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Experts question viability of pvt players in water sector

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Mumbai: The BMC's move to hand over the maintenance of water distribution works to private players has raised questions about the viability of changing the current framework. Given the logistics involved in maintaining a 4,500-km pipeline network, experts are sounding off a note of caution.

The BMC standing committee on Tuesday passed a contract to appoint private contractors who would be in charge of executing various works to curb the loss of water due to theft or leakage. According to civic officials, of the 3,350 million litres of water supplied to the city daily, about 20% to 25% is lost. The BMC has now sanctioned Rs 20 crore for a period of three years for each of the six zones that will be made available for contract work.

LOGISTICALLY IMPOSSIBLE?

According to hydraulic engineer M M Kamble, this arrangement is akin to the current practice in handling work related to roads or buildings. "With the quantum of work increasing, these contractors will help the BMC in taking care of maintenance like replacing old water mains, attending to leakages or other emergency work," he added.

Experts, however, think otherwise. "This could be an incremental strategy used in the face of public pressure in Delhi and more recently in Mumbai against privatisation in the water sector. The penalty and performance clause, escalation costs and eligibility of bidders are aspects that need to be closely scanned," said Dr Trilochan Sastry, Professor, Indian Institute of Management at Bangalore.

Sastry was involved in the crusade against attempts by the World Bank in getting the Delhi government to privatise its water supply. The move was thwarted when it was revealed (through documents procured under RTI) that tariff rates would spiral 10 times and that all the terms and conditions were heav-



ily in the private firm's interest.

Activists say the BMC's policy of giving private parties a foothold may lead to a similar situation. The civic hydraulic department as of today has 1,500 vacancies, including engineers and labourers, with no new recruitments in the last 15 years. "The BMC has by design not allowed the development of this crucial department in terms of human and other resources. We at least hope that the BMC has effective checks to ensure that MNCs do not make a backdoor entry with Indian contractors as a front," said RTI activist Kewal Semlani. The reason for such fears is that in some countries the entry of MNCs in the water sector had led to spiralling of tariffs (*see box*).

The appointment of zone-wise private contractors is part of BMC's attempts to provide a 365x24x7 water supply to Mumbaikars based on a report submitted by World Bank consultants Castalia. Contracts would also be issued for works like installing flow meters, introducing pressure zoning, improved metered connections and customer relations management.

BMC will deliver the bill

The contract model for water distribution will still ensure that billings remain with the civic body. The consultant report also specifies that there would be no increase in tariffs. However, experiences elsewhere have been different:

- In Manila, water prices went up by 700% within three years of privatisation. The private companies had promised no increase in tariff for the first 10 years.
- In Bolivia, it increased by 200% within a few weeks while in Nespurit in South Africa, water rates tripled post-privatisation.
- In Puerto Rico, the private firm maximised its revenues by diverting water from residential areas to hotels and amusement parks resulting in social unrest.

"This is for the first time that a World Bank consultant has suggested a multiple contracting system. Even if the current contract is for three years, a contractor who is investing in specialised equipment would want the period extended to derive profits," said Afsar Jafri from the organisation Mumbai Paani. Jafri pointed out that the BMC's own leak detection department was showcased by the World Bank for its excellent performance in the past. But for the last five years, the department has been defunct with no proper labour or equipment.

Another aspect that has raised eyebrows in civic circles is the fact that for years, the BMC has been ignoring requests from its senior hydraulic engineers to give them power to sanction more funds for emergency works instead of waiting for proposals to go through the bureaucratic process. "It was only when the contracting system was passed that the BMC increased the sanctioning power of senior engineers. This is a ploy to prove the point that the contracting system is more efficient," said civic sources.

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