

VEWA Survey

Comparison of European Water and Wastewater Prices

Information

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This survey was compiled by Metropolitan Consulting Group GmbH.

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Table of Contents

1. Objective and Methodology of the Survey	2
2. Quality Standards in the European Water Industry	4
3. Results of the Survey by Countries	6
4. Good Results for Germany in a Country Comparison	10

1. Objective and Methodology of the Survey

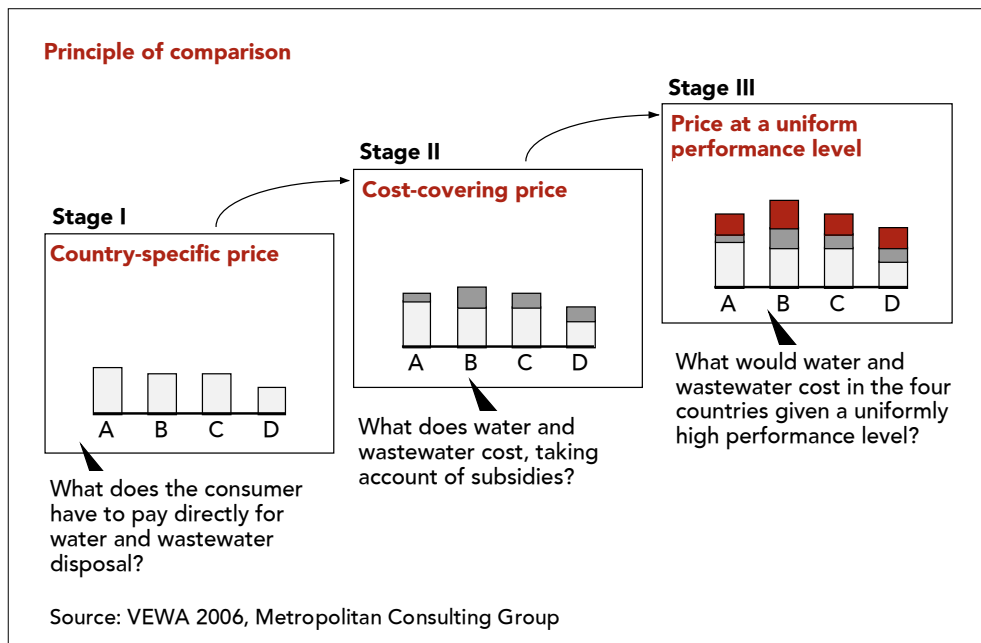
The VEWA survey focuses on water customers. They on the one hand use water services of a particular quality level, and on the other hand pay directly or indirectly for these services.

What do the English, French, Italians and Germans actually have to pay for their drinking water supply and wastewater disposal and what do they get in return? The VEWA survey gives a well-founded answer to this core question which could so far not be asked, let alone be decided. The four countries Germany, England/Wales, France and Italy were selected, being long-standing EU members and large industrial countries.

The comparison is based on three successive levels:

At level I (country-specific price) those costs are incurred which burden the consumers directly and which they normally have to pay to the service utility in the form of a bill. These expenses can differ from country to country since as a rule, they are due to different cost recovery models, public charges and reliefs as well as to different quality levels.

Level II (cost-covering price) also takes account of those costs which the corresponding state resp. its regional and municipal administrative institutions invest into the national water industry, including also European subsidies. These subsidies are indirectly borne by the consumers in the form of taxes and levies.



Level III (price at a uniform performance level) takes account of the European requirements on drinking water supply and wastewater disposal and additionally considers the degrees of connections, renewal rates of the network as well as the performance of wastewater treatment. These have so far not been assessed in quantitative terms at a European level. Level III reports the amounts which would have to be paid to achieve a high performance level. Level III serves the purpose of including the quality differences of the surveyed countries into the comparison.

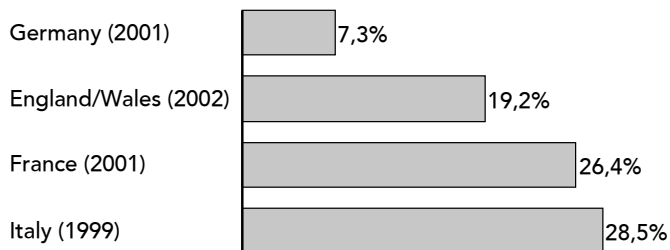
The VEWA survey refers to data and information from reports published by the European Commission, the competent national ministries as well the individual countries' associations of the water industry, and is based on data of the basic year of 2003.

2. Quality Standards in the European Water Industry

Regarding the quality of water supply and wastewater disposal, there are significant differences despite uniform European directives.

The survey shows that the quality standard in Germany is characterised by low water losses, a high drinking water quality, a continuous network renewal and a 99 percent degree of connections to the public drinking water network.

Water loss in the public water network* in percent of fluid quantity of water

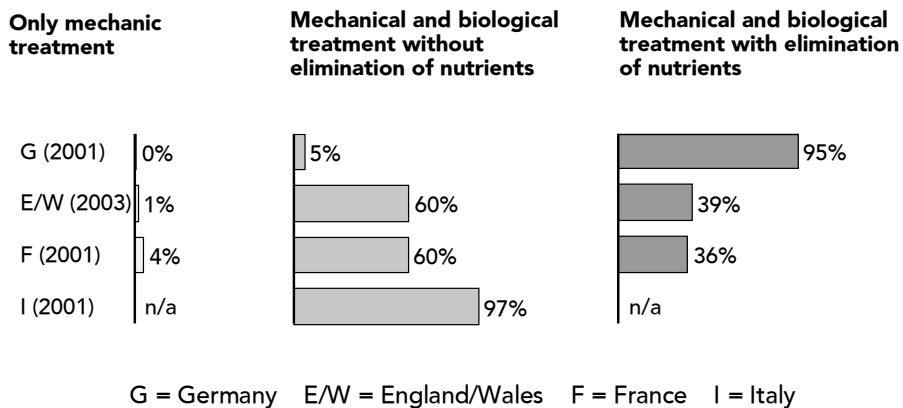


* Removal for operational purpose and fire control treated as loss

Source: VEWA 2006, Metropolitan Consulting Group

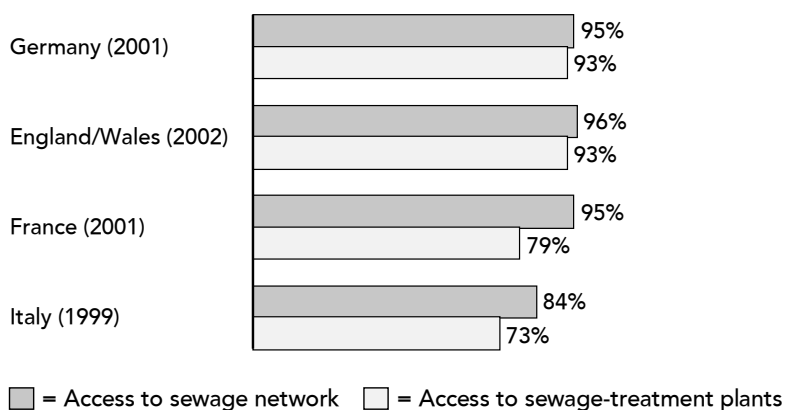
In Germany, also the scope and quality of wastewater treatment as well as the degrees of connections to the sewage network (95 percent) and to sewage plants (93 percent) are high.

Purification levels in sewage-treatment in percent of sewage-treatment quantity



Source: VEWA 2006, Metropolitan Consulting Group

Degree of access to public sewage disposal in percent of total population



Source: VEWA 2006, Metropolitan Consulting Group

Germany implements the European requirements on drinking water and wastewater and is one of the quality leaders in the European water industry.

3. Results of the Survey by Countries

Germany

In Germany, 98 percent of drinking water costs and 93 percent of wastewater costs are directly borne by the consumers. Each consumer has to pay an average amount of 82 Euros p.a. for supply, and 111 Euros for disposal. In Germany, taxes and levies account for an average share of 18.6 percent in the drinking water price, being approx. twice as high as in England/Wales (10.9 percent), France (9.5 percent), and Italy (9.1 percent).

At the second level of subsidies, only 2 resp. 8 Euros are added per capita and per year.

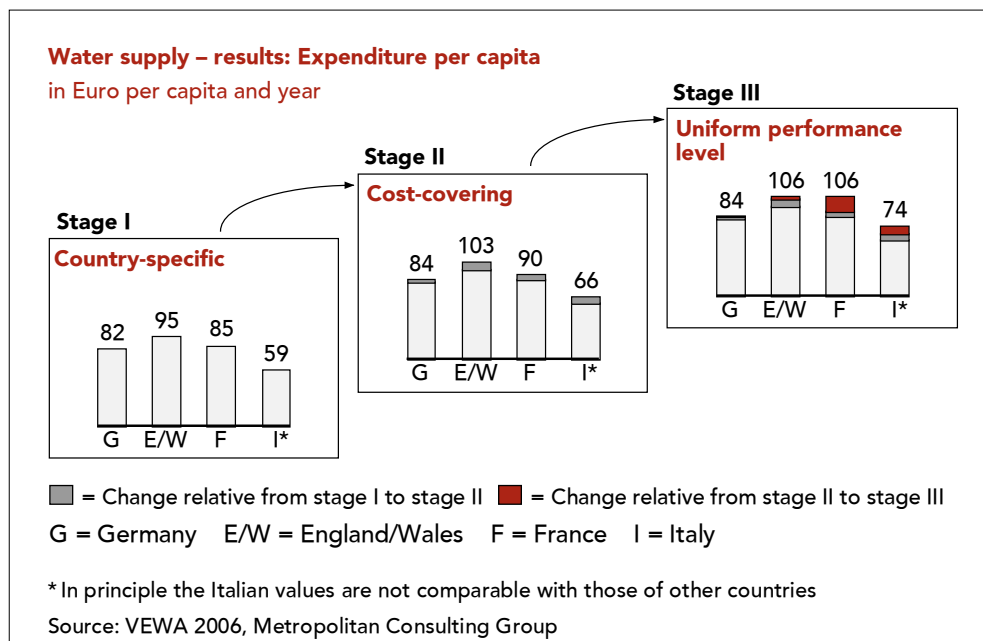
At the third level, the costs in Germany do not increase further due to the high performance standard.

England

In England/Wales, the consumers themselves have to pay an average amount of 95 Euros for drinking water and 93 Euros for wastewater p.a. This corresponds to 92 percent of drinking water costs and 76 percent of wastewater costs.

The state subsidises them with an additional amount of 8 resp. 29 Euros. In the privatisation process of 1989, the water industry in England received debt cancellations and transfer payments (so-called green dowry) in the amount of 6.4 billion £ and tax allowances in the amount of 7.7 billion £ which the VEWA survey treats like a long-term subsidy.

If the country wanted to achieve quality standards like in Germany, the costs for the customers would increase to 106 Euros for drinking water and to 138 Euros for wastewater.



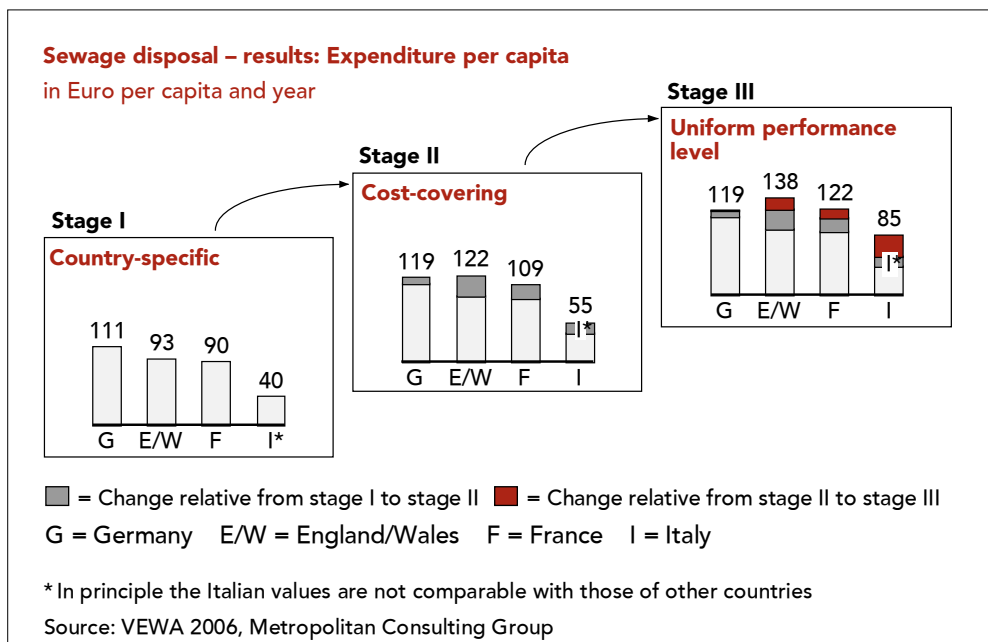
France

French customers spend an average amount of 85 Euros for drinking water and 90 Euros for wastewater p.a. Thus, 94 percent of drinking water costs, and 82 percent of wastewater costs are directly borne by the consumers.

In France, taxes and public charges have the highest share in the wastewater price amounting to an average of 35 percent compared to Germany (4.7 percent), England/Wales (6.4 percent) and Italy (9.1 percent).

Subsidies amount to an additional 5 Euros for drinking water and 19 Euros for wastewater.

If German quality standards were to be achieved, costs would increase to 106 Euros (supply) resp. 122 Euros (disposal).



Italy

For drinking water, Italian consumers have to pay an average amount of 59 Euros p.a. and for wastewater 40 Euros. This corresponds to 90 percent of direct costs for drinking water and 72 percent for wastewater.

At the subsidies level, 7 Euros are added for drinking water, and 15 Euros for wastewater.

If German quality standards were to be achieved, supply costs would increase to at least 74 Euros and disposal costs to 85 Euros. Pursuant to the survey, there are doubts regarding the quality of the data available for Italy. In fact, the expenses will presumably be far higher.

4. Good Results for Germany in a Country Comparison

The VEWA survey makes the cost structure and the performance standards of drinking water supply and wastewater disposal transparent.

The comparison has shown that the amount of the subsidies varies a lot among the surveyed countries. Also the assessment of the quality of supply and disposal, measured at parameters such as the drinking water quality, the degree of connections and the renewal rate of networks, reveals significant differences despite uniform European directives.

Thus it has to be concluded that the water and wastewater prices in the surveyed countries are at the same level, assuming similar quality and performance levels.

Measured at the available income, German consumers have to pay almost the same amount for water supply resp. wastewater disposal as the consumers in England/Wales, France and Italy.

The results of the survey show that the high quality of supply and disposal has an adequate price which in Germany is borne almost to the full extent by the consumers.



The survey named "VEWA-Comparison of European Water and Wastewater Prices" (article number 306700) can be ordered for 170 Euros (for BGW members 85 Euros) plus VAT and dispatch at wvgw (Wirtschafts- und Verlagsgesellschaft Gas und Wasser mbH, Josef-Wirmer-Str. 3, D-53123 Bonn, Germany, phone: +49 / 228 / 91914-0 or info@wvgw.de).

