

# 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 of Urban Water Industry: a comparison between three leading models

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The background of the slide features a circular arrangement of five hands, each holding a stream of water. The water streams from the hands and converge towards the center, creating a dynamic, circular flow. The hands are positioned at the top, bottom, left, and right, with the water streams meeting in the middle. The overall image is in a light, slightly desaturated color palette, emphasizing the clarity and purity of the water.

# OUTLINE

- Water a unique good
- European strategy
- Germany
- France
- England and Wales
- Consumer satisfaction
- Conclusion & Discussion

# **WATER A UNIQUE GOOD**

**No substitute goods. Social and public health significance**

**Different from any other network industries (huge proportion of sunk costs, decentralization, economies of density)**

**No EU legislation regarding the liberalization of water sector. Nevertheless since '80 privatization and liberalization in some countries**

**Effectiveness of privatization. Modernisation of ageing system. Quality standards**



# EUROPEAN STRATEGY

- ☘ **Quality standards** → Urban Waste Water Treatment Directive (1991), Drinking Water Directive (1998) and Bathing Directive (2006)
- ☘ **Water Framework Directive (2000)** → “long term protection of available water resources”. Cost recovery through water pricing for sustainable and efficient water use
- ☘ **Water Pricing** → instrument to achieve financial sustainability. Pricing depend on several local characteristics
- ☘ **Transposition of the Water Framework Directive** → driver for standardisation of tariffs throughout Eu Member States



# THE WATER SECTOR IN GERMANY

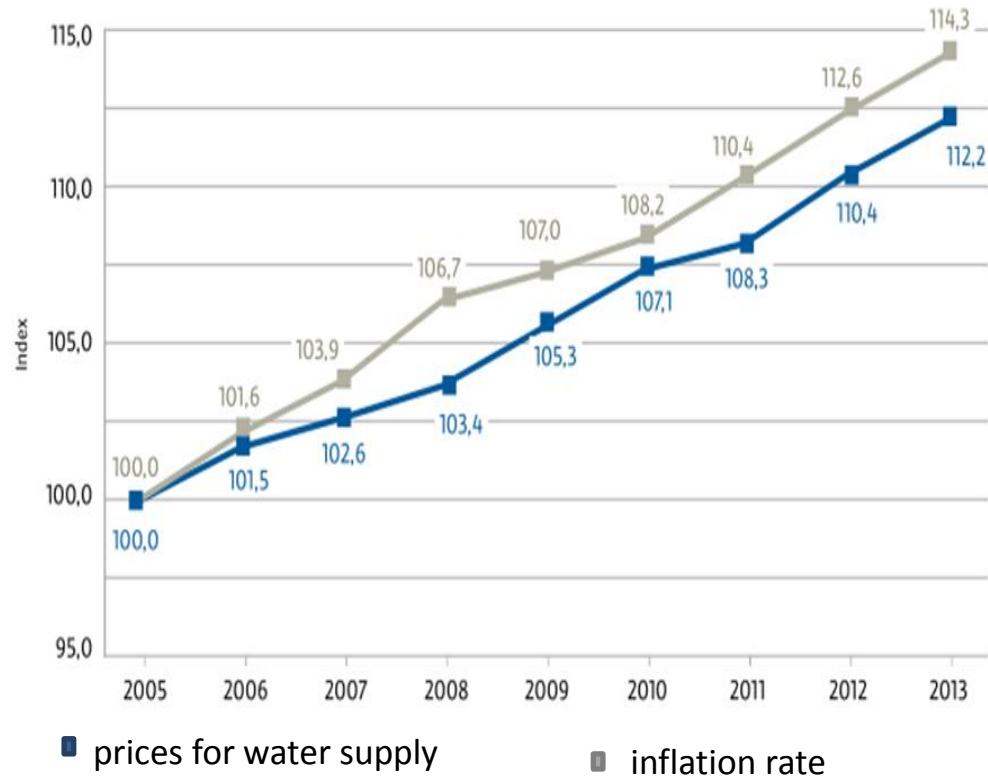
Germany has a special way of organizing the structure of the water sector it belongs to a specific Länder and each of them has his own law.

The responsibility and the form of organization

- Municipality manage by their own or in cooperation with other municipalities

The pricing strategy is regulated by the law of the municipalities

The water price covers costs for infrastructure maintenance and



Source: BDEW 2015, Statistisches Bundesamt Germany

# THE WATER SECTOR IN FRANCE

The responsibility and the form of organization:

The municipalities can directly manage themselves through a “public authority” or delegate their management by temporary contract to a public or private operator.

The procedure of delegation:

- First, the public authority launches a classical invitation to tender that is open to all interested private water companies.
- Second, there is a negotiation phase between the public authority and potential entrants that is shortlisted.

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## The tariff structure

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graph TD; A[The tariff structure] --> B[Fixed price which does not depend on volume consumed]; A --> C[Fixed plus variable part, which is either progressive or regressive.];
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Fixed price which does not depend on volume consumed

Fixed plus variable part, which is either progressive or regressive.



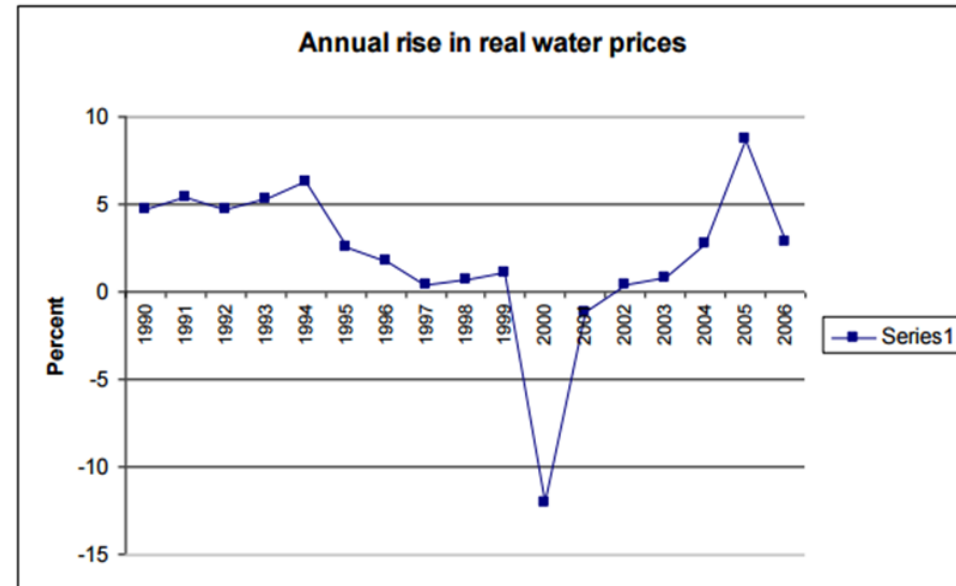
# THE WATER SECTORS IN ENGLAND

In 1989, the regional water authorities were privatized.

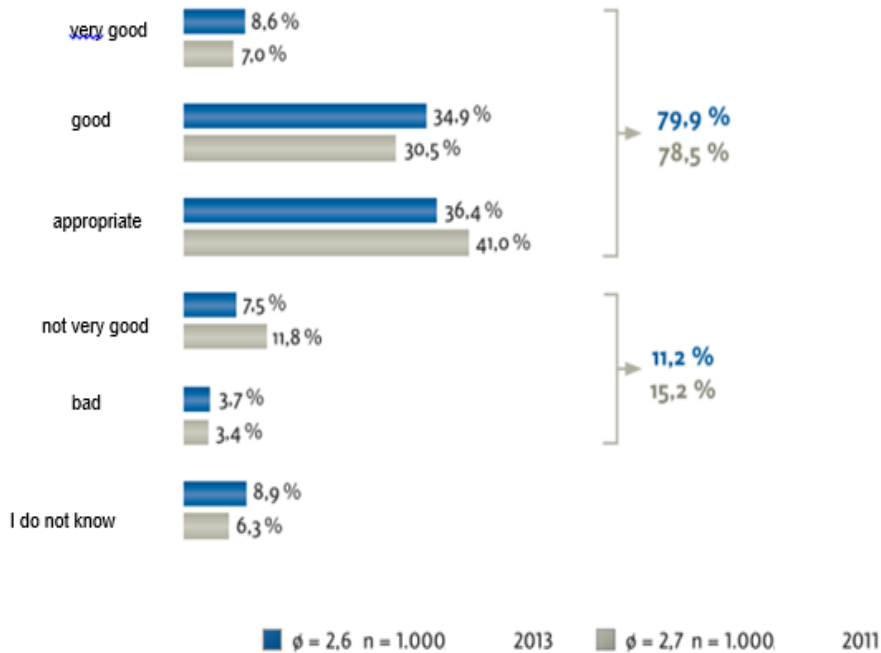
- They hold both property and decision rights, and assume all the risks of a private company.
- The sector remains tightly monitored through the very visible hand of an independent national regulator, the Office of Water Services (OFWAT).

The innovation is that OFWAT uses a price cap mechanism.

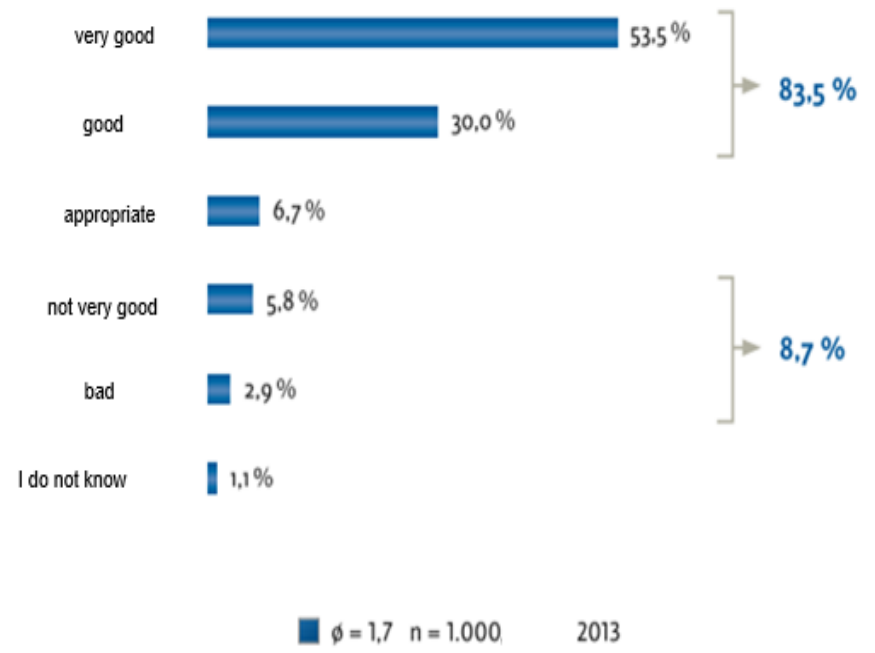
- It is reviewed every five years and automatically takes into account inflation, performance and efficiency.
- Through benchmarking, OFWAT is also in charge of ensuring (virtual) competition.



# CONSUMER SATISFACTIONS IN GERMANY



Price-perception-ratio of water supply (Source: BDEW 2015, Statistisches Bundesamt Germany)



Satisfaction with water quality (Source: BDEW 2015, Statistisches Bundesamt Germany)





# CONSUMER SATISFACTIONS IN FRANCE

- 💧 The survey also shows that 84% of French consumers trust that the quality of their tap water is good.
- 💧 67% declare that they drink water from the tap at least once a week.
- 💧 Those who are dissatisfied about tap water quality complain mainly about high level of chlorine and calcium carbonate.

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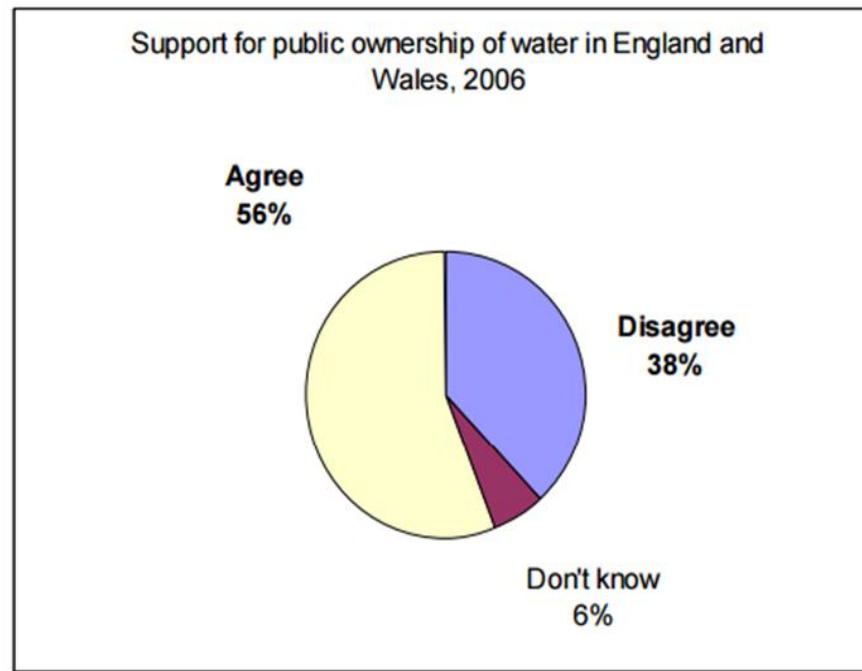
One of the arguments decisive for the return to public management is the water price paid by the user, which is much higher when the manager is a private company. On average, the price of water is about 30% more expensive about if delegated management.



# CONSUMER SATISFACTIONS IN ENGLAND

The water in Britain has become relatively more expensive since privatization. The British public still believes that water should be in the public sector

There were 81% who rated the appearance of tap water positively and a further 75% who thought safety of tap water was maintained.



Support for public ownership of water in England and Wales (Source: BBC Daily Politics Show Poll Fieldwork 2006)

# CONCLUSIONS & DISCUSSION

Public management and public ownership do not necessarily mean higher prices

There is no evidence about the effectiveness of PPPs and Private companies in reducing prices

Privatization in *per se* does not seem to be the most crucial driver for efficiency gains, whereas an effective regulation system pushed water and sewerage companies to reduce their costs.

Undergoing process of re-municipalisation (example of Paris)



In the future new business models focused on sustainable resource management. Combination of private and public approach

Thank you

