

Topic: Is Water & Sewerage Corporation a Monopoly?

1. Would you consider The Water and Sewerage Corporation a monopoly?

Ans. No. The WSC is not a monopoly due to many Bahamians using well water.

2. Other than well water, are there any other suppliers of water for Bahamian consumers?

Ans. New Providence Development Company supplies water to parts of western New Providence that is South Ocean residents and Paradise Island Utility supplies most of PI.

3. What legislation is Water and Sewerage protected under?

Ans. The Water & Sewerage Act 1976.

4. What is your pricing strategy as a monopoly firm?

Ans. The WSC fees are legislated by Parliament and can only change via an amendment to the Act, once the request is made and approved for a tariff increase.

5. What is Water and Sewage largest expense per month?

Ans. In 2014 Water Purchases – \$34 Mn (48% of operating expenses). Staffing was \$22.7 Mn (32%)

6. How do you operate to keep your input cost low to gain a profit?

Ans. The Corporation relies mainly on tariff increases to improve profits but there has been no tariff increase since 1999 which has affected profitability. Cost containment strategies include: public/private partnerships in water

production (private sector builds/owns/operates), a \$51 Mn loan project to reduce water losses due to leaks; greater reliance on technology.

7. What are your fixed and variable costs?

Ans. Go to our website: [www.wsc.com.bs](http://www.wsc.com.bs). Click on Corporate and then on Financial.

8. When Water and Sewerage increase their price do they see a decrease in the usage from consumers?

The Corporation has not had a tariff increase since 1999.

9. If a person lives in an area that offers Water and Sewerage but, decides to use well water are there any repercussions?

Ans. Currently, there is no legislation in place to address well usage.

10. Does Water and Sewerage cover the entire Bahamas?

Ans. Yes, most of the islands with few exceptions like Grand Bahamas. Visit our website for coverage of the Bahamas.

11. Is the level of quality in Nassau the same in the Family islands?

Ans. Although water supply have improved mainly in the major islands like Exuma, Abaco and Eleuthera due to the use of reverse osmosis plants, some islands still do not have a reliable water supply. However, the Corporation is beginning to do improvements works in those islands as a result of a CDB Loan.

12. Do you think prices would be better if Water and Sewerage had more competition?

Ans. The Corporation cannot increase the cost of water & sewerage services without government approval (tariff increase). Refer to answer in question 6.

13. If your price is below average variable cost. what will the company do? Seeing that if price is below average variable cost, it means the firm is better off shutting down, however since this company is the only seller, what other alternatives do you look at?

Ans. (a) The Corporation has historically relied on government subsidy to offset some of its expenditure particularly with respect to the Family Islands. However, with the economic downturn like many other businesses, the Corporation has had to find ways to streamline spending and restructure in order to become more economically viable. (b) While it's true that the W&SC has no direct competition as we are the only distributor of potable water, many residents have chosen to use private wells which has impacted the Corporation's revenue intake and reduced its market share.

14. As a monopoly firm, can you explain the input processes of the company?

Ans. The WSC is not a true monopoly, as we have lost many residents to private wells.

15. All firms have costs, such as variable cost, marginal cost, fixed cost, total cost, etc. How does the monopoly firm operate with these costs and do you illustrate graphs in your annual or quarterly report?

Ans. See website; [www.wsc.com.bs](http://www.wsc.com.bs). Click on Corporate and then on Financial.

16. What barriers of entry are in place for your market?

Ans. Barriers to entry may exist because the Corporation is still a government owned entity and although there have already been some outsourcing of some aspects of the Corporation, and although future outsourcing may be likely, those barriers will remain unless permitted by further outsourcing or complete privatization.

17. Has any firms ever attempted to compete in your market?

Ans. There are many bottle water companies but they are not considered direct competition as the WSC is a distributor of municipal water supply, not a producer of bottled water.

18. Are there any issues with the price that you set in the market?

Ans. Although there have not been any tariff increases since 1999, there is likely to be some outcry from residents when there is a rate increase especially due to the high cost of living in the Bahamas and especially with the introduction of VAT.

19. As a natural monopoly of water what are your promotional strategies (e.g. safety advertising)?

Ans. The WSC's promotional strategy is both product oriented & service oriented. We continue to strive to provide reliable quality water with efficient service.

20. At this moment, can you tell us what is the firms average cost and the price of the product or service you are selling, as well as marginal revenue?

Ans. For details on our Financial Position, kindly visit our website at [www.wsc.com.bs](http://www.wsc.com.bs). Click on Corporate and Financials. Additionally, see attached Customer Service Guide for information on fees/costs.