

EUSERS SUMMER SCHOOL

Performance and Governance of Services of General Interest.

Critical perspectives on Energy, Telecommunications, Transport and Water Reforms in the EU

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Performance and Governance in the Water and Waste water sector in the EU]

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OUTLINE

- Water as a public good
- EU policies
- Consumers and accessibility
- Structure of the water/ waste water industry
- Competition
- Re-municipalisation
- Future issues

WATER AS A PUBLIC GOOD

- Water/ waste water services – required by households and commercial consumers
- Wider social and public health significance
- No EU legislation to require member states to make water provision subject to liberalisation but Member states have own legislation sometimes with public service obligations
- Water supplies & waste water technical characteristics – more difficult to duplicate
- Water seen as natural monopoly – one operator per district
- Separation of water, waste water and water treatment but also integrated management
- Competition for concessions
- Regulation seen as substitute for competition

EU POLICY CONTEXT

- No Directive for liberalisation of water/ waste management sector
- Directive on water and waste water quality standards 2000 – implications for capital investment and prices
- Urban Waste Water Treatment EC Directive 91/271/EEC 21 May 1991 - to protect the environment from the adverse effects of urban waste water discharges and discharges from certain industrial sectors and the collection, treatment and discharge of: domestic waste water; mixture of waste water; waste water from certain industrial sectors
- Four main principles are laid down in the Directive: Planning, regulation, monitoring, information & reporting
- Specific requirements include:
 - Collection and treatment of waste water in all agglomerations of >2000 population equivalents;
 - Secondary treatment of all discharges from agglomerations of > 2000 p.e., and more advanced treatment for agglomerations >10 000 population equivalents in designated sensitive areas and their catchments;
 - Monitoring of the performance of treatment plants and receiving waters; and
 - Controls of sewage sludge disposal and re-use, and treated waste water re-use whenever it is appropriate.

WATER FRAMEWORK DIRECTIVE 2000

- To establish a framework for the protection of inland surface waters, transitional waters, coastal waters and groundwater which:
- (a) prevents further deterioration and protects and enhances the status of aquatic ecosystems and, with regard to their water needs, terrestrial ecosystems and wetlands directly depending on the aquatic ecosystems;
- (b) **promotes sustainable water use based on a long-term protection of available water resources;**
- (c) aims at enhanced protection and improvement of the aquatic environment,
- (d) **ensures the progressive reduction of pollution of groundwater and prevents its further pollution,** and
- (e) **contributes to mitigating the effects of floods and droughts**

Aims to secure:

- **the provision of the sufficient supply of good quality surface water and groundwater as needed for sustainable, balanced and equitable water use**
- a significant reduction in pollution of groundwater
- the protection of territorial and marine waters

Implemented by Member States in 2003. Revised in 2008

WATER PRICING

Country	Specific price including taxes & public charges (€/household)	Cost covering price (investments and EU subsidies)
Germany	82	83
England/ Wales	74	83
France	92	98
Netherlands	81	81
Austria	66	70
Poland	39	49

Source: BDEW German Association of Energy and Water Industries – survey of 6 countries – prices of water and waste water, 2010

WASTE WATER PRICING

Country	Specific price including taxes & public charges (€/household)	Cost covering price (investments and EU subsidies)
Germany	116	123
England/ Wales	122	146
France	98	121
Netherlands	114	124
Austria	93	117
Poland	53	71

Source: BDEW German Association of Energy and Water Industries – survey of 6 countries – prices of water and waste water, 2010

PRICES

- Differences between countries in terms of costs for consumers and levels of subsidy
- Cost recovery models, public charges and & different quality levels
- Problems of sustainability – lack of incentives for sustainable water consumption
- Green taxes

WATER/ SEWAGE CONNECTIONS

Country	Connections to public water supply (% of population)	Connections to public sewage disposal network (% of population)
Germany	99.2	95.0
England/ Wales	99.5	96.0
France	99.7	82.8
Netherlands	99.9	99.0
Austria	90.0	91.7
Poland	86.6	61.2

Source: BDEW German Association of Energy and Water Industries – survey of 6 countries – prices of water and waste water, 2010

ACCESSIBILITY

Water poverty - threshold of 3% of income or more spent on water bill

Italy, Netherlands & Sweden 1.1%, 5.3% Slovakia, 9% Poland

Low income consumers typology of measures:

- Ensuring that cost of water services is reduced through good governance & efficiency
- Subsidising water operations through general or local taxation
- Cross-subsidising water charges between different user groups (households/ industry /agriculture) or urban/rural.
- Providing general income support to low income or vulnerable consumers
- Providing special assistance to those who cannot pay bills (Smets, 2005)

But a mix of measures most often used – recent history, legal tradition, law enforceability and equity considerations – as well as economic considerations

INDUSTRY STRUCTURE

- Early development of water industries in Europe - 19C Water provided by private sector but taken over by municipal/ public operators and public finance
- Public sector central to universalisation in 20C
- Public provision in majority EU countries
- Early 21C – 4 countries where water privatisation covers 50% + of the population – UK, France, Spain, Czech Republic
- England & Wales – 1989 Water Act – privatisation of 10 regional water/ sewage authorities, no competition, assigned licences
- 2002 – licences only changed with 25 years notice
- Scotland & Northern Ireland – water/ waste water – public sector companies
- Spain – 2/3 cities water contracts – no competition – one company contract for 100 years – Aguas de Barcelona
- France – 5 % water operators subject to competition
- 90% water industry – three operators – Suez, Veolia and SAUR

GROUPS OF WATER MNCs

Group		France Italy	Iberia	Central Europe	UK	Eastern Europe/ Central Asia
French MNCs	Suez, Veolia, SAUR	X	X	X		X
Spanish MNCs	CC, Sacyr		X	X		
German- Austrian municipal companies	Gelsenwasser Energie AG			X		
Asian MNCs					X	
Private equity						X
National only companies			X	X	X	X

PRIVATISATION

- Water privatisation includes concessions and lease contracts

2010-

- Austerity policies – renewed interest in privatisation - Greece, Portugal, Bulgaria, Spain (Canal Isabel II – Madrid) but unlikely now due to lack of government

Future

- Water companies – new business model – long term outsourcing of functions by public water companies – upward pressure on prices, cuts in public spending, downward pressure on labour costs

COMPETITION & EU

- 2010 raids on Veolia and Suez
- 2012 EU launched investigation into Veolia, Suez and SAUR and the *Federation Professionnelle des Enterprise de l'Eau* (trade group) – into behaviour on ‘elements of price invoiced to final consumers’.
- 2013 – case closed – EC reported that "*After having investigated this matter on its own initiative in a very concentrated market the Commission did not find sufficient evidence. We have therefore decided to close the case.*"
- EC monitoring of water and waste water industry will continue

EFFICIENCY

- Quantitative: No evidence of superior private sector performance
- Qualitative: Observation of successful public operations disproves expectations of intrinsic public sector inefficiency
- Qualitative: Alignment of interests, resources and regulative institutions point to comparative advantage of public sector

SYSTEMIC CONDITIONS

- Comparative advantage of the public sector due to 90% public provision
- High transaction costs of creating a private sector-friendly institutional setting
- Social resistance against private operations
- Merits of profit motive and competition dominate debate about public versus private
- Multiple agency and collaboration - neglected until recently

REMUNICIPALISATION

- Government failure theories fail to provide adequate predictions and socially-acceptable prescriptions
- Widespread social resistance against water privatisation
- Growing trend of re-municipalisation in the Europe and globally
- False promises of privatisation and PPPs fuelling global re-municipalisation trend
- Profit maximisation imperative is the problem
- Triggers for re-municipalisation may vary:
 - Lack of transparency - social mobilisation and referenda (e.g. Berlin)
 - Corruption - public audits and court cases (e.g. Grenoble)
 - Elections and political willingness (e.g. Paris)

REMUNICIPALISATION (2)

Country	Number of remunicipalisations
France	94
Spain	14
Germany	9
Italy	4
Hungary	4
Ukraine	2
Albania	1
Belgium	1
Russia	1
Sweden	1

FUTURE ISSUES

- Water scarcity, conservation and sustainability – EU policies
- MNCs, e.g. Veolia, are members of European Resource Efficiency Platform but no public water companies
- Companies – approach changed from privatisation through lease or concession to outsourced and Build /Operate/Transfer (BOT) contracts coupled with support for public financing through taxation
- Re-municipalisation – trend continues and leads to improved access and service quality in key cases Paris, France Grenoble, France Arenys de Munt, Spain