

Improving the financial power of municipal water facilities – experiences from Eastern Germany

Dr. Jürgen Wummel
Managing Director
Sachsen Wasser GmbH

Phone: +49 – 341 – 969 32 65
Fax: +49 – 341 – 969 33 66
info@sachsenwasser.com
www.sachsenwasser.com



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- Situation before 1990
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Situation before 1990 ...

- State-owned enterprise (VEB)
- overstaffed (1200 staff)
- Water Consumption approx 200 l/c*d
- Water prices heavily subsidised until 31 December 1990 :
- Private households:
 - 0.27 GDR Mark/m³ (approx. 0.02 €) drinking water
 - no charge for wastewater
- Budget enterprises and industry:
 - 1.15 GDR Mark/m³ of drinking water
 - 0.80 GDR Mark /m³ of wastewater
- These prices did not even cover half of the operating costs.
- Hardly any capital investments
- Non-revenue water in excess of 30%

The first years ...

1990 German reunification

Abolishment of "VEB Wasserversorgung und Abwasserbehandlung Leipzig" (state-owned enterprise), formerly serving the whole regional district of Leipzig

Creation of WAB Leipzig GmbH as a limited liability company for water supply and sanitation

Owner: German privatisation agency (Treuhand)

1991-1993

Shares in WAB Leipzig GmbH proportionally transferred to the newly established individual municipalities (City of Leipzig and all surrounding municipalities)

about 30 municipalities around Leipzig formed a Formation of Functional Association of Municipalities for Water and Wastewater (ZVWALL)

Creation of KWL (1)

1994 2 Concession Contracts

between Utility and

- City of Leipzig, for Leipzig urban area
- ZVWALL, for surrounding areas

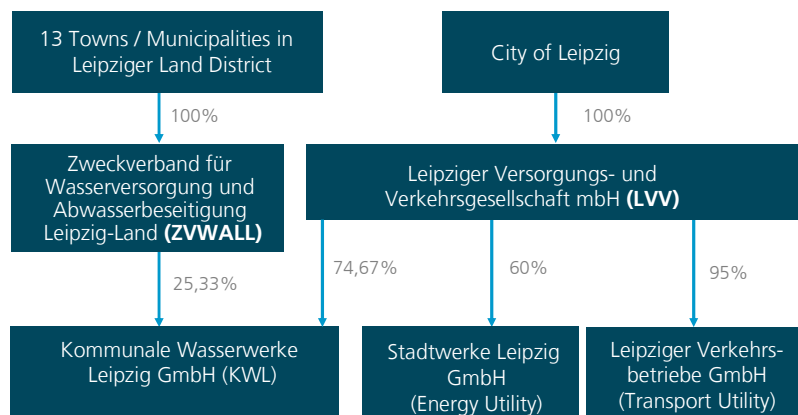
Tasks: - O&M Water and Wastewater
- Billing & collection
- Pricing
- Capital investments
- Assets belong to utility

New incorporation of the utility as

“Kommunale Wasserwerke Leipzig GmbH”

Creation of KWL (2)

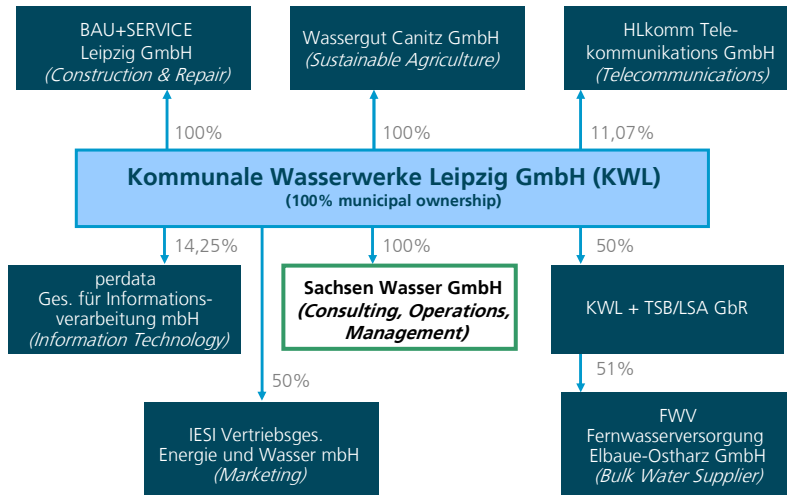
Here: Ownership situation



Status: July 2003

Creation of KWL (3)

Here: Structure of KWL Group



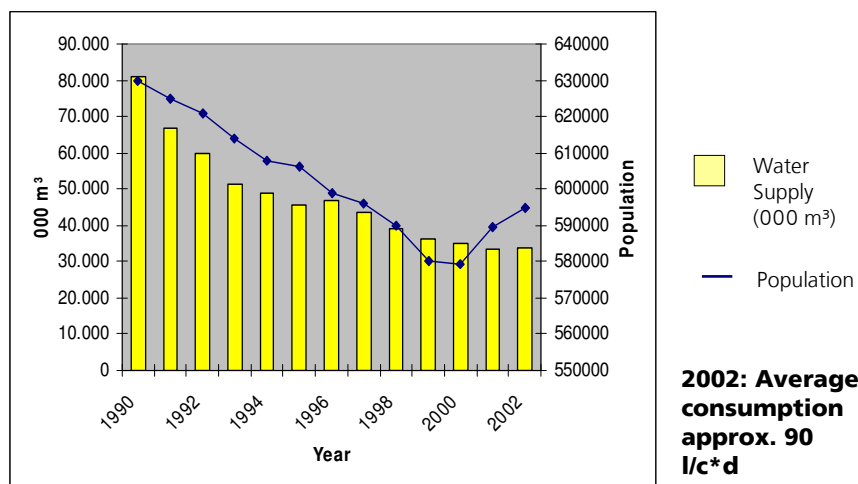
Status: July 2005

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Water Supply Development (1)

Here: consumption

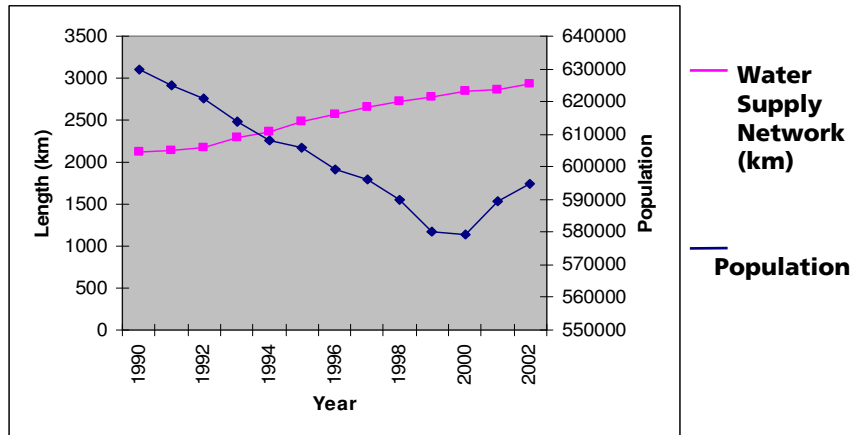


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Water Supply Development (2)

Here: Development of water distribution network

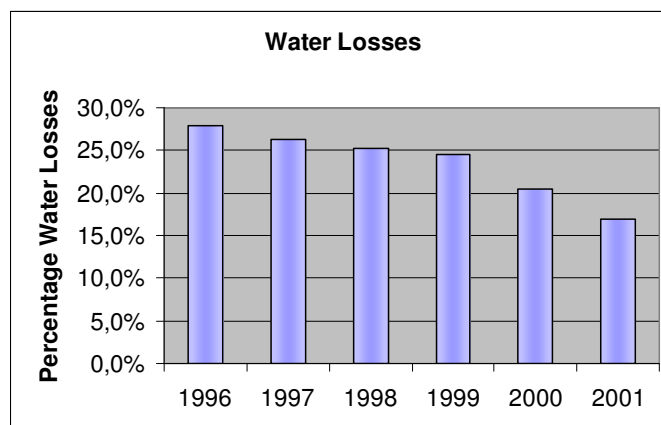


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Water Supply Development (3)

Here: Development of Non-Revenue Water

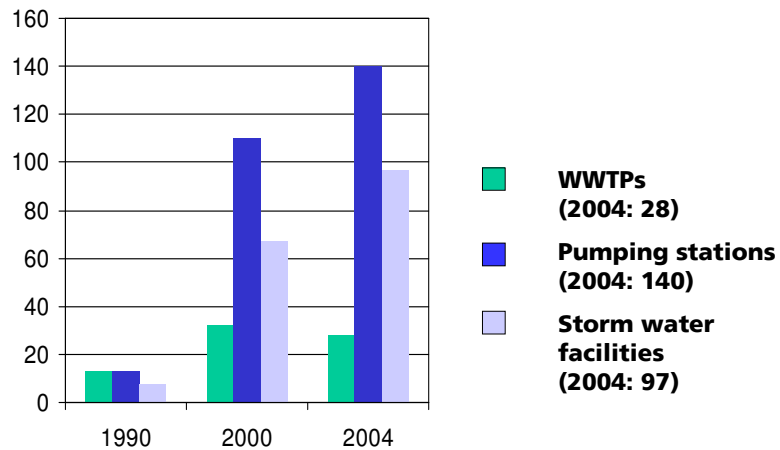


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WW Treatment Development

Here: Wastewater Treatment Facilities of KWL



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Investments

Here: challenges

	Mio EUR	Mio EUR
Since 1994	819	
For wastewater		234
Drinking water		533
Further more		52
In 2004	67	
• Constructions		44
• Material etc.		23
Within the region of Leipzig		53 (=80%)

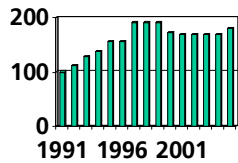


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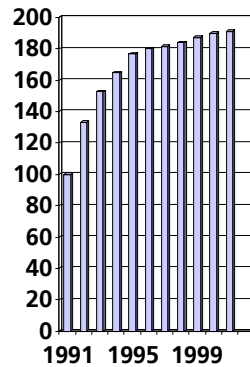
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Commercial Performance (1)

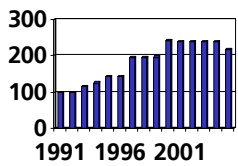
Here: Tariffs and Income



TW
1.46 €/cbm



Income



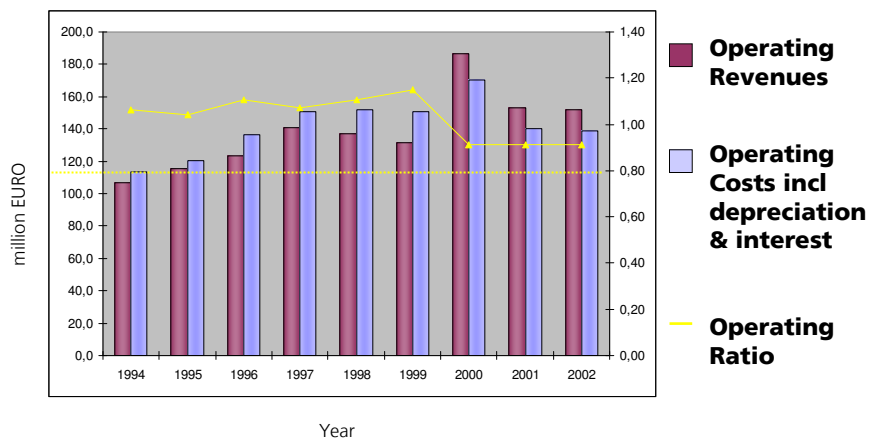
AW
1.81 €/cbm

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Commercial Performance (2)

Here: Revenues & Costs KWL 1994 - 2002

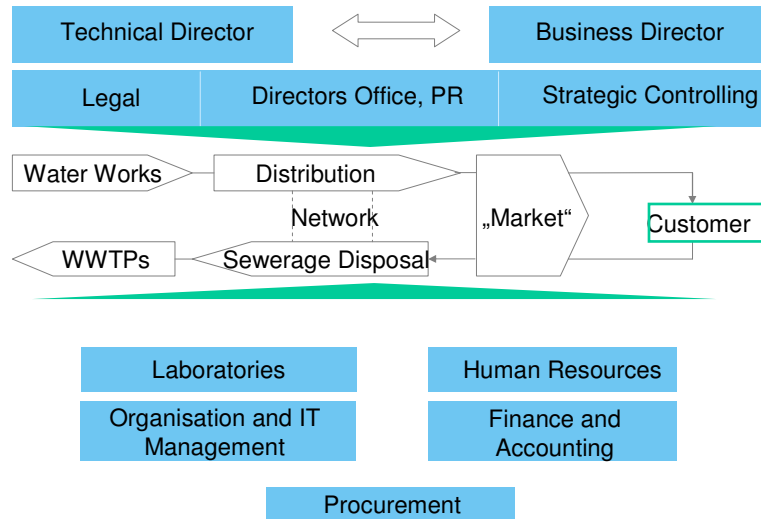


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Institutional Development (1)

Here: Organisational structure KWL

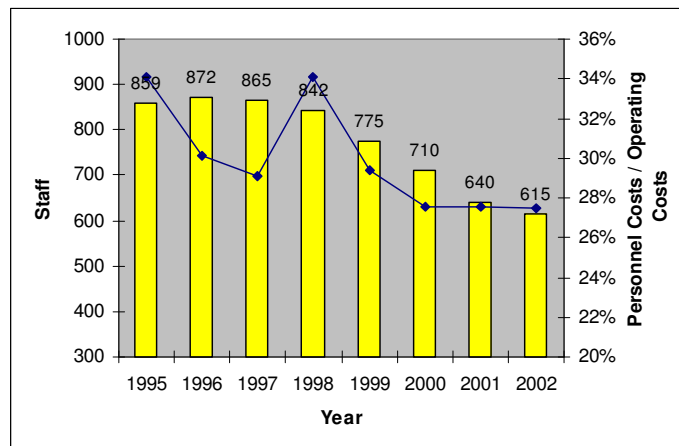


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Institutional Development (2)

Here: Staff Development (incl trainees)



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Conclusions (1)

Here: Causes of Efficiency Increases at KWL Group

- Introduction of a process-based organisational structure
- Concentration on core activities; outsourcing of „marginal“ know how into specialised subsidiaries
- Optimisation of computerised support and management information systems (SAP/GIS/ISU)
- Introduction of cost/profit center approach
- Benchmarking

Conclusions (2)

Here: Lessons learnt from transformation process

- The performance of a water utility does not depend on the ownership, but on its management.
- Public utilities are at least as competitive as privately owned utilities.
- Public utilities have a stronger commitment to the region and will be more likely to generate surplus value and jobs locally.
- The Leipzig transformation model is not transferable 1:1 to other locations in Eastern Europe and Central Asia, but offers a good approach.
- Tariff increases need to go hand-in-hand with service improvements. A step-by-step approach is crucial.
- “Public-Public-Partnerships” stand every chance of performing as well as “Public-Private-Partnerships”.

Contact

Sachsen Wasser GmbH

Dr. Jürgen Wummel
Managing Director



04103 Leipzig
Germany

Postal Address:
P.O. Box 100 353
04003 Leipzig

Phone +49 - 341 - 969 3265
Fax +49 - 341 - 969 3366
info@sachsenwasser.com
www.sachsenwasser.com

Parent Company:
Kommunale Wasserwerke
Leipzig GmbH
Turnover (2003): 137 mill. €
Employees (2003): 566

Sachsen Wasser GmbH:
Founded: in 2000
Turnover (2004): 2.6 mill. €
Employees (2004): 22



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