Water Policy : comments by author Bernard O. Barraqué to right of reply by Paris deputy-mayor on article WPOL-D-11-00085

Bernard Barraqué

Water Policy : comments by author Bernard O. Barraqué
to right of reply by Paris deputy-mayor on article WPOL-D-11-00085

The arguments put forward by Ms Le Strat are quite good. Perhaps I wrongly gave an impression to my own deputy mayor that I sided with 'her opponents'. Yet I have not used the arguments of former private water companies in Paris, for the simple reason that they refused to give me their opinion. I based my paper on documents which I could access. I am no opponent to any of the protagonists of the public-private debate. But indeed, I have supported public water management as a viable model, and as being a full part of the 'French water supply model', way back in the 1990's, when the World Bank seemed to me excessively in favour of 'privatization'. I insist that a large city like Paris is perfectly able to deliver water and sanitation services without the support of a delegation contract, all the more so that there always remained very efficient publicly managed utilities, like Amiens[1]. In my opinion, they are part of the 'French model' because their very existence creates the conditions of a benchmarking between public and private procurement. But I have also written in support of the German *Stadtwerke*, which are private companies owned by public authorities. Since there is such a wide array of management formulas it is impossible to simplify the public vs private debate, and I tried to show that equally or more important was the issue of consolidation vs maintained local management.

I admit that it probably was difficult, painful and conflicting to carry the assessments which led the city of Paris to take water supply back 'in house'. Paris is clearly a landmark in the return to public procurement in the very country of delegated management. But it is equally excessive to self-portray as having done something unique. Clearly the 25 year contract signed under mayor Chirac was opaque and un-regulated by an independent authority, and this contract allowed private companies to make good profits, in particular through the subcontracting of public works to their own subsidiaries (which I mentioned). But these private partners are just not the reason why water prices soared up in the period. It is the sewage collection and treatment part of water bills which went up; yet, to me there is nothing wrong with the public operators of bulk water production and sewage collection and treatment rising their part of the bill on account of needed and long overdue investment. And in the end, the total water price remains one of the lowest in France, in particular compared to Paris suburbs. In fact what I fear is politicians returning water public just for the sake of announcing a decrease in water price, as long as 'water-as-an-essential-good' is on the agenda, but at the expense of assets renewal, postponed to a longer term. I contend that Paris should have lowered the water supply price ok, but explicitly arguing that it was making up for the dramatic increase in sewer charges in the water bill, instead of just blaming private companies for ripping Parisians off[2].

The contract signed by Paris in 1984 was in fact a typical delegation contract at a time when there was no real competition, but bargaining under *intuitu personae.* This model was clearly favoured by supporters of 'new public management' like my colleague Dominique Lorrain, in the name of efficiency. Then in the early 1990's there was the corruption affair in Grenoble, which in turn triggered a couple of laws compelling local water authorities to open the

[1] My case study on the sustainability of this public utility ended up in an OECD review, even though relabelled 'administrative private sector participation' …

[2] In footnote 12 of my article I literally translated into English the public argument by Ms Le Strat that the benefits '*come chiefly from the recuperation of profits in absence of shareholders remuneration within this formula*'. I do not 'make her say' anything else.

contracts to tender at every renewal, and to make yearly reports public. This is why I contend that the most important case was Grenoble, and I even recall saying to top managers of water companies then: “you don’t pay much for it now, but the later you’ll pay, the more you’ll pay”. A few corruption cases and the hot debates about privatization in developing countries resulted in a growing distrust of French citizens vz this delegation model. Growing distrust means higher transaction costs, and it is quite obvious that in Paris like in other cities, for a certain period of time return to public management appears better and more efficient: time is needed to check whether the criticism by opponents to public management is grounded: over-staffing, absenteeism of the workforce, political interference in the tariff, the metering and the billing etc.

This is why the number of people served by public procurement is growing again in France, as rightly pointed in the 3rd § of the right-of-reply. The change is fast and the difference in figures is partly due to my writing a year before. And public procurement will grow again in the coming municipal elections period. But something very important needs to be added here: until June 2010, it was illegal for a municipality or a local authority to create a mixed economy company where they would own more than 75% of the shares (typical French centralization). Cities would associate with private companies or banks, and they did it for housing an transportation. But mixed economy was not developed in the case of water, and Paris 1984 contract was a relative exception. Yet, only 6 months after Paris’ return to Public, a law allowed public authorities to join and create ‘SPL’ or public local companies, i.e. private companies they would own 100%;thus bringing the French system closer to the German or Dutch situation. And despite the outcry of privatization opponents that consider this as a ‘treason’, several cities in France show a deep interest for this formula, including Grenoble. Paris may have taken its water back just 6 months too soon! I support this evolution because it is in line with the culture of water as a good to be paid by the volumes through a meter (general in Europe except in a baroque country across the Channel), and it is more flexible than the *régies* in terms of accounting practices and control by the French Treasury. It is even possible that once installed the SPL opens a tender with the private sector and signs management or service contracts with the former holders of the lease contracts. In that case the SPL could be in a position to control better the infrastructure renewal and avoid useless investments (I have information on one case in Brest).

If this movement develops, we could end up with a quite logical outcome: now that water pricing and ‘right to water’ is on the agenda, many political leaders at local level want to control the tariff setting and bill recovery; i.e. they want to face citizens-customers directly, and stop interposing private companies in between. In other words, the non-transparency of the French delegation model is its fate; but private companies will still have a lot to do, through management contracts where they certainly make less profits, but take less risks with the public …