

PARTNERSHIPS FOR IMPROVING THE PERFORMANCE OF WATER UTILITIES IN THE LATIN AMERICA AND CARIBBEAN REGION

OUTLINE

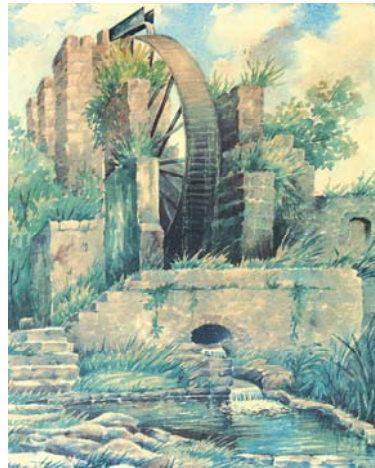
- Introduction to Jamaica & Background to the Water Sector
- The National Water Commission
- NWC - The First 17 years (1980 to 1997)
- NWC – Over the Recent 10 Years
- Looking Forward
- Concluding Remarks

INTRODUCTION TO JAMAICA & BACKGROUND TO THE WATER SECTOR

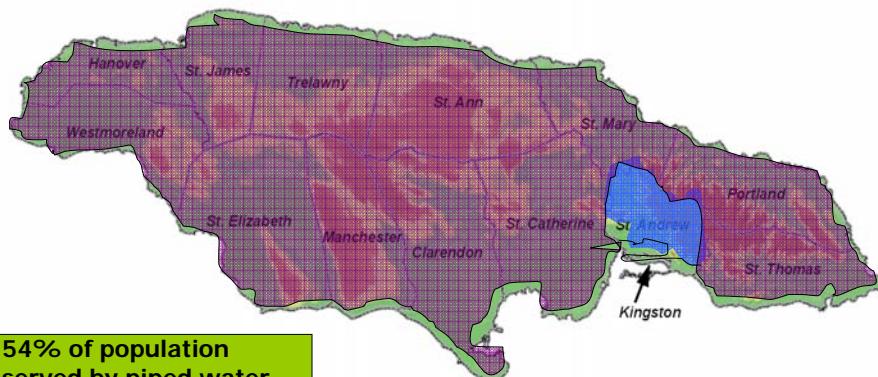


DEVELOPMENT OF WATER SUPPLY IN JAMAICA

- First piped water supply system
 - Established in 1799
 - Located in Falmouth (on north coast)
 - One of the earliest in the western hemisphere
- Various approaches to development of water supply systems
 - Private led
 - Government led



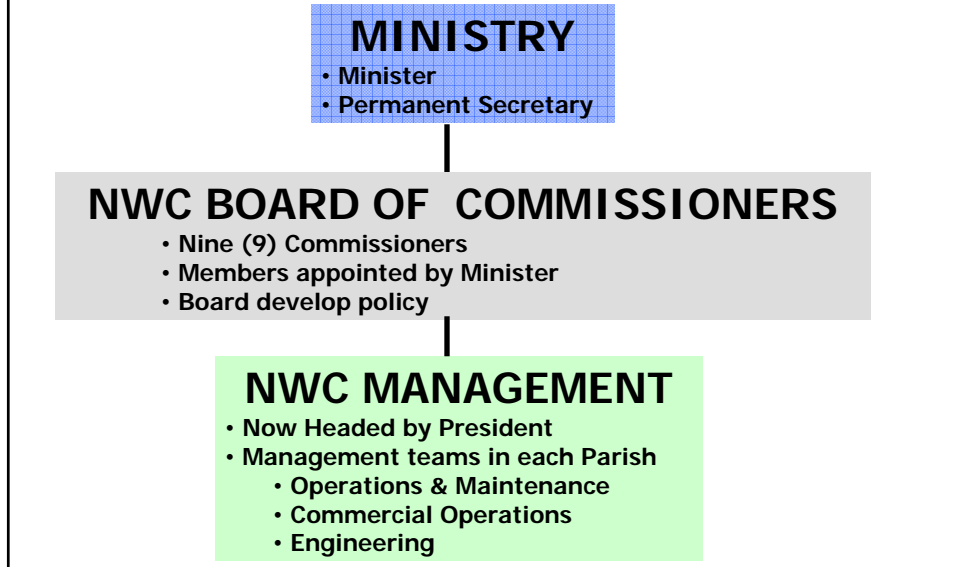
AT 1980



54% of population served by piped water

Less than 20% served through Central sewerage

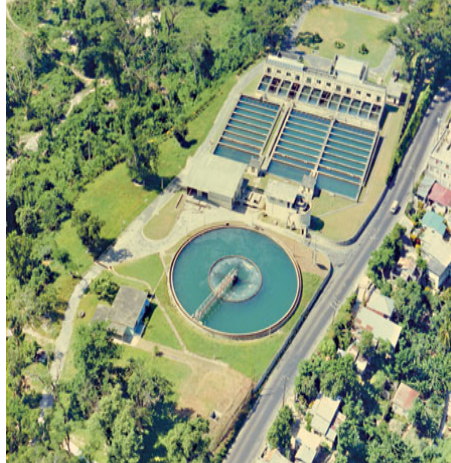
Organizational Arrangement



NWC - THE FIRST 17 YEARS

NWC - THE FIRST 17 YEARS

- **Financing of operations through water charges and government grants**
 - Tariff adjustments were infrequent and inadequate and was the prerogative of the portfolio Minister
 - Maintenance suffered, resulting in poor state of water supply & sewerage infrastructure



NWC - THE FIRST 17 YEARS

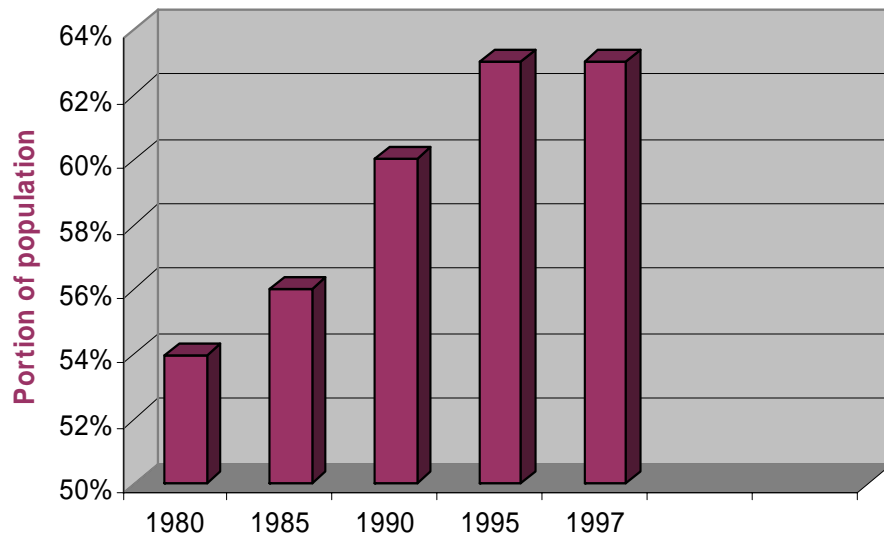
- **Regulation mainly with respect to water quality**
 - Ministry of Health
 - Limited environmental regulation
 - Self regulate level of service
 - Self regulated use of water resources



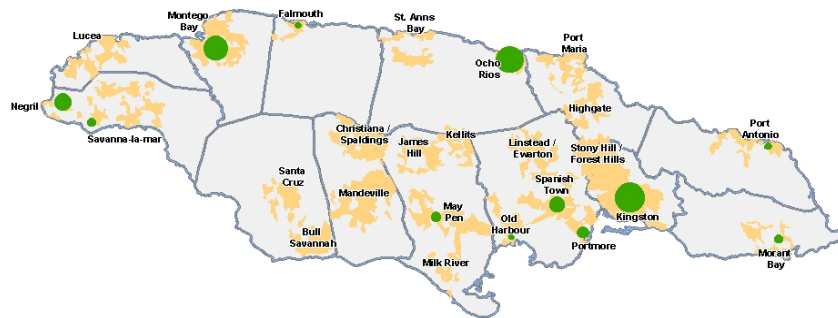
NWC – THE FIRST 17 YEARS

- **NWC has developed over the years**
 - Extending water supply services to areas of the country (major capital towns)
 - Slow transformation from a “Department of Government” to a more business type operation
 - Organization restructuring in search of best fit
 - In 1980 staff level was over 5,000
 - Limited use of technology & specialized equipment
 - Slow response to customer queries and addressing technical problems (broken main, defective pumping equipment, etc)
 - Has faced many challenges in the process

PIPED WATER SUPPLY - JAMAICA



SEWERAGE SERVICES



Constructed by NWC (1980 - 1997) – Ocho Rios, Montego Bay & Negril

Inherited sewerage systems associated with various housing developments 30 % served

LEGEND

Available Sewerage



Prepared By: GIS Unit
National Water Commission
26 - 48 Barbados Avenue
Kingston 5

NWC - THE FIRST 17 YEARS

The Challenges

- Worker unrest
- Public distrust and some people saw the utility as uncaring
- NWC was often in the newspaper headlines for negative things.
- There were many protests due to
 - Inadequate service

THE GLEANER, SATURDAY, OCTOBER 7, 1995



NWC slackness

THE water supply of a resident at 13 Merrivale Close, St. Andrew.

7, NOVEMBER 25, 1995

LETTER OF THE DAY

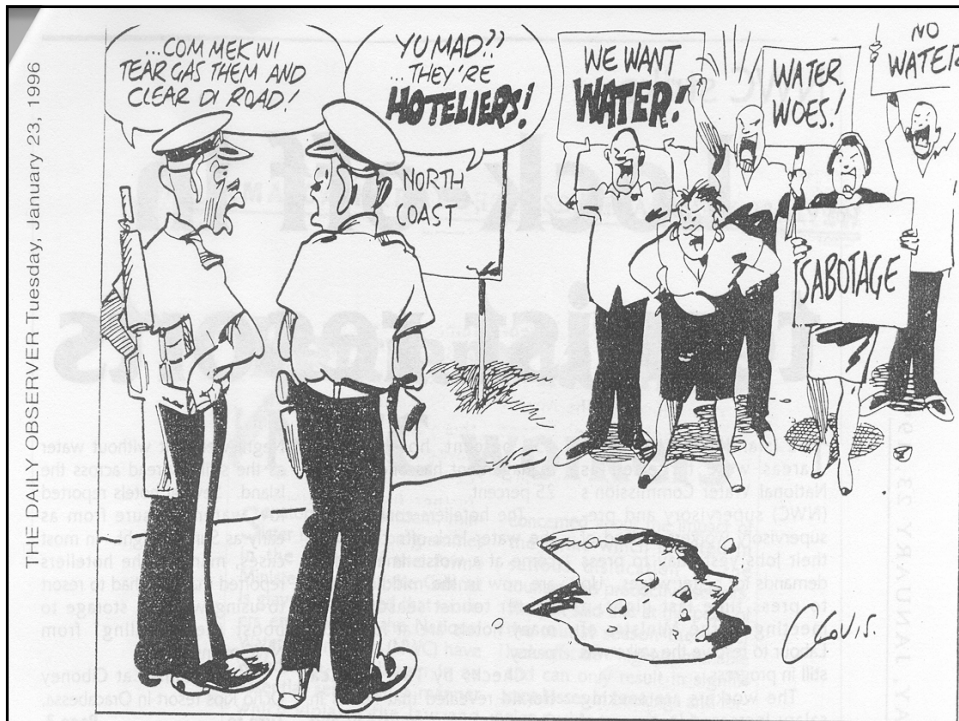
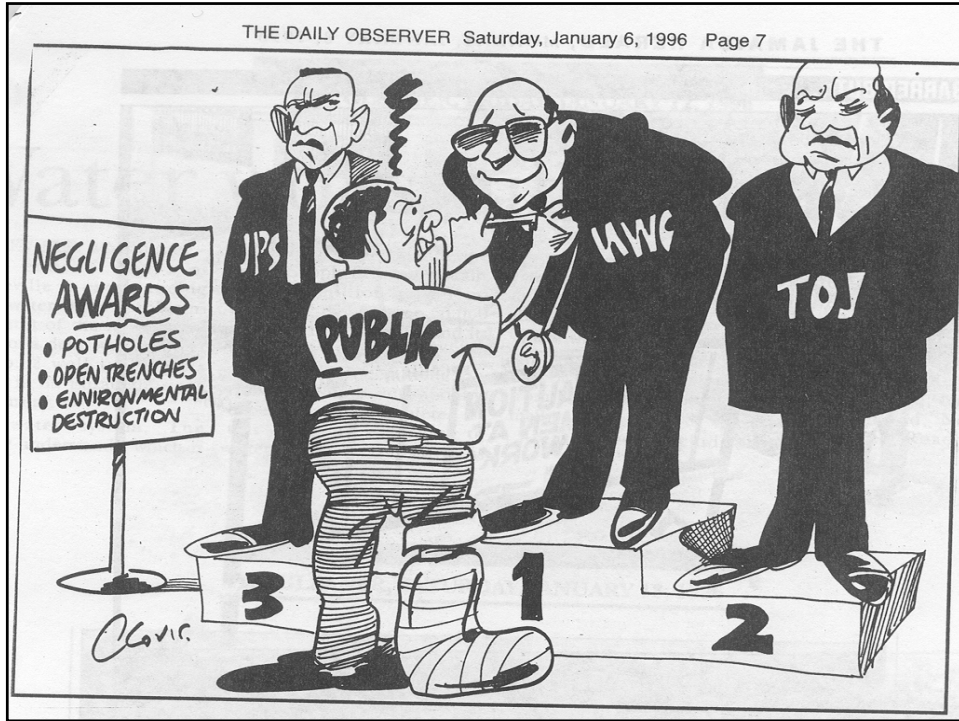
Arrogant monopoly

THE EDITOR, Madam:

I refer to the letter from Mr. Ken Chaplin which was the Letter of the Day in the issue of *The Gleaner* for 9 November, 1995. "New chapter at NWC" must be editorial comment. Mr. Chaplin is a lucky man.



read the of 1000 gallons and then
m e t e r charges for 3000 gallons! A let-
p u t t i n g the ter, dated 11 October, says,
d e c i m a l "Our investigations have result-
p o i n t i n t e d in your account being cred-
w r o n g p l a c e. ited with a total of \$2,524.62".
O f c o u r s e, There is, of course, no expla-
t h e r e w a s n o nation of how this inadequate
a p o l o g y b u t amount is arrived at. At an



NWC – OVER THE LAST 10 YEARS

THE LAST 10 YEARS

GOVERNMENT REFORM

- In 1998, the Government took a strategic move to reform the water sector
 - Ministry of Water established
 - Focus on the water sector
 - Preparation of the Water Sector Policy (completed by 2002)
 - Formulation of the Water Sector Strategy and Action Plan
 - Reform of the legal and regulatory environment within which NWC operates
 - Establishment of regulatory framework

THE LAST 10 YEARS

The main regulators are:

- **Office of Utilities Regulation (OUR)**
 - Service
 - Tariff setting
- **Ministry of Health**
 - Water quality
- **National Environment and Planning Agency (NEPA)**
 - Environmental
- **Water Resources Authority**
 - Water abstraction licensing & monitoring

THE LAST 10 YEARS

NWC REFORM

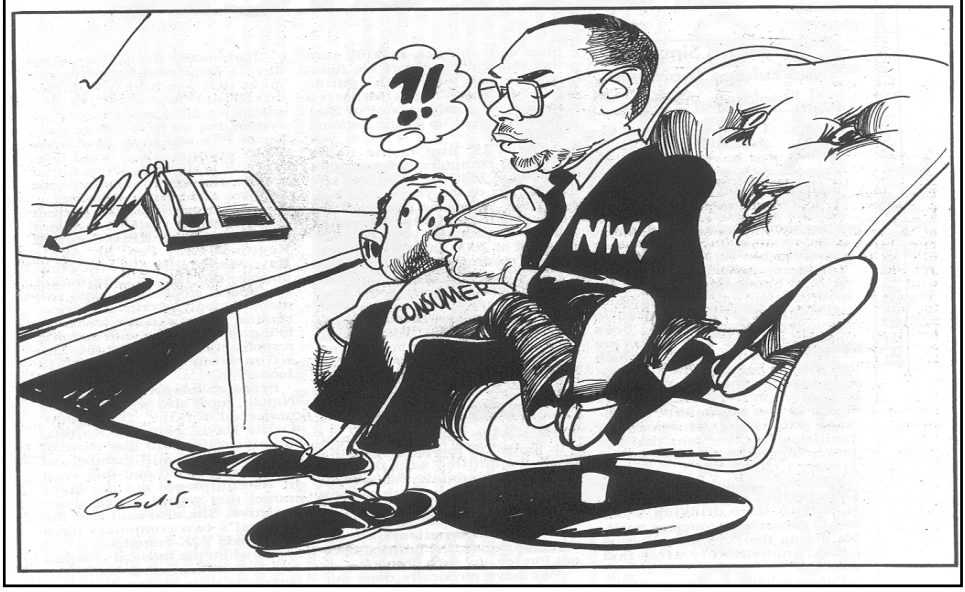
- NWC took actions to address the inadequacies in service delivery & financial viability
- Between 1998 and 2002, focused on
 - policy development
 - service expansion to peri-urban & rural communities
 - More business focus
- Between 2002 and 2007 intensification of efforts
 - Service Improvement
 - Financial viability
 - Customer service

KEY ACTIONS TAKEN

- **Customer Service Driven by the Vision that service is derived at HOME**
 - Good supply pressure
 - Receive bill at home
 - Make queries from home
- **Therefore aim to**
 - Minimise office visits
 - Emphasis to be on work in the field
 - Improvement in physical infrastructure
 - System operation
 - Service Reliability

KEY ACTIONS TAKEN

- **Strengthening quality of interface with customers**
 - Customer Service Training (at all levels)
 - Introduction of Call Centre
 - access through toll free number
 - Increased Payment Options
 - Payment agencies (located at convenient locations – mall, supermarkets, etc)
 - Internet and telephone (through particular banks)



National Water Commission

One company ... serving you in so many ways



Water is life

**Telephone: 1-888-CALL NWC
(1-888-225-5692)**



My Account No.:

KEY ACTIONS TAKEN

- **Improvement in Operations**

- Rehabilitation of facilities
 - Treatment plants, pumping equipment
 - Pump replacement programme
 - To increase efficiency & reliability
 - Some US\$30M invested over the last 5 years in rehab
- Increase level of metering
 - Increased from 30% of customers to just under 70% over last 8 years

KEY ACTIONS TAKEN

- **Project positive image to the public**

- Community relations
 - Develop strong relations with leaders in communities
 - Attend community meetings
 - Work with children in the schools
- Media advertisements
 - Spoke about what has been done & what is being

We go to Great Lengths

Meter Pump Procurement and Installation Programmes



NWC workmen installing meter



NWC workmen installing pump



Rehabilitated pumping station

Over a seven-month period, a total of 111,446 customer meters and 115 new pumps have been procured and have been installed island-wide by the National Water Commission at a cost of J\$326 million.

This has helped to reduce breakdowns and has significantly lessened the number of billing complaints, establishing the NWC as 'the least complained about' utility provider monitored by the Office of Utilities Regulation (OUR).

Now It's Your Turn - Maintain the Flow
Let's keep the water flowing. Conserve and pay your water bill!



We go to Great Lengths

for Pipes, Pumps and Fittings




Pipes procured for projects island-wide

From as far away as China, the National Water Commission has sourced high-quality pipes, pumps and fittings at a cost of US\$16.86 million for projects island-wide.

This has helped us to complete several installations, providing water to many communities for the first time and improving service to others.

Now It's Your Turn - Maintain the Flow
Let's keep the water flowing. Get connected and pay your water bill!






Providing continuous piped water supply service is a serious challenge to which we are committed.

But we can only provide a good service if customers pay for the cost of providing this essential service.

Help us to serve you better... please pay your water bills on time.

We would much rather collect than disconnect

1-888-CALL NWC
(225 5692)


NATIONAL WATER COMMISSION
Water is life

POSITIVE RESULTS

- The Results of a survey commissioned by the Office of Utility's Regulation (OUR) by 2001 were very encouraging
 - Public gave positive rating
 - Less complaints in the media & to the OUR
 - OUR surveys reflected this
- NWC recognized that there was still a lot to be done, however

\$\$\$ BUSINESS \$\$\$

NWC least-complained-about utility — OUR JPSCo has most grouses for three quarters running

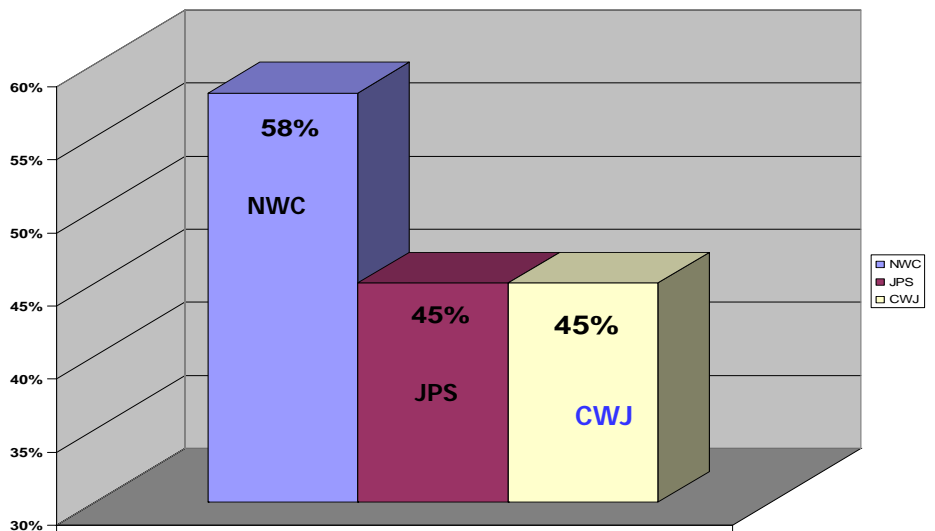
weight of close to 300,000 customers.
But the utility was also giving its customers headache in far more areas of its operation than were the other utilities.
Said the OUR: "CWJ was the only utility having more than one really major category in terms of the frequency with which customers had

NATIONAL Water Commission had classified as referrals meaning they

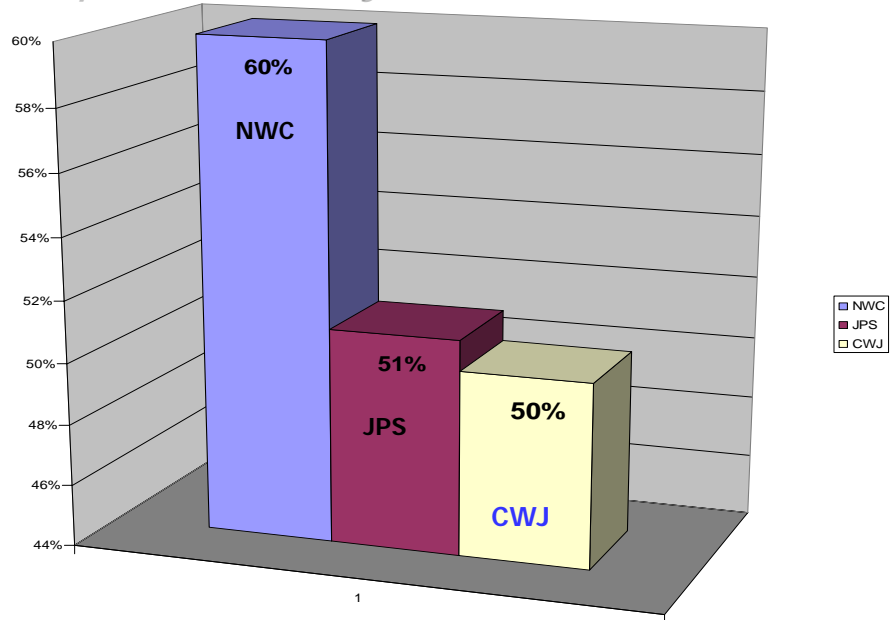
Utility Doing a Lot for Jamaicans

OUR SURVEY RESULTS

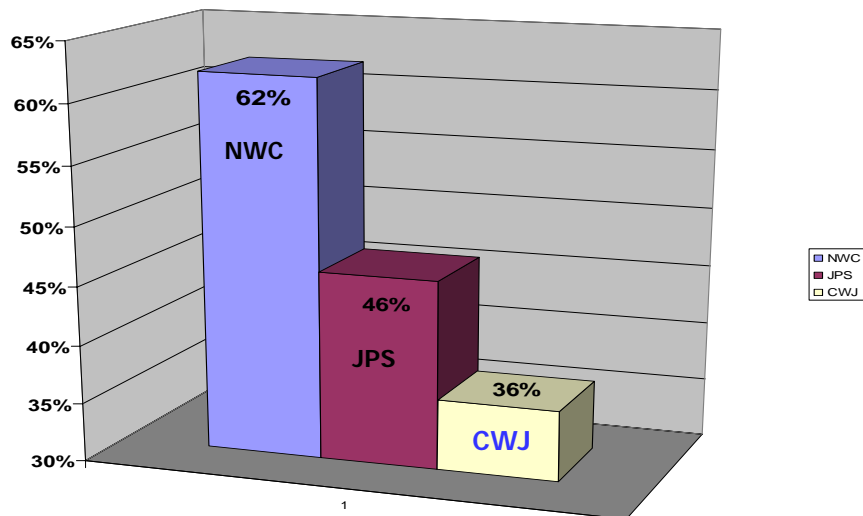
Provider Doing Alot for Jamaica and Jamaican



Improved Quality of Service



Satisfied With Service



NWC IN RECENT TIMES

NWC IN RECENT TIMES

- Over the last 5 years, NWC has intensified effort to improve operations
 - Issues of service delivery
 - Issues of financial viability
 - Compliance with regulatory requirements
 - Particular sewerage services
 - Facilitation of national development
 - Expansion of service
- The Three Year Action Plan

THREE YEAR ACTION PLAN

- The Main Objectives were:
 - Transforming NWC to a **viable** and **bankable** entity, capable of funding all its operational expenses and future capital costs
 - Improving the quality of service to customers and expand that customer base, to justify the new rates, as well as to receive the best return on its invested dollar.
 - Improve and enhance the relationship with the trade unions thereby creating a more stable industrial climate

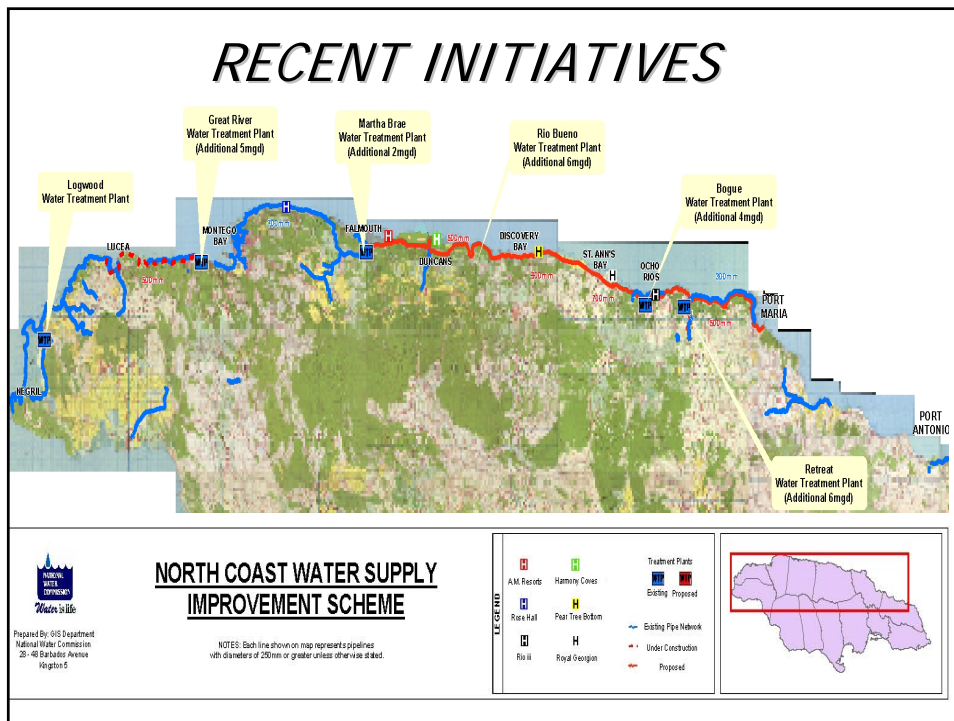
RECENT INITIATIVES

- NWC has sought to focus more on its core
 - Become more manager of operators, less manager of operations
 - Examined outsourcing options/partnerships with the private sector & have pursued some
 - Call Center operations
 - Supply installation
 - Wastewater treatment (Soapberry Sewerage)
 - Performance based NRW reduction (NWP Network Improvement component)
 - Creative Approach to project financing & project execution (Great River Expansion)
 - Customer Information (was not pursued)

RECENT INITIATIVES

New Approach to Project Financing & Implementation

- Burrowing from capital market
 - Short Term
 - Speedy Finalization
- Performance based network improvement
 - Partnership with private sector for financing & implementation
 - Address supply deficit
 - Revenue enhancement
- Development of water supply infrastructure to support national development
 - Tourism
 - Impact Fee
- Private Sector /NWC Collaborations
 - Financing Supply for Expansion
 - Contractor Involvement
 - Speedy implementation



RECENT INITIATIVES

EXPANSION OF THE GREAT RIVER TREATMENT PLANT



- Additional 5 MGD water

20km, 500mm Ø TRUNK MAIN
Along north coast

Capital Market
NWC/Private Sector involvement

Elapse Time from definition
to completion : 4 years
(Aug 2000 to Oct 2004)



RECENT INITIATIVES

MARTHA BRAE TO BRACO WATER SUPPLY

- Martha Brae TP Rehabilitation
- Trunk main installation along northcoast

20 Km of 500mm Trunk main
2 No 2.75 ML Tanks

TRUNK &
Distribution
MAINS

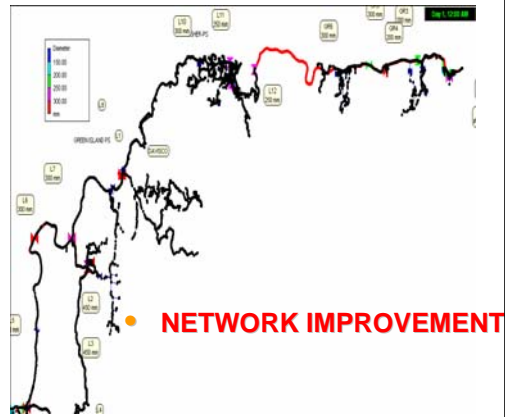


Elapse Time : 3.6 years
(Nov 2003 to Jun 2007)

PERFORMANCE BASED NETWORK IMPROVEMENT PROJECT

Complements the Martha
Brae WS Project

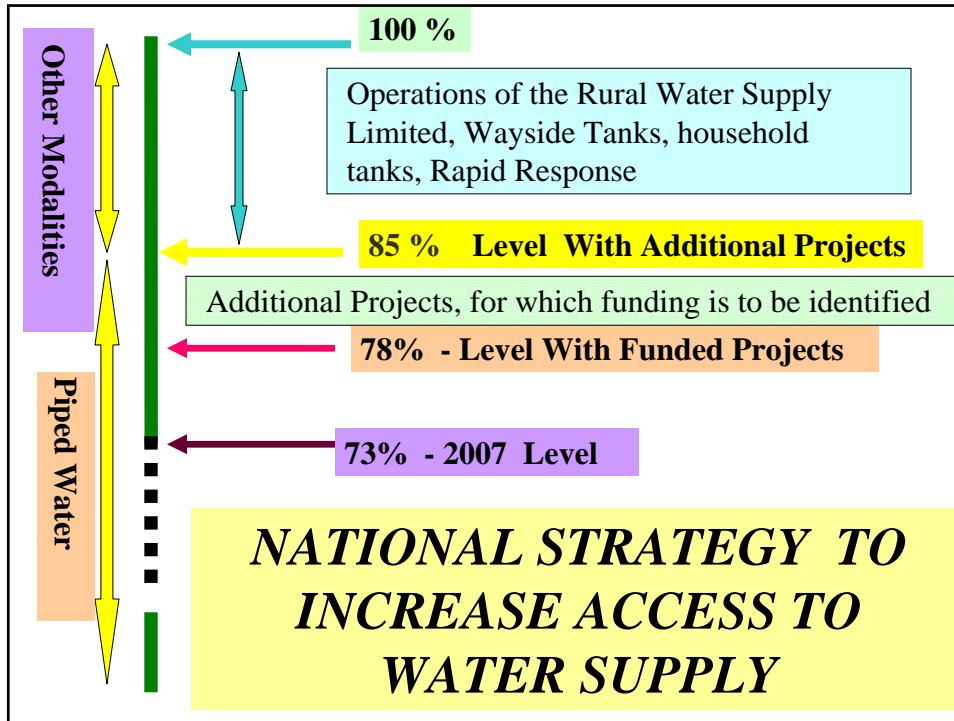
- Aim to reduce level of NRW
- Performance Based Contract
 - Contractor takes some of the risks
- Executed in 3 Parishes
- Increase in billable consumption
- Sustain over 3 years



RECENT INITIATIVES

- RED STRIPE/NWC
Hurricane Rehabilitation
 - Red Stripe part of the Diageo Group
 - Major corporate entity in Jamaica
 - Supported NWC's rehabilitation efforts in the wake of two (2) hurricanes in 2005
 - Provided just under US\$2M





SOAPBERRY SEWERAGE

- Development of Sewerage sector not as attractive
- Special arrangements to implement & operate
- Soapberry Sewerage
 - New WW TP for KSA
 - Pending for over 30 years
 - Will reduce environmental impact
- Special Purpose Company (SPC) established
 - NWC, two other government agencies & a private sector partner with equity
- BOOT arrangement with the SPC



NWC IN THE NEWS

THE GLEANER, WEDNESDAY, MARCH 7, 2007 | BUSINESS

NWC invests \$90m in infrastructure, equipment for CWC

NATIONAL WATER Commission (NWC) has invested more than \$90 million in new equipment and sewer infrastructure upgrades within the vicinity of Sabina Park in readiness for the Cricket World Cup to launch off in Jamaica on March 11.

But, the water agency has also generated income from the event, having signed a US\$200,000 (J\$30.4 million) contract with the CWC 2007 Local Organising Committee to supply the Trelawny Multi-purpose Stadium with water.

"The agreement has been signed," said NWC president, E.G. Hunter. "All negotiations were completed and executed."

The 'impact fee' facilitated sporting complex's connection to a four to six inch pipeline to newly-constructed 30-inch main line laid under the US\$40 million Martha Brae project.

Hunter said new sewer lines were laid from the intersection of Deanery and South Camp road to Breezy Castle, which sits close to Sabina Park.

"We relaid the main pipeline and put in lateral connections," Hunter told **Wednesday Business** Monday. "We've done associated work on streets in and around Sabina Park."

LATERAL CONNECTIONS

Sabina Park, as well as residential areas, were not previously on the central sewerage system, was given lateral connection.

The \$60 million spent on the sewerage system upgrade will be recovered through regular water billings, said Hunter.

The commission has also ordered two new Vector Jet rudders for US\$460,000 (J\$30.9 million) to build its Kingston fleet to form and its islandwide fleet to six. The two old units in Kingston are now being refurbished by a team from Detroit, ahead of the matches, said Hunter.

News Across the Island

12,000 to Benefit from Huddersfield Water Supply Scheme

Minister of State for Transport, Water and Works, Dr. Fenton Ferguson, has said that Government was placing focus on water management, to ensure the availability of adequate and reliable water supplies for all Jamaicans for the future.

Addressing the official launch of the Mango Valley/Huddersfield Water Supply scheme in St. Mary recently, Dr. Ferguson said it was important for the country to recognize that water was a finite and vulnerable resource, which was not readily available to millions of people around the world.

He noted that Jamaica was fortunate, as 70 per cent of citizens had access to potable water and the aim was to supply all households by 2010.

This ambition, he said, was ahead of the United Nation's Millennium Development Goal of reducing to half by the year 2015, the number of people worldwide,

who do not have access to potable water.

Stating that the Water Resources Authority had a very important role to play in the process, he pointed out that the organization continued to have a critical role in the regulation, resource allocation and conservation of the country's water resources.

Asserting that government would be relentless in its efforts to conserve and protect the water resources of the country and improve supplies to communities, Dr. Ferguson said the aim was to ensure the economic and social development of rural communities and improve the lives of citizens.

The supply system, which was completed last month, was constructed at a cost of \$59 million. A total of 12,000 persons will benefit from the system, which will serve the communities of Mango Valley, Huddersfield, Pondsides, Fernandez Gardens and Backroad.

NEWS

Government to guarantee US\$16.8-million loan for NWC

PARLIAMENT on Wednesday approved a request for government to guarantee a US\$16.8-million loan to the National Water Commission, to extend its North Western Parishes Water Supply Improvement Project to benefit Runaway Bay, St Ann.

Approval of the resolution, originally brought to the House by Finance and Planning State Minister Fitz Jackson had on Tuesday been waived, after Opposition Spokesperson on Finance Audley Shaw pointed out that there was a deficiency in the submission and labelled the move 'illegal'.

"...Once again we are seeing a situation of a request for parliamentary approval for yet another government guarantee of a loan. It is really being done in a manner that is illegal and this house is to bring it to the attention of the Minister of finance," Shaw said then.

Reading from the 1948 Approved Organisations and Authorities Loans, Government Guarantee Act, which says no loan should be guaranteed under subsection (1) unless the proposal when brought before the House is accompanied by a statement showing the total amount of all principal monies remaining unpaid for previous guaranteed loans, Shaw said to approve the guarantee at the time would be against the established rules of the House.

"In recent presentations made to the House and other guarantees, the minister has appended such a statement, this statement is not here today and I



would like you to rule on the issue that we are operating against the established law and procedures that have been set out by the House," Shaw argued.

Jackson however noted that the intent was to keep the House apprised of the current status of the loans under the jurisdiction of the entity.

"It doesn't set a bar on whether or not the guarantee can be extended, I'm giving the assurance that the information will be made available," the finance and planning state minister said.

Shaw however remained unappeased and suggested that the debate be suspended. The debate on the motion was subsequently adjourned.

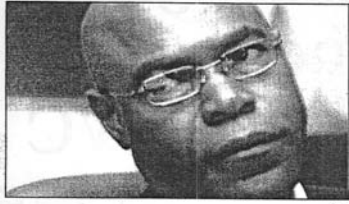
Tabling the outstanding summary Wednesday, Jackson said the extension of the water supply project to that section of the island would benefit several continuing development projects on the island's north coast, including current developments like the Riu Hotel, Iberostar, the newly constructed Trelawny Stadium and the Plover Hotel.

Furthermore, he said "the increase in water supply would enable the provision of more housing solutions in that area".

Commenting on the 4.96 per cent interest per annum that the loan attracted, Shaw said it was "certainly the kind of low interest rate instruments that ought to apply to long-term infrastructure projects such as water supply systems".

JACKSON... the extension of the water supply project will benefit several continuing development projects

NWC secures €16m loan from BNP Paribas



Lavern Clarke
Business Editor

NATIONAL WATER Commission has secured a €16.23 million loan (J\$1.4 billion, US\$21.3 million) from French bank BNP Paribas to finance expansion of the Martha Brae water system to a wider area of the north coast.

Drawdown of the funds is pending a government guarantee, but NWC president E.G. Hunter is already planning for an April start to construction of the system's expanded phase.

The loan is to be paid out in two tranches: €6 million at interest of 4.56 per cent, and €7.25 million at 4.95 per cent, said Hunter. The

remaining funds will cover financing costs and insurance for the loan.

The Finance Ministry has already approved the terms of the deal that NWC sealed with BNP Paribas.

"We're now in the process of securing the government guarantee," the water agency executive told the Financial Observer.

The Martha Brae pipelines and treatment system project was to lay 30,000 metres of pipeline over a 22-kilometre distance, and was originally meant to end at Braco, but new announcements of several planned developments have prompted the NWC to widen the project area and lock in business from the properties to be built.

The new pipelines that the €16

million loan will finance will extend beyond Harmony Cove and Braco in Trelawny to Runaway Bay in St. Ann, where the new Bahia Principe Hotel owned by the Phipps Group and run by its locally registered company Hojopi Limited, is a target client.

In fact, Hunter says he plans in the future to lay pipelines all the way to Ocho Rios, locking in properties along the way.

The new job was awarded to Sogea SA, the French firm already engaged on the Martha Brae project that will double water supplies in the treatment system's service area to six million gallons per day.

The scheme is linked into the Great River system in neighbouring St. James.

NO LOCAL BROKERS

Hunter said NWC had no local brokers for the BNP Paribas deal, having made the loan application through the French embassy.

NWC would have had to convince BNP Paribas that the project was commercially viable, since it is the agency, and not government, that is responsible for loans and loan servicing costs linked to its capital projects.

To generate income, NWC has implemented an 'impact pricing policy' under which it bills commercial operations and projects for the pipeline connections and water usage.

The price it quotes individuals is based on a 12 per cent return on the invested loan funds, said Hunter.

As for the expanded Martha Brae system: "We don't expect refloes from impact fees for the next couple years," said the NWC president.

E.G. Hunter, president of the National Water Commission, says the funds will expand the Martha Brae scheme in Trelawny into neighbouring parish St. Ann.

LOOKING FORWARD



- Greater Financial Independence is key
 - Lays the foundation for optimal & professional decisions *versus* sub-optimal & political decisions
- Determined and intelligent leadership is vital

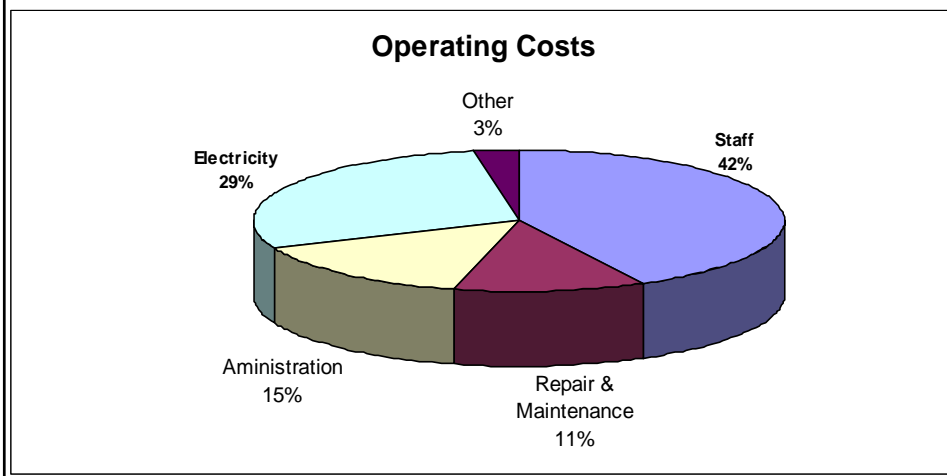
LOOKING FORWARD

The main challenges facing the NWC are:

- 1) An appropriate O&M tariff
 - Mostly a price adjustment mechanism (PAM) that is more responsive to energy and staff costs
- 2) A K-factor in the tariff
 - To assist financing NWC's capital programme
 - An acknowledgement that the NWC is responsible for funding its capital budget, not the Central Government
- 3) Continued pressure to maintain a high collection rate

LOOKING FORWARD

- 4) Cost containment, particularly staff costs and energy savings



LOOKING FORWARD

- 5) Use government guarantee to access long term (15 – 20 years) loan on the capital market
- 6) Outsourcing more operations to contain cost

THANK YOU