Water Services Privatisation

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What is water privatization?

A market-based approach to water governance involving private companies that usually chase profits in the management of water and wastewater infrastructure

A brief background on water privatization

From private to public
Then back to private?

--Successes in market-based approach
--Operational efficiency
--Financial investment
  -sourcing and transportation
  -rehabilitation, expansion and upgradation
  -environmental requirements
-- External influence

Commodity or Commons

Commodity: economic good, tradable, by private companies, and price

Commons: public good, untradable, by communities or government, and ethics.

Introduction	———	Tao
Types of privatization	———	Tristan
Legal framework	———	Anna
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Types of Privatisation

Variations in management regimes

Management Ideologies

There are 3 main management styles:

1. Private sector
2. Public sector
3. Community driven

Practical Regimes

- Publicly owned - State run
- Service contract model
- Management contract model
- Lease/Affermage model
- Concession model
- BOT (Build Own Transfer) - type model
- Divestiture
- Community driven cooperatives

Table 1:	Allocation of key responsibilities for private participation options					
	Service contract	Management contract	Lease / affermage	Concession	BOT-type	Divestiture
Asset ownership	Public	Public	Public	Public	Private / public	Private
Capital investment	Public	Public	Public	Private	Private	Private
Commercial risk	Public	Public	Shared	Private	Private	Private
Operations/ maintenance	Private / public	Private	Private	Private	Private	Private
Contract duration	1–2 years	3–5 years	8–15 years	25–30 years	20–30 years	Indefinite

Source: *Budds, J. and McGranahan, G. (2003). "Are the Debates on Water Privatization Missing the Point?"*

Legal Framework

- Recognition
- International Framework
- Canadian Context: Quebec

Human Right to Water

- Recognition
  vs
- Guarantee

General Comment NO.15:

“the human right to water is indispensable for leading a life in human dignity. It is a prerequisite for the realization of other human rights,” and also affirms that “the human right to water entitles everyone to sufficient, safe, acceptable, physically accessible and affordable water for personal and domestic uses.”

Legal Model Systems

- Section 25
- Section 11
- Section 12

- Riparian
- Prior appropriation

Case Study:

Kitcisakik, Quebec

Northern part of the La Verendrye Wildlife Reserve in Quebec

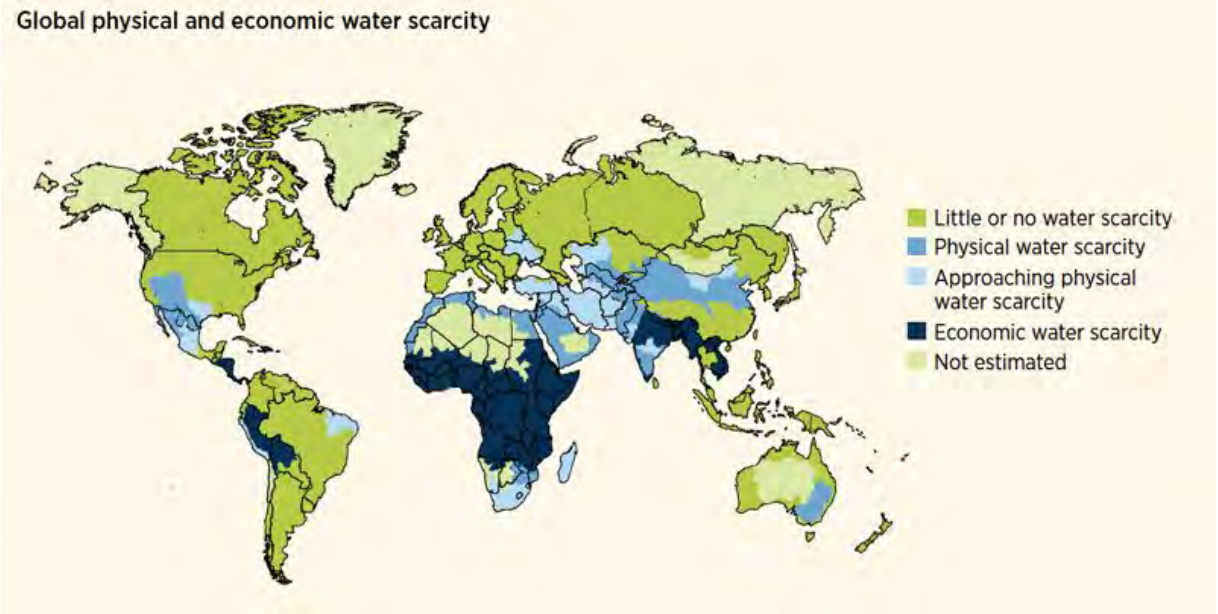
- Federal vs. Provincial
- Not an “Indian Reserve”
- Indian Act

Privatization and Politics

Desiree Gabriel

- Political drivers of private water supply and sanitation (WSS) services in the Global South

- Case study: Latin America



Privatization and Politics

Complex governance of WSS:

- Pertinent to numerous aspects of society:
- Growing demand for WSS = Urban vs. Rural frameworks at times

This means the process of privatization should be comprehensive and thoroughly planned, though this is not always the case:

- Is the public WSS in an area efficient? Supplied with equity between distance? Of high quality?
- Global and local forces are at play ↠ can propel or depress privatization of WSS

Latin America (1990s) and Privatization

Global Forces: Neoliberalism

Local public water systems in the Global South:

Problem: Large % of political corruption and debt

- Led to a lack of capital, infrastructure, and proper management

Solution: Multilateral financial institutions enforced a reforming of the water sector (WB,ICF)

- Regionalization: consolidation of facilities or activities among nearby systems (usually uplifting a dominant locality)
- Consolidation: mutually agreed take-over of one system by another

Cochabamba, Bolivia and SEMAMPA:

Under public WSS: (prior to 1999)

- ⅔ coverage, 50% water losses
  ↠ inefficient system
- Population relied on alternative water sources (wells + rainwater)

Photo by Civitatis

Under Privatization: (1999-2000)

- SEMAPA to Aguas del Tunari: only bidder for the contract
  - *Average 60% rate increase* for water was unaffordable
  - Coercive monopoly ↠ took control over even alternative water supplies

Result: Services did not improve, especially for rural Indigenous peoples and farmers

Unrest in Cochabamba: “Water Wars”

Photo by Wowaconia

(December 1999-April 2000):

↠ Conditions Mobilized support for Protests
Army called in ↠ Deaths

This specific case study illustrates the impact of WSS privatization on vulnerable communities in Latin America (similar patterns in other areas of the global south)

- Lack of consideration for localities
- Inefficient political organization

In April 2000, Aguas del Tunari was pushed out, and Cochabamba’s WSS returns to public institution. WSS Remains inefficient.

The Economic Rationale

Relative efficiency of types of ownerships

The Debate over Privatization of Water Supply and Sanitation Industry

Water supply is characterized by "market failure' : water is "an uncooperative commodity *(Bakker, 2018)*.

- "Natural monopoly"
- Externalities : water as a "public good"

Competition and private sector ownership creates incentives for increased performance and accountability. Subsequent efficiency is expected to enhance capital investment and reduce tariffs.

'The justification for privatisation is less compelling in markets for public goods and natural monopolies where competitive considerations are weaker' (Megginson and Netter, 2001: 330 as cited in Renzetti & Dupont, 2003:2)

The Case of Britain and Wales

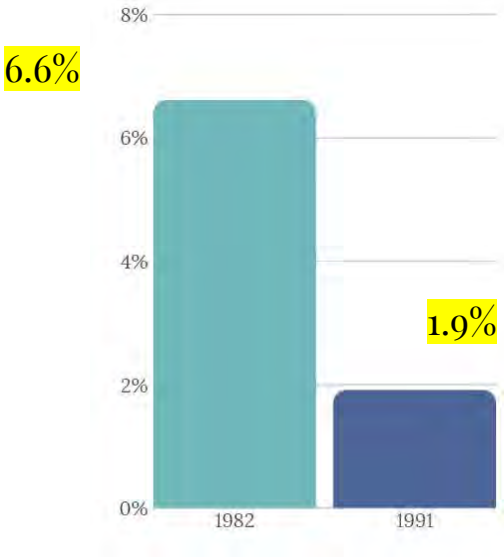
British model = privatization through divestiture and asset sale.

Late privatization of water compared to other utilities.

In 1989, Margaret Thatcher's government sold off the assets of water authorities in England and Wales to **ten new water service companies.**

Privatized water utilities were subject to environmental and financial regulations.

Regulatory framework designed to **incentivize efficiency gains**: RPI + K. Price increase for a company is a function of the cost performance of its competitors, thus providing incentives to innovate and reduce costs.



Share of public production of goods and services in GDP

Mixed Empirical Evidence on the Economic Impacts of privatization

Job Losses

21.5%

Employment decrease (1990-1999)
Dore et al. (2004).

However, better training, higher wages and improved working conditions for remaining employees.

Investment

£3.7 B.

In investment by 1998-1999 (compared to £2 billion in the 1960s, 1970s, 1980s)
(*Brubaker*, 2001)

However, EU water quality and state regulations were the main reason for the significant increase in capital spending.

Mixed Empirical Evidence on the Economic Impacts of privatization

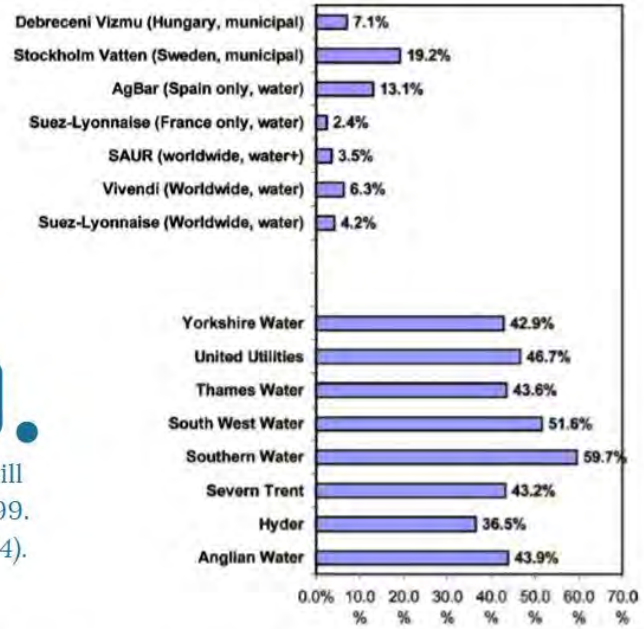
Unit Price

46%.

Increase in average water bill from 1989 to 1998–1999.

Lobina, 2001 as cited in Dore et al. (2004).

Increase in profitability



Source: Lobina, E. & D. Hall, February 2001.

Competition

Limited success of competition

Recent trends towards **mutualisation** (2000, assets of Yorkshire Water sold to consumers community)

Environmental Considerations

Leo Jedynak

Privatization and the environment

The environment is viewed as a secondary concern.

1.2 billion people around the world lack access to clean drinking water


Scarcity
Quality
Technology

Framing scarcity

Allocation of a single limited resource

Treats water as a stand-alone resource bereft of its other uses in sewer systems, transportation, and ecosystem services

New Water Culture Paradigm

An approach to water management that views water as a social and environmental resource

How we measure environmental quality

Ecological Sustainability

Withdrawal-to-availability ratio

Cost-benefit Analysis

Integrated Water Resource Management

Private water management is more successful when it creates reregulation of resource management to ensure the quality of water and the environment.

Cost-effectiveness analysis

FROM PITTSBURGH TO FLINT, THE DIRE CONSEQUENCES OF GIVING PRIVATE COMPANIES RESPONSIBILITY FOR AILING PUBLIC WATER SYSTEMS

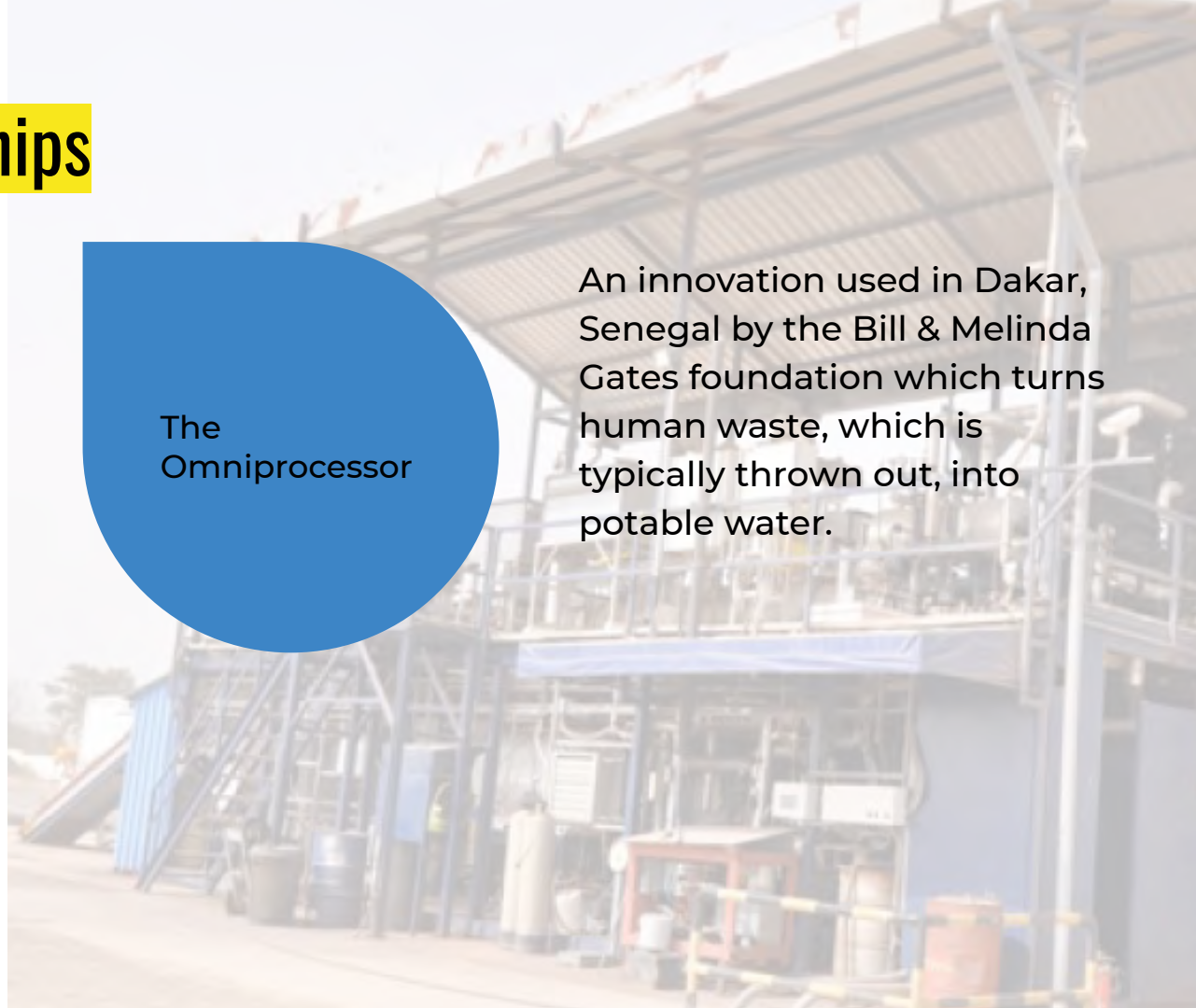
Alternate Partnerships

Technology

The Omniprocessor

An innovation used in Dakar, Senegal by the Bill & Melinda Gates foundation which turns human waste, which is typically thrown out, into potable water.

Innovation presents itself as a space where public-private partnerships can thrive



England and Wales

- Water has been accepted as part of the environment as opposed to a singular resource
- Conservation and preservation are incorporated into the regulatory framework
- Environmental Economic Valuation
  - Emphasis is placed on aesthetics, amenity value of landscape, and value of natural landscapes—incorporated in environmental economic valuation

Table 1. Water Quality, Selected Indicators (1990–2004)

	1990–1991	Latest figures (2002–2003)
River and canal chemical quality – good or fair	84%	95%
River and canal biological quality – good or fair	84%	94%
Coastal bathing water – compliance	66%	99%
Sewage treatment works – compliance	90%	99%
Sewerage overflows – unsatisfactory	31%	17%

(Bakker, 2010)

What makes a difference?

We should strive to understand water service management through a systems or relational approach that considers scale and intersectionality whilst valuing all actors, especially the environment.

Social Considerations

Hailey Dash

Impacted Social Groups as Stakeholders

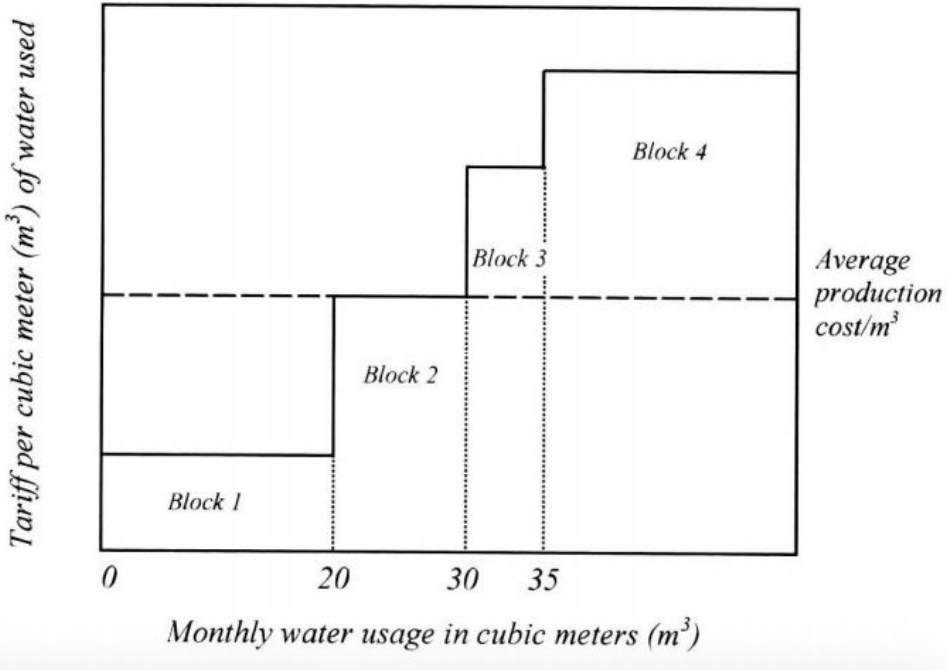
1. Women*
2. Indigenous peoples
3. Rural & marginal urban communities
4. Global South

Benefits of PSP to Social Groups

- Financing water supply projects
- Providing innovative technology
- Efficient construction practices and business models
- Avoiding bureaucratic delays from public sector

Harms of PSP to Social Groups

- Private-sector interests prioritized
- Inclining Block Tariffs
- The reach of water networks
- Private stakeholders primarily located in Global North



Indigenous Communities in Canada

- Federal funding is inadequate
- Privatization is being heavily promoted by Trudeau
- Indigenous groups fear this may threaten their health, safety, and community employment
- These conditions are worsened for Indigenous women

Looking to the Future

Kai Vorland

Comparing Privatization with Public Services

	Water Privatization	Public Services
Benefits	• Stricter environmental and testing regulations • Competition is important • Can improve infrastructure, lower costs, and provide safe, clean water • Increased efficiency can mean improved water distribution	• Can be used to promote smart growth • Can save money • More distribution; less inequality • Public transparency and input • Control over their own water system
Issues	• One company having control over one's life's necessities • Limits public accountability; accountable to stock holders rather than the people • Loss of public input and transparency • Undermines the right to water • Loss of jobs • Can worsen service	• Often does not have the funding to make large-scale changes • Large-scale maintenance


835 (Re)municipalisations
of public services
19
Canada
67
USA
Iceland
Norway
21
Sweden
Finland
4
347
Germany
64
UK
Denmark
3
Netherlands
Belgium
1 Lithuania
1 Czech republic
2 Ukraine
16
Austria
4 Hungary
1 Montenegro
152
France
Portugal 3
3
Italy
1
Albania
3 Turkey
1
Armenia
1 Lebanon
56
Spain
1
Russia
3
Kazakhstan
2
Uzbekistan
Japan
2
Morocco
Mexico
1
2 Belize
1
Guatemala
1 Nicaragua
2 Dominic Rep
Venezuela
2
Colombia 2
Ecuador 1
Bolivia
2
9
Argentina
1
Cape Verde
1 Mali
1
Guinea
Ghana
1
Central 1
African Republic
1 Uganda
1 Tanzania
2
Mozambique
3
South Africa
7
India
1
Malaysia
2
Indonesia
MORE THAN 1600 CITIES AROUND THE WORLD ACTED
TO BRING PUBLIC SERVICES UNDER PUBLIC CONTROL

Major Cities That Have Remunicipalized

The Future of Water Privatization

There is no blanket solution; what works for one city is not necessarily the solution for another.

We must look at the current economics, politics, culture and impacts affecting a region in order to arrive at the most informed and beneficial solution possible.