

Republic of the Philippines  
HOUSE OF REPRESENTATIVES  
Quezon City, Metro Manila

**EIGHTEENTH CONGRESS**  
First Regular Session

**572**

**HOUSE RESOLUTION NO. \_\_\_\_\_**



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Introduced by Representative Hon. Elpidio F. Barzaga, Jr.

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**RESOLUTION**  
**DIRECTING THE APPROPRIATE COMMITTEE**  
**TO CONDUCT AN INVESTIGATION IN AID OF LEGISLATION**  
**INTO THE P7.39 BILLION RULING**  
**OF THE PERMANENT COURT OF ARBITRATION IN SINGAPORE,**  
**THE CONCESSIONAIRE AGREEMENTS OF MANILA WATER AND MAYNILAD AND**  
**THE PRESENT WATER RESOURCES MANAGEMENT**

**WHEREAS**, the Permanent Court of Arbitration (PCA) in Singapore ruled that the Philippine government has to pay Manila Water P7.39 billion for the company's losses from June 1, 2015 to November 22, 2019 and the amounts paid to the PCA and 85% of other claimed costs as a result of the arbitration that Manila Water filed in 2015 after the government refused to pay its demand amounting to P79 billion from 2015 to 2017 when it was not allowed to raise tariffs.

**WHEREAS**, the P7.39 billion are supposed losses suffered by Manila Water despite the fact that according to them, it posed gross income of P6.5 billion, a net income increase of 6% from the previous year. On the other hand, Maynilad reported a net income of P7.3 billion in 2018, up from P6.8 billion in 2017. According to its 2018 Annual Report, its core income increased by 5% due to the combined effect of a 3% growth in billed volume and several rounds of tariff increases.

**WHEREAS**, the P7.39 billion comes after the country went through a recent water shortage that brought misery to tens of thousands of Filipinos that still looms when the summer time comes.

**WHEREAS**, Manila Water and Maynilad still has to pay a Supreme Court ruling when it was fined worth nearly P1billion each for violating the Philippine Clean Water Act when it failed to put up sewage systems in their service areas 10 years ago. The two firms have also been penalized by the Manila Water Sewerage System (MWSS) for service interruptions in their respective markets earlier this year. However, we have yet to see if these sanctions have been complied with.

**WHEREAS**, the Department of Justice stated that the government stands to lose billions of pesos to Manila Water and because of disadvantageous provisions

prohibiting government interference in rate setting and indemnity in case of interference.

**WHEREAS**, according to a paper by Water for the People Network Asia (WPNA), "Water Privatization in the Philippines: Creating Inequity in People's Access to Sufficient and Potable Water", it stated that, "water companies can automatically adjust their rates everyday every year due to changes in the consumer price index (CPI). An increase in CPI means that the prices of basic goods and services have increased. Thus a water hike due to an increase in CPI is a double burden for the people. Furthermore, the Concession Agreement also identified several grounds to implement the extraordinary price adjustment (EPA). The Regulatory Office computes the EPA, which is implemented once a year. It considers all possible facts that may affect the finances of the water firms. Meanwhile, another mechanism that increases water charges is the Rate Rebasing. It allows the concessionaires to recover historical capital, operating and investment expenditures, and review future capital, operating and investment plans. The first Rate Rebasing was conducted in 2002 and implemented on January 2003. It must be exercised every five years throughout the 25 year life of the Concession Agreement. In March 2001, Maynilad stopped paying concession fees to force MWSS to amend the Concession Agreement. It claimed that the Asian financial crisis devalued the peso and bloated its dollar denominated debts. Thus, through Amendment No.1 government allowed the private concessionaires to recover foreign exchange losses through various mechanisms. They introduced the foreign currency differential adjustments (FCDO) and the accelerated extraordinary price adjustment (AEPA)." It continued to state that, "In spite of the implementation of the FCDA and AEPA, the Concession Agreement still allows water firms to collect P1 cubic meter in currency exchange rate adjustment.

**WHEREAS**, the water privatization policy was because of the water crisis that was supposed to occur in the early 1990s. Hence, Republic Act No. 8041 or the "National Water Crisis Act of 1995" provided for the privatization of the MWSS. According to aforesaid WPNA paper, it stated that, "MWSS prior to privatization, was supplying 85% of water demand in its service area, 65% of which have individual water connections. Water was available for 16 hours daily. However, 60% of MWSS water were leaked due to illegal connections and damaged pipes." It further stated that, "The Ramos administration promised the consuming public that privatization of the MWSS would lead to lower rates. True enough, average tariff under in the west zone fell by 44% while that of the east zone fell by 74%. However, two years later, water rates started their steady climb and by January 2004, the average tariff of Manila Water has increased by 348% at P10.4 per cubic meter. Maynilad has also increased its average tariff by P130% at P11.39 per cubic meter from only P4.96 in 1997."

**WHEREAS**, Manila Water has secured a tariff adjustment of nearly 25% on the current basic tariff for the prevailing Rate Rebasing Period wherein the first tranche of the adjustment has been implemented in October 2017, with a P1.46 increase per cubic meter. Worse, subsequent adjustments are programmed for 2020 and 2021 at P2.00 per year.

**WHEREAS**, despite the Philippines' abundant water resources and average annual rainfall of about 2,500 millimeters, water has become one of its critical resources. An assessment in 1995 reveals that only 69% of the total population has access to safe water drinking. In 2001, the World Bank in its 2001 Filipino Report Card on Pro-Poor Services stated that almost 8 out of 10 poor Filipinos do not have access to home-piped water when the water consumption among half of poor and rural households is at a low of 30 liters per capita per day.

**WHEREAS**, 13.9% of all families do not have a sanitary toilet and that in 2000, only 74.2% has a sanitation coverage below its baseline of 74.9% in 1991.


**WHEREAS**, a significant number of Filipinos get their water needs from doubtful sources such as wells, springs and communal faucets according to the National Resources Water Board, thus, leading to a high incidence of water-borne diseases such as diarrhea, typhoid, gastroenteritis, malaria and dengue fever. Sadly, despite having less access to water, the poor pays more.

**WHEREAS**, it is clear to every Filipino that Manila Water and Maynilad have failed to deliver efficient water services. Unfortunately, despite Manila Water's dismal performance in its Manila concession, it has won eleven (11) new projects in 2018 through its Manila Water Philippine Ventures.

**WHEREAS**, the right to water is a fundamental human right and is a key driver of economic and social development and all efforts should be made to ensure that every Filipino has access to clean and potable water.

**NOW, THEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED** by the House of Representatives directing the appropriate committee to conduct an investigation, in aid of legislation, into the 7.39 billion ruling of Permanent Court of Arbitration (PCA) in Singapore, the concession agreements of Manila Water and Maynilad, the present water resources management, and a review of relevant existing laws.

**Done this 5th of December, 2019, Quezon City.**



**HON. ELPIDIO F. BARZAGA, JR.**  
Representative

Lone District of the City of Dasmariñas, Cavite