

Chapter 7

Summary and Conclusion

“Water is a public resource for all and it’s our basic human right. But when using water we should apply a principle of conservation. We should not waste it and we should safeguard our environment. Therefore I think water supply should be run by the public. But a good result can only be achieved when it is monitored by various social sectors. We cannot merely rely on the government as the corruption problem is too severe nowadays.”

--- by a citizen of Shenzhen city

Summary

This report presents an overview of and examines the issues caused by water privatization in Southern China. Industrialization and urbanization during the past three decades has resulted in quality induced water shortage problems throughout southern China. The government intended to introduce private capital into China’s water sector and thus resolve the problems of capital shortage, low efficiency, and increasing demand for water. As our study shows, however the water reform does not solve the existing problems of low water quality, poor service, low efficiency, and corruption. In fact, it introduces new problems such as high water tariffs and the termination of staff.

There are essentially five parties involved in China's urban water supply: The international financial organizations, the central government, local governments, transnational corporations, and private domestic investors. During our investigation, we found that problems are often attributed to the involvement of transnational corporations. As a result, transnational corporations tend to be singled out as scapegoats. However, our investigation finds that all five parties are responsible for

the problems. In particular, it does not make any difference whether capital is provided by transnational corporations or private domestic investors.

We can see that there is a trend of integrating urban water supply, drainage and wastewater treatment in each city, and hence a bigger water corporation is formed to dominate the city's water sector. Furthermore, being dominant in a local city's water sector is only the beginning for these domestic water corporations. Most of them aim to develop into strong and big water companies which can compete with the TNCs to fight for a larger market share in China's water sector. The local governments support such movement as much as they can, because a 'successful' water sector is an expression of their economic and political achievement. Thus, no matter if the company is privately-owned or government-owned, it has been commercialized and is market driven.

In our conversations with the general public, we find that poor quality tap water is another major complaint in addition to a hike in the water tariff. The low quality of water, which is caused by several factors, such as poor pipelines in urban areas, has led to the rise of bottled water and water vending industries. However, as our investigation shows, the quality of bottled and vended water is not necessarily better than the quality of tap water. In fact, it is occasionally worse. The poor quality of both tap water and bottled / vended water shows that privatization and sufficient capital do not solve the problem. Rather, both government-owned and private companies focus on maximizing their profits rather than trying to improve water quality.

In our opinion, the root of the issue is the lack of transparency, monitoring, and quality control. Local water companies, whether state owned or privatized, are monopolies that, even though they are accountable to local authorities in theory, can do as they please in practice. As a result, a strict government system that not only gives a voice to government entities and investors, but also the common people is required. In China's current political climate, such a governance system is unlikely.

Further Discussion and Suggestions

When there are problems with government-run enterprises, it's easy for people to leap to the conclusion of introducing the private sector. China's water sector is no different, and thus the government implements the reform scheme by putting her water sector in the market force and privatizing it. What the government does not see is that, a real reform should be one which puts both the government and public utilities under public democratic control, where the roles of the general public and mass media should be valued.

We have noticed that people are interested in becoming empowered and having a direct stake in the running of the water supply. The current reform has done nothing to empower the people however. Rather, the reform first and foremost empowered the officials and the private companies in reaping more benefits or profits for themselves. We do not deny that there seems to be some improvements to water supply in certain areas, yet they are small in comparison to the problems which the reform brings about. We understand that it is not yet the time for a full evaluation of the reform. One of the reasons for this is that there is simply little transparency where the great transformation in the water sector is concerned. There is lots of official propaganda concerning the water reform, but as propaganda it is of little value in bringing the whole truth to the people. Our purpose here is to initiate a preliminary study of the issue and, last but not least, to allow the voices of the people to be heard. Under the censorship their voices simply do not have a proper channel for being heard in China. We hope that with this study we can provoke some debate among the public about the consequences of the reform in water supply and its future. Only with open and honest debate can we place our valuable asset, namely fresh water, at the service of the people without, at the same time, endangering its sustainability.

What can we do?

First of all, we should pay more attention to the ongoing market reform. Although the news and information related to water privatization in China is mostly propaganda or doesn't really reveal the whole truth, traces and hints can still be spotted if we keep a critical mind. We can play an active role by showing our concerns and sharing what we have learned with friends and neighbors etc expressing our opinion about the

commodification of water. Secondly, as many water companies have developed themselves into listed companies, this provides us an accessible way to monitor not only the performance of the companies but also their conduct, since they have to publish their profit and loss and balance sheet every financial year.

Thirdly, as Hong Kong residents, we can share Hong Kong's public-run water supply system model with our counterparts in mainland China whenever opportunities arise. As we have emphasized throughout the report that the root of the existing problems of the water sector in China is related to a systematic and effective water management mechanism, Hong Kong's water supply model probably could serve as an example for China. In Hong Kong, water is provided by a government entity and is considered a basic necessity. As a result, Hong Kong residents receive a certain amount of water for free each month; the water is charged at a price that is below costs as well. Furthermore, the water tariff collecting method and the fiscal income for water services in Hong Kong show a policy principle of higher-income households subsidizing the lower-income households. Whenever Hong Kong's water supply has faced possible privatization in the past, the strong opposition of the general public, labor unions, and the legislative council ensured that water remained a public utility. Even though Hong Kong's system is not perfect, it shows the importance of democratic principles when regulating water supply. Therefore, while sharing the Hong Kong experience with interested parties, we should also take an active role in safeguarding this precious public-run water supply system.

Limitations and Future Work

The issues of water shortages, water reform and water privatization in China keep developing and have been ongoing during the process of our conducting fieldwork and report writing. Our report could not therefore keep up with every progression or change. However, by presenting the development of the reform and people's major concerns, we believe it can give our readers a picture allowing them to thus use this knowledge to understand new and forthcoming events.

Water privatization in fact is an important issue which includes various topics. Due to limited resources and time constraints, our investigation has only covered two provinces instead of the entire southern China. We also do not include enough data on China's wastewater treatment sector. We have not touched upon the bottled water industry, which is another major topic related to water privatization. Regarding Hong Kong's water model, the privilege to use water is also a controversial issue for debate. Furthermore, there is also space for future investigation into the applicability of alternative water management in China, such as public-public partnership (PUP), etc. Thus, we believe the investigation and discussion of China's water issues should not end but should begin here.