

Mini-Presentations on Water treatment and Distribution Services

Session Chair: Richard McMahon

Turnover/Output Mini-presentations: Alain Gallais (France), Barbara Róžańska (Poland), Johan Ahman (Sweden)

Prices Mini-presentations: Denis Gac (France), Marcus Friden (Sweden) Ildiko Hamvaine Holocsy (Hungary)

Discussant: Michael Morgan (Australia)

The session highlighted the different national practices reflecting differences in environment and in the organization of delivery of water treatment and distribution services across countries. In addition the question of whether or not of the service (or parts of) could reasonably be considered delivery of a good was prominent. The service can be delivery by public or private entities, or even a mix of both. This has implications for pricing as the non-market (government) provision of services is not in the scope of the SPPI.

Classification

The international classifications are similar with some varying level of detail. The discussant highlighted that enterprises can be engaged in activities falling under both ISIC 4 sections E 36 (water collection, treatment and supply) and 37 (sewage collection, treatment and disposal).

The presentation from France raised the question as to whether part of the service is in fact delivery of a good or product – namely the water itself.

Market Characteristics

The presentations highlighted that the industry can be organized differently across countries. A mix of public and private provision is common but there are also examples of predominantly public provision and at least one of exclusively private provision (UK). The French presentation highlighted the common invoice – where a single good (water) is sold by two entities, one public and the other private.

Data Availability

There is comprehensive data available on turnover of the sector. Some data on prices are also available.

Pricing Methods

Prices tend to be based on a combination of fixed charges (service) and usage fees (good). A number of challenges relating to pricing were introduced;

- How do we measure price change in the non-market (government) sector, particularly if funded through taxation? Is the market sector large enough that it can be used as a proxy?
- How do we measure and price self-supply of water
- Is the CPI a suitable proxy for the PPI?
- The price for provision of water may be subject to a sliding scale based on volume consumed. Can we control for this by using model pricing?

Quality Adjustment

The issue of quality adjustment arose in respect of evidence of differing price levels for provision of ground and surface water. In this example the activities are different but the consumer utility is not. The question of whether we price the activity or the product therefore has implications for the treatment of implicit quality change.

Environmental Accounts

The Canadian experience of compilation of environmental accounts was introduced. Measures of both turnover and prices should benefit from the environment accounting exercise despite the differences between “our needs” and those of the environmental accounts.

International Trade in Water Services

There was a brief discussion on the prevalence of international trade in water services. There is some experience of international trade (Poland) and it may become more widespread in the future.

Conclusions

Both the presentations and discussion highlighted differing national practices which will create challenges for the sector paper. These differences stem from the natural environment and market organization.

The involvement of government in the provision of the service has implications for the measurement of price given the limited scope of the SPPI. The share of the market held by private enterprises is therefore relevant to measurement of the sector.

The distinction between product and service elements within the delivery of water services is problematic and has implications for measurement of the sector, particularly in respect of quality adjustment.

Questions were raised as to the potential suitability of the CPI as a proxy for the SPPI.