

Chapter Seven

Looking to the Future: What Next For Remunicipalisation?

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This book, with its five in depth case studies, is the most comprehensive review of water remunicipalisation to date. The cases provide strong arguments for public water management as a viable alternative to privatisation. While remunicipalisation is by no means simple, each case proves that public management can offer services that privatisation could never deliver. Remunicipalisation is a credible, realistic and attractive option for citizens and policy makers dissatisfied with privatisation. The cases should be a source of hope and inspiration, but also of specific insights and lessons for anyone wanting to challenge and overturn water privatisation.

No less than 40 municipalities in France have decided to remunicipalise in the near future, including large cities such as Bordeaux and Brest. Elsewhere in Europe and the Americas the negative experiences with privatisation are making cities choose remunicipalisation too. In Africa, more and more private water contracts are not renewed. Some of the remaining Asian privatisation contracts are coming under serious pressure and there is good reason to expect the momentum for remunicipalisation to build further as the shortcomings of water privatisation become more apparent and water justice movements gain strength. A recent striking example is Napoli, in Italy, where the city council decided to remunicipalise water services as a response to the June 2011 Italian referendum on water privatisation in which 96% of voters opted to overturn the laws facilitating water privatisation in the country, one of the most significant expressions of public support ever for remunicipalisation and public water more generally.

As growing numbers of cities embark on the transition from private to public water management it is crucial to take stock of lessons learned and avoid pitfalls. This will increase the chances of successful remunicipalisation, especially where the change is not simply from private to public control but involves creating more transparent and accountable public operators securing socially and environmentally sustainable water and sanitation systems for all. Remunicipalisation struggles provide a real opportunity for citizens not

only to end privatisation but to help shape public water companies that are democratic and responsive to their needs. Remunicipalisation is not merely about returning to the pre-privatisation situation, but should be about reinventing public water management altogether.

In Paris, water delivery was successfully transferred in 2009-2010 with impressive results on many fronts, from increased transparency and cost savings to improved water resource protection. It is the largest remunicipalisation in Europe to date and was by no means a simple matter, due in part to the fact that the city's water supply was run by two private water firms, each covering half of the city. There was internal opposition among parts of the city's administration and rigid public procurement procedures created difficulties for the new public operator, but these and other problems were overcome. Thanks to remunicipalisation, the city saved approximately €35 million in its first year and was able to reduce the water tariff by 8%. The savings reflect the fact that the two private firms, Suez and Veolia, had extracted excessive profits from their private concessions. The new public operator ended the financial opacity and poor accountability that had characterised privatisation, and has demonstrated that remunicipalisation is not just about transferring ownership and management control, but also about embracing progressive water policies, improving environmental standards, enhancing international solidarity and other public interest goals. The city's public water company now works with a long-term perspective; for instance, it leads awareness-raising campaigns to promote tap water as well as public-public partnerships with water utilities in developing countries.

The transfer to public management brought very significant savings and efficiency gains in the Canadian city of Hamilton as well. Following a strong campaign by citizens' groups and unions against the secrecy and mismanagement of the private water operator, the biggest privatisation contract in North America ended with its non-renewal. Transparency in the operations of the water utility greatly improved as a result of the remunicipalisation, which also proved a genuine source of savings as it allowed the municipality to properly verify the utility's performance and make year-to-year budget adjustments. The operation was a clear success, even if some problems remain. There are concerns about the public utility becoming increasingly corporatised, which might result in the utility behaving as a private company and not being as accountable to citizens as it should be. Hamilton, moreover, suffers from major environmental challenges, including a toxic sludge disposal problem. Attempts to solve this through very expensive new investments in large-scale water technology are unlikely to bring long-term sustainability to the city's water usage. The problem of relying on large-scale, centralised infrastructure and technological fixes exists to varying degrees in all the cases covered in the book and remains a challenge for modern municipal water systems.

In terms of the number of inhabitants, the remunicipalisation in Buenos Aires was even larger than Paris. Whereas the transfer to public management in Paris happened at a time when the private contract ended, remunicipalisation in the Argentine capital started when the government terminated Suez's 30-year concession only halfway through that period. This was a tough decision to take given the legal consequences: the Argentine state was immediately sued by the company with a claim of US\$1.7 billion at the World Bank's International Centre for Settlement of Investment Disputes (ICSID), whose decision is still pending at the time of writing. The decision to end the contract came after Suez systematically failed to meet its contractual targets for expanding coverage and improving the quality of water services. The water multinational was not making the promised investments, but repeatedly called for contract renegotiations to boost profits. The new public company, owned 10% by the workers' union, has achieved impressive results in the first five years, particularly in terms of expanding coverage to citizens in poorer neighbourhoods, involving them in public works programmes and broadening access to water and sanitation. These measures were financed by public investments despite decreasing revenue. There are problems in the institutional setup, however, such as a lack of participation channels for water users at the decision-making level, as well as other legacies from the privatisation era such as an unfair tariff system. The public water company has yet to take up the ambitious challenge of securing a holistic and environmentally sustainable water management programme covering the whole water cycle, which would require solutions to the polluted water in the metropolitan river basins.

The remunicipalisation in Dar es Salaam brought about a reduction in water leakage levels and extended coverage after a short but disastrous privatisation experience. But the system is still a far cry from providing universal access to water and sanitation. Tanzania's dependency on international donors, particularly development banks, has had a defining influence on the remunicipalisation experience: the failed privatisation contract terminated by the government had been imposed by the World Bank and other development banks in the first place, and those institutions accepted the replacement of the private company by a public one but changed nothing in the previous institutional setup, and they continue to decide on the entity's priorities. This donor-controlled transition contributed to an excessive focus on increasing revenue collection and the promotion of projects that were not necessarily technically relevant. The Dar es Salaam example highlights the continued financial dependency of impoverished countries on international donor institutions that promote neoliberal water sector reforms and other blueprint approaches to local problems.

The water sector reform in Malaysia was slightly different from the other cases in this book in the sense that it occurred on a national scale. It is an attempt to harmonise

water management throughout the country after a series of disappointing concession experiences, to boost water infrastructure development in the poorest states, and to apply revised performance indicators and standards. Crucially, two central objectives of the reform were the ‘de-politicisation’ of tariff setting and the implementation of full cost recovery. Corporatisation of all water utilities is also a central element. So far, the reform has brought about mixed results. On the positive side, new public investments seem to increase service coverage and technical reliability in states where needs are greatest, and there is now an improved mechanism for user complaints to the regulator. On the negative side, there are problems such as the exclusion of water resource management issues, the likely degradation of working conditions, and the utilities’ corporatisation reducing regulatory compliance. National centralisation also reduces the flexibility of local and state water utilities to respond to local circumstances, including social needs. As for the promises of smooth economic self-regulation, a few years in this reform have already shown that the water sector is not politics-proof, that it will never be, and that the new structure is increasing risks by reducing the diversity and public service ethos of the country’s water managers.

While the cases covered in the book all show the clear benefits of remunicipalisation, there are major differences in the degree of ‘publicness’ in the new public water companies. In some cases the new systems are far more ambitiously ‘public’ in terms of commitment to the public interest and genuine accountability to citizens. In Dar es Salaam, the private operator was replaced by a new publicly owned company, but the institutional setup and the company’s priorities did not change much. In Buenos Aires, the government ensured that the new public company would focus on universalising access to water and sanitation, backed up by public investment. In Paris, the new public utility has a holistic agenda of pursuing public interest water policies, including environmental and international solidarity goals. In Paris and Buenos Aires, strong political leadership was instrumental in securing ‘publicness’ in the operations of the new water companies. In both cases, however, the mechanisms for citizen participation are underdeveloped, as are other institutional accountability mechanisms that can help keep public companies on track in terms of serving the public interest. In Dar es Salaam the power of international donor institutions closed off possible ambitions in this respect.

A clear lesson from all the cases in this book is the need to develop a clear vision of what kind of public management is to replace privatisation, including an institutional setup that can build a genuinely public water system. When done well, remunicipalisation can instill a new institutional culture in public utilities and foster better relationships with users and citizens. If poorly done it could do little to improve the ‘publicness’ of the water system.

Terminating a privatisation contract before it ends is clearly the most difficult road to remunicipalisation, compared to non-renewal after the contract expires. Such terminations give rise to complex and hard-fought political struggles, and can end in legal battles in far-away, and often corporate-friendly, dispute settlement courts. Nevertheless, the two termination cases in this book, Buenos Aires and Dar es Salaam, demonstrate that dissolution of privatisation contracts is feasible if the political will exists.

These efforts provide hope for other cities, such as Jakarta, Indonesia, where one of the most intense battles over remunicipalisation is currently taking place. In Jakarta, water multinational Suez has had a privatisation contract since 1997 that runs until 2022. Suez has failed to fulfil its obligations to extend and improve water supply to the city's inhabitants, water users are overcharged and the company secures excessive profits. Although there is broad political consensus that private provision does not work, real change proves extremely difficult to achieve due to the penalties that are likely to follow from a court case if the city ends Suez's concession. Meanwhile, the flaws in the contract and the multinational company's high ground create a power imbalance that leaves public authorities unable to force a step-up in its performance and to limit profit margins. Any renegotiation of the contract signed during the Suharto dictatorship is left to the company's good will. The Jakarta experience should serve as a warning against privatisation contracts that severely limit the political space and choices available to citizens.

Another important lesson is that any remunicipalisation effort should try and pre-empt pitfalls before the transition starts. The citizens' movement for remunicipalisation in Hamilton, for example, dedicated considerable attention to technical issues, both in terms of analysing the shortcomings of privatisation and in choosing strategic targets for their campaign. The groundwork was essential to prepare a successful transition.

Other options such as public-public partnerships (PuPs) are extremely useful in campaigning for remunicipalisation. The Dar es Salaam example, despite its limitations, features an interesting case of how not-for-profit partnerships with other public utilities can be used to mobilise technical and management expertise for improved public water supply at home. PuPs are increasingly popular because they can bring practical improvements without the disastrous loss of local control that happens with privatisation. Since 2006, the United Nations has actively supported such partnerships, which has led to the creation of the Global Water Operators' Partnership Alliance (GWOPA) coordinated by UN-Habitat. A growing number of European public water utilities now engage in solidarity-based international partnerships, such as the public water companies of Paris and Amsterdam and that of the Seville province, Spain.

Closer cooperation between public utilities has a key role to play. Cities embarking on remunicipalisation could benefit tremendously from the experience of public water opera-

tors that have successfully gone through this transformation. An international network of remunicipalised water operators would be ideal, perhaps as part of a future global network of public water companies. Civil society, trade unions and academic researchers also have a crucial role to play in international exchange of expertise on how to achieve transparent, accountable and effective public water management.

International solidarity also helps create a more supportive environment for public water. Currently, remunicipalisation processes happen with virtually no official political, technical and financial support. Many government agencies, international financial and donor institutions, and mainstream water sector organisations either favour a strong role for the private sector, crossing out remunicipalisation altogether, or have not yet realised the importance of the remunicipalisation trend.

The Dar es Salaam case is interesting in that it shows how the constraints imposed by international donors are an obstacle to successful remunicipalisation. The interference of the World Bank silenced any real debate about what public water model could best solve the city's water problems and imposed a neoliberal model limiting changes to management practices. Donors also pushed for infrastructure projects that were not necessarily appropriate. This experience demonstrates that international political and financial support to enable developing countries to choose and locally develop progressive public water management is still lacking. The World Bank stubbornly continues to seek new ways of commodifying and privatising water and limits its recommendations to public utilities to ways in which they can corporatise their services. Civil society campaigns to reform international development banks and to create alternatives to these institutions are therefore of utmost importance.

Whereas the global wave of privatisation that peaked in the late 1990s lost strength because of numerous failures around the world, a revival might now be taking shape. The deep economic crisis that has developed after the collapse of financial markets in 2008 is creating a new and entirely unjustified momentum for privatisation. This is particularly the case in Europe, where the crisis is intensifying because of austerity policies imposed in many countries, with European Union (EU) institutions driving these changes. Harsh budget cuts and privatisations are presented as necessary for growth opportunities and to regain the trust of financial markets, even though this deepens the recession in the real economy. Among the most alarming examples of this ideologically-driven and irresponsible privatisation push is Greece, where the administrative takeover by the EU and the International Monetary Fund (IMF) in return for new loans is now imposing the privatisation of water utilities in large cities such as Athens and Thessalonica. Encouragingly, the sell-off of large parts of the shares of these companies to private interests is opposed by citizen groups, who are developing creative counter-strategies.

In the Greek city of Thessalonica, a coalition of citizens' groups called *Initiative 136* is creating a new organisation to compete with Suez in the tender for the acquisition of the shares and the management of Thessalonica's Water and Sewerage Company. The dual goal is to prevent privatisation and replace the model of state administration that has failed to protect the public character of water resources and infrastructure, and secure genuine democratic control of the city's water by its citizens. The management would be organised through local cooperatives, with citizen participation. *Initiative 136* is an effort to pre-empt privatisation before it is implemented, with an attractive concrete alternative in the form of improved public management. It is a truly inspiring reflection of the growing strength and awareness of the water justice networks to see a water remunicipalisation campaign emerge even before privatisation is implemented.

As the first collection dedicated to the topic of remunicipalisation, this book cannot answer all the questions that are raised by this trend. We simply hope the book will spark additional research and further debate on these matters.