

HONG KONG: A ROLE MODEL OF PUBLIC-OPERATED WATER SUPPLY SERVICES

By Government Waterworks Professionals Association

Hong Kong water supply began its 150-year history of publicly-operated service in the mid-nineteenth century.

Between 1854 and 1859, the Hong Kong Government strongly encouraged the private sector to invest in various public services. Although the business of water services had always been unattractive to the private sector, other public services such as the supply of gas, telecommunications, electricity supply, cross-harbour ferries etc had attracted British enterprises and local private investors. Despite the population boom, a lack of natural water resources, a limited land supply, a shortage of funding and the unwillingness of private investors to invest in water services, the Hong Kong Government resolved to take on the responsibility of providing water for Hong Kong.

During the 150 years of publicly-operated water services, Hong Kong has successfully been transformed into a world-class metropolis. Today, over 99.9 % of the population receives a safe, stable and reliable supply of potable water. Successful schemes to increase natural water resources, the perfection of the supply systems and the ability to maintain excellent water quality standards has proved that the publicly-operated water supply services of Hong Kong are comparable to those of other major cities. This has been a success for the publicly-operated water supply services in Hong Kong.

DRINKING WATER IS NOT A COMMODITY; IT IS A FUNDAMENTAL NECESSITY OF DAILY LIFE

The Hong Kong Government has invested enormous resources and manpower to develop a sophisticated water supply system. Relying solely on water tariffs collected from Hong Kong citizens could not cover all the expenses of the infrastructure development and the water supply operation. The major source of income in the past came from property rates and taxes collected by the Hong Kong Government. In other words, property owners of Hong Kong and taxpayers have always been the financial supporter of the Hong Kong water supply systems and operations.

The cost structure for water supply in Hong Kong is similar to the 'social tariff' adopted by European countries and America. Every household can use the first 12m³ of water free of charge every four months. Water used after the first 12m³ is charged for in three incremental cost tiers. This type of cost structure embraces the idea of high-usage charges to compensate low-usage households. Low-usage households are usually those of the elderly and low-income families.

Considering that the majority of water charges are met by property owner and taxpayers, and the high users compensate the low users strategy, one can deduce that the Hong Kong government does not consider drinking water to be a commodity but as a daily necessity that shall be accessible to all citizens at a reasonably low cost. Even though Hong Kong's economy took off in the 1970s and 1980s and greatly improved living

standards, the fundamental principle remains the same. This shows that the protection of the public's basic rights is vital and the key to regional prosperity and stability.

WATER SUPPLY SERVICES IN HONG KONG IS UNDER THE THREAT OF PRIVATISATION

With the reunion of Hong Kong with China in 1997, Hong Kong citizens were guaranteed their original rights given by the Basic Law, which provides for basic ways of living to remain unchanged. Unfortunately, financial turmoil in 1998 created tremendous financial pressure on the Hong Kong Special Administrative Regional Government (HKSARG). In order to reduce the investment and operational costs of the water supply, HKSARG considered completely privatising the Hong Kong water supply service. Options included contracting out part of the services to private business, "corporatisation" (a transition to privatisation) or complete privatisation.

These suggestions, however, were met with strong objection from Hong Kong civil servants at the time. The public also worried that were the changes to go ahead, the quality of water supply may be lowered and the water charges may be increased. In the end, the privatisation proposal could not gain support from the majority of the public, and the HKSARG had no option but to abort the proposal altogether.

The threat of privatising Hong Kong's water supply service did not end at this point. Foreign governments, international private water companies as well as local private businesses continued to lobby the HKSARG about the advantages of privatisation. In the autumn of 2003, HKSARG suggested adopting the use of "Public Private Partnership" (PPP) as the mode of renovation and operation of the largest potable water treatment works in Hong Kong – the "Sha Tin Water Treatment Works". This PPP proposal required a private operator to be responsible for the design, the investment, building, operation and the future hand-over of the water treatment works. The PPP contract, if awarded, would last for 20 to 30 years. In early 2004, the PPP feasibility study was further extended to cover the water distribution network from the south of Sha Tin, including the Kowloon peninsula and the majority of the supply networks in the Hong Kong Island.

Up to three million Hong Kong citizens would be affected by this proposal. However, the HKSARG did not conduct even the most basic public or staff consultation. As the study was gradually unveiled, the civil servants in the Water Supplies Department of Hong Kong strongly opposed the proposal. They were of the view that this would be the first step towards corporatisation or privatisation. In May 2004, in a special meeting of the "Panel on Environment, Planning, Lands and Works" under the Hong Kong Legislative Council, the members of the panel also strongly oppose the PPP approach and requested the HKSARG re-study the PPP's feasibility and to conduct public consultations.

At present, Sha Tin Water Treatment Works is vital to Hong Kong as it accounts for as much as 40% of the overall treatment of potable water in Hong Kong. If PPP were to apply to "the Insitu Re-provisioning of the Sha Tin Water Treatment Works" and operation, it would certainly open the gateway for the complete privatisation of the water supply services. It is very likely that all the treatment of potable water in Hong Kong will be handed over to private enterprise for operation. The water supply services may extend to distribution networks, customer services, users account application and eventually all the

water supply services will become completely privatised.

HKSARG argued that the PPP could bring in innovative ideas in technology and administration, promote new technology transfer, accelerate progress of the project and reduce the administrative procedures. Consequently, PPP is not only a means to reduce HKSARG's investment in the water supply services but is also a tool to enhance control, efficiency and productivity.

In the past 150 years of water supply in Hong Kong, there has been demonstrable success of publicly-operated water supply services. Its contribution to the livelihood of society is unquestionable. For the past one and a half centuries, despite the severe shortage in water resources and the huge expansion in economy, HKSARG has continued to shoulder its responsibility of providing drinking water to the public as a basic human right instead of as a commodity. HKSARG has always been keen to inject resources to bring in new technology to maintain its world class water supply system to benefit Hong Kong's citizens and its economy. Yet the HKSARG now wants to shed its governance and try to radically change the present publicly-operated system by trying the ultra high risk PPP experiment.

Evidences of failed cases of PPP and privatised water supplies are seen everywhere. We should not blindly trust that the private sector definitely provides better and cheaper water supply services. HKSARG should not reject the valuable experience and contribution made by the publicly-operated water supply. As a matter of fact, the Hong Kong Water Supplies Department initiated over 100 ways in which the water supply services were enhanced during a period of 15 years from 1990 to 2004 and it still continues to do so. The high quality of the water supply services in Hong Kong has already created a team of trustworthy professionals in the public service. We believe that the publicly-operated water supply organisation in Hong Kong has the capability to provide an outstanding water supply services comparable to any private organisation.

Government Waterworks Professionals Association (GWPA) is a civil servants association formed in 1990 by professional and senior professional staff persons in the Water Supplies Department of the Hong Kong Special Administrative Region Government (HKSARG). Its membership is comprised of professionals in the grades of Engineer of Civil, Electrical and Mechanical disciplines, Chemist, Accountant and Land Surveyor in the department. The objective of GWPA is to look after the rights and benefits of members related to their employment and extends to give more personal supports. GWPA is an independent and non-political association, and is not affiliated with any other staff unions/association.

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