

WATER UTILITY ASSET MANAGEMENT IN EUROPE

EWA calls for improved transparency, and adequate tariff systems and financial cost structures of water services with an expressed focus on the real costs related to the reconstruction, renewal, and modernisation of the ageing water infrastructure.

The European Water Association (EWA) working group on Water Economics is dealing with essential questions of ageing water infrastructure, cost effectiveness and cost recovery of related services. Considering the recent developments and discussions on the level of the European Commission Directorate-General Environment CIS ad hoc Task-Group on economics in water EWA carried out an EU wide research with the topic of “Water Utility Asset Management Review 2020”. This research was initiated by Károly Kovács, former EWA president, head of EWA working group on Water Economics and president of the Hungarian Water Association (HWA).

The results of the survey were presented and discussed in a webinar organised in May 2020 with the title of Water Utility Asset Management in Europe. With the presence of almost a 100 experts from more than 20 countries, an intensive and interesting consultation and discourse has emerged on sustainable water management and further inquiries were also formulated. Mr Károly Kovács in his keynote speech highlighted the facts that water has the most basic and longest life cycle, yet it is the most expensive and the less bankable product. He expressed that goals of the EWA working group on Water Economics include not only sustaining the water infrastructure but to develop and share economic and managerial know-how and methodical support in order to ensure the continued service for society. The webinar was organised regarding these aims.

Mr Kovács introduced the findings of the EU level survey with answers from 16 countries yielded several intriguing results. In 83% of European countries the water utility infrastructure and in 63% of European countries the water utility companies are in public ownership (owned by the state or the municipality), whereas the rest is in “mixed” ownership. The water utility asset in a majority of cases (56%) is separated from the providers (operators) and belongs directly to the state or the local municipality. Not counting a small number of “mixed” ownership cases in 38% of European countries the basic infrastructure is owned by water utility companies. The weight of this issue is further emphasized in the response gained through the consultation (see below).

The survey showed that in participating countries the depreciation of assets is regrettably based solely on the equipment’s value at purchase (in many cases eroded by several decades of inflation) and disregards the replacement value to a vast extent – calculated at 6%.

The results show that in the past decade 33% of countries did not correct or follow up on the change of value in their equipment whatsoever. In the same period 77% of countries have neglected to counterbalance inflation and to re-evaluate their equipment. About half of all

respondents reported that the service costs do not include the value of equipment and the decrease in this value at all or only do so insignificantly (less than 20%).

However, a fifth of all respondents reported the range of replacement costs within the tariffs of over 50%. Due to this the network reconstruction rate (km/km) is lower than the replacement value within 100 years in every country, and this rate goes up to 200 years in a third of the countries. About 20% of all countries could not supply this data due to a lack of official information. In half of the countries the expected renewal cycle is 100-200 years.

The survey clearly indicated that the average rate of fixed (not volumetric) costs within the total tariffication does not reach the 30% in the 90% of the countries. Even though it is statistically confirmed, that proportion of fixed costs (regardless of consumption) exceeds 80%.

The pipeline-network reconstruction costs are only covered by the income derived from the service providers in 14% of the countries, whereas in more than half of the cases the service fees cover less than half of the renovation costs.

Thus, it is not surprising that expert answers regarding the polluter pays and full cost recovery questions say that they are below 50% in the quarter of the countries. If we consider half of the countries, the cost recovery rate is only between 50-90%.

Following the disclosure of the results, the participants were invited to take part in a vote. Five, asset management and social engagement related questions were published. The participants were given the opportunity to state their opinion not only in writing (voting) but also orally.

The majority of international participants questioned by the European Water Association (EWA) (55%) are convinced that it is not realistic to expect private capital to replace public investment in the capital-intensive water utility infrastructure developments.

Water utility form of ownership is considered decisively (71%) to be more cost-effective in an asset management point of view, and 85% of the participants thought that a common EU guide on cost recovery calculation would improve transparency and comparability of data within and between member states. While 85% agreed that a transparent reporting on the cost recovery (including capital cost) would improve the willingness of the citizens to pay.

Knowing the real replacement value of assets (compared to the book value) was internationally supposed to be more important and crucial (84%), this highlights more clearly the significance real replacement value in an asset management point of view.

In the view of the results, EWA initiates to improve the efficiency of water utility asset management moreover the professional and social dialogue addressing the value of water and the related services.

The EWA research benefited greatly from the active participation of international experts, which motivated the Hungarian Water Association (HWA) to summarize the results of the consultation in a similar event. HWA is a non-profit federation that has been providing active community for water professionals, opinion leaders, decision makers, water companies and individuals for more than twenty years. HWA's main aim is to provide qualified yet independent professional services and assistance to experts in the field of urban water management and to the domestic water sector.

The Hungary-based conference provided a platform for local stakeholders to share and discuss the "Water Utility Asset Infrastructure as the invisible pillar of our health – European overview, Hungarian status-report". The Association focused especially on the asset management of the Hungarian water providers. The apparent interest in the event further highlighted the urgency and importance of these issues: more than 30 experts assembled for Hungarian webinar, including the representation of the Ministry for Innovation and Technology, the Hungarian Energy and Public Utility Regulatory Authority, the Hungarian Water Utility Association and other organizations.

During the Hungarian forum, a special aspect of the integrated asset management was also discussed, an aspect that goes far beyond cost-effectiveness. It is the solidarity that is essential in terms of the different asset management and tariff systems between smaller and larger settlements. In the current, multi-divided and fragmented ownership structure there are extreme differences in the tariffs and the replacement costs (per consumer), making solidarity is unviable.

Presentation of EWA Webinar is available [HERE](#).