



Thematic Week : WATER SERVICES FOR SUPPLY AND SANITATION

Thematic Axis: Regulatory and institutional framework

Title of the presentation: **The perception of the System Supply Managers, the Aqua Publica Europea point of view**

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Summary:

Worldwide, 90% of drinking water distribution is covered by public management. In order to undo the preconceived idea that disassociates performance from public management, European public operators have decided to unite their efforts in order to promote public management at a global level and to constantly improve water services whilst respecting sustainable development priorities. That is why they decided to create the Aqua Publica Europea network. Responsible management that is effective while truly respecting and protecting hydraulic resources, needs a long-term vision that covers water patrimony, a concerted vision of the different uses of water (agriculture, industry...) together with a democratic control characterised by active participation by citizens and a reinforced role of the users in its governance.

The European water companies and public authorities are aware of these challenges and wish to become actively involved in a global water policy primarily based on access to drinking water for all. It is time to fully embrace the responsibilities concerning water management as a public good.

Key-words: public management, performance and transparency, universal access to water, public-public partnerships, Aqua Publica Europea

1. Introduction

If ever there was a major political and strategic issue, it is that of water and the way it is managed. A common patrimonial good belonging to all humanity and a vital natural resource, it cannot be looked on as merchandise. Worse still, it should never be the source of inequality and conditions of life among human beings. To assert this is to recognize access to water as an inalienable individual and collective right.

To offer high-quality water in sufficient quantities represents therefore a challenge of the first order. This incidentally is why, as part of the UN's Millenium Objectives, access to drinking water for all has been declared a priority and presented as an essential stage in the socio-economic development of all countries.

The effective application of this right commits the public authorities, whether national or local, to exerting genuine monitoring of water and sanitation services. In this respect, public management, free as it is from private interests, guarantees greater operational and tariff control on behalf of the general interest. Better still, it provides a foundation for the legitimacy of the service's billing since the management of water by private companies, which are frequently large multinationals, results in a socialisation of costs and a privatisation of profits. Is it admissible in the event that the water service should have to depend on investments financed by the user's bill, with the result, *in fine*, of enabling multinational companies enjoying a virtual monopoly to create « value for the shareholder »?

This monitoring and public management must naturally be developed in with consultation and with the participation of the population. Despite its highly technical dimension, this issue must form the object of a considerable pedagogical effort that will permit wide-ranging public debate from which users will benefit. Successful examples of close participation of the local population in water management illustrate this obvious truth: not only does transparency fail to hinder efficient management but, on the contrary, it contributes to it. Truly democratic supervision is indeed essential as a guarantee of better monitoring of the funds invested and a fairer allowance for the requirements of the population as a whole.

It is an established fact that over 90 % of the water and sanitation services worldwide come under public management. Private water companies are responsible for only 10%. Even in the shrine of the market economy, in other words the United States, there exists a powerful attachment to public management of water. It would thus seem inconceivable to New Yorkers to delegate the water service to the private sector, irrespective of the political colouring of the administration.

One can illustrate in other ways the worldwide importance of public water management, by way of a simple comparison. The chief American cities assembled in the Association of Metropolitan Water Agencies (AMWA) declare that they serve 127 million urban consumers. On its side, Veolia, which is considered to be the leading water and environment multinational declares only 67 million inhabitants served worldwide¹. Its greatest competitor, Suez environnement, number 2 in the world, announces for its part 68 million people supplied with drinking water worldwide².

In the 27 Member States of the European Union, there are now 120 000 operators responsible for water services, the great majority of which are under public management. The problem of the method of management, far from being secondary, makes it possible for us to ask ourselves the more general question of the boundaries we intend to allocate the public service of tomorrow.

¹ Veolia sustianable development report 2006

² Suez sustianable development report 2007

2. Promoting the public management of water services throughout the world

Numerous capital cities and large European town manage their water services using public companies, as is the case for Madrid, Amsterdam, Brussels, Rome, Athens, Stockholm... These capitals are good showcases of high-performance public management of water.

London alone has gone in for total privatisation, and is now witnessing fierce debate as regards the quality of the service rendered by the private supplier Thames Water, a subsidiary of the German group RWE and the country's leading distributor with 8.5 million customers, of which 5 million in London. Thus the state of the distribution network is now extremely antiquated as a result of the low level of investment made by the private company. In 2006 Thames Water exceeded the limit leakage threshold set by the Water services regulation authority (Ofwat) for the fourth year running by wasting 894 millions litres of water per day. This threshold is equivalent to 350 Olympic swimming pools. The necessary annual investment had been estimated at over a billion euros and Thames Water had committed itself, to replace 368 km of pipework by 2010 in addition to the 1235 km in its previous programme. The group had also been requested to reduce leakages by 20% over the period to 720 million a litres a day. Discontent had been all the greater because Ofwat had recently authorised Thames Water to increase its tariffs by 24% between 2006 and 2010 in return for its investments, whilst the group's profits have already increased by 31% in 2005 thanks to a 22% rise in its bills.

Contrary to the private groups that have federated in order gain a hearing, both vis-à-vis the European institutions and at international, level, there is no federation to represent public water management operators in Europe. The private sector is strongly represented by such authorities as EUREAU³, AquaFed⁴ and EWP (European Water Partnership)⁵, which are very present in the various venues dedicated to discussions, consultations and expertise regarding the water scene.

Given that in those countries where the private sector is present, in particular in France there is an increasingly favourable reception to public management of water, the time has come to set up a network bringing together the as yet still too widely dispersed public operators and to give voice to a different discourse as regards European and international institutions on the various continents directly or indirectly involved in water management. This represents the "raison d'être" of Aqua Publica Europea. European association for public management of water officially launched on March last in Paris. The task of this new association is to federate the European public water and sanitation operators with a view to promoting public water management in Europe and beyond. On this occasion, a founding charter⁶ was adopted by the members, the principles of which are the following.

Aqua Publica Europea is anxious to enable public water companies and local authorities to exchange information, share know-how and collaborate in the service to promote public management of water. The network's objective is to encourage scientific, technical, economic and administrative actions linked to water management. Such promotion will be achieved via exchanges of information, expert assessments and collaboration between the public water companies or the regional authorities in Europe and other countries.

³ EUREAU is the European union of national associations of water suppliers and waste water services. <http://www.eureau.org/>

⁴ AquaFed is an association of the private sector providers of water and sanitation services. It's the voice of the private water industry vis-à-vis international organisations representing the operators through direct membership and through their national associations. AquaFed membership is open to all privately controlled companies that provide public water services, irrespective of their size or location. <http://www.aquafed.org>

⁵ The European Water Partnership is an independent non-profit organisation, which was jointly set up by 16 European organisations in 2006. It harnesses European capacity, helps to coordinate initiatives and activities in international water issues and undertakes worldwide promotion of European expertise related to water. The European Water Partnership is a focal point for the exchange of information related to activities and services of the private sector, (regional, national and local) government bodies, knowledge and research institutes and NGO's with expertise in the water sector. <http://www.ewp.eu/>

⁶ Charter of Aqua Publica Europea

The public water companies must be able to be represented and to gain a hearing vis-à-vis the European and international institutions and organisations on the different continents involved directly or indirectly in water management.

The founder members are public water companies and federations of local public companies in Belgium, France, Germany, Italy and Switzerland. EAU DE PARIS, the municipal company of the City of Paris responsible for producing and transporting drinking water in behalf of the capital, which I have had the honour of presiding for the last 7 years, forms part of the core of European public operators anxious to unite their strength so as to develop public management of water.

Thus in our founding charter, we have wished to assert clearly that water, a vital resource, constitutes a fundamental, inalienable, universal and imprescriptible right. Its use for vital needs, its availability as regards the security of collective existence (agricultural, industrial activities...) and the preservation of natural equilibriums must be guaranteed.

Since water constitutes a common good, a part of humanity's patrimony, it has to be managed in a responsible and interdependent manner in order to ensure a fair share between users and to preserve its use for future generations. Water is a public good of general interest which cannot be looked on as merchandise liable to become the subject of commercial rivalry and private appropriation. The water economy belongs to the public sphere, and must consequently be organised and supervised by the public authority acting under the responsibility of elected representatives.

In order to defend a public water service, Aqua Publica takes the view that the regional authorities must be able, without let or hindrance of any kind, to organise water services conceived as public services of general interest, by setting up public companies operating under the authority of elected representatives.

Lastly, the founding charter is eager that the general interest alone should guide water management. We believe that it is important to dispense with the liberalisation of water services based on a commercial logic dominated by private short-term, indeed speculative, financial interests. Now responsible, efficient, interdependent and sustainable resource management calls on the contrary for a long-term vision, a patrimonial approach, a settlement of conflicts regarding use between the various branches of society (agriculture, industry,...) and democratic supervision characterised by active participation by citizens and the strengthened role of users as regards governance. For this reason, the revenues accruing from the tariffing of water services must be wholly allocated to their optimal operation. The financial coverage of the costs inherent in collective hydric security, with the aim of guaranteeing the right to water for all and ensuring fair and sustainable use of the resource must furthermore have recourse to social solidarity and redistributive mechanisms.

On the occasion of the launch of Aqua Publica Europea, Paul Reiter, Director General of the International Water Association (IWA), stressed the importance of public management of water and urban services in the eyes of his organisation. It is of interest to note that the IWA was set up, following the Second World War by the French, the Dutch and the English around the idea of improving water services and on bases similar to those advocated by Aqua Publica Europea.

In similar fashion to the attachment of the Verband Kommunalen Unternehmen (VKU), a German association of communal companies, to the freedom guaranteed the communes by the Basic Law of 1949 as regards the choice of method of management, Aqua Publica Europea ardently defends the total freedom of the public authorities as to the choice of method of management of their

water service. This freedom, according to the VKU, is at the origin of the strong development of public management of water in Germany: only 1% of the 6000 drinking water services are wholly privatised.

This attachment to the freedom of choice of method of management of its water service by the local authorities is also defended in France by the partisans of the public service. One case provides a perfect illustration of this battle for the affirmation of the prerogatives of the public authorities concerning the operation of the service. The President of the Council of the Landes department has for more than ten years been conducting a struggle against the large private companies in the water sector, who are grouped together in the *Fédération professionnelle des entreprises de l'eau* (FP2E), which contest the policy implemented by the Council to modulate the subsidies allocated to the communes of the Department of the Landes with a view to giving financial assistance to those opting for state-controlled management of water and sanitation.

Aqua Publica is very attached to the idea of fully restoring to local authorities and users their rightful place in the supervision of their public services. Indeed the part played by local authorities, and consequently that of elected representatives, is central to the proper running of the water services. The local authority must play its part as an organising authority by providing the necessary directives and requirements for its water service. To be sure, the organisation of the service has to be in line with the European and national framework both in legislative and regulatory terms.

This is one of the conditions governing efficient operation of the service, for public management is not in itself a guarantee of virtue. Since delegated management requires strict control, a local authority that has opted for public management needs to be deeply involved in the governance and supervision of the public operator responsible for the water service. The local authorities must also maintain a level of technical skills so as not to be dispossessed of their means of supervision. Reversion to public management (under state control for example in France) is only possible if the local authority is familiar with its network and the actual costs of the service. Each local authority and its deliberating assembly need to possess the means of seriously envisaging the possibility of a reversion to public management so as to permit a an enlightened choice of management.

In the face of a dominant discourse which decees that the private sector alone is efficient, competent and professional, the problem is to reaffirm that the public sector possesses the necessary assets to operate on an equal footing. The public operators are eager to challenge the preconceived idea that dissociated the notion of performance from that of public service. At stake here is the demonstrable modernity of public management.

3. Transparency and Performance of public management of water services

For the last several years, the price of water has become a very sensitive issue in the majority of European countries. This sensitivity is expressed politically, in the media and socially. The performance requirement relating to the service rendered is becoming ever stronger, all the more so against a background of increased demands as regards health regulations.

While situations may differ from one part of the country to another, we are nonetheless witnessing from the early 1990s on in all countries a continuous drop in consumption. For example, Paris has seen a fall of 25% in twenty years. The reduction in the volumes of water extracted for industrial purposes represents the largest part of this fall (56 % over the period 1992-2003,

according to the French water Agencies) as a consequence of the optimisation of the manufacturing processes.

At the same time on the side of the public services, the local authorities, managing agents of buildings and cluster offices, a systematic search for leaks and the desire to avoid waste in communal or cluster buildings and better control of property expenses thanks to the individualisation of metering have also contributed to a sharp reduction in the volumes consumed.

The lower, but continuous, fall in domestic requirements can be explained by technological advances; labour-saving devices (washing machines, dishwashers) are being replaced by appliances whose consumption is less.

To these known and identified causes can be added more recent factors, the effects of which are moving in the same direction: the generalised deployment of sustainable development policies in companies and the administration, on the one hand, and the development of eco-citizenship, on the other. Studies carried out by various organisations, among them CREDOC⁷, confirm the reality of a lasting fall in consumption with inevitable consequences both on the health and economic level.

Lesser demand results in an increase in the retention time of the water in the pipes and can raise problems with regard to observance of health standards. By way of example, in Germany where eco-citizen behaviour is more developed, the health authorities have launched a national campaign aimed at stimulating the consumption of tap water so as to ward off this risk

On the economic level, the balance between the cost of the service - over 90 % of which is made up of fixed charges (not directly proportional to consumption) and the revenues collected, of which the major part is based on the volumes supplied - will no longer be guaranteed. This will result in a very great strain on the water tariff thereby leading all the partners concerned (local authorities, public or private operators) to rethink their tariffing policy so as to prevent undue increases while continuing to make the investments essential to maintenance of the patrimony and respond to environmental objectives.

Against this very tense background public management capable of organising financial transparency and performance of the service is useful inasmuch as all the financial flows generated by the complete service cycle (production, distribution and billing) are reinvested solely in the operation of the service.

Clearly this does not exclude the need to assess the performance of the operators through external benchmarking by comparing what is comparable while at the same time taking account of specificities in order to optimise interpretation of these comparisons.

Thus, it is important to stress the comparative assessment carried out by the North European Benchmarking Cooperation (NEBC) on behalf of the water operators in various Northern European countries. The aim is to compare their performances with a view to improving them. Among these operators, only 10% are from the private sector: the remaining 90% are public companies, which have therefore deliberately chosen to compare themselves with one another and to be transparent.

Thus the final performance test involved the 2006 data from 30 water services in 10 different European countries representing 45 million inhabitants. EAU DE PARIS participated in this test. We were consequently able to have interesting exchanges with the other operators. The results which will remain anonymous enable one to situate oneself in relation to others.

⁷ *Centre de Recherche pour l'Étude et l'Observation des Conditions de Vie*

As always, the limits of this benchmarking exercise between different countries involve questions of terminology. One can compare « public » operation over an unlimited period and the obligation to put out to competitive bidding the public service delegation with its « side effects » on the management of the patrimony (acceleration and slowdown in investments at the beginning and the termination of the contracts). Now the question of optimal patrimonial management of the drinking water networks in European countries has become crucial. On this level, public management, imbued as it is with the general interest and not limited by the time scale of the contracts, is better placed to manage this considerable patrimony over time.

Public management is based rather on the values of transparency, competitive bidding and equal access to its orders of the oligopolistic presence of a few large groups. The duration of the delegation contracts of the public water service to private companies is conducive to abuses of dominant position on the latter's part and the subcontracting between companies in the same group. The members of Aqua Publica Europea firmly reassert their commitment to work in total transparency within the framework of public purchasing procedures.

Certain disgruntled souls fiercely hostile to public management do not however hesitate to conclude that the participation of the private sector is necessary to ensure efficient management and a high-quality service, not to mention the financing and investment prospects. The analysis of the performances of the Phnom Penh Water Supply Authority (Cambodia) runs counter to this notion. Numerous examples refute this assertion, in Europe just as much as in developing countries.

Phnom Penh Water Supply Authority is an illustration of this. It has become, in the space of ten years, one of the most high-performing water distribution companies in the region, which seems to contradict the assertion according to which the participation of the private sector is necessary to guarantee efficient management.

The study made by the Agence Française de Développement (AFD)⁸ analyses the reasons for this success and attempts to draw the lessons as regards the regulation of public agencies, by qualifying, to begin with, the performance achieved by PPWSA on the basis of certain relevant indicators, before going on to analyse the reasons for its success and to speculate on the prospects and lessons to be drawn as regards regulation of public agencies worldwide.

PPWSA has therefore proved by its experience that a developing country can be capable of efficient public management and of a process of spectacular recovery. Rigorous methods of management based on results are compatibles with public status, inclusive of the conditions of remuneration of staff. Moreover, public status may be seen as the guarantee of a quality of service and a price that take into account the social constraints of the population.

4. Developing public / public partnerships to fulfil the Millennium Development Goals (MDG)

To dispose of high-quality water in sufficient quantities is an international strategic challenge. Thus, within the framework of the UN's MDG, world water policy based on priority of access to drinking water and sanitation for all is generally accepted as an essential stage in enabling a country's development.

The public-private partnerships so highly advocated by the supporters of delegated management and encouraged by the international institutions have not up till now demonstrated their

⁸ RIES, A et BLANC, A (2007)

effectiveness on the ground. The United Nations report⁹ on the development of water resources notes that the results achieved by the private sector have not been on a level with expectations. As a common and public good, water must be managed under public supervision to the exclusion of private profits. Aqua Publica is anxious both to proclaim this message loud and clear to international authorities but also to be a partner in its actual implementation.

It is urgent and indispensable to implement another PPP, that is to say the public/public partnership. The basic principle of this other « PPP » is based on the fact that all goods and services considered essential to life and community living must be considered as common goods, i.e. common global goods, and that the access to these goods and services must be recognised as a human, universal, indivisible and imprescriptible right.

In the same spirit, the Wop's (Water Operator Partnerships) seek to implement projects aimed at achieving the MDG by asserting the clear "not-for-profit" principle for the actions set in train. The conference on Water Operators Partnerships (WOPs) organised by the IWA together with VEWIN in the Netherlands in November 2007 was the first of its type in Europe. The idea underlying WOPs follows on from the setting up of the United Nations Secretary General Advisory Board on Water and Sanitation (UNSGAB) on the occasion of World Water Day in 2004, the first chairman of which was Mr. Hashimoto. The Prince of Orange in his capacity as the new chairman of the UNSGAB is pursuing the action plan decided on in 2006 (Hashimoto Action Plan) and which prepares the ground for the development of WOPs.

Backed by the greater representation of the public sector on the water scene (90 % compared with 10% for the private sector), and the very qualified success of the Public-Private partnerships, the WOPs are oriented in the direction of Public-Public partnerships. The WOPs are to be understood also on the basis of a South-South partnership with interesting examples in Uganda, South Africa, or again Singapore.

⁹ 2nd United Nations world report on the development of water resources in 2006

5. Conclusion

The public water operators assembled within Aqua Publica Europea are eager to defend fair and sustainable public water management. For this reason it is important that the public operators should be able to forcefully defend their specificities and winning cards with a view to better operation of water services. Sharing of experiences is the core of this strategy.

In our capacity as public operators we wish to participate actively in the numerous current and future discussions in the European countries and elsewhere as, for example, about the promotion of tap water as compared with the ecological cost of bottled water, the reclamation of rainwater or again the fall in water consumption.

Our expertise, skills and management model need to be given full credit so that a pluralistic and democratic debate can take place with all the players concerned regarding the optimal service that the user can hope for and in the expectation that the voice of the public and private operators can be heard!

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Website

<http://www.remunicipalisation.org/>

A website to highlight the growing trend to return failing privately managed water services to public management. France - arguably the heartland of privatised water services - is at the forefront of the remunicipalisation trend that is also manifesting itself in parts of South America, North

America and Africa. Water remunicipalisation tracker is a Corporate Europe Observatory and Transnational Institute initiative.

<http://www.corporateeurope.org/>

CEO is a European-based research and campaign group targeting the threats to democracy, equity, social justice and the environment posed by the economic and political power of corporations and their lobby groups.

<http://www.tni.org>

Founded in 1974, the Transnational Institute (TNI) is an international network of activist-scholars committed to critical analyses of the global problems of today and tomorrow, with a view to providing intellectual support to those movements concerned to steer the world in a democratic, equitable and environmentally sustainable direction.

<http://www.foodandwaterwatch.org/water>

Food & Water Watch serves as a clearinghouse for information and an ally in organizing to ensure that water — a public resource — stays in public hands.