

Water Flowing Back Into Public Hands by Julio Godoy

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The announcement by the Paris municipality that water services will return to public hands by 2010 is in line with a global trend of ending privatisation of such services.

Mayor Bertrand Delanoë announced Jun. 2 that the municipal administration would regain control of all water services for the city, ending a private monopoly that has lasted more than 100 years. The contracts with the world's two biggest water service companies, *Suez* and *Veolia*, will not be extended after Dec. 31, 2009. "We want to offer a better service, at a better price," Delanoë said. "We also promise that prices would be stable."

Delanoë said his administration will encourage other municipalities in the Ile de France region around Paris to end privatisation of water services. "That France, once known as the heartland of water privatisation, is embracing a return to public management of water services, is a strong signal in this new pattern," Olivier Hoedeman of the *Water Remunicipalisation Tracker* told *IPS*. The group, a sub-division of the Amsterdam-based *Corporate Europe Observatory* and the *Transnational Institute*, documents the decline of water privatisation.

The list of 're-municipalisation' of water services is long, and includes countries as diverse as Mali in West Africa, Uruguay where water has been brought back into the hands of the state at a national level, Buenos Aires and Santa Fe in Argentina, Cochabamba in Bolivia and Hamilton in Canada, besides other cities in France. More than 40 French municipalities and urban communities have taken water services back into public hands over the last ten years, and brought improved services, cheaper.

In the 1990s many countries privatised their water and sanitation services, particularly in Africa, Asia and Latin America, under strong pressure from neo-liberal governments, particularly in the *European Union* and from international financial institutions such as the *World Bank*, the *International Monetary Fund* and the *World Trade Organisation* to 'open up' national services. The biggest beneficiaries were *Suez* and *Veolia*, formerly known as the *Compagnie Lyonnaise des Eaux* and *Compagnie Générale des Eaux* respectively, which have been controlling water services in France since the late 19th century. These two companies ventured into practically all privatisation of water services, from Argentina, Bolivia and Colombia in South America to numerous countries in Eastern Europe, and in the Philippines.

In Eastern Europe, *Suez* and *Veolia* won several privatisation contracts with the help of the *European Bank for Reconstruction and Development*, a state-owned institution created in 1990 following a proposal by former French president Francois Mitterrand, and headed since then by a French bureaucrat. At a November 2001 meeting of the *WTO* in Doha, Qatar, former *EU* trade commissioner Pascal Lamy of France inserted a clause into the final text of a resolution, to call for "the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services." This would include water services. And Lamy now heads the *WTO*.

The *EU* has worked closely with the water companies to fashion its trade policies. In a May 17, 2002 letter, the *European Commission*, the *EU's* executive, invited private water companies to inform it of "the position and interest of the European industry, their main market, obstacles if any to access new markets, as well as other questions you would consider relevant in this context." Bernard Maris, professor of economics at the *University of Paris VIII*, said *Suez* and *Veolia* were behaving like "conquerors" abroad. "At the same time, they have enjoyed a century of protectionism, and their home market continues today to be closed to foreign competitors."

Many of the privatised operations in France and abroad missed targets to expand and upgrade networks, introduced high price increases, and unaffordable connection fees. "Management activities were not transparent and accountable," Hoedeman told *IPS*. "As a result numerous contracts were terminated, often following popular unrest."

Privatisation of water services in the French Alpine city Grenoble in 1987 was promoted by leading ministers of the government of then president Jacques Chirac. The project by *Suez* was marked by corruption, fraudulent accounting practices, and high prices. In 1999, French courts sentenced former ministers and leading *Suez* executives to prison sentences for their involvement in the corrupt operation, and ordered the company to pay back all water charges imposed between 1990 and 1998.

Once the court cancelled the Grenoble contract and returned water services to the city municipality, [prices were immediately brought down]. By the end of 2002, the price of water in Grenoble, at 2.14 euros a cubic metre, was about the lowest in all French cities. Similar improvement came in cities around the world that put an end to privatisation of water services.