Public Private Partnerships and Lessons from Tiruppur Water Supply and Sewerage Project

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Abstract

This paper is based on an study of the Tiruppur Water Supply and Sewerage Project. The paper tries to understand PPPs and draw lessons about the claimed benefits and effectiveness of PPP projects in water sector for providing services to the broad spectrum of users in the society within the context of the Tiruppur Project. The paper looks at the structure that the Tiruppur Project is operating under to study the cost and risk sharing arrangements between private and public sectors in Tiruppur Project. The preliminary conclusions of the study show that the project has not been able to improve the access and affordability of water for the poor, which was claimed as one of the important benefits. The paper also raises questions about the perceived difference between Private Sector Participation (PSP) projects and PPP projects. The paper also draws lessons about the concerns with PPP model at the structural level in water sector in achieving the objectives of supplying water to meet domestic needs of the poor and marginalized sections.

The Context –

Since the last few years there have been constant discussions in the country about how infrastructure bottlenecks are likely to be the major hurdles in achieving 8% plus Gross Domestic Product (GDP) growth rates and how to increase investment to overcome these. "Planning Commission has estimated that the total investment in infrastructure has to increase from 4.5% to around 7.5% of the GDP in the Eleventh Five Year Plan. During the Eleventh Five Year Plan (2007-2012), projected investments of over US$ 320 billion at 2005-06 prices are envisaged in the infrastructure sector" (Government of India, 2007b).

Another Government of India (GoI) report notes, "The increases in investment called for by the 11th Plan Approach Paper foresee a major role for the private sector. If investment is to increase to 7-8% of GDP, the amount contributed from the private sector has to rise from the average of 1% of GDP to the range of 2% of GDP or more" (Government of India, 2007a).

Water Supply and Sanitation (WSS) is one the crucial sectors which needs infrastructure. With several Public Private Partnerships (PPPs) in pipeline in water sector, it is crucial to understand the efficacy and utility of the PPPs in achieving the objective of supplying water to meet domestic needs of the poor and economically weaker sections.

Experiences and evidences over the years have lead to the realization that Private Sector Participation (PSP) model to increase investment in water infrastructure is not going to sustain due to the problems that the privatised projects faced in several places. This was when the concept of PPPs began to take hold as the private sector was not able to deliver either the promised services or finances. As McIntosh emphasizes that, "The record shows that private sector efforts to help the poor connect to pipe water are to some extent 'showcased'….", and "some reluctance on the part of the private sector to take much responsibility for the solutions" (McIntosh, 2003).

However, the experiences from the countries where PPPs have been executed show that everything has not been alright. In fact, there is a question whether PSP and PPP are really fundamentally different.

India's first PPP project, Tiruppur Water Supply and Sewerage Project (TWSSP) operated by New Tiruppur Area Development Corporation Limited (NTADCL) is in operation for almost three years. It supplies 185 million litres per day (mld) industrial and domestic water to industries in Tiruppur and households in Tiruppur Municipality (TM) and Village Panchayats (VPs). The Rs. 1023 crore project is being executed by New Tiruppur Area Development Corporation Limited (NTADCL), a consortium of companies and supported by the Government of Tamilnadu (GoTN). *Appendix I* gives the basic information about TWSSP. Digging beneath the superficial level one finds that there are issues and concerns. There are concerns regarding water supply to VPs and slums. One of the serious problems that the project faces is of transparency and accountability. In fact, accessing even basic information and data about the project proves very difficult.

PSP / PPP Debate – What is the Difference?

PPP – Is it Partnership in true sense?

The GoI defines a Public Private Partnership (PPP) Project as *"a project based on a contract or concession agreement, between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges"* (Government of India, Undated).

By this definition and even operationally, PPPs do not follow the basic concepts of partnership which largely means similarity of goals, sharing of profits, losses and risks and a shared commitment for each other. PPPs therefore can be questioned on the concept of partnership itself.

The Indian Partnership Act 1932 defines Partnership as "*the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all*" (Indian Partnership Act, 1932).

Therefore, the first question that arises is, are PPPs real partnerships in either letter or spirit as they do not conform even to the basic concepts of partnerships?

Is there a Difference?

Significantly, it is necessary to distinguish between PSP and PPP to understand whether PPP is a fresh and a different concept or is it that both PSP and PPPs are identical. The reason, the success of the PSP model came under the microscope with projects failing around the world. Therefore, a different concept that could be presented as operationally competent and pro-people was needed. Hence, there emerged a new concept for private participation in municipal services – PPP.

In the above context it is noted that, "As privatisation became politically controversial, even in the UK, new terms were introduced. 'Public-private partnership', abbreviated as PPP, was created to present the same forms of involvement of the private sector as more a collaborative, technical exercise rather than an aggressive transformation of relations. A similar term, 'private sector participation' (PSP) has also been widely used, especially by the World Bank and others in the context of developing countries. In both cases, the term is not a legal or technically exact phrase, but rather a replacement for the old general Thatcherite use of the word 'privatisation'. The vast majority of PPPs, for example, are not partnerships in any legal sense, but simply contractual relationships" (Hall, 2003).

Also contrary to the definitions given by the PPP promoting agencies, academics and studies have defined that, "the term 'public-private partnership' is nothing more than an expression used to avoid the terms 'contracting out' or 'privatization' in favor of speaking about partnerships. That may be a part of a general trend within public management of needing to renew the buzzwords from time to time, or perhaps it reflects the practice of advancing the same policy but under a different and more catchy name"

(Hodge, 2007). PPP therefore seems to be a euphemism to describe privatisation of public sector services to create a positive image and consent among the larger community. Documents of several implementing agencies confirm this lack of differentiation between PSP and PPP in practice.

An ADB report says, "This approach of developing and operating public utilities and infrastructure by the private sector under terms and conditions agreeable to both the government and the private sector is called PPP or P3 or private sector participation (PSP)" (Asian Development Bank, 2006).

The Report of the Working Group on Water Resources states that, "The National Water Policy of 2002 (NWP) recommends private sector participation i.e. Public–Private–Partnership" (Government of India, 2006).

These terms have also been used interchangeably. Some of the older projects that had earlier been categorized under PSP are now appearing under PPP initiative. For example, Dewas Industrial Water Supply Project in Dewas, Madhya Pradesh for which planning began in 1996 was not a PPP project but now the project appears under the PPP project list in a World Bank report (World Bank, 2006). Same is the case with the Vishakhapatanam Industrial Water Supply Scheme in Vizhag, Andhra Pradesh and the Hubli-Dharwad Domestic Water Supply Pilot project in Karnataka. Similar trends can also be seen in the international projects.

Major Issues – Is Everything Alright with PPPs?

As the number of PPPs increases, it thus becomes important to evaluate the issues and the arguments and carefully scrutinize them. E.g. the arguments for are, PPPs are – cheaper than the traditional public procurement contracts, free up public resources to be spent on policy priorities, provide better efficiency than public utilities because of private corporations, deliver projects on–budget and on–time, allow for risk transfer to private sector which can better handle the risks, and arguments against PPPs are – of social equity, mandatory payment of user charges for services, transparency, accountability, public consent and flexibility in public policy, these need close examination. Here we look at four of the above issues in details.

PPPs are Cheaper

A strong argument in favour of PPPs is that projects implemented as PPPs provide a cheaper option and allow the governments to save funds. But in real money terms this may not be the case for PPP projects. Albeit, it may be the case that PPPs are more expensive than traditional public contracts. Explained as following reasons - (i) profit margins are required to attract the private sector partners; (ii) the cumbersome procurement process involved with larger P3 contracts is more expensive than direct government procurement would be; and (iii) the cost of capital (borrowing) is higher for the private sector. The rate of return from the project, to attract the private investors is more than those that are applicable for the public operators (Murray, 2006).

The private companies work to generate profits from their operations. Social obligations and welfare are not part of their scheme. Any private company that would work on a project would have profits included in the total cost of the project. E.g. the base project return from TWSSP is estimated at 20% per annum by the project company (Vyas, 2005).

PPPs have long and time-consuming procurement processes, which makes such projects costly. According to the Treasury in the UK, "A PFI transaction is one of the most complex commercial and financial arrangements which a procurer is likely to face. It involves negotiations with a range of commercial practitioners and financial institutions, all of whom are likely to have their own legal and financial advisers. Consequently, procurement timetables and transaction costs can be significantly in excess of those normally incurred with other procurement options" (Treasury, 2006).

The other problem with private investment is the cost of borrowing the capital at higher interest rates. "One of the problems with P3s is that the private partner typically takes on the debt, and interest rates are higher for private borrowers than for government. Interest rates change over time, but in general private sector bonds cost at least one percentage point more than similar public sector debt. The main reason corporate debt is more expensive is that corporations are more likely to default, making corporate debt higher-risk. Investors expect to be compensated for taking risks, and therefore the market requires higher interest rates on corporate debt. Even before the risks associated with the infrastructure project are considered, P3s will have a higher interest rate because of the higher risk of private sector default" (Murray, 2006).

Private Corporations are more efficient

The other argument for PPPs in public projects is the superior efficiency of private sector in the operation of public services. Specifically, in the water sector experiences all over the world show that efficiency of operation is not the monopoly of private sector – there are many examples of efficient public water utilities.

A study by International Institute for Environment and Development (IIED) states that, "It must be recognized that there are numerous examples of efficiently managed public water and sanitation utilities in developing countries…" Examples cited are of Ecuador, Chile, Zimbabwe and Botswana. The IIED study presents five case studies (Abidjan, Buenos Aires, Cordoba, Mexico City and Manila) and says "Firm Empirical evidence of the relative merits of private and public management of the sector in the four case studies in terms of economic efficiency is limited" (Johnstone, 1999). At the time of IIED study Manila and Buenos Aires were showcase privatisation projects.

An IMF study says, "It cannot be taken for granted that PPPs [Public-Private Partnerships] are more efficient than public investment and government supply of services….Much of the case for PPPs rests on the relative efficiency of the private sector. While there is extensive literature on this subject, the theory is ambiguous and empirical evidence mixed" (IMF, 2004).

Research for the World Bank Economic Review says that studies on water utilities in Asia “show that efficiency is not significantly different in private companies than in public ones” (Estache, 2002).

Appendix II gives ‘Comparison of Public and Private Utility Performance Data’ from the report – ‘Asian Water Supplies Reaching the Urban Poor’ by Arthur McIntosh for Asian Development Bank (McIntosh, 2003).

Transparency and Accountability

One of the major concerns that PPPs have are on the democratic control and structure of a community. Such projects demand and get secrecy on the basis of commercial aspects and due to the nature of for-profit operations. These barriers deny the common people, the ones to be directly impacted by the projects, the access to crucial information about the project and about the decision – making process that decided in favour of the project.

A World Bank report quotes that, “Despite the fact that there are nearly 90 PPPs in India under construction and operation, there is no publicly accessible database providing even the most straightforward information on them” (World Bank, 2006).

Therefore, to emphasize, “It is critical that with the huge financial resources at stake in future PPPs, and with contract decisions covering dozens of future government terms, these contracts need not only to be optimal in the technical sense, but also accompanied by a priority for democratic debate, transparency and clarity” (Hodge, 2004).

Where information about a project is concerned, citizens expect that the governments and the project operators be transparent enough to share critical project information that went into deciding for the project. It is acceptable that certain information could apparently be left out of the public domain to protect commercial secrets but this secrecy surrounding the projects should not come at the expense of the people’s right to know and proper disclosure of information.

Our experience in Tiruppur Project shows that access to information related to a project is very difficult. We were unable to get answers about the basic questions like what is the actual average daily quantity of bulk water that the company is supplying and what are the schedules for water supply to the industry, municipality and villages. Eventually we had to file application under Right To Information (RTI) Act, for information with NTADCL. But the corporation stated that it does not come under the purview of the RTI Act and is not liable to give information since it is not a public authority. This raises serious questions about the transparency and openness of PPP projects.

PPPs are also promoted on the basis that they are more accountable than the traditional public contractual arrangements. But studies have found that PPP contracts create situations which are complicated and tough to monitor and create a different set of problems. A study by Association of Chartered Accountants, UK, found that, "Planning of the performance monitoring systems tended to be weak, leading to increased workloads in project management. It also found that the self-monitoring systems in place required high levels of trust between the two partners, but that this trust was not always present. As a result, the public sector ended up having to carry out more monitoring than expected" (Murray, 2006).

The INRS study found that, "With lives equal to several periods of electoral office, P3s limit the accountability of elected officers, who can no longer be held responsible for day-to-day operations. To tell the truth, that is just what some people would like" (Hamel, Undated).

Hence in the absence of any credible regulatory mechanism, PPPs could be very risky, particularly when public or public representatives have little role or control over these projects.

Flexibility in Public Policy and Equity in Society

Another major concern with PPPs is of the government terms and the public policy. Given the fact that PPP contracts are long term, 20 - 30 years generally, they can pose hurdles if there is a much needed change in the public policy. And over a period of time even if the elected representatives change, the new representatives cannot change the terms of the contract or repeal it. Because changes in the contractual terms at the later stage or termination of contract would certainly lead to further cost escalations.

Columbia Institute's Resource Guide on PPPs notes that, "In the long-term, P3s threaten to interfere with the government's ability to respond to the public because of the long-term nature of the contracts. These long-term contracts essentially mean that the hands of future governments are tied in the face of changing circumstances and emerging issues" (Columbia Institute, Undated).

Pierre J. Hamel in his paper on PPPs states, "One thing is certain: P3s limit the accountability of elected officials, as they can no longer be held responsible for day-to-day operations. Given a 30-year P3, governed by an agreement signed in 1985 and expiring in 2015, a new municipal council elected in the fall of 2006 for a four-year term would have no flexibility at all" (Hamel, Undated).

Reports quoting evidences from several PPP projects also put forward the experiences of PPPs promoting inequity in the community by handing higher salary packages to officials and consultants of the private companies. With private participation in public services public sector employees suffer on this account due to retrenchments and change in terms of employment like change from permanent term with health and insurance benefits to contractual employment with no benefits.

A report by Ontario Health Coalition notes, "P3s have also increased inequality, boosting salaries for executives and remuneration for expensive consultants and lawyers while decreasing pay and working conditions and reducing access to services" (Mehra, 2005).

Lessons from the Tiruppur Water Supply and Sewerage Project (TWSSP)

Let us look at the TWSSP through the broad framework of PPP. We have used a PPP framework based on the documents of several planning and implementing agencies namely, IMF, Australian Government and Planning Commission reports. We find that the project seems to be going in different directions than indicated in the above guidelines and reports.

Water Supply to Village Panchayats and Slums not improved –

The Planning Commission of India (Government of India, 2004) mentions contracts, accelerated delivery, clear customer focus, enhanced social service, efficiency and effectiveness in service delivery as benefits of PPPs but this is exactly not the case with TWSSP.

One of the claimed benefits of the project is to increase access of potable water in Tiruppur Municipality (TM) and VPs. According to various sources related to the project, the population to be supplied is estimated 4.5 lacs in TM and another 4.5 lacs in the way side villages based on 2001 census figures. Interviews with sampled residents in slums in the TM confirmed that they still have to buy water from the colonies with regularized connections or from water tankers, who sell it ranging from Rs. 2 – Rs. 5 per pot[i]. Water supply from these sources is neither reliable nor easily accessible to the poor. They still have to wait long hours for the tankers to deliver water or walk long distances to fill their pots from the colonies. The project documents claim that water supply to TM would be 25 mld out of the total 185 mld.

Though, it is not clear what improvements have been achieved in TM vis-à-vis water supply to the residents. The concern with this claimed benefit is that the project is not directly related to the issues of water supply, distribution and extension of services, it just delivers water at the input points of the municipality and the VPs.

In all 21 VPs were promised 35 mld water from TWSSP. The concession contract states that all the VPs should have contractual agreements with NTADCL for potable water supply. But local sources claimed that NTADCL is supplying water only to 10. In some of the VPs the water is supplied just once in 10-12 days. The VP presidents have been demanding since long that the allocated water supply to VPs should be increased by NTADCL.

Because Tiruppur faces high influx of migrants the average floating population is high. The total number of migrant population is close to 2 lacs at any given time during the year in Tiruppur (Nelliyat, 2007). The migrants settle in slums or VPs, increasing the population there, putting the water supply under further stress.

Recent reports state that there were road blockages and protests against NTADCL demanding an increase in the quantity of water supplied by the VPs. A delegation of presidents of VPs also made a presentation to the Minister of Local Administration in this regard. Only after such actions the water supply has increased even though only marginally[ii].

The price of water for domestic users in TM is Rs. 5/KL and in the rural areas is Rs. 3.5/KL. The project authorities claim that this is achieved by subsidizing domestic rates through increased industrial rates. The industrial users pay in the range of Rs. 23 – 45/ KL. However, this domestic pricing is only for the initial two years of the operations. After this period it could be subject to a review for an increase, may be soon since operations began August 2005. As stipulated in the concession contract this is to reduce pricing gap between the water supply for domestic and non-domestic purposes. For this the company would introduce the subsidy correction factor (Government of Tamilnadu, 2000). This could mean that in long term domestic rates could increase to levels where the subsidies it gets from industrial rates would end and domestic consumers would have to pay high water rates.

Unfortunately preliminary assessment exhibits that the project has not been able to improve the access and affordability of water for the lowest rung residents of Tiruppur, in slums and water scarce VPs but has been able to do it for the local polluting dyeing and bleaching industry.

Guarantees and Obligations of GoTN and TM -

Although studies by agencies like IMF state that one of the basic principles within the PPP framework is risk sharing and risk transfer (IMF, 2004) but TWSSP exemplifies that the reasons for bringing the public sector on board are often to take on the risks for and on behalf of the private sector. The GoTN and TM have provided a number of guarantees for risk bearing and exemptions under the concession agreement.

Guarantees by the GoTN -

The GoTN has given the company guarantees with regards to the quality, quantity, regulation and control, and use by others of the water flowing in river Cauvery upstream of the abstraction area (Government of Tamilnadu, 2000). The government has also undertaken to regulate the use of ground water in Tiruppur region for non-domestic purposes (Government of Tamilnadu, 2000). It has also agreed that it would extend the period of concession in the event NTADCL is not able to generate calculated returns from the project within the initial 30 years of the project operations. The government also agrees to the review of prices and the change in formula to calculate prices to ensure that NTADCL gets its profits within the first 30 years of the project operations. No claims from riparian or any other users of raw water from the River Cauvery can be brought against NTADCL for withdrawal of water from river Cauvery (Government of Tamilnadu, 2000).

For rehabilitation, relocation and resettlement of any persons displaced by the acquisition of the sites and sludge disposal sites GoTN shall bear costs of acquisition. The sites for the system, sludge disposal and other construction would be leased by TM with all clearances. GoTN has guaranteed that any change in law or tax regime would not adversely affect NTADCL returns from the project. GoTN would also assist NTADCL in getting all the clearances, approvals, permissions and consents regarding the project. NTADCL would be granted exceptions under TN Land Reforms Act in relation to the leased land in case of any future changes in the law.

GoTN would have to mitigate any action or suit which may have material adverse effect to NTADCL. GoTN would ensure that the way side villages would enter into service agreements with NTADCL for purchase of potable water and discharge their dues (Government of Tamilnadu, 2000).

Warrantees by the GoTN -

GoTN has assured NTADCL that any losses suffered during the concession period, for lack or delay in any clearances, or any clearance revoked, not renewed or additional clearance not given by GoTN, should be recoverable by any means that it sees fit, by increase in charges or any other means (Government of Tamilnadu, 2000).

Guarantees by TM -

Apart from the guarantees provided by the state government, TM also has to fulfill several obligations and guarantees towards NTADCL. TM should not interfere with or impede the project implementation and should cooperate with NTADCL for the project to achieve financial closure. TM should assist GoTN for R&R of the displaced and bearing costs of acquisition, for amending water by-laws under Tamil Nadu District Municipalities Act, 1920, and provide exemption, waiver, remission of taxes and levies of octroi, water taxes and property taxes during the period of concession (Government of Tamilnadu, 2000). TM would have to mitigate any legal action which may have material adverse effect on NTADCL.

Special Privileges to NTADCL -

Even though TWSSP is a partnership project, and core policy principles (Australian Government, 2006) for PPPs advocate concepts like Value for Money (VfM) and Public Sector Comparator (PSC), GoTN has extended special privileges to NTADCL which seems to tilt the balance of partnership in favour of the company.

Water Shortage Period Fund (WSPF) -

The GoTN has agreed to provide the company WSPF of Rs. 75 crore (Vyas, 2005). This fund uses public resources to ensure that anytime during the concession period if there is a shortage of water in the river or the water flowing in the river is of degraded quality that cannot be supplied or any other reason due to which the company is not able to withdraw water from the river, this fund would ensure the flow of revenue to the company till the time it is not able to supply water to the users and generate revenue and profits from its operations (Government of Tamilnadu, 2000). In effect the risk of quantity and quality of water flowing in the river has been transferred to the public sector.

Debt Service Reserve Fund (DSRF) -

The creation of DSRF is also to provide debt risk cover to the company during the conditions when it is not able to generate revenue from its operations to service its debts. The DSRF amounts to Rs. 50 crores (Vyas, 2005). The company would draw on the public resources to cover debt risks.

Sovereign Immunity -

The GoTN has also waived using sovereign immunity (Government of Tamilnadu, 2000) with respect to the concession agreement in following conditions –

1. Any proceedings be brought against them, no immunity, sovereign or otherwise, from such proceedings shall be claimed by GoTN and TM and
2. GoTN and TM waive any right of immunity, sovereign or otherwise, which GoTN or TM or their assets now have or may acquire in the future.

Confidentiality Clause -

The concession agreement has a confidentiality clause which states that neither of the parties to the agreement shall, at any time, before the expiry of or termination of the contract, divulge or permit its officers, employees, agents or contractors to divulge to any other person except on conditions of confidentiality and execution of confidentiality bonds any of the contents of this agreement or any information relating to the negotiations concerning the operations, contracts, commercial or financial arrangements or affairs of the other party (Government of Tamilnadu, 2000).

Financial Assurances -

The GoTN and TM have also agreed to provide NTADCL with financial assistance under the concession agreement. GoTN would facilitate the financing of the project by permitting the creation of security interests over the facilities and systems and the establishment of suitable financial arrangements. GoTN would co-operate for financial close of NTADCL including changes in project agreement as requested by the lenders in order to achieve financial close (Government of Tamilnadu, 2000).

Access to Information, Transparency and Accountability -

Governments that have taken the PPP route for infrastructure development before India did, stress that access to information, transparency and accountability form the fundamental principles of PPP framework. That is, transparency and openness are important requirements of all government procurements (Australian Government, 2006).

Although TWSSP has been implemented for larger public welfare and to provide better water and sewerage services in Tiruppur, detailed information about issues like project operations, equity sharing, financial planning, debts and interest paid on debts, expenses incurred, profits earned and many more remains unavailable to the public. This is even more serious a concern as the project receives substantial public funding and public support.

With TWSSP the sources of information that one has access to, are the project agencies that have only positive stories for the media and the larger audience. This provides a one sided picture of the project. This also prevents independent assessments of the project.

It is our own experience that we have not been able to get information directly from NTADCL. The author of this report tried diverse methods to communicate with their officials including personal contact, phone calls, post and e-mails without any response.

We visited their offices but were not given appointment to have interviews. In fact, the project officials at NTADCL's offices were averse to talking about the project. It is only when we sent them an application under the RTI Act were they forced to respond. The response was terse stating that NTADCL is not a public authority, hence would not furnish the information required. This stand is a negation of one of the basic principles of PPP that is transparency and accountability.

We filed an appeal with the Tamilnadu State Information Commission (TNSIC) against NTADCL arguing that since it has substantial amount of funding from public resources they are a public authority, and as the project they are executing is for the benefits of the community they should divulge information about the project.

On the 24th of March, 2008 the TNSIC has ordered NTADCL to provide the information sought by us declaring that it is a public authority and to comply with the order within the next 15 days. But we have not heard from NTADCL even after a month since the order was passed.

Conclusions -

The major conclusions that can be drawn from TWSSP question the fundamental advantages and concepts that PPPs are supposed to comprise. These can be illustrated as follows –

1. The project has not been able to improve the access to water of poor and rural people in TM and VPs close to Tiruppur where residents are still struggling for access to reliable potable water supply. The project has definitely improved the availability of water to the industrial units in Tiruppur to whom water supply is available round the clock. This shows that the VPs and the people in slums are the least important for the project. Also the project company is not directly accountable to these people, neither is there any mechanism in place for the grievance redressal, nor is the company transparent in its actions towards VPs.

2. The number of guarantees and obligations that GoTN and TM have to fulfill clearly demonstrate that most of the risks have been transferred to the public authorities. The company has been assured about its profits, post the construction of the facilities phase, like in case of natural calamity the government has to bear the consequences or in case of changes in the legal regimes affecting the terms of the contract. On the other hand the company has been promised with assured revenue stream and profits from exporting industrial units, distinct consumers for the full concession period. This clearly means that the ultimate objective is ‘Public Risks for Private Profits’. It is a strange kind of “Partnership”.

3. The concession agreement is tilted in favour of NTADCL, apart from the guaranteed revenues and maximum risk bearing by the public, it has also received special privileges to make sure that even if something goes wrong the public authority would be there to bear the costs and risks consequently. The creation of Debt Service Reserve Fund, Water Shortage Period Fund, waiver of sovereign immunity and financial assurances clearly indicate to this end.

4. Further clearing the myths about PPPs, NTADCL has through its actions of denial of information, transparency and accountability has shown the clear nature of PPPs and the ultimate objectives of such partnerships. Secrecy of operations and special confidentiality clause within the concession agreement indicates towards details within the project which may not be correct in terms of social justice and welfare.

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Appendices –

I. Tiruppur Water Supply and Sewerage Project - Basic Project Information

Salient Features[1]

Water Quantity to be supplied - 185 Million Liters per Day

Concession Period - 30 years

Cost of the Project - Rs. 10230 Million

- Debt - Rs. 6138 Million
- Equity - Rs. 3227 Million
- Sub-Debt -Rs. 865 Million

State Support[2]

- Equity Rs. 300 million
- Sub-Debt Rs. 250 million
- Debt Service Reserve Fund Rs. 500 million
- Water Shortage Period Fund Rs. 710 million
- Strong support for obtaining regulatory & other requirements

The equity ownership is as under

- TWICL - 31.56 %
- ADIQUA[3] - 27.05%
- LIC - 6.01%
- GIC - 6.01%
- NEW INDIA ASSURANCE - 1.13%
- UTI - 1.13
- NICL - 0.90
- OICL - 0.68
- TIDC - 0.68

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[1] From Tamilnadu Water Investment Corporation Limited Website, Downloaded from - http://www.twic.co.in/scripts/TirupurWaterSupp lySewerageProject.aspx, Retrieved on 20.02.2007

[2] From Tamilnadu Water Investment Corporation Limited Website, Downloaded from - http://www.twic.co.in/scripts/TirupurWaterSupplySewerageProject.aspx, Retrieved on 20.02.2007

[3] AIDQUA is a subsidiary of AIMAC, which is an urban infrastructure company floated by Asian Development Bank.

- MAHINDRA INFRASTRUCTURE DEVELOPERS LTD. - 4.51
- MAHINDRA CONSTRUCTION - 2.25
- MAHINDRA HOLDINGS - 2.25
- WSA Engineers 4.51%
- Others 11.33%

Beneficiaries of the Project[4]

- Industries – 115 mld
- TM Domestic – 33.7 mld
- Way side Villages – 36.3 mld
- 192 Rural habitations served – 4,50,000 (2001 population census)
- Tiruppur Municipality – 4,50,000 (2001 Population census)
- Industrial Units covered – 900
- Households with Sewerage Connections – 22,300 (2005) / 31,000 (2014)

[4] Vyas, Sameer, 2005

II. Comparison of Utility Performance Data from a Study – 'Asian Water Supplies Reaching the Urban Poor' by Arthur McIntosh for Asian Development Bank.

Table A 1.1, Comparison of Utility Performance Data (2001)

City	**Piped Water Coverage** (%)	**24-Hour Supply Continuity** (% of Area)	**NRW** (%)	**Staff per 1,000 Connections**	**O&M Cost versus Revenue** (2001)	**Annual Capital Expenditure** ($ million)
PSP Concessions						
Jakarta	51	92	51	5	0.80	29
Manila	58	88	62	4	1.01	17
Public Sector						
Chengdu	85	100	18	34	0.50	9
Colombo	93	60	55	8	0.49	1
Delhi	55	1	53	20	2.45	107
Dhaka	80	0	40	12	0.89	28
Ho Chi Minh City	84	75	38	3	1.13	NA
Karachi	83	0	30	6	1.00	9
Kathmandu	83	0	37	15	1.04	2
Kuala Lumpur	100	100	43	1	1.34	30
Phnom Penh	84	100	23	5	0.46	15
Shanghai	100	100	17	6	1.08	113
Tashkent	100	100	27	6	0.47	2
Ulaanbaatar	49	48	36	NA	0.83	3
Vientiane	56	50	28	10	1.10	2
Hong Kong	100	100	25	2	2.41	279
Osaka	100	100	7	2	1.08	313
Seoul	100	100	25	1	0.57	215

NA. = Not assessed

Source - McIntosh Arthur C. (2003): '*Asian Water Supplies Reaching the Urban Poor*', Appendix 1, Page 161, Asian Development Bank, Manila.

[i] Information based on interviews with the residents of KVR Nagar, Sukumar Nagar and Ambedkar Nagar in Tiruppur.

[ii] Information based on personal communication with Mr. M. Gunasekharan, Staff Reporter, The Hindu, Tiruppur.