

**DEVOTED TO REFORM AND MARKET OPENING
STRIVING TO CONSTRUCT A SAFE AND RELIABLE
URBAN WATER SUPPLY SYSTEM**

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Dear Chairman, ladies, gentlemen and friends,

On the arrangement of the conference, I present briefly the development of Tianjin urban water supply industry development.

1. Background

1.1. Tianjin

Tianjin is one of the 4 provincial level cities in China. It is on the northeast of Huabei Plain, facing Bohai to the east, against Beijing on the west. Tianjin has a history of over 600 years. Since it opened to the outside world in mid-19th Century, Tianjin has developed to be the largest banking and trading center in North China. Tianjin has a land area of 11.9 thousand square km², with 18 districts and counties and 11 million residents. Tianjin GDP per capital is over 35 thousand Yuan RMB in 2005, taking the 3rd place in China.

1.2. Raw water

Tianjin is at down streams of Haihe River where five branches joint Haihe and empty into sea. In history Tianjin was a water city in north China, with amply water resources. But now water resources are going short because of the water reservation facilities up streams and climate change. Currently local water resource per capital is only 160 m³, 1/15th of national average. Added with water transferred from outside, water resource per capital is 370 m³, still lower than the international water shortage alarm line.

The water transfer from Luanhe to Tianjin program, with a capacity of one billion m³/year, released the water shortage crisis in 1982. But started in 1997, Haihe Basin suffered an 8 year draught, causing serious water shortage, even with water transferred from Luanhe, so Tianjin had to transfer Yellow River water 4 times for Tianjin raw water supply.

1.3. Current status of urban water supply system

At the end of 2005, Tianjin has 38 water treatment and distribution plants, with a total capacity of 3.049 million m³/d, of which 7 plants' capacity is over 100 thousand m³/d. The total service coverage is 800 km², 6.7% of total urban area. Annual supply amount is 817 million m³, servicing a population of 6.546 million, 65.4% of the total population. Total length of supply pipeline is 7586.9 km. Daily comprehensive consumption per capital is 116 liters. Supply water quality criteria meeting rate is 96.2%.

2. Municipal Government efforts for water supply sector commercialization reform

2.1. Background

In Oct. 2003, Central Government explicitly required to open market and introduce competition in monopolized sectors, promote multi-source investment, quicken urban public utility reforms, separate government and enterprise, government and assets, government and institutes, and impose effective supervision on natural monopoly business. Therefore Ministry of Construction issued a notice, requiring local governments to quicken municipal public utility commercialization.

2.2 Reform content and objectives

Urban water supply sector reform is for the adjustment of mechanisms of management, investment, pricing, public security and emergency measures to meet the demand of urban economy development and resident life with a proper far sight concerning facility capacity; to develop resources and control consumption, developing cities of water resource saving type; to meet national water supply quality standards, ensuring urban water supply safety; to optimize urban water supply emergency measure system.

2.3 Measures

2.3.1. Quicken urban water supply legislation as basis for government supervision.

To follow the trend of market opening and government supervision strengthening, Tianjin Municipality issued Tianjin Urban Water Supply Administration Regulation in 2004. In 2005, based on Municipal Public Utility Concession Operation Administration Method by Ministry of Construction, we prepared Tianjin Municipal Public Utility Concession Operation Administration Regulation which was issued as Municipal Government decree and was affected and imposed in Sep. 1, 2005. On the same year we revised and improved it to prepare Tianjin Administration Ordinance on Water Used for Water Supply which was submitted to and approved by Tianjin People's Congress Standing Committee in May and imposed on Sep. 1, 2006. To satisfy the legal requirement on government supervision after state Administration Permission Law imposition, we prepared and issued Tianjin Urban Water Supply Service Administration Criteria as the local criteria for assessment of water supply enterprises and their public interest and safety obligation fulfillment.

2.3.2. Administration mechanism improvement step by step

It is specified in Tianjin Administration Ordinance on Water Used for Water Supply that TCAC is responsible for administration on water used for urban water supply. District and county governments also establish raw water and water supply administration agencies, responsible for the administration within their jurisdiction area. Other government agencies of development and reform, planning, water conservancy, environment protection, sanitation, price and quality and technique supervision are responsible for administration concerned. The second level of administration authorities newly established according to the Ordinance is a mechanism adjustment to suit the development of city expansion and market opening and to ensure proper administration.

2.3.3. Investment mechanism reform

In the planning economy conditions, all investment in Tianjin water supply facilities was from the municipal government. In early last century, it was reformed that the investment is mainly from enterprises themselves, supported with government input. In late 1990s, investment was generally from non-government resources, and state owned enterprises were guided to attract domestic and international investment and to finance in the form of cooperation, joint venture or stock sharing. Tianjin Water Supply Group (TWSG) is the largest state owned water supply enterprise in Tianjin. Since 1997, TWSG has cooperated successively with General Water of France and American Earth Company, introduced USD20 million, and jointly owned and operated Lingzhuang Water Plant and JieYuan Water Plant, with a total capacity of half million m³/d. Fund introduced is invested in Lingzhuang Water Plant DN 2.2 m raw water pipeline upgrading and the processing equipment improvement, and in JieYuan Water Plant process technique upgrading for water supply security.

Meanwhile TWSG established share holding companies respectively with Logistics and Process Zone in Tianjin Free Trade Zone and Jinghai County water supply enterprises for local operation. TWSG buy and operate Jinnan District water supply facilities. Recently TWSG is negotiating with a Hong Kong enterprise to sell water plants, network and operation system in northern Tianjin for joint venture operation with 50% stock share. Investment mechanism reform not only adds to and upgrades the facilities and raises level of management and technique, but also plays an active role in state owned enterprise reform and efficiency improvement. Presently all side business entities have been separated from TWSG to lessen its burden.

2.3.4. Pricing reform

Under planning economy conditions, Tianjin tap water price was 0.08 Yuan/m³ from 1949 to 1985. Such low price “tariff” of welfare type can neither enable enterprises to expand production, nor encourage water saving. Therefore since 1985 Tianjin has been practicing the method of “fast running in small paces” to raise price gradually. Since 1985 price has been raised 8 times, gradually creating conditions for the establishment of the sound pricing mechanism of “cost + profit + tax”.

3. Strengthening market supervision

Central Government requirements are carried out to enhance “A market supervision system to combine administration on law, sector self-discipline, public monitoring and involvement”.

3.1 Establishing agencies and law imposition teams to strengthen market supervision

In 2001, together with government reform, Water Supply Administration Division became independent from Water Saving Office, staffed with 20 people. A law imposition team of 40 people was organized after necessary training and testing. In comply with the new ordinance, 26 water supply enterprises will have to apply for new operation permissions, though they are qualified according to government regulations in the past.

The law imposition team will execute serious penalty against those who connect to public water supply pipelines without permission, damage water supply network during municipal construction, fail to meet national water quality criteria, poor recycle water quality, block or occupy pipelines or other water supply facilities or change water use purpose without permission. Cooperated with judiciaries, the team has punished water stealing units or individuals, pioneering in punishment on water stealing with legal measures in China, effectively protecting the interest of both water supply enterprises and users. They help enterprises in preparation of water supply safety emergency action plans which are combined with government emergency action plan to form a comprehensive emergency action system.

3.2. Self-discipline by urban and township water supply associations

Water supply associations are separated from government. To suit sector and market development, associations expand to include 150 unit members, representing extensively over the sector. Functions used to be undertaken by government agencies are now transferred to associations, such as water supply service assessment, on job training and technical consultancy. According to new ordinance more sector self-discipline affairs will be transferred to associations to promote inter-enterprise exchange and to increase association capacity to solve problems in enterprises and operators in the sector.

3.3 Public monitoring through media

Major Tianjin newspapers, radio stations and TV publish user complains to water supply service. Administration authorities strengthen their supervision on enterprise reform to facilitate improvement of service method and attitude. In the “Civil Servant in Radio Studio” program, government officials and sector administration directors answer residents’ questions and solve their problems, so as to cultivate a harmonious relationship among government, enterprise and user. Since 2004, we have published 20 water supply enterprise output water quality monitoring result to accept social supervision, which have effectively facilitated the improvement of process and water quality.

3.4 Public involvement and monitor

There are user monitors with identity cards at various levels both in enterprises and administrations. They have regular meetings to reflect complains and improvements. TCAC has initiatively organized a voluntary public utility monitor committee, conducting independent monitoring over business operation and government administration. TCAC also has opened a telephone service hot-line of “12319”, receiving 24 hours a day direct user consultancy and complains concerning water supply service. Operation enterprises have established second level hot lines to receive user complains and to deal with issues transferred from “12319”. Enterprises send user service into communities and sign contracts with communities to specify user convenience items and obligations to accept community monitor, so as public involvement and monitor can develop legally, regularly and systematically.

4. Water supply sector commercialization reform promoting urban water supply industry healthy development

Tianjin water supply industry has a 110 year history, with excellent management culture. But there are obvious problems of old facilities and equipment. In recent years, with government concern and support, coordinated with municipal facility and housing construction, as well as shabby housing reconstruction, comprehensive urban water supply facility planning is strengthened and investment is increased. Water treatment process, distribution pipelines and operation service facilities are constructed or upgraded, which has improved water supply environment and conditions, raised water supply service quality and level and made important contribution to social and economical development and resident living quality.

4.1. Greater investment

From 2001 to 2005, totally 2176 million Yuan from various levels of governments and enterprises was invested in water supply facility construction and renovation, enabling great development and progress in facility capacity, technical level and security.

4.2. Large scale rehabilitation on old network with government funding and enterprise counterpart funding

In the past 5 years 75.6 million Yuan from urban infrastructure fee has been invested, along with urban road construction and improvement, and 500 km new pipelines have been laid. With the investment proportion of 1:1 or 1:2, government fund to enterprise counterpart, the investment has improved almost 700 km old pipelines in 3 years, effectively lessened water loss and raised water quality safety level.

4.3. Renovation engineering for city wide meter reading at individual households was finished in 3 years

Water supply sector joined efforts with property owners to invest 500 million Yuan in the renovation works for meter reading at each individual household for 1.588 million households in total, with 1.89 million IC card, tele-transmission or other meters installed, resulting in 90% of city users billed by individual household, which offered an opportunity for the reform of enterprise billing mechanism.

4.4. Second water supply facility rehabilitation

Based on a city wide survey on 1570 second water supply facility rehabilitation places in 2005, through facility rehabilitation in original place or the increase of network pressure to remove second water supply facility, second water supply water quality safety problems at 640 places were solved in 2005. Another 120 million Yuan will be invested in this year and next year, striving to finish the rehabilitation at the rest 890 places.

Dear Chairman, ladies and gentlemen,

Here I am delighted to tell you that Central Government has decided to promote Tianjin New Coastal Area development and opening. This is an important strategy for China economical and social development and a great decision to promote economical development of Round Bohai Area in the new century. Round Bohai Area is the 3rd economy growth point to pull area development, after Zhujiang Delta and Changjiang Triangle Delta Areas along east China coast.

Central Government has positioned Tianjin New Coastal Area function as: Based on Beijing, Tianjin and Hebei Province, serve Round Bohai Areas, radiate to the 3 northern areas, face Northeast Asia, strive to establish the open gate to the outside world in North China, a high level modern manufacture, research and development base, an international navigation and logistic center in North China, and gradually become a new livable urban area of ecology type, with economical prosperity, harmonious society and beautiful environment.

Dear Chairman, ladies and gentlemen,

Tianjin has long and very friendly cooperation with World Bank with 2 World Bank loan projects. In the second loan project currently under implementation, about 100 million US dollars of loan is invested in urban drainage facility construction. Also, World Bank helps us obtain a GEF grant to support the loan project. World Bank support is the strongest support to Tianjin. Together with World Bank loan, internationally advanced concept, technique and management experiences are introduced, which is an excellent assistance to Tianjin water sector reform, construction and management. Here, on behalf of Tianjin Construction commission, I would like to extend my sincere gratitude to World Bank decision makers, management and experts. I look forward to further close cooperation between two sides to promote the development of our respective causes.

Thank you.