

BENCHMARKING CENTRAL AMERICA WATER UTILITIES

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Key Lessons from Practitioners

Participants in the recent PURC/IADB Workshop on Benchmarking Water Utilities (San Jose, Costa Rica, October 15-16) identified factors having an impact on data quality, data collection, benchmarking methodologies, and possible policy and regulatory implications of performance rankings:

1. The person (and the company) responsible for the data (collection, verification, storage, and processing) must be convinced about the importance of his (or her) role. Besides serving as a report to the regulator or to any external institution, data must be viewed as important and useful for the company – for strategic, operational, administrative and commercial purposes.
2. Duplication of data storage files inside the firm and data reports (in specialized formats) to external institutions must be avoided or reduced. Duplication raises administrative costs and opens up the possibility for little “Information Empires” where individuals exercise power by withholding data from those who should have access to information.
3. There needs to be a person responsible for data within the company; however, it is the position (rather than the person) that must have continuity over time within the company. This formalized role is needed to address internal turnover problems which limit data collection, causing gaps in time series and in cross-section observations.
4. Clear variable definitions allow outsiders to interpret information; consistency and clarity are fundamental to the management process.
5. Factors external to the company may have an impact on the collection and storage of data. For example, the existence of records and maps of the city; the frequency of the country census; municipal or city restrictions regarding the network design; number of connections per km, and type of users of the network.
6. Data disaggregation improves decision-making. Clear customer classification (residential, industrial, and commercial) allows for more accurate information regarding operation and performance of the company. In addition, maintaining data series on particular regions or divisions of a company allows top managers to develop strategies for rewarding strong performance. Disaggregated data allow managers to target areas of sub-standard performance and facilitates quantitative studies of cost and productivity.
7. Better operational data collection procedures are needed: timely reports that identify patterns mean that network repairs can be addressed in a comprehensive and cost-effective manner.
8. Information technology is necessary, but not sufficient, for sound management: information systems should link financial-commercial-operational data. Leaders can only manage what they measure.
9. The company information needs to be public to promote managerial accountability and citizen confidence in infrastructure services. Even rough comparisons can put pressure on political leaders to fulfill promises to provide funds for network expansion and on managers to deliver services at least-cost.
10. Overall, there is a need within the firm for more information regarding benchmarking methodologies and their application. Larger water utilities have engineers who are familiar with process benchmarking. There is also a need for capacity building in the area of metric benchmarking—starting with trends in Core Indicators, and moving to basic statistical reports and DEA studies.