

PARIS: AN EXAMPLE OF HOW LOCAL AUTHORITIES CAN REGAIN CONTROL OF WATER MANAGEMENT

By Anne Le Strat

There are currently 2.2 million inhabitants in Paris, as well as over a million daily commuters¹. 550,000 cubic meters of drinking water are distributed to meet their daily needs. Paris also has a globally unique secondary network of non-drinking water that is used to clean the streets and water plants used in public gardens. This accounts for 170,000 cubic meters per day.

In 1985 Jacques Chirac, then Mayor of Paris, decided to privatise water distribution. Until this time, both production and distribution of water had been directly managed by the city, apart from the meter and invoicing system. By delegating the distribution to the private sector, Jacques Chirac took the first step towards dismantling the public service that had existed for many years. Two years later, in 1987, a Public-Private company (SEM) with a majority public holding was set up for production purposes² with a twenty five-year contract. The local authorities handed over control of the private distributors to the Public-Private company, although these very same distributors were members of its Board of Administrators! This created an obvious conflict of interest...

Three private sector companies soon had full control of all the production and distribution of water in Paris, a situation that lasted for almost twenty-five years. As far as the distribution was concerned, two leases were granted without any call for tenders, one for each side of the Seine. The "Compagnie des Eaux de Paris", a subsidiary of the Générale des Eaux (the Veolia group) was granted the responsibility for the right bank, on the North side of the Seine, and "Eau et Force Parisienne des Eaux", a subsidiary of the Lyonnaise des Eaux (the Suez group) was granted the left bank of the river on the South side.

WHEN THE LEFT CAME TO POWER IN 2001, THE REORGANISATION OF THE PARIS WATER SECTOR CAME UP FOR DISCUSSION

Things changed when the left took office at Town Hall in 2001. After decades of the political right holding the Paris Town Hall, a left-wing coalition of socialists, communists, ecologists and various other left-wing parties won the municipal elections. This new

¹ The area of Greater Paris accounts for over ten million inhabitants, living mainly in towns and counties that are separate from the city of Paris itself. Intercommunal bodies manage the water supply, the main one being the Syndicat des Eaux d'Ile-de-France (SEDIF), responsible for one of the biggest water concessions in the world, which has been controlled by Veolia for decades but seriously challenged in recent years.

² In France the term '*régie*' is used to designate a publicly owned body responsible for the management of a public sector service. This contrasts with the "delegation of public services", whereby public authorities grant a contract to a private sector enterprise to run public service. The private company makes money on operating the contract. There are different types of contract: a lease where the public authorities continue to be responsible for investments, and the running and maintenance are ensured by the lessee, who raises revenue from the consumers; or a concession, whereby the company that has signed the contract is also responsible for investments. A *société d'économie mixte* (SEM) is a public-private company which falls under private law, although it has a majority public shareholding (and at least one private shareholder).

Town Hall team under Bertrand Delanoë, the new mayor, quickly decided to totally rethink the Paris water services.

The newly elected team were quick to realise that there was total lack of any control over the “delegation” of public sector services, as well as of the provision of services. There was a serious lack of financial transparency, and no control over any work that was carried out.

It was decided to prioritise the re-empowerment of the municipal bodies and endowing them with the expertise necessary to guarantee a minimum control over the provision of water services. When the contracts with the private firms came up for renegotiation in 2003, the Town Hall requested that the companies involved in the provision of services carry out certain important improvements. The companies in question had set considerable funding aside for this, although the work had never actually been carried out.

This however shed light on the fact that even when the Local Authorities tried to be demanding in their negotiations with the companies, that they had little room for manoeuvre as long as the framework was one of delegation of services. In order to identify the best possible water services for Paris, legal, economic and technical studies were carried out, and all the personnel working for Eau de Paris were consulted on the organisational side of the service (technical, management of both personnel and wealth...).

The 2008 municipal elections provided Bertrand Delanoë, who was running for re-election, with an opening to make a solemn commitment to citizens to switch back to totally public management of water services if he were to be re-elected. This is exactly what happened. The contracts were due to end in 2009, and the whole system needed to be restructured, and implemented in an eighteen-month transition period, which is a very short time-frame indeed.

Many people thought that the commitment by the Town Hall was a mere electoral promise. Until the very end, the private companies thought that the Paris Town Hall would not go through with their commitment. When they realised after the elections, that this would not be the case, they tried to make the best of a bad situation, and stated that this was a purely political decision that had no bearing on the water services per se or the way in which they had been managed by private enterprise. The negotiations between the companies and the Town Hall - that covered a wide range of subjects: personnel information systems, real estate, goods that were being handed back, the water meters...- were more or less difficult, depending on the case. Although the private enterprises were not obstructing the remunicipalisation, they were not exactly facilitating things either, and sometimes held back information.

JANUARY 1ST 2010: PARIS WATER LIBERATED!

Since the first of January 2010, the water services of Paris have been provided by a single public operator, Eau de Paris. The old public-private company has been transformed into

a public body, whose mission is to produce, transport, distribute and bill for water³. All the various professions and operational aspects of the service have been brought together, which means that consumers now deal with a single structure. Eau de Paris is a public body that belongs to the municipality of Paris. It is both an independent legal entity [NB French legal term “établissement industriel et commercial” unnecessary for English readers], has its own budget, and reports to the municipality. Previously, profits were partially used to cover other activities of the private groups and strengthen their profit margins. This money is now totally reinvested in the water services.

In order to evaluate the services that the municipal operator provides, Eau de Paris and the municipality signed a framework agreement. The principle of defending the public management of water services goes hand in hand with setting a high standard for management, as no public structure is intrinsically virtuous. A great many technical, financial, social and other indicators are covered in this agreement, that includes all the activities required for managing the water services. The contract makes it possible to follow their genuine implementation and to evaluate the services in terms of management of investments, personnel, research programme and protection of the water resources...The contract allows the municipal services to carry out far more regular controls of the water services than previously. This is also the case for the annual controls by the elected body of Local Authority representatives.

The Board of Directors of Eau de Paris is mainly composed of elected representatives of the Paris municipality (10 members), who represent all the political groups of the Paris elected Local Authority members, staff representatives (2 members), and qualified individuals who represent the consumers' associations, environmental protection etc. (5 members). The latter play a purely consultative role for the moment, contrary to the others who having the right to vote on any issue. This will probably change in the future.

A citizen's control mechanism has also been introduced via the Municipal Water Watch. (*Observatoire Municipal de l'Eau*). This group enables users to evaluate the provision of services. It also provides a space for discussion between all stakeholders and for putting forward ideas that concern issues on water at municipal level. This body also has a representative on a consultative basis on the Board of Eau de Paris.

IS PUBLIC MANAGEMENT NECESSARILY MORE VIRTUOUS THAN PRIVATE?

It is too soon to be able to carry out any evaluation, as the public system has only been operating since January 1st 2010. But it is possible to observe some of the initial advantages of being under public management. Firstly, it is important to underline the big profits that the reform has produced; this money is totally reinvested in the water services. These initial profits are an estimated 35 million euros per annum, if not more. What are the main reasons for this? It is the result of internalising of the profits that the private operators were making. We have public competitive calls for tender for work that

³ The sanitation is carried out by two public bodies, one of them Parisian, the Section Assainissement de la Ville de Paris, (SAP); it is part of the Paris technical services, and is responsible for collecting all the wastewater. The other operates at the level of Greater Paris (le Syndicat Interdépartemental pour l'Assainissement de l'Agglomération Parisienne, SIAAP) and treats all wastewater before it flows back into the rivers.

was previously handed out to subsidiaries of the major groups that overcharged for carrying it out. We are making the most of a public accounting system. There is no need to pay dividends to shareholders and to set aside part of the profits generated by the water services to pay them. All the revenue from the provision of water services is totally reinvested in the service, and there is complete financial transparency, unlike the previous situation under the private system, where the lack of financial clarity was repeatedly criticized in financial controls.

The reform will allow the cost of water in Paris to remain stable at a cost below that of the national average. The rate that Parisians pay for their water includes several elements: water, sanitation and tax. The line for water had increased by 260% since it was privatised in 1985. It now costs 1 euro per cubic meter. The municipality has committed to maintaining this price for its entire mandate, until 2015, in spite of the on-going fall in profits, as Parisians are cutting back on their water consumption. Compared with similar services provided to the Greater Paris region by Veolia, the price is much lower. The decrease in profits is now offset by the profits of public management.

The fact that Eau de Paris has now become the sole provider of services has put an end to the overlap in various sectors and jobs that existed as long as there were three private operators involved. There is greater synergy and mutualisation in the production sector and the distribution runs with greater efficiency. There is also now total traceability for each drop of water from the source to the tap.

The public system has enabled the structure to develop privileged contacts with the Parisian consumers. There are new services that are being developed, aimed at a better follow-up of individual consumption, improved information on the services, and more careful attention is paid to consumers' expectations. Eau de Paris is also developing various pedagogical actions and raising awareness on water issues that exist in Paris and elsewhere throughout the world. Campaigns to promote the use of tap water have also been launched, as it is a more ecological and cheaper option than bottled water.

There are also specific actions that have been introduced to support disadvantaged members of the community, in particular the homeless. There is a policy of social subsidies to guarantee access to water in Paris and resolve the issue of unpaid water bills for some families.

This reform has allowed the city of Paris and by the same token the Parisians, to regain control of their water services and to introduce designated environmental, economic, democratic and social objectives, which was not really possible with private operators. The remunicipalisation of water was decided on the basis of a strong political and ideological choice, one that is totally assumed as such: water is a common good, which implies an absolute need to control the resource and the services based on a vision and long-term project.

IS THE REMUNICIPALISATION OF PARIS WATER AN EXEMPLARY CASE?

Returning to a public system for the provision of water services in Paris makes a significant break with the commercial showcasing of French multinationals in the water sector. The representatives of Suez and Veolia have actually explicitly admitted as much: losing the Paris market has had negative financial impacts, and has hurt their public image even more than their balance sheet. Throughout the world, these companies showcased the management of water services in Paris. They can no longer do this. They complained that this decision might have negative knock-on effects on their international market share. I believe, as an elected town councillor, that my duty is to defend good management for the Parisian consumers and not to help multinationals to gain increased access to global markets.

Will the Parisian experience have an impact on other Local Authorities in France? France is historically a country where water services have been privatised; this is what has enabled groups like Suez and Veolia to become so big today. The supporters of public management of provision of services have always been a minority, but the fact that the capital city has switched back to public management has given them a strong case to argue. Many contracts with the private sector are due for renewal or renegotiation in the next few years. An increasing number of Local Authorities are interested in returning to public management, but not all of them have taken the first step as yet. For the moment they have in most cases threatened to reconvert to the public sector in order to renegotiate existing contracts, and lower the water rates. Some towns such as Rouen and Montbéliard have returned to public management, and others are seriously considering the possibility.

At international level, the Parisian experience interests many actors, from Latin America to South-East Asia; they are looking into the motivation and reasons for the remunicipalisation. Many cities and even States are showing an increased interest in a return to public management or simply to strengthen existing public management. The Paris example demonstrates that it is indeed possible for Local Authorities to regain control of their water supplies; and what worked for the French capital can work elsewhere, even if the conditions for success obviously vary from one context to another. Cochabamba isn't Paris, but the levers are the same: political and citizens' determination to have collective public management of the water supply.

STRENGTHENING ALLIANCES AND CO-OPERATION BETWEEN PUBLIC OPERATORS

Aqua Publica Europa is a network of European public operators in the water sector. It was founded in Paris in 2009; Eau de Paris is a founding member. The objective of the network is simple. The European public operators felt that their voice was no longer being heard, whereas the private sector was able to make itself heard, created associations, and organised efficient lobbying. The initiators of the network wanted the public water management, based on public service values to be defended at European level. The network brings together Italian, Belgian, French and Swiss operators. Spanish and German operators are currently in the process of joining. The idea is to raise the voice of European public operators, as well as share experiences and mutualise certain actions.

Aqua Publica Europa is a genuine collaborative workspace, as well as being a place where public operators can exchange and co-operate.

The European institutions have also understood that not only private operators can be important actors in the water sector. *Aqua Publica Europa* was requested to participate in the European Commission's Water facility. This is all very positive change, because until recently the European Commission favoured the private sector. It is now possible to develop Public-Public partnerships with European funding. The weight of the private sector is still considerable, but there a certain desire to change the balance does now exist.

Paris is involved in several projects involving international co-operation in the water sector. In some cases, Eau de Paris is making their staff, skills and know-how available to other Local Authorities and Associations (NGOs). In other instances, it is the City of Paris that is providing funding for projects, such as Parisian NGOs of African migrants who want to introduce water supply systems in their home countries. Paris provided funding for the Phnom Penh public water supply company (it is a very efficient public system) in order to set up a social tariff. There is a Public-Public partnership between Eau de Paris and the ONEP, the Moroccan water company, that is studying how to implement a water supply system in Mauritania. Eau de Paris hopes to develop more similar partnerships, particularly as European funding is now available to do so.

SOME CONCLUSIONS

It is possible to win the battle for public water management, be it in Cochabamba, Paris, Jakarta or elsewhere, on condition the consumers and citizens become involved. As Local and Public Authorities we need to set the example and implement efficient management of a resource that is both fragile and indispensable. If we do so, in a few years we may well witness no more decision-making based on the comparative merits of public and private management of water systems, because the benefits of a public system may have become sufficiently obvious for the question to no longer be posed at all. We could then move forward to other struggles and defend other public goods as well as water.

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