

DELHI WATER PRIVATIZATION – BACKGROUND AND RECENT DEVELOPMENTS

I. EARLIER EFFORTS AT INTRODUCING PRIVATISATION IN DELHI (2002-2005)

Following the adoption of the Delhi Jal Board Act in 1998, ideas for further reforms were progressively mooted.

In 2002, the DJB commissioned the Delhi Water Supply and Sewerage Project Preparation Study with the assistance of the World Bank. The study was carried out by Price Waterhouse Coopers (PWC). PWC recommended further studies, which were carried out by other consultants. Reports were submitted and the project that would have led to water service privatisation in Delhi was going to be approved in 2005.

However, from the second half of 2005 a strong campaign managed to force the government to put the privatisation on hold as well as the World Bank project that was going to provide the funding for this. The World Bank project was eventually entirely dropped.

II. ELEMENTS OF THE PRIVATISATION SCHEME OF 2005 AS SET OU IN A PAMPHLET BY THE RIGHT TO WATER CAMPAIGN (2005)

Delhi Jal Board increased water rates 3 to 5 times in April 2005. Do you know why?

Delhi Government is handing over the management of 2 zones of DJB in South Delhi in December this year to Multi National Water Companies. Rest of the 21 zones will be handed over in the next two years. A company will send 4 employees at a total salary of one lakh dollars (about Rs 44 lakhs) per month to each zone. Today, a zone is run by an Executive Engineer, who gets a salary of about Rs 25,000 per month. **The water rates have been raised to partly meet the salaries of the employees of these companies.**

Will DJB be wound up after this?

Only the management of distribution zones is being handed over to water companies through “management contracts”. Delhi Jal Board will continue to function.

Why can't DJB officers run distribution zones?

Because Delhi Government and DJB officers say that they cannot run DJB anymore.

Who will pay for running DJB zones?

DJB will provide money to the companies to run each zone. The companies will not invest any money.

How much will DJB pay to the companies?

DJB will have to pay whatever companies demand.

But that is ridiculous. Can the companies demand any amount? Is there any upper limit?

There is no upper limit. The companies can demand any amount and DJB will be contractually obliged to provide that.

How much could the companies demand?

It depends entirely on the greed of that company, their ability to influence bureaucrats and politicians and intensity of public outcry.

In Puerto Rico, where similar management contracts were signed, the companies demanded so much money that PRASA's (counterpart of DJB in Puerto Rico) operational deficit increased from \$241.1 million in 1999 to \$685 million in 2001. The Government Development Bank of Puerto Rico had to contribute emergency funding to prevent disruption of water services. Finally, Vivendi was thrown out of Puerto Rico in 2001.

Where will all this money come from?

The people will pay for it. The water tariffs will have to be raised very high.

How much would the tariffs rise?

Once all the zones of DJB are handed over to the companies (which will happen in two years), water tariffs will be increased at least six times immediately (over and above the recent hike). So, the monthly bill of a family paying Rs 192 will increase to about Rs 1200. In a resettlement colony, it will increase from Rs 52 to Rs 300.

Future hikes would depend on the greed of these companies. In Manila, water prices went up by 700% within three years of privatization, when the companies had promised no increase in tariffs for the first ten years. In Bolivia, water prices increased by 200% within a few weeks of privatization. Water rates nearly tripled in Nelspurit in South Africa. Poor could not afford these rates. Their connections were cut off. In some countries, people had to take their children out of schools or had to skip meals to buy water. This led to massive social unrests and riots in several countries.

But won't increase in tariffs improve services? Government says there would be 24-hour water supply after this.

This is the biggest lie being propagated. There will be no 24-hour water supply. According to the agreement, DJB has to supply *sufficient quantities* of water at the input of a zone to the company! Where would DJB get water from? It is feared that water will be diverted from other parts of Delhi to South zones, which are being handed over to these companies in December this year.

Even if DJB supplied the promised water, the company is still not obliged to provide 24-hour water up to individual houses. Each zone would be divided into several District Metering Areas (DMA). Like, Defence Colony would be one DMA. Water company has to provide 24-hour

water only up to the input of DMA. And then, it will be assumed that every house in that DMA got 24 hour water. So, if you are not receiving water for the last three months in your house, but there was 24-hour water in the input pipe of Defence colony, it would be assumed that the water company provided 24/7 water to all the houses in entire colony.

Is it correct that the companies could divert water from residential users to commercial users?

Yes, because commercial users pay more. In Puerto Rico, water companies cut off water supply to residential areas and diverted it to swimming pools, five star hotels, amusement parks etc.

But Government claims that 24-hour water supply will be achieved by reducing leakages?

This is totally false. According to DJB records, water leakages in South Zones are around 24%. But now while privatizing, DJB has assumed it to be 55% and water companies are being asked to reduce leakages to 34% in three years. Obviously the targets are totally bogus and will not improve water availability.

Would grievance redressal improve?

It would deteriorate. The companies will redress any grievance between 5 to 20 days. So, if you are not getting water, the company can take 20 days to get you water! Presently, the time limit for redressing any complaint is between 24 hours to 3 days.

If I am aggrieved with the company, where will I go?

Nowhere. Short of cancelling contract, the Government will have absolutely no control over the functioning of the companies. Obviously, the Government cannot cancel the contract for individual grievances. So, if you are dissatisfied with the company, there will be no platform for redressal.

How would poor people get water?

Those who have water connections may not be able to afford such expensive water. Their connections will be cut off. Those who are not connected presently rely on water tankers, tubewells and public taps. All these free and illegal sources of water will be cut off. Five poor families will be provided one group connection, which means that these families will always be fighting amongst themselves. Even this is an empty promise because presently poor areas do not have water pipelines and there are no plans to lay new water pipelines in these areas. Then how will group connections be provided?

If present sources of water for the poor will be cut off without creating legal and viable alternatives, it is a sure recipe for water riots in Delhi.

If this project is so bad, why is the Delhi Government implementing it?

This entire project has been designed by the World Bank and its consultants. World Bank is forcing Delhi Government to implement all these things.

What is World Bank's role?

World Bank is providing a loan of \$ 150 million over a period of six years for this project. This comes to roughly Rs 120 crores per year. The amount of this loan is so small that we do not really need it. The Bank has imposed very stiff conditions in giving this loan and has acquired absolute control over the entire project. The Bank has dictated what changes should take place in DJB and how they should take place. The Governments, Delhi Legislature, elected representatives and the people have absolutely no say. World Bank is even manipulating DJB to give contracts to Bank's favourite companies by subverting bidding processes. DJB officials are blindly following whatever World Bank says.

This entire project has been designed by the World Bank along with its consultants to promote the interests of Multi-National Companies at the expense of the citizens of Delhi. The whole project ensures that the money would flow from the pockets of the people to the bank accounts of these companies without any benefits flowing to the people.

What is the rate of interest at which World Bank is giving this loan?

At market rate of interest. To DJB, it will come at almost _____.

Then why is Delhi Government taking such an insignificant amount of loan at such high rate of interest and at such stiff conditions?

This is the biggest mystery. What are the compulsions of Delhi Government to take this loan and follow the orders of World Bank? And that too by sacrificing the interests of the people of Delhi. Delhi Government refuses to reply to this question. Millions of people in Delhi would be affected by this project but World Bank, Delhi Government and the DJB have joined hands and are together pushing its implementation by keeping the people in dark.

When will the project start?

In the beginning, two zones of South Delhi will be handed over to the water companies. 4 companies have already been short-listed for that. Out of these, two companies will finally get the contract. They are likely to start operations by 1st December 2005.

The rest of Delhi would be handed over to the water companies in the next two years.

The loan application of Delhi Government is pending with the World Bank. It is likely to be approved by the Bank in its Board meeting in last week of November.

Which companies are coming to Delhi?

Veolia, Manila Water (Bechtel), Degremont (Suez) & SAUR have been shortlisted for the two zones in South Delhi. These companies ruined the water sector of many developing countries and were thrown out of these countries. Suez was made to leave El Nato & La Paz (Bolivia), Brazil, Puerto Rico, Manila, Potsdam (Germany), Argentina and Nkonkobi (South Africa). Campaign against Suez is going on in Jakarta in Indonesia. SAUR is facing enquiry for bribing the officials in Lesotho in South Africa. SAUR also had to leave Mozambique and Zimbabwe. Campaign against SAUR is going on in other South African countries. Bechtel had to leave Cochabamba in Bolivia, Estonia and Sofia. Veolia had to leave Argentina and Puerto Rico. It faces legal and strong civil society opposition in Indianapolis in USA. After ruining the water sector of so many countries, these companies are now coming to Delhi!

What are the demands of Right to Water campaign?

Implementation of this project would completely ruin the water and sewer sector in Delhi. We demand that the Delhi Government should withdraw its loan application to the World Bank and scrap this project.

But isn't DJB in a mess? How does one improve it?

Yes, we agree that DJB is in complete mess. Urgent steps need to be taken to improve its functioning. However, the programme for reforms should be worked out by the Government, independent of any external pressures, by holding public consultations. There is ample technical and managerial expertise available in our country to develop DJB into an efficient water utility. We will be very happy to be a part of any such move.

III. DEVELOPMENTS IN 2010-2011

In the past few months, the issue of privatization has again emerged in the organization of water supply system. Most of the issues have been reported in media and some significant initiatives have been mooted by the Delhi Government in this regard. Based on the recent news clippings, proposed moves towards privatisation are:

a) What activities are being conducted under the reforms initiated by Delhi Government with respect to water distribution regime in New Delhi?

So far following activities are being initiated:

- A. In the first meeting [101st meeting of DJB] of the year 2011 of the Delhi Jal Board, following decisions were taken:
 - 1) A pilot project for privatising tankers in Delhi received approval, with a seven-year contract being awarded to SPML for managing water tankers in South and Southwest Delhi.
 - 2) A proposal for supply and, installation and maintenance of 2.5 lakh water meters in Delhi. A five-year contract was awarded to Larsen & Tourbo.
- B. On 9th March, the Delhi Government confirmed the news of considering joint ventures with various companies for treatment and distribution of water under the command of its six major treatment plants. This will be a key reform for Delhi Jal Board. The Delhi government intends to enter into Joint Venture arrangement with private companies or form smaller units under the government. This change will lead to the following arrangement:
 - 1) Delhi's water supply system will work under a three-tier system led by the DJB.
 - 2) A separate regulator may be established for pricing of water.The DJB will work as a regulatory body and with its functionaries it will work as a corporate system.
- C. On 18th March, the Delhi government was stated to bring private people into the distribution of water and a presentation would be made before the MLAs for their

approval and suggestions. It was further submitted before the Delhi Assembly that the Delhi Government intended to work expeditiously on water reforms in similar manner as power sector reforms.

- D. The Delhi Government has admitted that to bridge the gap between demand and supply of water they are mulling on the idea of privatization of water distribution system on the lines of the power sector if the consensus is reached on the issue. Further, they are in a process of studying the possibility of reforms of water distribution system on the similar lines as power sector.
- E. Last year, the Delhi Government had initiated reforms in water supply system. They had involved Tata Consultancy Services in water billing and installation of meters. It is almost imminent that the Government may handover maintenance of the water distribution network to private entities from the DJB.
- F. DJB has announced its plans to allocate treatment and distribution of water to four or five separate units namely Wazirabad, Chandrawal, Sonia Vihar, Nangloi, Haiderpur and Bhagirathi. The management of these water treatment units may be given to Discoms under a Public Private Partnership arrangement with DJB since they have acquired legal approval to enter into water distribution in Delhi. NDPL and BSES are already in discussion with DJB on matters of metering, billing, collection and water distribution.¹
- G. A pilot project has been initiated by DJB with focus on reforms in the administrative and distribution mechanism and 24X7 supply in Malaviya Nagar and Vasant Vihar. This pilot project is a replication of Hubli-Dharwad and Nagpur 24X7 water supply scheme. Bids will be invited for companies to take up water distribution services.

b) What reasons have been stated by Delhi Government in order to implement reforms?

Following are the reasons:

- A. Gap between demand and supply of water in the city
- B. Huge revenue losses incur by DJB due to unmetered connections
- C. Inadequate distribution system
- D. Loss of huge quantum of water in transit
- E. Inadequate infrastructure
- F. Supply of large quantity of non-revenue water.

c) Has any Government committee been set up for such reforms?

The Planning Commission has asked the Delhi Government to initiate long-term planning in conservation, treatment and efficient distribution of water. In view of this, the Delhi Government has set up a high powered committee to prepare a roadmap for involving private companies in distribution of water in the city and to restructure DJB. The committee will come up with report in a month. So far the Delhi Government is considering handing over three services related to water supply namely distribution of water, billing of water and revenue collection. It is pertinent to mention here that the involvement of private players in water distribution in Delhi was debated during the budget session of the Delhi Assembly.

d) What are the services which Delhi Government is considering to transfer with respect to water supply regime under these reforms?

Following services:

- A. Distribution of water
- B. Billing of water
- C. Revenue collection

e) Enumerate National and International agencies involved in these reforms and their role?

Following are the agencies involved:

S. No.	NAME OF AGENCY	ROLE/ACTIVITY/RESPONSIBILITY	CURRENT STATUS
1.	Infrastructure Leasing and Financial Services Limited (IL&FS)	Engaged to draft the plan for outsourcing the distribution and revenue collection in Nangloi areas.	Report is due on data about connections, consumers and revenue details.
2.	Stup Consultants	-DO-	-DO-
3.	Rathi Consultants	Engaged to draft the plan for outsourcing the distribution and revenue collection in Malviya Nagar.	-DO-
4.	Tata Consultancy Services	Engaged for supply and, installation and maintenance of 2.5 lakh water meters in Delhi.	Already doing it since last year.
5.	Japan International Cooperation Agency (JICA)	To preparing a master plan which will address following issues pertaining to DJB: i. Non-revenue losses ii. Inadequate distribution system iii. Loss of huge quantum of water in transit. iv. Inadequate infrastructure v. Supply of large quantity of non-revenue water.	Report is due
6.	Discoms	i. For management of water treatment units namely Wazirabad, Chandrawal, Sonia Vihar, Nangloi, Haiderpur and Bhagirathi under PPP arrangement with DJB. ii. For metering, billing, collection and water distribution	Discussion stage with DJB

f) Has any political party opposed the reforms in New Delhi?

Yes, the whole issue of involving private companies in water distribution system by Delhi Government has gained political momentum. The political parties have condemned such kind of water supply reform. The CPI (M) Delhi Committee has called proposal to privatize water distribution as 'anti people'. They have also raised concern about the exorbitant increase in water tariff by DJB in last 15 months and have asked to rework prevailing tariff structure especially for the resident of resettlement and poor colonies.

BJP is intending to take legal action on the issue of involving private companies for water distribution system. They said that the decision has been taken by the Delhi Government even after facing the stiff resistance from the public representatives and senior officials. They have also asked for a Central Vigilance Commission inquiry on the process of passing tender of a single company for the supply of 2.5 lakhs water metres. As per the direction of CVC, if a single company comes forward for tendering then the tender would be invited again.

g) What is needed by the Government to do?

The decisions on reforms and other initiatives are being reported by the media. Currently media is the only source of information. The Delhi Government should take following initiatives to inform public about the reforms:

- A. All the documents pertaining to reforms must be available on the DJB website or Delhi Government portal.
 - i) Reports of Committees.
 - ii) MOUs between Government and Private Companies with respect to water distribution, revenue collection and other related activities.
 - iii) Financial Expenditure statements with respect to reforms.
 - iv) Up-to-date minutes of the meetings of DJB.
 - v) All the major decisions taken with respect to reforms.
 - vi) Delhi Assembly Debates pertaining to reforms.
 - vii) Objections of representatives of people, Government officials.
 - B. Wide public consultations must be held by involving experts, civil societies, academicians and people representatives.
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