

REGULATORY PRICING OF WATER AND SEWERAGE SERVICES IN METRO MANILA

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PROJECT BACKGROUND

The Taguig Sewerage System involves construction of 4 drainage/flood retention ponds into Sewage Treatment Plants (STPs) in line with the flood control project of the Department of Public Works and Highways (DPWH) in coordination with the Manila Waterworks and Sewerage Systems (MWSS).

STPs

- Treat sewage in Taguig and Tanay STPs before discharge to Laguna de Bay during the dry season
- Increase the wet weather drainage/sewage flow by at least 1.5 times the dry weather flow

METHODOLOGY

- **contingent valuation method** was used to come up with regulatory pricing of water and sewerage services in Metro Manila


METHODOLOGY

- **Ability to pay** analysis for sewerage services was based mainly on the 2000 Family Income and Expenditures Survey conducted by the National Statistics Office (NSO)
- Estimates of **willingness-to-pay** were based on surveys conducted in Barangays Wawa, Western Bicutan, Calzada of Taguig; and Barangay San Juan in Tanay in November 2003.

MODE OF COLLECTION OF PAYMENT

- Both water and sewerage fees are collected in one bill by the MWSS.

**ABILITY TO PAY ANALYSIS:
FAMILY INCOME AND EXPENDITURES
FOR WATER**

The background of the slide is a solid blue color. In the bottom right corner, there are several overlapping, wavy, light blue lines that create a sense of movement and depth, resembling water ripples or a stylized landscape feature.

Average Annual Income (PhP) in Taguig and Tanay Compared with Other Areas in the Philippines

Area	Average Family Income	Average Family Income in Taguig and Pateros as a Percent of Other Regions
Taguig	230,719	100
Tanay	246,286	100
All Philippines	144,039	166
National Capital Region	300,304	79

Source: NSO. 2000. Family Income and Expenditures Survey

Comparison of Average Annual Family Income and Expenditures (PhP) for Water

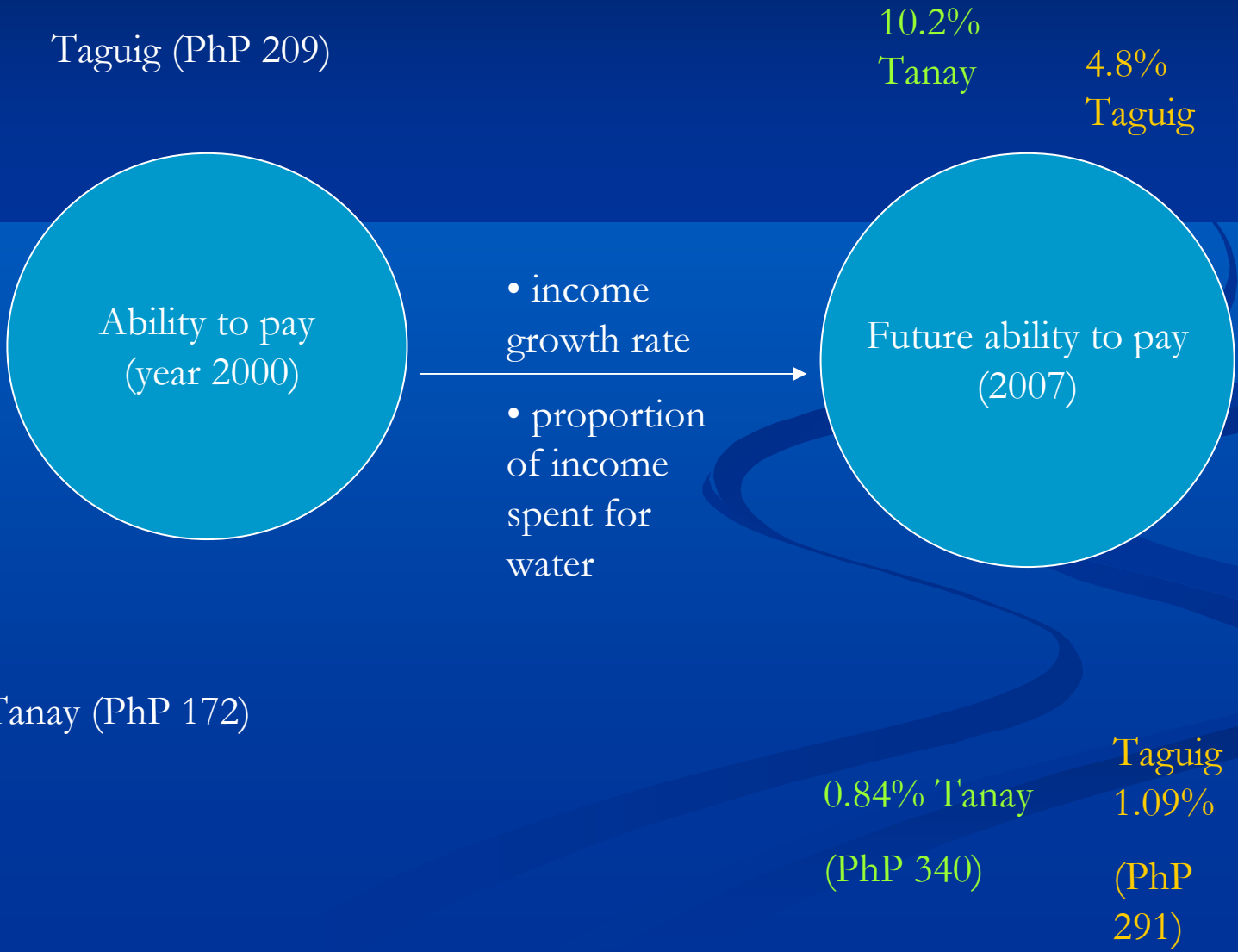
Average Family Living in	Average Annual Income	Annual Expenditure for Water	Monthly Expenditure for Water	Percent of Income Spent of Water (%)
Taguig	230,719	2,504	209	1.09
Tanay	246,286	2,064	172	0.84
National Capital Region	300,304	2,504	209	0.83
All Philippine Families	144,039	1,936	161	1.34

Source: NSO. 2000. Family Income and Expenditures Survey

NSO 2000 Survey

- fuel, light and water comprised 6.3% of family expenditures
- Previous studies assumed that water rates represent $\frac{1}{3}$ of 6.3 % or 2.1% of family expenditures

Future Ability to Pay for Water and Sewerage Services



Willingness to Pay for Sewerage Services

- Prior to project construction, 50% of water charge went to sewerage fee tho none of the respondents was aware of this
- Most were not aware how the water fee was computed, although the amount of water consumed is incorporated in their bill and MWSS has posted it in newspapers.

Willingness to Pay for Sewerage Services

- The 2003 survey shows that consumers are willing to pay as much as PhP 20 a month for sewerage.
- If adjusted at 6.3 % inflation, this would amount to PhP 25.54 in 2007 per household connection which is .10% (Taguig) and .06% (Tanay) of income spent for water and sewerage. This is a far cry from what they had been paying before which was half of their water bill: Taguig- .95% and Tanay-.42%.

Willingness to Pay for Sewerage Services

- These are both $<$ the proportion of income spent by each family for water and sewerage in 2000 Taguig (1.9 %) and in Tanay (.84%).
- As long as the combined payment for water and sewerage services does not exceed 0.84 % and 1.09 % of average family income of households in Tanay and Taguig, respectively, most families will be able and willing to pay for sewerage.

Willingness to Pay for Sewerage Services

- Water and sewerage expenses for Taguig and Tanay are still within the limits of households' ability to pay.
- What most families expressed as their willingness to pay for sewerage services is way below the limits of their ability to pay. Before, they were charged 50% of the total water bill for sewerage services, yet no complaint was received.

CONCLUSIONS

- Historically water bill payments accounted for 1.09 % of average family income in the Taguig, and 0.84 % in Tanay. Of these, half go to payment of sewerage service. This is an indication of their ability to pay.
- Willingness to pay of STP families at .10 % and .06 % of the average water bills in Taguig and Tanay, respectively is relatively low compared to the 50 % that MWSS is presently collecting.

CONCLUSIONS

- Low priority is given by the affected families to sewerage in their household expenditures.
- Information education campaign and awareness on the benefits that they will gain from safe piped-water and sanitation services should be conducted to change their perception and willingness to pay for such service.

CONCLUSIONS

- To remain within stated limits of willingness to pay expressed as percent of the average family income, the average payment for sewerage services should be approximately 0.84 % and 1.09 % of the average family income in Tanay and Taguig, respectively.
- Public consultation is important in coming up with a new pricing scheme. They should be properly informed.

CONCLUSIONS

- The results of willingness to pay studies can be linked to the financial/economic analysis of the project. However, since this project is a long term loan and also subsidized by the government, “cost recovery” coming from the payment of water and sewerage services will end up not making the project viable.
- The government can adapt the WTP scheme in projects where public participation is deemed necessary and when they are direct consumers.

CONCLUSIONS

- Aside from the government, different entities are also active in disseminating information about watershed management, as well as awareness activities on the sewerage system.