

# the SUBIC BAY WATER REGULATORY BOARD EXPERIENCE

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# The SBWRB Experience

## City Situation Before Privatization

- **Water facilities were dilapidated with the utility unable to raise or borrow funds**
- **Predominant low water pressure, turbid water, inadequate water supply**
- **Limited WS sources within the city limits**

# The SBWRB Experience

## SBFZ Condition Prior Privatization

- **Abundant Water Supply**
- **High Line Pressures**
- **Few Connections**

# The SBWRB Experience

## N e e d

### ***1. For complementation between the 2 areas***

- City had the numbers (18,036 connections out of 19,476)
- SBFZ had the water
- Only the City or SBMA had the size/resources to develop a long-term source outside the SBMA areas.

# The SBWRB Experience

## Formation of Subic Water

- 1. Subic Water was formed in Nov 1996, by virtue of a Joint-Venture Agreement among:**
  - *DMCI* 40%**
  - *Bi Water (Casal)* 30%**
  - *SBMA* 20%**
  - *Olongapo City WD* 10%**
- 2. Operations started in April 1997. SW entered into a 25-year franchise agreement with SBMA**
- 3. SW started with a P240M bank loan and equity of P91.6M**

# The SBWRB Experience

After the first 4 years..(1997-2000)

## 1. SUBIC WATER

- Had annual financial losses which led to an accumulated loss of P112 M by the end of year 4.

- Had been granted a tariff adjustment only once by an SBMA *adhoc* regulatory committee.

## 2. SBMA decided to form and convene a separate regulatory board in November 2000.

# The SBWRB Experience

*Without the SWRB..*

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 5</u>
<b>Net Income Ratio</b>	<b>(-27%)</b>	<b>(-29%)</b>	<b>(-28%)</b>
<b>NRW</b>	<b>40%</b>	<b>42%</b>	<b>40%</b>
<b>Staff/Connection (staff/1,000 conn)</b>	<b>220/19,246 11.3</b>	<b>205/20,208 10.1</b>	<b>170/23,309 7.3</b>
<b>Capex (PM)</b>	<b>97</b>	<b>58</b>	<b>4</b>

# The SBWRB Experience

## F/A Tariff Review Rules

- 1. Annual Review by SBMA**
- 2. All costs must be met**
- 3. Stakeholders are guaranteed 22.4% average return on equity (ROE)**

# The SBWRB Experience

## With Regulatory Board

year	<u>8</u>	<u>9</u>
<b>Net Income Ratio</b>	<b>26%</b>	<b>32%</b>
<b>NRW</b>	<b>37</b>	<b>31</b>
<b>Staff/Connection (staff/1,000 conn)</b>	<b>168/27,530 (6.1)</b>	<b>167/29,301 (5.7)</b>
<b>Capex Expenditures</b>	<b>60</b>	<b>55</b>

# The SBWRB Experience

## SBWRB Practices

### A. Efficiency

#### 1. Proxy Competition

The SBWRB makes sure that SW knows that it is looking over their shoulders for expenditures that are not prudent or efficient.

#### 2. Benchmarking

#### 3. Barangay Surveys

# The SBWRB Experience

## SBWRB Practices

### **B. Financing**

- 1. Capex Monitoring → Agreement prior to tariff adjustment**
- 2. Policy that each area must be financially capable of sustaining its own operations**
- 3. Requiring SW to borrow from external funding for capex → bank intro and follow thru**
- 4. Assisting SBMA in looking for external funding**
- 5. Three-tariff adjustments over five years**