

Pressrelease

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Critical success factors for Water Utilities as the Driving Force in the Water and Sanitation sector

Berlin, 25. November 2009

Barcelona / Berlin – Water Utilities are the driving force in the water and sanitation sector. Their successful operation depends very on how the management is able to integrate environmental, social and governance issues in general and climate change issues in particular, in its products and services. At the first European Water Utility Conference 2009 in Barcelona, Berlinwasser International AG CEO Dieter Ernst took the floor. In his opening keynote he concentrated on climate, stakeholder, finance and assets as the main aspects of critical performance challenges for water utilities. “The most important challenge for the water business today is climate change. Utilities are carrying the responsibility to develop sustainable solutions in terms of energy efficiency, reducing greenhouse gas emissions and securing a safe supply of water and sanitation.”

Observational records and climate projections provide abundant evidence that freshwater resources are vulnerable and have the potential to be strongly impacted by climate change, with wide-ranging consequences for human societies and ecosystems. “The credit crisis shows our imperfection to deal with systemic issues. The plummet collapse was hopefully loud enough to knock corporations, policy makers, investors, consumers alike up to take climate change as a major systemic risk more seriously”, resumed Dieter Ernst.

The conference offered an excellent opportunity to foster open and informed discussions on a European level. The congress contributed to the promotion of best practice, the development of referential standards to compare service providers across Europe. Talking about expertise Dieter Ernst focused on professionalism, organizational skills, and service policies. “Berlin as the German capital has gained reputation not only for its excellent infrastructure but also for a place of innovation, creativity and new ideas. As Germany’s leading service provider with a focus on management and operation of drinking water supply and wastewater disposal systems Berlinwasser International contributes to local adapted solutions on the international water market.”

Private sector participation

The Berlin utility structure is an example of private sector participation (PSP) at its best, linking the basic public responsibility for delivering water to its citizens with private sector knowledge how to efficiently run business. The impending water crisis in many areas in the world directs governments towards to tap the resources of the private sector. A favourable business environment and regulatory environment which facilitate increased private sector participation are crucial. "Governments have been under continuous pressure to consider alternative ways of infrastructure provision" said Dieter Ernst. The past few years, therefore, have witnessed an upsurge in the commercialization of public services provision through building partnerships with the private sector. In general, the rationale behind involving the private sector is to avoid the potential political pitfalls of full privatization, utilize new technology and expertise, share risks and gain access to increased capital to improve operating efficiency, and, ultimately, make the sector more responsive to consumer needs. Progressively, government, private sector and civil society organization roles have become more clearly defined and public-private partnership schemes have become more popular. Investment in clean water infrastructure creates significant economic benefits right away.

Asset management and risk mitigation

To improve operational efficiencies and to optimise the use of people and equipment capital the water sector should adopt asset management as a contemporary management tool. "Excelling at asset management, lays the foundations for business performance. Increased pressure from regulators and customers, compounded by the impact of the credit crunch require businesses to demonstrate effective risk based approaches to the management of assets. The real challenge for utilities lies in securing risk based asset management in the entire organization, from strategy to operations. For this objective Dieter Ernst fostered the idea to share experiences made in other industries whilst implementing a comprehensive asset management in water utilities. This involves the systematic collection of key data and the application of analytical tools such as life-cycle cost analysis and risk assessment to make sound decisions about capital assets. Decision makers do better identify and manage needed investments in their organization's infrastructure. Utilities in developing economies face formidable challenges in achieving long-term sustainability. In part, this is because of utilities' widespread failure to recover the full costs of service, but also because external financing sources are often unpredictable and unreliable. For many utilities that are starting from low coverage rates, the inability to secure expansion financing poses a severe sustainability burden as their need to continuously invest in order to achieve full coverage is often derailed.

Stakeholder Management

The management of water services is characterized by the large number of stakeholders involved. Clarifying stakeholders' roles and relationships is therefore a key to a better understanding of a management model and a basis for analyzing its strengths and weaknesses. Dieter Ernst: "It is time for a change. The challenge for utilities is to develop sustainable solutions in any way for our clients."