

Chapter five

Taking stock of remunicipalisation in Paris: A conversation with Anne Le Strat

By Olivier Petitjean

France's Regional Court of Auditors recently published two reports: an assessment of Paris's water policy and an audit on the performance of remunicipalised public water utility Eau de Paris. These were the first official evaluations of water services since the 2010 flagship return to public management in the capital. As such, the stakes were high for the future of the debate on public versus private management of water in France. Both reports turned out to be generally very positive on Eau de Paris. Is it an implicit endorsement of the remunicipalisation?

The report does not directly seek to compare current public management with the performance of the former private providers Suez and Veolia. To make this kind of comparison, one needs to go back to previous reports by the Court of Auditors on water management in Paris, particularly that of 2000, just before we took over the Paris council. It's like night and day! These reports are often quite critical as they are meant to identify gaps to encourage local governments to improve public management. All things considered, the recent reports on water in Paris were actually extremely positive.

The second report of the Regional Court of Auditors does stress that the return to public management enabled Paris to lower the price of water while maintaining a high level of investment.

That is correct, and it is rewarding to see it acknowledged by the Court of Auditors. The report on Paris's broader water policy is even more positive than the one focused on the transition to public management because it endorses the main strategic directions we have given to this policy. This includes those decisions that were initially met with scepticism among the administrative services of the council, for instance keeping the non-potable water network¹

and developing it for use in public gardens, for street cleaning, etc. The report also commends the Paris administration for its implementation of a water policy that goes beyond the smaller water cycle and takes into account issues of water conservation, sustainability and democracy.

So all in all, the return to public management of water in Paris seems like a resounding success?

Eau de Paris enjoys a good reputation, and rightly so. It works! We have lowered the price of water while maintaining an ambitious investment programme over the long term, and our governance is very innovative in many ways. Some of our innovations are even adopted by private companies.

This is interesting to note, because private companies keep claiming that they are the “innovators”... What kind of “innovation” are you talking about?

Eau de Paris is the only water operator that has its staff, users and civic associations represented on the Board, with full voting rights. It is a democratic breakthrough that has inspired others. Representation of users on the Board is something that is now being openly considered by Antoine Frérot, the CEO of Veolia; this would have been inconceivable a few years ago. Eau de Paris was also a trailblazer on issues such as gender equality at work; protecting water resources through partnerships with farmers to protect water quality upstream; water conservation, with extensive distribution of “water conservation kits”. In the technical realm, we have also been very innovative in terms of user services (call centre, monitoring leaks, managing letters and complaints, etc). This is why Eau de Paris has been awarded the prize for “best customer service” in water distribution in France for the last three years.

Despite the Regional Court of Auditors’ very positive account of water management in Paris, when the reports were made public the French media seem to have only picked up on one aspect: the likelihood of a future water price increase in Paris. Why is it so?

First, it should be noted that not all media focus on the negative aspects. Some media emphasised how positive the reports actually were. That said, some media chose to focus their headlines on a possible future increase in the price

of water. Obviously these journalists did not take the time to read the whole report, and one might question their objectivity. Private corporations are an important source of advertising revenue, and it was mostly those outlets that are heavily dependent on advertising that hammered on this issue.

In any case, the reality is that Eau de Paris is confronted, like most water services in France and Europe, with the so-called problem of “price scissors”: on the one hand, revenue from billing tends to decrease because of lower water consumption; on the other hand, costs keep going up, mainly because of new water treatment standards. This trend is not related to the debate on public versus private management of water, and is not specific to Eau de Paris. In fact, Eau de Paris is comparatively in a pretty good financial situation to face these changes. But it’s true that eventually Eau de Paris will probably have to increase its prices to balance its budget, like other water services. For me, the fundamental issue should be how the water service is financed: it’s no longer possible to fund water services solely through a consumption-based tariff calculated from a set price per cubic meter of water. This is all the more true if the utility’s policy is to encourage users to reduce their consumption of water, as is the case for Eau de Paris.

What is the solution to keep water services affordable for users?

We should differentiate between types of water usage in Paris, notably commercial and domestic. Commercial users should be charged more. Today, commercial users (such as cafes, restaurants, hairdressers, dry cleaners, dentists, etc) are actually paying less for their water than households, because they can deduct this expense from their tax bill. It is a politically sensitive issue and it would not be an easy policy to implement from a technical point of view either, but I think it would create a fairer system.

Transition

Can you talk about the complexity of the transition to public management, and how it has been managed?

It is true that the transition was complex. One must recall that before the creation of Eau de Paris, we had three distinct contracts for water: one for

water production with a “*société d’économie mixte*” whose majority shareholder was the city government, while Suez and Veolia had minority shares;² and two separate contracts for water distribution with Suez and Veolia, for the city’s left and right banks respectively. It was a very complex situation, and there was no real precedent on which to build. We encountered a number of difficulties in taking back the service in-house, for example with the transition from private to public sector accounting systems. But these difficulties have now been overcome, as the report from the Court of Auditors highlights.

How difficult was it to integrate former employees of Suez and Veolia into the new public entity?

The French labour code allowed for the transfer of the technicians who worked on the distribution network, but most of Suez and Veolia executives were transferred within these companies just before remunicipalisation. There were negotiations to reach a social agreement on harmonisation of wage conditions for all staff. But the remunicipalisation was sometimes perceived as a merger of the two former distributors (subsidiaries of Suez and Veolia) into the publicly managed production side (the former “*société d’économie mixte*”), which was a source of frustration for some formerly private employees. These are common problems with such restructuring. Building a common culture takes time.

Did Veolia and Suez try to create obstacles?

That much is clear. This is something I will talk about in my forthcoming book, and it is also recounted in some detail in Agnes Sinai’s book about the remunicipalisation process: *L’eau à Paris, retour vers le public*.³ Nevertheless, there was a sharp difference between Suez, which remained relatively constructive, and Veolia, which really tried to make our task as difficult as possible.

Are water services now entirely provided by Eau de Paris, or are there still some aspects of the service that are outsourced to the private sector?

There is no service “delegation” to the private sector any more. We signed transitional outsourcing contracts for managing information systems over the first two years, so that Eau de Paris would have time to set up its own

information system. Information systems are an incredibly important issue because they are used for billing, for water meter data collection and management, and for monitoring maintenance works, but this issue is too often overlooked. Eau de Paris currently controls and manages its own information system, but remains semi-dependent on Suez and Veolia, as some of their proprietary software is still being used to process the information. A study is underway within Eau de Paris to break off this dependency completely. Even today, when we request some purely technical information from Veolia, it can be hard to get it.

There is still another contract with Veolia, which is a simple outsourcing contract and not a service delegation, for water meter management (installation and maintenance). Again, Eau de Paris is currently looking at taking over this task internally.

The Paris Water Observatory

What was the initial idea behind the creation of the Paris Water Observatory?

The aim of the Paris Water Observatory is to establish a space for citizen oversight and information, and to make the elected representatives of the City of Paris, its administration and the employees of Eau de Paris accountable to citizens. All acts, reports and official proceedings related to water management must be submitted to the Observatory before they are considered by the Paris Council. Initially, people were sceptical, but now they see the benefit. The Observatory is not just another so-called citizen committee that only rubber-stamps decisions already made. The Observatory does not have decision-making powers but citizens' views are taken into account and, perhaps more importantly, all the information is made available in an accessible way.

This is also why Eau de Paris integrated both non-profit organisations and a representative of the Water Observatory on its Board, with voting rights. The Council staff may not always be happy with this because it may take them more time to explain issues or to get their points across... But ultimately it leads to greater water democracy, and this is good for public management.

Is there any equivalent elsewhere?

Grenoble has created a users' committee, which is consulted on the price of water. Viry-Châtillon (Lacs de l'Essonne) also has an open governance model with a strong role for civil society, inspired by what is happening in Paris. But overall the Paris Water Observatory has no real equivalent. Most public operators are reluctant to open up their governance to users and civic associations because it is seen as time-consuming and resource-intensive. Yet I think it is essential for a quality public service. It is these democratic innovations that are of most interest to peers from other water services abroad who visit Paris in preparation for a return to public management.

Does it involve a great number of people?

The Observatory has enabled a number of people to build knowledge on water issues. They are not necessarily very many, but they come from neighbourhood committees, social housing institutions and associations among others. They believe in the Observatory and have wide networks and influence among Parisians. The consumer and environmental organisations that have a seat on the board of Eau de Paris are influential in a similar way: *Que Choisir* and *France Nature Environnement* are very big organisations, with national scope. The return to public management and the creation of the Paris Water Observatory have revitalised civil society participation. This is paradoxical because when we decided to remunicipalise in the early 2000s, Parisian civil society was not very active on the issue of water. We were quite isolated, because most of the council administration and most of the unions were not in favour of a return to public management of water. Now this has changed.

To what extent is the role of the Observatory formalised?

The Paris Water Observatory exists by virtue of an official order from the Mayor, as an extra-municipal committee on water policy. It was the Paris Council that created the Observatory, not Eau de Paris. It might have been possible to set it up as an independent organisation, but what's interesting about an extra-municipal committee is that the City administration is in charge of the administrative functions and logistics. As long as the politicians give enough power to the Observatory, it is a win-win situation.

Networking and support for public management elsewhere

The Paris remunicipalisation quickly acquired a huge symbolic and political importance both nationally and internationally. You travelled the world to support movements against the privatisation of water, and Eau de Paris entered public-public partnerships with other public operators worldwide and played a key role in the creation of French and European networks of public operators (France Eau Publique and Aqua Publica Europea, respectively). When did this global outreach start?

It began quite early, even before the remunicipalisation itself, because I took a strong stance in favour of public management. I was often asked to talk about the Parisian experience, beginning with the referendum campaign on the human right to water in Colombia in 2009, then in Berlin, in Italy, etc. The position I found myself in was unusual in that I had both political responsibilities as an activist, a councillor and deputy mayor, and operational responsibilities as the president of the “*société d'économie mixte*”, and then of Eau de Paris. I am also one of the few people to have been around for the whole remunicipalisation process from 2001. Over the last 12 years, directors have changed, and other politicians have left. And of course, we're talking about Paris, the capital of France, home of the big water multinationals – a huge symbol. All of this gave me a very singular outlook.

Eau de Paris is often seen as an “activist” water operator, committed to the promotion of public water management. Is this an institutional reality, or did it only reflect your personal commitment while you were president?

There are two aspects to this question. On the one hand, there is the active promotion of public management and the fight against privatisation – this was a personal commitment on my part, rather than an institutional commitment. Within Eau de Paris, most employees are satisfied, but they are not activists, and do not want to dedicate their free time to the defence of public management, which is perfectly understandable. Eau de Paris is not in itself an activist organisation. But there is also the question of public service values, and commitment to these values within Eau de Paris. There are people from

the private sector who have joined us in this creative venture to build a local public service, and who would now find it impossible to go back to narrow market-based orientations.

You also played a role in setting up other institutional structures, such as Aqua Publica Europea⁴ and France Eau Publique. Can you tell us about these networks?

Aqua Publica Europea was originally founded by a small group of people who shared the idea that it was necessary to defend public management at the European level and to create a counterweight to the lobbying of the private water sector in Brussels. With regards to France Eau Publique, there already existed a committee of public operators, but we wanted to create a French branch of Aqua Publica Europea in order to build up our own strength and pool our resources. The comparative advantage of a multinational is the ability to pool skills, expertise and resources across the whole company. The objective of France Eau Publique is to introduce the same kind of mechanisms among a large number of public operators, including group purchasing.

What is your view on the progress of public water management in France since 2011?

There's clearly a positive trend towards remunicipalisation, but it's not massive. There have been significant remunicipalisation cases, including in cities such as Nice that have right-wing councils. This is very important because it shows that the preference for public services goes beyond political differences (on the other side of the political spectrum, some left-wing politicians have had a very ambiguous position on this debate). When Eau de Paris returned to public management, it was a cause for celebration for many public operators in France, because they knew they would no longer be regarded as black sheep. And many cities that have maintained privatised services have used the threat of remunicipalisation to negotiate better terms with their private providers. Suez and Veolia have had to change their contracts, and now they make less profit. The burden of proof is reversed: now it is private providers that have to convince cities that it is better for them to remain with a private operator than to remunicipalise. Given the history of water management in France, this is an enormous achievement.



Until 2014 Anne Le Strat was President of Eau de Paris, deputy mayor of Paris in charge of water and sanitation, and president of Aqua Public Europea. Since her election to the Paris Council in 2001, she has played a key role in the remunicipalisation of water services in Paris.



She was interviewed by French writer and researcher Olivier Petitjean, who is currently the chief editor at the Multinationals Observatory, an investigative website on French transnational corporations.

Endnotes

- 1 Paris is one of the few cities in the world to have two water networks, one for drinking water and one for non-potable water.
- 2 In French law, a “société d’économie mixte” (mixed sector company) is an anonymous company that is majority owned by public shareholders, with at least one private shareholder. It is often used by local councils to undertake public works or in some cases to manage public services.
- 3 Eau de Paris. 2014. *L’eau à Paris, retour vers le public*. Second edition, April. Paris: Eau de Paris. http://www.eaudeparis.fr/uploads/tx_edpevents/LivreRemunicipalisation_01.pdf
- 4 Aqua Publica Europea (APE) brings together publicly owned water and sanitation operators, and their national and regional associations, from all over Europe. Its members provide water and sanitation services to over 70 million European citizens.