

Latur Water Supply Project

Latur is a Class A Municipal Council with a population of about 3,50,000 people. The region is prone to scarce water supply. The water supply to the city during the non-summer months is about 75 LPCD with water being available for only one hour twice a week. During summer, the city faces extreme water shortage resulting in water supply decreasing to about 40 LPCD. During summer water is supplied by about 30-40 tankers in most parts of the city as an emergency service. During other seasons, about two tankers are required to supply water in the city. In terms of coverage, about 70% of the population is covered by piped water supply.

The annual income and expenditure account of LMC for water supply reveals that recovery has been very poor, ranging between 19% and 33%, with an annual average deficit of about Rs.20.2 million during the financial years 2001-02 to 2004-05. The demand raised is not even sufficient to cover the O&M expenses. This indicates that tariffs levied are very low compared to the cost of production or/and there are a large number of un-authorized connections. MJP undertook a source augmentation project for bulk supply of water to the city. The scheme involves bulk water transmission over 65km at a capital cost of Rs.1294.6 million. This project would sufficiently address the water needs of the city and provide citizens with 140 LPCD of water supply.

Need

The increased water supply would have allowed LMC to increase water charges as well as the demand to cover the O&M expenditure. But after recognizing its inability to manage the operations efficiently, LMC asked MJP to take over the water supply operations. Additionally, LMC has not been able to raise the required Rs.177.7 million, its contribution to complete the water supply augmentation project being executed by MJP. MJP has agreed to take over the scheme based on the following key considerations:

- i. MJP would raise the balance amount of Rs.177.7 million and complete the entire water supply project. Thereafter, MJP will operate the water supply scheme for a period of 30 years.
- ii. The water supply O&M will be carried out by a private sector operator appointed by MJP.
- iii. MJP, through the private sector operator, will charge pooled water tariff rates to consumers.

Project Structure

The management contract describes the following scope of work to be executed by the contractor. The contractor shall pay MJP a fixed monthly sum in lieu of the right granted to it during the term of the agreement. The total fixed payment committed by the successful bidder is Rs. 43.14 crores. The contractor's tasks include:

1. Taking over the operation, maintenance and repairs of the Latur Water Supply Scheme comprising the water supply scheme from Dhanegaon dam, Nagzari weir, Sai weir with all pumping stations, electrical installations, WTPs, water reservoirs, connecting pipelines and distribution system
2. Deployment of operations and maintenance staff including some key employees (about 70) under deputation from MJP and the Latur Municipal Council
3. Maintenance of a minimum average water supply level of 100 lpcd with due pressure and required quality
4. Increase of coverage of piped water supply and achievement of 100% metering. In that context, the contractor would be required to provide and install EEC-marked water meters and recover its expenditure from consumers.
5. Provision of labour for a minimum network expansion by 1 km every year
6. Management of requests for new connections including receipt of applications, connection fees, etc.
7. Management of the regularisation of illegal connections and imposition of penalties as specified by MJP

8. Implementation of a billing and collection system for the city
9. Recovery of the cost of supply of water from the consumers as per the tariff rates fixed in the RFP
10. Development and maintenance of a complaint redressal mechanism
11. Collection of data relating to the water supply system and reporting of performance to MJP