



The Politics of Water Privatisation in Tagbilaran, the Philippines



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Cover page photo: Installation of water meters on the mainline minimises the risk of illegal connections. (Photographer: Karen Fisher, Tagbilaran)

The Politics of Water Privatisation in Tagbilaran, the Philippines.

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Abstract

The privatisation of urban water supply services is a highly contentious issue as evidenced by public protests against large water companies such as International Water Ltd in Cochabamba and Manila. Arguably, privatisation precipitates the transformation of previously unowned or commonly-owned resources into private ownership and control to the detriment of communities. In this regard, water has become an important resource over which national and global neoliberal policies are tested and has affected how people relate to and are able to access water, with the poor and other marginal groups likely to be disadvantaged.

In this paper, I draw on research from Tagbilaran, the Philippines, where the majority of the city's water needs are provided by a private water utility to explore the ways in which politics, water resources and water provision are intimately linked. In particular, I focus on how the actions of local political leaders serve to obscure challenges to water management and security by instead focusing the public's attention on a privatisation debate largely demarcated along party lines.

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Acronyms

BWUI	Bohol Water Utilities Inc.
PWS	Provincial Waterworks System
TACT	Tagbilaran Alliance Concerned Taxpayers
TCWS	Tagbilaran City Waterworks Services

Introduction

Since December 2000, Bohol Water Utilities Inc. (BWUI), a public/private joint venture company, has been sharing responsibility for providing potable water to households in Tagbilaran City, the Philippines. Residents of Tagbilaran are also served by a second water utility owned and operated by the City Government, Tagbilaran City Waterworks Services (TCWS). Between these two utilities, water services coverage extends to approximately 80 per cent of the more than 15 500 city households. The remaining households rely on bulk-water, private or communal wells, other small-scale vendors, or rainwater, or a combination of these sources to meet their daily water needs. BWUI assumed responsibility for water provision after the partial divestiture of the Provincial Waterworks System (PWS), which was owned and operated by the Provincial Government of Bohol. The Provincial Government retains a 30 per cent holding in the joint venture, with the remaining 70 per cent held by a Singaporean/Filipino consortium, Salcon. In 2004, there were approximately 9700 consumers served by BWUI while the city's water utility, TCWS, served approximately 3500 consumers.

As the Provincial capital of Bohol, Tagbilaran has experienced rapid population growth primarily because of its role as a stepping stone to larger cities in the Philippines. As a result of this growth, the water utilities have been faced with increasing difficulties in ensuring universal water supply that is reliable and of an acceptable quality. Demand is forecast to increase while supplies are already threatened due to over-extraction and potential for contamination. In response, the Provincial Government invited the private sector to participate in the provision of water to households in Tagbilaran, leading to vociferous objections from factions within the political community and surprising reactions from the general public.

In this paper, I explore the ways in which politics, water resources and water provision are intimately linked by looking at the key issues surrounding the privatisation and operation of BWUI. In particular, I focus on politics at the micro-scale to demonstrate how political leaders in Tagbilaran mobilise public opinion against BWUI as a means by which to gain popular support, especially in the lead up to the 2004 and 2007 government elections. Rather than taking a simple pro- or anti-privatisation stance, in this paper I offer a nuanced view of privatisation and the politics of privatisation in my examination of Tagbilaran City. I will show that the polemical debate surrounding the privatisation in Tagbilaran, which is fuelled by hyperbole and misinformation, is a 'red herring' obscuring the complexities of water services provision.

Following the introduction, which outlines the research area and case study background, the paper is organised into four sections. The first section reveals the dominance of neoliberal discourse in development and arguments citing public sector failure as being the key factors facilitating private sector participation in urban water provision. The review extends to consider how urban political ecology can be usefully deployed in order to expose and understand the significance of the socio-political relations over water and the urbanisation of water for municipal supply. In

the second section, I elucidate the key reasons given by the Provincial Government of Bohol regarding their decision to divest the urban water utility thereby enabling the private sector to participate in urban water provision in Tagbilaran. I then present a synopsis of urban water services in Tagbilaran and an overview of the privatisation process. In the third section I highlight some of the controversies that arose during the negotiation and bidding process leading up to the divestiture, as well as controversies following the divestiture and commencement of operations by BWUI in 2000. Particular attention is given to the role of political leaders and the way in which the 'privatisation issue' features as a key issue during election campaigns. The final section presents a summary and conclusions.

The paper draws on findings from research conducted in Tagbilaran between June 2003 and October 2004 as well as reports made in the local newspapers, especially the *Bohol Chronicle*, which I continue to monitor. Although I am somewhat sceptical about what is being presented in the newspapers and how, this source provides an account of events and a timeline which is useful for thinking through the political nature of water resources in the context of the 2007 political elections as well as a way of triangulating data obtained from primary and secondary sources in the Philippines.

Photographs depicting the water supply situation in Tagbilaran.



Distribution has improved markedly since privatisation with rehabilitation of network and storage facilities such as this BWUI water tower.



Household collection of rainwater supplements municipal supply and enables informal sale of water to neighbours.



Consumption of bottled drinking water is an ever increasing phenomenon.



Bulk water suppliers provide water to households not connected to supply.

The Urbanisation of Water and Neoliberalisation of Supply

Universal municipal waterworks coverage for urban residents and a 24-hour supply of piped water has not yet been achieved across Southeast Asia (McIntosh 2003) and as urban populations increase, the ability to meet water demand will be further constrained. The importance of ensuring urban water supply is magnified in light of the Millennium Development Goals' target of halving the number of people without access to safe drinking water by 2010 (UN 2005).

Worldwide, the provision of municipal water has been both a private and a public undertaking. The public provision of water can be traced to the nineteenth century and a growing concern for public health following cholera and typhoid epidemics in cities in England, Europe and the United States. The monopolistic characteristics of urban water networks served as further justification for public sector provision (Rogers et al. 2002). The notion of public sector provision of water resonated with economic policies emphasising modernisation through state-led economic growth as a strategy for rebuilding industrialised nations after World War Two. This paradigm for economic growth and development was subsequently supplanted into post-independent nations in developing regions through official development assistance emanating from bilateral and multilateral sources. In particular, the Bretton Woods institutions — the International Monetary Fund and the World Bank — exerted a powerful influence over developing economies.

Despite the historical justification for public water utilities to ensure fair distribution and safeguard public health, the public sector has not achieved this. As an outcome of pricing and revenue collection failures, lack of investment into infrastructure, corruption and other government failures, public water systems in much of Asia are only capable of delivering unsafe water irregularly (Lee and Floris 2003). Consequently public sector failure has led to calls for the private sector to participate in urban water supply. This stance reflects and is amplified by the dominance of neoliberal discourse in influencing government policies and modes of governing.

In the midst of sweeping neoliberal reforms of the 1980s, a dichotomy which positioned the state and the market in opposition served to justify private sector involvement (Weiss 2000; Leadbeater 2004). Rolling back the state, which was constructed as inefficient, ineffective, unwieldy and bureaucratic was seen as a necessary pre-condition to economic (and social) development. Where the state was seen to play a part, it was primarily in an enabling role: for example, reforms promoting trade and economic liberalisation along with institutional reforms to bring about greater economic integration and to create opportunities for private sector participation. Consequently, a shift occurred for international donors and others within the development fraternity from a focus on government to governance as the key variable in achieving development; in particular, good governance (Weiss 2000).

More recently neoliberalism has been subjected to greater interrogation which moves beyond the simple state-market dichotomy to consider the interaction and blurriness of these two entities. While neoliberal ideals dominate economic policy in

both developed and developing countries, neoliberalism has been revealed as not being monolithic or universal. Instead, differing trajectories of development and political economic processes have given rise to 'local neoliberalisms' embedded within broader networks and structures of neoliberalism (Brett 2000; Peck and Tickell 2002). Consequently, rather than seeking the wholesale replacement of government, greater attention has been given to finding ways to make what remains of government operate better. Hence good governance has been variously constructed as comprising or promoting decentralisation, democratisation, increased transparency and accountability, eliminating corruption, improving law and order, legal reforms, amongst others, in order to reform governments and their administrations to make them work better (World Bank 1992; Weiss 2000; Van Klinken 2003).

In the context of urban water provision, the 1992 Dublin Principles have been significant in influencing conceptions of good water governance. Most notably, Principle Four states the importance of considering water as an economic good by recognising the economic value of water in all its competing uses. Inefficient water use and environmental degradation were seen as a failure to recognise the economic value of water; viewing water as an economic good would, therefore, lead to more efficient, and more equitable, use of water while also encouraging conservation and protection of water resources (WMO 1992).

This principle and the pervasiveness of neoliberal ideology means there has been much support given to the idea of increasing private sector participation particularly in light of projected investment needed, in the order of billions of dollars, to meet Millennium Development Goal commitments (Lee and Floris 2003; Winpenny 2003). As a case in point, the Camdessus Report highlights opportunities that private sector participation brings to establishing and enhancing municipal water services both in developing and industrialised countries (Winpenny 2003). Uncertainty exists, however, as to whether private sector participation can redress public sector failures and ensure equitable access to all particularly given the limited success so far of privatisation ventures to bring about promised positive improvements.

Cochabamba, Manila and Buenos Aires represent three well known failures of private sector participation in water provision (Barlow and Clarke 2002; Budds and McGranahan 2003). Instead of improved network conditions and greater access for the poor, each of these cities witnessed increased tariffs, high numbers of disconnections because of delinquent accounts, and high (re)connection fees. The profit-seeking nature of capitalist firms engaging in the provision of water is seen as undesirable and contrary to public wellbeing. In particular, profit maximisation and increasing consumption in order to generate profits of private firms are seen as ultimately detrimental to the sustainability of water resources and to be disadvantageous for the poor.

Schouten and Schwartz (2006) argue that a major obstacle to accessing funds and investing in the water sector is the failure to take into account the political nature of water. Given the multifaceted nature of water as a public good, a social good, a merit good, an economic good, and so on (Mehta 2000), it is conceivable

that multiple (conflicting) views on how to best manage water may also exist. Consequently, because improvements in the water sector figures on the political agenda of many governments, and because water is an entity over which multiple conceptions are contested, Schouten and Schwartz (2006) argue the importance of also acknowledging water as a political good. This means making politics explicit.

Urban political ecology provides a means by which to expose the nature of socio-political relations and discourses which act to influence the way in which water services operate and the urbanisation of water by focusing on the ways in which political forces mediate social and environmental change in urban areas. Swyngedouw (2004: 9) distinguishes cities as comprising 'dense networks of interwoven socio-spatial processes that are simultaneously human, material, natural, discursive, cultural, and organic'. The interconnected metabolisms which support urban life, such as water, food, telecommunications, are shown to be both environmental and social processes (ibid.). As such, the environment of the city is both natural and socially produced. The urbanisation of nature can therefore be seen as a result of historical geographical processes in which new environments and new natures are produced as an outcome of urban and environmental processes, in which some social groups are negatively affected while others benefit. Swyngedouw also draws attention to the need for a just urban socio-environmental perspective by insisting on questioning the multiple power relations which exist to reinforce uneven development (ibid.).

Kaika's (2003) analysis of the water supply shortage in Athens illustrates how water can be politicised by those in the political sphere to generate consensus and support. Kaika shows how the expectation that domestic water supply will always be there has been naturalised, as has acquiescence to clientelist political relations involved in implementing infrastructure projects. By promising development that would continue to ensure supply in the face of crisis (drought), political leaders were able to exploit households' anxieties to garner support for a proposal to construct expensive storage facilities to increase supply.

In the case of Tagbilaran, the 'privatisation debate' surrounding the legitimacy and efficacy of BWUI as the major urban water provider has been employed by political leaders in order to serve their own political agendas and does not necessarily reflect the effectiveness of BWUI or the public's perceptions regarding its performance. The operation of BWUI and TCWS and the politicisation of water in Tagbilaran are discussed in the following section.

Public and Private Water Utilities in Tagbilaran City

Tagbilaran City is the provincial capital of Bohol, Central Visayas region, the Philippines (see Figure 1). The population in 2000 was 77 700 comprising 15 585 households. The average annual population growth between 1990 and 2000 was 3.26 per cent, which was largely attributable to in-migration from municipalities within the province seeking employment and educational opportunities (City of Tagbilaran 2001). Projections place the current population at approximately 90 000.

As previously mentioned, there are two waterworks utilities operating in Tagbilaran: BWUI and TCWS. Both are governed by the rules and regulations of the National Water Resources Board (NWRB), which is the regulatory and coordinating body responsible for the management and regulation of water resources (JICA et al. 1998). NWRB is also responsible for regulating municipal waterworks systems as well as regulating water rates to be charged by waterworks operators.

Urban water for domestic use in Tagbilaran is sourced from groundwater. The city is located in a karst limestone environment in which groundwater flows via conduit and cave systems. Flow velocities are fairly rapid with short residence time. The rapid movement of water coupled with the high degree of subsurface heterogeneity of Tagbilaran geology means that storage capacity is low. Household water demand is forecast to increase while supplies are already threatened due to over-extraction. Potential for contamination is also high; saltwater intrusion has already affected water quality in parts of Tagbilaran leading to the closure of some of the water utilities pumping stations in the city, necessitating the construction of pumping facilities in a neighbouring municipality. This was done as part of a program of network rehabilitation between 1997 and 1998.

In 1997, the Provincial Government secured a five-year PHP35¹ million loan to expand and rehabilitate the PWS network, including pipelines and pumping stations supplying water to Tagbilaran. Upgrading and rehabilitation were completed in 1998 with the total cost approaching PHP80 million and enabled many city residents to have 24-hour water supply for the first time. This was reported as a significant achievement for the then Governor of Bohol, Rene Relampagos.

¹ Estimated exchange rate in current prices: US\$1 equivalent to PHP48. Prior to the 1997 Financial Crisis, US\$1 was equivalent to approximately PHP25.

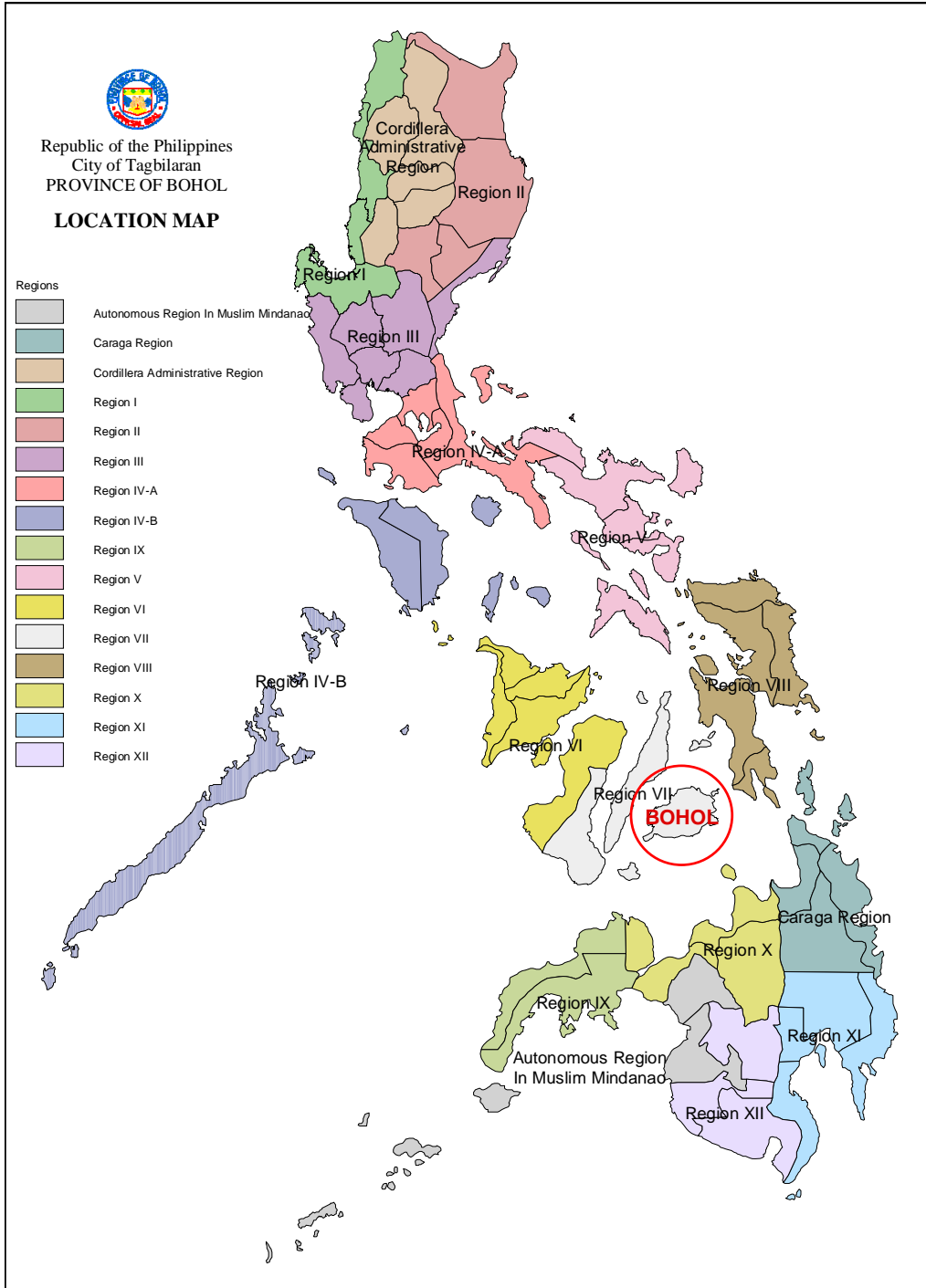


Figure 1: Location map of Bohol, the Philippines

In 2000, Governor Relampagos undertook to privatise the PWS citing an awareness of the need to anticipate future growth and demand, and the difficulty for the Provincial Government to continue to expand and invest in the network. In addition, it was felt that privatisation removed the bias for urban area allocation and utilisation of funds, enabling funds to be freed-up for disbursement elsewhere in the province since more than PHP10 million was diverted annually to fund operation and maintenance of the water services in Tagbilaran (Province of Bohol 2000). Furthermore, privatisation was seen as a means of overcoming some of the political problems encountered by local governments in running public enterprises. In particular, informants observed that it is often difficult for local government units to run public enterprises such as water utilities because of the propensity for resources to be politicised in the Philippines. Consequently, attempts to raise tariffs, address delinquent accounts and other politically unpopular decisions often have adverse political consequences for incumbent political leaders, as demonstrated by the quote below.

[People are] used to it being the government, because if they fail to pay their bill they can approach the governor and say they will vote for him if he will let them get away with not paying. The people can exert political pressure. They [politicians] are vulnerable to political pressure from down below – the people are the source of them staying in power (interview, local government representative, July 2003).

The privatisation of the water utility was actively contested by a small number of anti-privatisation campaigners within the city. The strongest and most sustained opposition came from a group of lawyers called the Tagbilaran Alliance of Concerned Taxpayers (TACT). Attorney Victor De la Serna, a former governor of Bohol, along with five other lawyers in Tagbilaran who comprise TACT, has been strongly opposed to the privatisation of PWS since the outset. Their opposition to private sector involvement stems from concerns over the private sector's ability to meet the needs of the poor:

I am against [privatisation] in poor countries. With the government, they are motivated by public service. Public pressure can be asserted through elections so can force accountability. I have no objection to private companies as long as they are well controlled and well regulated (interview, civil society representative, September 2004).

TACT publicly vocalised their position against the privatisation process in December 1999, after articles were published in Tagbilaran's local newspapers outlining the Provincial Government's intentions to commence tendering for the water joint venture (*Bohol Chronicle* 1999a, 1999b). From December 1999 to January 2000, TACT produced position papers against the proposal which were distributed to households and published in local newspapers. Also during this period, TACT spearheaded a signature campaign and claimed to have obtained over 10 000 signatures against the privatisation. TACT spearheaded a campaign encouraging individuals opposed to the privatisation of the water utility not to pay their bills as a sign of protest (*Bohol Chronicle* 2001). Advertisements to this effect were placed in the *Bohol Chronicle* and were countered by an advertising campaign from BWUI insisting that consumers continue to pay their bills or risk disconnection. As it transpired, this group of individuals were themselves delinquent consumers who,

according to a later article published in the *Bohol Chronicle*, owed thousands of pesos for outstanding accounts (Arigo 2001). Through these means, TACT expressed their concern that water rates would likely increase at the hands of a profit-motivated private company, thereby adversely affecting household consumers particularly the poor (De la Serna 2001).

Opposition to the privatisation manifested in a series of lengthy court battles regarding the legitimacy of the joint venture agreement and the motives of key people involved in negotiating the agreement. Charges of graft and corruption were filed against several key people engaged in the privatisation process including Governor Relampagos and other provincial officials (*Bohol Chronicle* 2000; De la Serna 2001). The result of these actions was that the final signing of the contract and assumption of operations by BWUI were more than four months later than originally intended. The contract was signed in August 2000 but BWUI did not commence operations until late December 2000. The political fallout for Relampagos following these actions was that it cost him his political career and was a factor in his loss to Erico Aumentado in the 2001 election.

Governor Aumentado (2001-present) has publicly expressed his opposition to the privatisation and operation of BWUI under the terms of the 2000 joint venture agreement on a number of occasions. Of greatest significance are his proposals to buy back the water utility, first raised in the lead up to the 2004 election and again in the lead up to the 2007 election (Bagaipo 2007a). Several articles appeared in the local newspapers leading up to the May 2004 election and the 'privatisation issue' once more became an election issue between Governor Aumentado and the opposition leader, (former governor) Relampagos.

The proposal to buy back the water utility re-located the privatisation of the water utility in the political arena and positioned it once more as a focus for electioneering in the lead up to the May 2004 government elections. Governor Aumentado won the May 2004 election and retained his position as Governor of Bohol; however, Rene Relampagos won more votes in Tagbilaran, which participants of my research construed as indicating that the people of Tagbilaran had forgiven him for the privatisation of the water utility because of the substantial improvements in terms of water quality, reliability and services since BWUI commenced operations. Shortly after the election, Relampagos took out a full page advertisement thanking his supporters, which pointed to his belief that his victory in Tagbilaran was vindication of his controversial decision to privatise the PWS:

I thank you, the people of Tagbilaran City for the convincing majority votes that you have given me in the last elections. It was a different Tagbilaran that saw me in the 2001 elections. Because of your change of heart, I feel vindicated that you finally saw the soundness of governance my administration did for Tagbilaran.

It was the joint venture that put me down in the 2001 elections, it is the same issue that got me up in this year's poll.

I would like to believe that it was your personal experience of the beneficial effects of the joint venture project that brought you the realization that what my political enemies

were saying against me were all lies. Let's continue to be more analytical when it comes to issues that affect our lives (*Bohol Chronicle*, 23 May 2004).

An important ally to Aumentado is Tagbilaran City Mayor Dan Lim (2004-present), who, as well as supporting Aumentado in his 2007 campaign to buyback the utility, earlier sought to implement a city order prohibiting BWUI from disconnecting delinquent consumers (Ligalig 2004). In September 2004 Mayor Lim issued an executive order² to prevent BWUI from disconnecting their consumers on the grounds of failing to pay their bills without first securing approval from City Hall. Through the order Mayor Lim sought to create an ad hoc committee to review the amount owed by residents along with their economic status and other factors deemed relevant. It was proposed that the committee could consider each case and make recommendations on disconnections. The order invokes the 1987 Constitution of the Philippines, particularly notions of "distributive justice" and "social responsibility of property ownership", as its premise upon which to take notice of complaints made by poor city residents with respect to notices of disconnection (Ligalig 2004).

Mayor Lim asserted that the executive order sought to ensure justice for the residents of Tagbilaran from BWUI, who were construed as being anti-poor (ibid.). Notably, however, Mayor Lim did not propose a similar process to vet disconnections from the TCWS network despite similar policies regarding disconnections. Indeed, when I asked him about this, he was unaware that TCWS had a policy on disconnections.

Payment of water bills by households in Tagbilaran has historically been low and delinquent consumers were recognised as a problem for the effective operation of both utilities. It was not uncommon to have clients that were many months, if not years, in arrears despite reminder notices being sent out. By late 1998, the *Bohol Chronicle* reported that the PWS had unpaid water accounts totalling PHP6 million (*Bohol Chronicle* 1998).

The impetus for improving collection efficiency came in 1998 when the Provincial Government implemented a policy of disconnection of service for water consumers who failed to pay their bills on time (ibid.). Collection rates were initially low; however, there has been a substantial improvement in collection efficiency following privatisation and the assumption of services by BWUI because of a water delinquency campaign and the effective enforcement of the policy concerning disconnections. TCWS embarked on a similar campaign to improve bill collection in 2001. The move to become stricter has seen a marked improvement in compliance

² The executive order issued by the City of Tagbilaran, 2004 is entitled "Executive Order Regulating the Exercise of the Prerogative of Public Utilities Operating in the City to Refuse or Suspend Service Due to Failure or Inability to City Residents to Pay their Bills, in Order to Give Substance and Meaning to the Doctrine of Distributive Justice and to Afford the Poorest Sectors of Tagbilaran the Privilege of Sanctuary and Temporary Refuge."

from consumers of both waterworks systems. Both BWUI and TCWS have a policy of disconnection if consumers fail to pay their accounts within 90 days, and both BWUI and TCWS charge consumers a reconnection fee.

Despite both water utilities having relatively similar policies, there is a striking difference in perception between households served by BWUI and TCWS regarding bill payment, strictness and disconnections. BWUI consumers tended to think BWUI was very strict and conflated strictness concerning bill payment with a rate increase by frequently claiming, incorrectly, that the price of water had increased since BWUI had commenced operations. On the other hand, TCWS households noted their obligation to pay their bills in a timely fashion, but did not consider this as an indication that TCWS had become stricter in recent years. Consumers of both utilities demonstrated confusion about when the utilities move to disconnect delinquent households, with many stating disconnection occurs after only one month.

The passage of the executive order in September 2004 to prevent disconnections obviously has merit, particularly since it was concerned with ensuring equity and fairness for poor households; however, specifically targeting BWUI and contributing to the broadcast of misinformation arguably detracts from the benevolence of the order and instead casts it as being simply anti-BWUI. Although the executive order was passed in late September 2004, shortly before I left the Philippines, it was never implemented and no official reason has yet been reported (email communication, Ligalig, 2 August 2005). This does not mean that the controversy and politicisation of water in Tagbilaran has subsided, as the next section will show.

Politics of Water Pricing and the Buy Back Proposal Part Two

In May 2005 BWUI submitted an application to the National Water Resources Board for a water rate increase. Based on information reported in the *Bohol Chronicle*, there was considerable public and political discontent over BWUI's application for a rate increase, particularly since there was the widely held belief that BWUI was subject to a five-year moratorium on price increases and the application fell within five years. However, according to the joint venture agreement contract BWUI was free to apply for a rate increase after only two years. Nevertheless, the supposed breach of the contract conditions was reported on numerous occasions in the local newspapers and formed the basis of public protest by groups such as TACT.

Much of the controversy centres on how much water rates will rise, with substantial coverage given by the local newspapers on the matter. The tariff structure for BWUI is an increasing block tariff, with the minimum rate for BWUI set at PHP65.00 for consumption between 0–10 m³ and increasing commensurate with quantity. Under the proposed new rates, the minimum is set at PHP80, with increases applying to each block. Table 1 provides a comparison of the pricing structure, current and proposed, for BWUI.

Table 1: Bohol Water Utilities Inc. tariffs.

Consumption Block (m ³)	Price (PHP per m ³)	Proposed new price (PHP per m ³)
0-10	65.00 (min rate)	80.00 (min rate)
11-20	7.60	10.75
21-30	8.78	13.75
31+	17.87	30.50

The figures demonstrate that there will be a substantial price increase for those households consuming more than 30 m³. This represents an increase of over 70 per cent of the original rate and was seized upon by anti-BWUI factions as indicating BWUI's profit-driven nature and anti-poor intentions. While poor households will be affected by price increases — between 17 per cent and 25 per cent for all other price blocks — findings from field surveys placed the average household consumption per month at 26 m³ (Fisher 2006), which conforms to results of surveys conducted in Metro Cebu in which the average household consumption was estimated as being 27 m³ (Largo et al. 1998). In both cases, there was also evidence to suggest that average water consumption increased with income levels, with poorer households consuming less than 30 m³. This suggests, therefore, that claiming BWUI is anti-poor by focusing on the rate increase for consumption above 30 m³ is misleading since the poor presently consume less than this amount. What's more, public anxieties concerning price increases have been fuelled by misinformation to such an extent that many households feel prices have already increased.

Hearings concerning the water rate increase were held in Manila between July and October 2005. The fact the hearings were held in Manila was reported as being displeasing for many city and provincial government officers. The suggestion was made by one city councillor that the public hearings should be held in Tagbilaran rather than Manila in order to enable public participation. In response to this, however, a representative from the NWRB was reported as saying that they were unable to hold hearings outside of Manila because of budgetary constraints.

This comment reiterates studies which have identified systemic and internal problems with the NWRB including a small number of staff, limited financial resources, and it is centrally located in Manila leading to a non-existent regional presence. The NWRB has been criticised as having a weak institutional environment and for poor dissemination of information about procedures and requirements concerning water rights, permits, the role of NWRB and so forth. For instance, I would suggest that there is a fairly low level of awareness that NWRB is responsible for approving the water tariffs that waterworks utilities may charge. Instead, it would be more commonly believed that these rates are set by local government units themselves. In addition, although conducting hearings in Manila is not ideal

and can be construed as being disadvantageous for local residents in Tagbilaran, NWRB does not yet have in place a policy for holding hearings in regional offices to extend its reach into the provinces, nor the capacity to do so. For these and other reasons, the NWRB is generally regarded as having been unable to fulfil its entire mandate and as having concentrated its efforts mainly on the approval of water rights primarily around Manila (Navarro 2003; Sy 2003; World Bank 2003).

Shortly after BWUI lodged its application to increase water rates with NWRB, a proposal for the Provincial Government to buy back the utility was put forward again by Governor Aumentado. In addition, both the Provincial and City Governments formally lodged their opposition to BWUI's application for a water rate increase. At the same time, BWUI was involved in a case being tried through the Regional Trial Court regarding a Provincial Government ordinance in 1996, pre-divestiture, that had increased water rates and which was found to be illegal. The claim was that the water rate should be rolled back to 1997 rates and consumers should receive a refund for the water consumed since then (between 1997 and 2002) (Sanchez 2004). This case was originally brought forward by Dan Lim before he became the mayor of Tagbilaran.

The courts originally found that BWUI should refund consumers; however, after a series of appeals and counter-appeals the matter was finally resolved in January 2006 (Ligalig 2006). BWUI was absolved of the responsibility for refunding consumers because the dispute was over the legitimacy of the Provincial Ordinance in setting the water rates charged by PWS whereas BWUI's rates were determined and approved by NWRB as part of the joint venture agreement process. This long court process occupied considerable attention in the newspapers and deflected attention away from BWUI's application for a short time at least.

The NWRB eventually approved BWUI's application for an increase of its water rates in September 2006, to be implemented in November that year. However, before BWUI could implement the new water rates, the City and Provincial Governments both filed cases to the courts seeking injunctions and questioning the legitimacy of the increase (Bagaipo 2007b). As of April 2007 these cases were still pending; therefore, the new rates had not been implemented.

Since September 2006, there have been more calls from De la Serna, Aumentado and Lim, among others, to buy back the water utility, dividing the asset between the city and provincial governments. The bases for their proposal are that the government should be responsible for providing public services such as water; to ensure public welfare and well-being since BWUI is a profit-motivated private company and thereby protect the public good qualities of water; and that, in time, the water utility will be able to generate funds for other public services such as healthcare.

In December 2006, Salcon responded by requesting the Provincial Government to provide a plan outlining how they would buy back its 70 per cent equity. A former Capitol official was reported in the *Bohol Chronicle* as saying that Salcon was considering selling its shares because of the seemingly hostile treatment of

provincial government officials every time local elections were about to be held, with a revival of the buy-back issue (Bagaipo 2007c).

In February 2007, Mayor Lim organised a public rally which was attended by approximately 500 people to protest the presence of BWUI and made a speech reasserting his claim that the city and provincial governments are adamant about reacquiring the water utility. In his speech he was also reported as having threatened that if Salcon refused to leave within the year, he would find legal remedies to shut down the utility (Bagaipo 2007b).

While Tagbilaran-based informants and articles in the *Bohol Chronicle* provide insight into the public dimension of the BWUI situation, ascertaining the perceptions of local residents is difficult to accomplish from Canberra. However, on 1 April 2007, the *Bohol Chronicle* published findings from a survey conducted in Tagbilaran by the University of Bohol Research Center in March 2007 which indicated that 39 per cent of respondents favoured the idea of the Provincial Government buying back the water utility while 36 per cent were undecided (*Bohol Chronicle* 2007). In the same survey, 41 per cent of respondents indicated they were satisfied with present services.

In 2004, I surveyed households in Tagbilaran shortly after the election and asked respondents to comment on whether they felt the Provincial Government should buy back the water utility — bearing in mind that this was relatively fresh in people's minds since Aumentado had first proposed this idea just before the election. The findings of my survey were that 41 per cent felt the government should buy back the utility and 34 per cent were undecided. Further inquiries into why people held these positions provided interesting insights (Table 2 compares findings from the two studies).

Table 2: Public opinion over the buy back proposal, 2004 and 2007.

Survey	In Favour	Opposed	Undecided
University of Bohol 2007	39	25	36
Fisher 2004	41	25	34

Source: *Bohol Chronicle* (2007) and Fisher (2006).

Improvements and changes in the operation of BWUI influenced opinions concerning the government's proposal to buy back the utility: those who felt water services and quality were better before were more inclined to think the government should buy the water utility back, while those who felt water services and quality had improved under BWUI disagreed with the proposal. Many respondents felt the government should be responsible for providing basic services such as water because of the public good aspect of urban water service. More than half of those who felt the government should buy back the water utility felt this would be for the common good of the people, which echoes the statements made by De la Serna and others. It was generally felt that the government would be more accountable to

residents and there would be greater opportunity for public involvement in decision-making if the water company was publicly owned. There were also fears concerning the lack of accountability to the public by BWUI because they were seen as being a profit-motivate company. In reality, however, the Provincial Government had struggled to cover the cost of operation and maintenance and to collect water rates from households when they had owned the water utility.

For others, it was felt that if the government were to buy back the water utility, they wouldn't necessarily have to pay their water bills anymore or they could pay them late. Although only a relatively small proportion of respondents made statements such as these — approximately 10 per cent — such responses recall pre-privatisation behaviour when the majority of consumers either paid their bills late or not at all. Such comments, I would argue, point to the risk of free-riding by some individuals based on previous consumer behaviour and also because it is difficult for governments to implement unpopular policies since they may be voted out in the next election. Although people were unhappy about BWUI's strictness, there was a sense that such strictness was tolerable because of improved services, quality, and operation, and also because the policy was implemented across the board whereas the government was seen as being prone to favouritism and corruption.

Recent comments from Tagbilaran-based informants about the buy back issue suggest that much of the controversy is being fuelled by politicians and the media as an 'election issue' while residents are largely unconcerned by it. However, an important difference between the 2007 proposal and the 2004 one is that the looming threat of water rate increases may make it easier for people to be mobilised against BWUI than was the case in 2004. Whether the new water rates will be implemented remains uncertain. Similarly, whether the provincial and city governments are able to present an offer to Salcon that it finds acceptable, and then find the funding to buy back the utility is also uncertain.

Conclusions

Privatisation in Tagbilaran amplified the politics of water resources and urban supply and highlighted the contestability of water through debates over its properties as a public good or a (private) commodity. The privatisation of the waterworks became an election issue during the 2001 election in which the politicisation of the privatisation process was largely demarcated along party lines. This positioned Relampagos and his supporters as being for the privatisation of PWS and his political opponent, Aumentado, against the privatisation. Within this climate details concerning the privatisation of the water utility became lost in rhetoric which served to obfuscate the complexities associated with urban water provision by instead deflecting attention towards the pro versus anti-privatisation debate. BWUI was portrayed as profit-seeking and indifferent to the city's poor by insisting upon regular payment of water bills and implementing a strict policy concerning disconnection, while the Relampagos administration was demonised for failing to live up to its part of the social contract to ensure citizen wellbeing by selling a public good.

The 'privatisation issue' emerged in the lead up to the 2004 election, and again in the lead up to the 2007 election. In the politicisation of Tagbilaran's urban water supply those opposed to private sector participation constructed residents of Tagbilaran as helpless and passive in the face of privatisation and as needing to be safeguarded by the government to ensure their well-being; hence, the proposal to buy back the utility. The media has also played a role in politicising water supply in the way that it has been a conduit for wrong information and erroneous claims to be brought into the public arena.

The politicisation of water and BWUI intensified in the early months of 2007 but, perhaps surprisingly, died down in the weeks leading up to and immediately after the election. The results of the May 2007 elections saw Lim retain his office as Mayor of Tagbilaran and Aumentado retain his office as Governor of Bohol. For the moment at least plans to buy back the water utility appear to have been shelved although it is likely that the eventual, and inevitable, implementation of the new water tariffs will precipitate yet another proposal to buy back the water utility. Based on the previous efforts of Lim, Aumentado and De la Serna, it seems unlikely they will give up their efforts against BWUI. If the provincial government, either in partnership with the city government or separately, does find the means to buy back the water utility, it will need to perform markedly better than it did in the past to ensure the sustainable and equitable provision of water into the future, and be prepared to adopt strategies to overcome the potential for free-riding.

As well as being a study in private sector participation, and perhaps more importantly, the case in Tagbilaran highlights the institutional deficiencies in Philippines and the inadequacy of the regulatory system governing water. In this regard, it is less important to fixate on private versus public provision since both are capable of providing poor services which are unequitable and unsustainable in the absence of adequate regulation and institutions. In this paper I have focused only on urban water supply: the deficiencies of the Philippine water policy environment are even more apparent when one considers matters of water resource management.

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