

PROVIDING MEASURES TO CONTROL AND REGULATE INCREASES IN WATER RATES

LETTER OF INSTRUCTIONS NO. 700, June 01, 1978

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WHEREAS, there is a need to help depressed or newly formed water districts develop their financial viability, but at the same time avoid too abrupt increases in their water rates;

WHEREAS, there is a need to prescribe certain measures whereby increases of rates imposed by water districts are controlled or regulated;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order the implementation of the following measures in the operation and development of water districts:

(1)

The Local Water Utilities Administration (LWUA) shall:

(a)

Implement a socialized pricing scheme for water districts in setting up water rates whereby the more affluent, heavy water users pay more per unit than the low-income, minimal users of water. LWUA shall prescribe guidelines for this purpose;

(b)

Provide institutional development services to water districts free of charge;

(c)

Grant capital improvement loans to water districts on concessionary terms;

(d)

On a case-to-case basis, defer loan amortization payments until improvements are completed and actually in operation;

(e)

Assist water districts improve their operational efficiency through skills/ managerial training and systems development;

(f)

Ensure that the water rates are not abruptly increased beyond the water users' ability to pay, seeing to it that each increase if warranted, does not exceed 60% of the current rate.

(g)

Limit charges for feasibility and engineering studies to not more than 15% of the actual construction cost of the project implemented;

(h)

Require 100% metering to insure correct charging of water actually consumed and to discourage its wasteful use;

(i)

Where indicated, consider the adoption of lower standards of service, especially for the marginally feasible areas, to reduce project costs; and

(j)

Reduce required reserves accumulation for meeting emergency and contingency needs as will be appropriate

(2)

The National Electrification Administration and the National Power Corporation shall study ways and means to grant special reduced electric power rates to the water districts concerned. Where feasible, the National Power Corporation shall also determine ways by which the water districts can directly tap the power lines.

(3)

The Budget Commission shall provide in the national government annual operating budget starting with CY 1979 such amount as shall be requested by LWUA and recommended by the National Economic and Development Authority for the conduct of feasibility studies for the development of waterworks systems in established water districts. Such national government contribution shall not constitute part of LWUA's equity nor shall it be charged against the water district.

(4)

The local government concerned shall provide subsidy for the operation of depressed or newly created water districts. The subsidy shall initially be up to the level provided by the local government for the operation of the system immediately prior to the formation of the water district. The subsidy, however, shall be reduced as the water services and revenues improve as determined by LWUA.

(5)

The water district concerned shall conduct public hearings prior to any proposed increase in water rates.

Done in the City of Manila, this 1st day of June in the year of Our Lord, nineteen hundred and seventy-eight.

(Sgd.) FERDINAND E. MARCOS

President of the Philippines

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