

# Research Report of Chinese Urban Water Supply Industry, 2009

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## Abstracts

In the 1980s, China developed a large number of self-built water supply facilities. After entering the 1990s, marked development had been achieved in the constructions of the public water supply facilities.

From 1993 to 2005, the lengths of Chinese urban water supply pipelines showed the band-like growth. From 1993 to 1995, the lengths of the water supply pipelines were increased from 123,007 kilometers to 138,701 kilometers, 6.2% of the annual average growth rate, which took place large growth in 2006, and the growth rate reached 46% and the total lengths jumped to 202,613 kilometers. During 1997 to 2000, the lengths of the urban water supply pipelines showed the steady growth and the annual growth rate was 5.8%; the respective lengths were 215,587kilometers, 225,361 kilometers, 238,001 kilometers and 254,561 kilometers. After 2001, the growth speed was also very fast and the annual average growth rate was about 9%. In 2006, the lengths of the water supply pipelines amounted to 430,397 kilometers.

From 2003 to 2006, China totally newly added 148,345 kilometers of urban draining pipelines and the disposal capacity of the urban sewage was 48.17 million tons/day. In 2006, the urban water supply volumes reached 54.1 billion tons, up by 15.9% compared with 2002; the popularizing rate of the water consumption reached 86.7%, up by 8.8 percentage points compared with 2002; the lengths of the urban gas supply pipelines were 189,000 kilometers, up by 65.8% compared with 2002; the popularizing rate of the gas consumption reached 79.1%, up by 11.9 percentage points over 2002.

For a long time, the price of the water is usually lower than the costs of the water resources. From the long term, it is inevitable to increase the price of the water. However, China is in the successive industrialization and urbanization phase. It is

impossible to increase the price of the running water sharply.

At present, the price of the water in China is low and the formation mechanism is not very perfect; the water supply enterprises all face the losses; the update of the equipments is aground; the low sewage disposal rate leads to the pollution aggravation. To increase the price of the water supply is not only the need to construct the water saving country, but also the need to guarantee the investments and achieve the sustainable development.

### **The major problems in Chinese urban water supply industry:**

First, the systems are backward. Traditionally, Chinese water supply industry had been operated monopolistically by the government, let alone market competition, which reflected in following two aspects: there was no clear line between the government and the enterprises. The production, operation and investments of the urban water supply were arranged by the government; second, the government decided the price of the water and the price could not reflect the market discipline. From 2002, Chinese government issued a series of policies to propel the reform in the water supply industry, propel the marketization of the urban water supply industry. At present, marked achievements have been attained.

Second, the water supply infrastructure is insufficient and the water supply capacity needs improving. The present urban water supply infrastructure is old and aging, which can not receive prompt reform due to the government capital shortage. The leakage of the pipelines and the poor management result in the serious waste of the water resource. Besides, owing to the fast economic development after the open-up and reform, the urbanization process is speeding up as well as the inadequate and unreasonable plans. The contradiction of the water supplies and demands becomes serious in some cities.

Third, the price formation of the water is unreasonable. The water price formation lacks of the market basis, making partial water supply enterprises difficult to get out of the losses.

Fourth, the water sources are heavily polluted.

Fifth, the water disposal technologies are backward.

There is not very close relationship between Chinese urban water supply industry and

the general development of the national economy, which will not be up and down greatly with the fluctuation of the national economy. To open up the market at maximum is helpful to improve the enterprise benefits and the service level. The special characteristics of Chinese urban water supply industry determine its high sensitivity to the variations of the government policies. What are mentioned above provides clear recognition of the competition patterns in Chinese urban water supply industry. The various elements intensify the competition among the water supply enterprises, which is believed to continue with the further development of Chinese economy.

In recent years, with the fast development of Chinese economy and the speed-up of the urbanization, there are huge business opportunities in the urban water supply industry and the mass foreign fund investments activate Chinese water market. The foreign enterprises enter into Chinese market at high prices, which mainly aim at the all-round service perspectives of Chinese water supply industry in the future. The international water giants have mature water treatment technologies and operation management experiences. The technical spill-over effects will also benefit Chinese local enterprises. However, in the reform of the water supply industry, there is less space left for Chinese enterprises.

At present, Chinese drinking water sources are polluted day by day. The inorganic substances, the organic substances and the micro substances threaten to people's health. Meanwhile, with the enhancement of the living conditions, people have high requirements for the water quality and hope to drink more safe and hygienic water. Facing the present problems, developing new water purification technologies will become the most urgent matter, such as the application of the coagulant and coagulant aid technologies, the application of the biological pre-treatment technologies, the adoption of the new technologies, the intensification of the ordinary treatment, the deepness of the treatment technologies, the new disposal technologies, the new sterilization methods and the film treatment technologies.

The regional distributions of Chinese urban water supply industry have close relationship with the urban development. On the whole, Chinese urban water supply industry is mainly located in the places in the high urbanization level, such as Shandong, Guangdong and Zhejiang etc. second, Chinese urban water supply industry centers in the comparative populous regions, such as Shandong, Sichuan, Beijing and Shanghai etc.

Since the beginning of the 1990s, Chinese urban water supply industry has stepped with the open-up pace outwards. For decades of years, the national economy has

developed fast and successively; the urbanization level is enhanced; the price of the water is straightened out; the policy systems are gradually perfected; the market mechanism is introduced and Chinese urban water supply market has become the most attentive market.

Finally, the issuance of a series of policies showed that Chinese government is propelling the marketization process of the urban water supply industry and enhance the profitability through a series of policies.

Because the urban water supply projects are characterized as public welfare, which is restrained from developing by the laws and policies. Although Chinese government has fixed the strategic goals of the marketization of the urban water supply industry, the urban water supply industry lacks systematically research on the marketization direction and the policy systems of the urban water supply is not perfect, leading to the government to probe when making decisions and the long term investments face huge policy ventures.

**More information can be obtained in this report:**

- Development Situation of Chinese Urban Water Supply Industry
- Problems in Chinese Urban Water Supply Industry
- Policy Environment for the Development of Chinese Urban Water Supply Industry
- Factors affecting the Development of Chinese Urban Water Supply Industry
- Investment Opportunities of Chinese Urban Water Supply Industry
- Prediction on the Development Perspectives of Chinese Urban Water Supply Industry

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