

CITIZENS ORGANIZE AGAINST AGUAS DE BARCELONA IN SALTILLO, MEXICO

Some background

With the creation of Aguas de Saltillo (Agsal) three years ago, the Spanish company Aguas de Barcelona (Agbar), one of the international giants of the global movement toward privatization of water services, became the operating partner and owner of 49% of the shares of the local water company in Saltillo, Mexico in 2001.

Saltillo, with a population of 650,000 and capital of the state of Coahuila, is an important economic center with metalworking industries, automobile plants (GM and Chrysler) and maquiladoras. Agbar controls numerous water companies in Latin America including Cartagena (Colombia), Havana and Varadero (Cuba), and various cities in Chile; and it has plans to operate many more in Mexico and other countries.

The privatization of water systems in Mexico has become a top priority for the National Water Commission (CNA or ConAgua), following the lead of the World Bank. CNA is trying to induce other water systems to adopt a “joint company” scheme –similar to the one in Saltillo-, with the arguments of the inability of local companies to administer their systems efficiently, and the lack of capital to finance the needed investments to modernize and extend existing infrastructure.

As it has happened in other countries, the experience with private companies in Mexico has not been positive. In general, water costs have increased, the service to users that are not able to pay is cut, and economic considerations prevail above water preservation and environmental sustainability. Cancun and Aguascalientes –where the French water company, Suez (a partner of Aguas de Barcelona!), and Vivendi’s water division –Veolia Environment- are involved, are two examples that corroborate the former asseverations. The foreign participation in Cancun’s water system was purchased with funds from the Mexican public works bank Banobras (!). In contrast, the best managed water systems in Mexico, e.g. those serving the cities of Monterrey, Tijuana, and two cities located in Coahuila State - Ciudad Acuña y Piedras Negras-, are all publicly managed and effectively accountable to their customers.

Aguas de Saltillo (Agsal)

The joint company Aguas de Saltillo, was formed in October 2001, following a forced and non-transparent process, where lack of information and lack of citizen participation was evident. This process was conducted by Arthur Andersen, the accounting consultant for the only bidder, Agbar. (In 2002 a federal grand jury indicted the accounting firm, Arthur Andersen, for obstruction of justice for shredding sensitive documents related to the fraudulent financial reports of Enron Corp., one of the largest financial backers of the Bush Administration.) “InterAgbar,” a private Mexican company controlled by Agbar, bought a 49% interest of Saltillo water system with an offer of \$8 million DLLs for the operating assets whose book value was \$45 million DLLs, prima facie evidence of collusion by local politicians, who are suspected to be invisible junior partners in the Mexican unit.

Since the creation of Aguas de Saltillo, local citizen groups have mobilized against what rapidly became another example of political condescension and international impunity: the Spanish manager, Jesús García García, has acted in an arbitrary and unaccountable manner. He has violated local laws, lied to the puppet Board of Directors and the local Mayor, and transformed

water service into an increasing burden for the local population, by illegally raising local water rates and imposing new user fees and miscellaneous charges.

In response to local complaints, in 2002 the State Congress ordered an audit by its Comptroller. This audit, that took almost 1-½ years to be completed, confirmed several violations of state laws and contractual obligations that, among other provisions, limit changes in tariffs to the rate of inflation. It is estimated that the overcharges for water fees by the company under the new management amount to be about \$5 million DLLs, without including the other fees and charges that the company has been collecting from an unwary clientele. Four months after the audit was presented to the Congress, municipal authorities have asked Agsal to reduce the water rates and to reimburse the users about \$1.5 million DLLs. But neither legal violations have been sanctioned, nor penalties have been applied to those responsible of violating the laws.

The Mayor and the “public interest” directors have been “stonewalling” the local citizen groups – including the Chamber of Commerce- who have been seeking full disclosure of the company’s operations. The Chamber of Commerce and local citizen groups have objected to the irregularities in the company operation, and even have claimed law protection against the company abuses.

In view of the above-mentioned facts, a group of concerned citizens have decided to take steps to defend the “public interest” water service. We are promoting a local movement that is calling for the dissolution of the joint water company and the recovery of the city water system, and to push Aguas de Barcelona out of Mexico. We call for international support for our effort to achieve these objectives.

Please address your letters of support to:

Lic. Vicente Fox Quesada
President of Mexico
National Palace
Mexico City, Mexico
foxcontigo@presidencia.gob.mx

Lic. Enrique Martinez y Martinez
Governor of the State of Coahuila
Palacio de Gobierno
Saltillo, Coahuila, MEXICO
emm@coahuila.gob.mx

Prof. Humberto Moreira Valdes
Mayor of Saltillo, Coahuila
Palacio Municipal
Saltillo, Coahuila, MEXICO
francisco_tobias@hotmail.com

Cristobal Jaime Jacques
Director de la Comisión Nacional del Agua
Mexico City, Mexico
direcciong@cna.gob.mx

With copies to:

Saltillo Waters Users Association (AUAS)
auasaltillo@yahoo.com

Saltillo, Coahuila, Mexico; October 2004

P. S. A summary of the audit performed by the Coahuila State Congress Comptroller (in Spanish) can be consulted at the Congress web page <http://www.congresocoahuila.gob.mx>, “Acceso a la Información”, “Información Pública Mínima”, Dictámenes 2004, 29 de junio.