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

WHERE IS JAMAICA LOCATED?
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

MINISTRY
- Minister
- Permanent Secretary

NWC BOARD OF COMMISSIONERS
- Nine (9) Commissioners
- Members appointed by Minister
- Board develop policy

NWC MANAGEMENT
- Now Headed by President
- Management teams in each Parish
  - Operations & Maintenance
  - Commercial Operations
  - Engineering

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 Chart](chart.png)
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

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
NWC slackness

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

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 meter putting the decimal point in the wrong place. Of course, there was no apology but of 1000 gallons and then charges for 3000 gallons! A letter, dated 11 October, says, "Our investigations have resulted in your account being credited with a total of $2,524.02". There is, of course, no explanation of how this inadequate 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

- **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)
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

Over a seven-month period, a total of 11,446 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

From as far away as China, the National Water Commission has sourced high-quality pipes, pumps and fittings at a cost of US$15-36 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!
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
NWC least-complained-about utility — OUR
JPSCo has most grousers for three quarters running

OUR SURVEY RESULTS
Provider Doing A Lot for Jamaica and Jamaican

58% NWC
45% JPS
45% CWJ
Improved Quality of Service

NWC: 60%
JPS: 51%
CWJ: 50%

Satisfied With Service

NWC: 62%
JPS: 46%
CWJ: 36%
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

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**NORTH COAST WATER SUPPLY IMPROVEMENT SCHEME**

[Map of North Coast Water Supply Improvement Scheme]

- Legend
  - Existing Water Treatment Plants
  - Proposed Water Treatment Plants
  - Existing Pipelines
  - Proposed Pipelines

NWC and NWC Collaborators have invested in infrastructure projects to support national development.
**RECENT INITIATIVES**

**EXPANSION OF THE GREAT RIVER TREATMENT PLANT**

- Additional 5 MGD water
- 20km, 500mm Ø TRUNK MAIN
- Along north coast

Elapse Time from definition to completion: 4 years

**RECENT INITIATIVES**

**MARTHA BRAE TO BRACO WATER SUPPLY**

- Martha Brae TP Rehabilitation
- Trunk main installation along north coast

- 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
Operations of the Rural Water Supply Limited, Wayside Tanks, household tanks, Rapid Response

**NATIONAL STRATEGY TO INCREASE ACCESS TO WATER SUPPLY**

**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

NWC invests $90m in infrastructure, equipment for CWC

The National Water Commission (NWC) has invested more than $90 million in new equipment and newer infrastructure upgrades within the vicinity of Sabina Park, to ready them for the Cricket World Cup to be held in Jamaica on March 11.

Not only has the water agency also generated income from the event by having agreed to a US$200,000 (£100,000) contract with the CWC 2007 Limited 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 complete and executed.

"An impact fee facilitates sporting complexes' connection to a new, state-of-the-art pipeline to newly-constructed 20,000-seat stadium under the $40m Martha Brae project.

"Hunter said new sewer lines were laid from the intersection Denny and South Camp Road to the new Castle, which sits close to Kingston.

"The main pipeline put in lateral connections," Hunter told Wednesday's Gleaner. "We've done some work on streets and around Sabina Park.

LATERAL CONNECTIONS

Sabina Park, as well as residents previously on the system, were given lateral connections. The $20 million spent on a sewerage system upgrade will be recovered through regular water billings, said Hunter.

"The commission has also ordered new Vector Jet paddlers for US$260,000 (£140,000) and its islandwide fleet to replace the old, five-year-old system that has been refurbished by a team of technicians in the United States," 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 the 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 valuable 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 $25 million. A total of 12,000 persons will benefit from the system, which will serve the communities of Mango Valley, Huddersfield, Pondside, Fernandez Gardens and Backyard.

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**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 Romney, St. Ann.

Approval of the resolution, originally brought to the House by Finance and Planning Minister Ewell Jackson, was on Tuesday been waived, after Opposition spokesman on Finance Audley Shaw pointed out that there was a deficiency in the submission and labelled the move "unfair.

"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 1994 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 debts remaining unpaid on 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 reported that a statement, this statement is not here today and I JACKSON, the estimates of the water supply project will benefit several extending development projects.

would like you to refer on the time 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 loan was to keep the House apprised of the current status of the loan under the jurisdiction of the entity:

"It doesn't set a bar on whether or not the guarantees 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 unpersuaded and suggested that the debate be reconvened. The debate in the motion was subsequently adjourned.

"While the outstanding summers were not completed, Jackson said the extension of the water supply project to the project in the section of the island would benefit several extending development projects on the island's north coast, including current development like the Rio Hotel, Desertum, the newly constructed Tea Farm and the "W" Resort.

Furthermore, he said the increased water supply would enable the provision of more housing units in that area.

Commenting on the 4.96 per cent interest per annum that the loan attached, Shaw said it was "essentially the kind of low interest rate instruments that ought to apply to long-term infrastructure projects such as water supply systems."
Greater Financial Independence is key
- Lays the foundation for optimal & professional decisions versus sub-optimal & political decisions

Determined and intelligent leadership is vital
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

4) Cost containment, particularly staff costs and energy savings

![Operating Costs Pie Chart]

- Staff: 42%
- Electricity: 29%
- Administration: 15%
- Repair & Maintenance: 11%
- Other: 3%
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