulator.

- A National fund managed by the Ministry of Interior provides subsidies designed to alleviate the cost of public services (water, electricity, etc) to poor families.

- Subsidies are awarded by municipalities. The amount of subsidy is determined according to the income of the family. Subsidies are a percentage of water bills and can be up to 100% of the first 15 m³ for the poorest. Target is to maintain the cost below 5.5% of household budget.

- Subsidies reach 18% of families. **Validation has shown that they mainly benefit the low-income users.**
Chile: distribution of subsidies across income deciles, Nov 1998

<table>
<thead>
<tr>
<th>Income decile</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>3</td>
<td>15</td>
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<tr>
<td>4</td>
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<td>5</td>
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<tr>
<td>6</td>
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<td>8</td>
<td>15</td>
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<tr>
<td>9</td>
<td>20</td>
</tr>
<tr>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

Share of total subsidy expenditure
Average subsidy as a share of household income

Source: Gomez-Lobo, PPIAF, WB, June 2001
France: taking care of the very poor

- Drinking Water supply is under the responsibility of municipalities.
- Private operators supply water services to the majority of the population through PPP contracts (their activity represents 40% of the total cost of water bills).

In the 1990s, private operators wanted an official mechanism to be built to solve satisfactorily the affordability problem of very poor water-users unable to pay their water-bills. They worked with national authorities to find a solution.

- This had to be practicable and effective in a country where each water bill often collects payments for 5 or 6 different public bodies.
France:  **taking care of the very poor**

- In 1996 a **National Solidarity Charter** was signed by private operators, the State and associations of local authorities.

- In 2000 a **National Solidarity Convention** was signed by private operators, the State and associations of local authorities.

  Individual requests were to be submitted to ad hoc “Solidarity Commissions”. **Private operators committed to forego their share of water bills of those users that the Commissions would declare unable to pay.** The share of non-local public bodies was to be paid by the Ministry for Employment & Solidarity. No supply was to be discontinued prior to a decision by the Commission.

- This mechanism has worked and has helped many users.

- In 2004 it was merged into broader “Housing Solidarity Funds”. In 2011, a law was passed to authorise up to 0.5% of water & sanitation bills to contribute to these solidarity funds (allowing all utilities to participate).
UK: Affordability issue: framework and background

- **England & Wales**: Full privatisation since late 80s: 23 licensed water companies owning and financing the assets
- Strongly regulated by Ofwat
- Water companies cannot by law disconnect a domestic customer for water arrears: have to take action in the county court for debt
- In England, about 4.9 million households (23% of all households) spend more than 3% of their disposable income (after housing costs) on their water and sewerage bills
- Of these, 2.4 million households (11%) spend more than 5%, mainly: single-person households, single pensioners, lone parents
- 40% metering penetration (unmetered customers billed mainly on rateable value of property)
- Bad debt and arrears in water bills are increasing

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England: the WaterSure scheme

- Water bills for low-income metered customers
  - with high essential use for medical reasons
  or
  - with large number of children (3 or more under 19)

are capped at the level of the average household bill of the company

- Cost met by cross-subsidy from other customers

- 31,200 households/customers benefit from the WaterSure tariff
UK: Private water companies initiatives re. Affordability and poor customers

All private companies are implementing voluntarily customer care schemes and provisions dealing with poor and vulnerable customers, including:

- **Independent charitable trusts** (funded by companies) granting money on water bill arrears through CAB (Citizens Advice Bureau) (not visible to the companies) + restart schemes (South West and Southern Water)

- Special arrangements for **social housing**

- **Social tariffs** (eg for single occupant metered customers)

- **Easy payments facilities for disadvantaged groups**

- free of charge water savings audits for metered customers

- some companies have gone further than the WaterSure tariff (Wessex, Welsh Water)
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