

EC, stop imposing privatisation of water!

Friday 26 October 2012, by [Collective / Multiple signers](#) (Date first published: 17 October 2012).

Letters exchanged between civil society organisations and the European Commission.

TNI and other civil society organisations, in an open letter, have denounced the European Commission's admission that it imposes water privatization conditionalities as part of its 'rescue' package to crisis countries.

Civil society open letter reply to European Commission

Brussels, October 17th 2012

To:

Olli Rehn, Vice-President of the European Commission and member of the Commission responsible for Economic and Monetary Affairs and the Euro

CC:

José Manuel Barroso, President of the European Commission

Michel Barnier, Commissioner for Internal Market and Services

Janez Potočnik, Commissioner for the Environment

Laszlo Andor, Commissioner responsible for Employment, Social Affairs and Inclusion

Selected MEPs, Richard Seeber Intergroup on Water European Parliament

Dear Commissioner Rehn,

Thank you for your reply to our letter of May 15th 2012. [1]

Despite the urgency of the issues we raised, the reply came after four months of reminders to your services and only after we indicated that we would complain to the European Ombudsman if a response was not received soon.

In our letter, we asked the Commission to stop demanding the privatisation of municipal water systems in countries receiving rescue loans in the context of the sovereign debt crisis. Our letter made clear that the privatisation loan conditions imposed on these countries by the European Commission [2] are economically, socially and democratically flawed.

Your response is astonishing. Not only does it confirm that the Commission has indeed imposed water privatisation on these countries but it actually defends this as the Commission's preferred general policy for the water sector, implying this policy will continue. Your letter asserts a declaration of beliefs in the general virtues of the privatization of public water utilities, which is wholly unsubstantiated by facts.

Such ideological arguments are simply blind to reality. In 2010, the largest survey ever on water privatisation cases found that no cost savings could be attributed to privatisation in the water sector. [3] The privatization wave of the 1990s has long run out of steam, reversing the trend of

private water companies expanding. [4] Negative experiences with privatisation have made many municipalities in Europe decide to bring back their water systems into public management. [5] Could you please indicate what evidence you have to support your position that water privatisation “has the potential of increasing the efficiency of companies and, by extension, the competitiveness of the economy as a whole, while attracting foreign direct investment”? Has the Commission explored the remunicipalisation trend and taken the lessons from these cases into account?

Strikingly, you fail to respond to our statement that imposing privatisation of water utilities “appears to be in violation of the EU’s supposed neutrality on the question of public or private ownership and management of collective water services (article 345 TFEU and Art. 17 1 of the Directive 2006/123/EC on services in the internal market).” This is hardly a trivial matter and we would therefore expect the Commission to reply. Can you please explain to us what the legal basis is for the Commission’s policy of imposing water privatisation on EU member states?

Finally, you claim that: “the Commission will check that the privatisation process of water companies guarantees full access to water for all citizens.” This is far from convincing. The European Commission has so far refused to initiate legislation to implement the human right to water and sanitation, ignoring the July 2010 UN resolution on this right. You also have not created a framework to implement the Public Services Protocol of the Treaty. It is on this basis that we have recently launched a European Citizens Initiative to force the European Commission to take action to secure the right to water. [6]

Confronted with these worrying signs that the Commission has lost touch with reality, we can only re-state the conclusion of our previous letter: we ask you to guarantee that the European Commission withdraws its demands and refrains from any further pressure to impose water privatisation conditionalities on Greece, Portugal and any other EU member state. This pressure is flawed, undemocratic and at odds with the EU treaties, and should be terminated immediately.

In concern,

Água é de todos (Portugal)

Aquattac

ATTAC Hungary

ATTAC Spain

Berliner Wassertisch (Germany)

Blue Planet Project

Coordination Nationale des Associations de Consommateurs d’Eau (CACE)

Coordination Eau Ile de France

Corporate Europe Observatory (CEO)

Council of Canadians

La Coordination Rhône-Méditerranée des Associations des Usagers de l’Eau (CRAUE)

Ecologistas en Accion (Spain)

European Federation of Public Service Unions (EPSU)

Food & Water Europe

France Libertés

Gemeingut in BürgerInnenhand (Germany)

Ingenieres Sin Fronteras (Spain)

Italian Forum of Water Movements

Movement 136 (Greece)

Mouvement Utopia (France)

Save Greek Water (Greece)

Transnational Institute (TNI)

Wasser in Bürgerhand (Germany)
Za Zemiata (Bulgaria)

EC reply to Civil Society

Directorate General of Economic and Financial Affairs
Brussels, 26 September 2012

Dear Mrs Zanzanani,

Thank you for your letter related to the water privatisation of various countries. As you know, privatisation of public companies contributes to the reduction of public debt, as well as to the reduction of subsidies, other transfers or state guarantees to state-owned enterprises. It also has the potential of increasing the efficiency of companies and, by extension, the competitiveness of the economy as a whole, while attracting foreign direct investment.

The Commission believes that the privatisation of public utilities, including water supply firms, can deliver benefits to the society when carefully made. To this end, privatisation should take place once the appropriate regulatory framework has been prepared to avoid abuses by private monopolies. At the same time, public access to basic goods must be ensured. This is why it is important to find a balance between equal and fair access to public utilities (water, gas, electricity), good quality of services and a financially sustainable supply.

The Commission will check that the privatisation process of water companies guarantees full access to water for all citizens.

Yours sincerely.

Head of Unit
Country desk Greece.

First civil society letter to EU Commission on water privatisation

Brussels

May 15, 2012

To: Olli Rehn, Vice-President of the European Commission and member of the Commission responsible for Economic and Monetary Affairs and the Euro

CC:

José Manuel Barroso, President of the European Commission

Michel Barnier, member of the Commission responsible for Internal Market and Services

Janez Potočnik, member of the Commission responsible for the Environment

László Andor, member of the Commission responsible for Employment, Social Affairs and Inclusion

Dear Mr. Rehn,

As a member of the 'Troika', the European Commission (with the International Monetary Fund and European Central Bank) has been responsible for setting the loan conditions for Greece, Portugal and other countries receiving rescue loans in the context of the sovereign debt crisis. These conditions, which have been widely criticised for the emphasis on cutting public budgets, include in the cases of Greece and Portugal large-scale privatisation of public services, including water utilities. We believe that this privatisation conditionality is unacceptable and seriously undermines the right to water.

The fact that the Commission (as part of the Troika) has insisted on the privatisation of water utilities also appears to be in violation of the EU's supposed neutrality on the question of public or private ownership and management of collective water services (article 345 TFEU and Art. 17 1 of the Directive 2006/123/EC on services in the internal market). [7]

In the case of Portugal, the Troika's conditions include the privatisation of the state-owned water company, Aguas do Portugal. For Greece, the Troika package includes a long list of companies that the country has to sell off, including the water companies for Athens and Thessaloniki.

The argument is that these privatisation measures will create income that can be used to repay government debt while the private sector continues to deliver the service. This is indefensible in a crisis situation as the companies will be bought at their market value and not their assets value. In Thessaloniki, the company is a net contributor to the city's budget, while the redemption price of the 40% capital and management rights being forcibly sold will amount to only three years of profit. As the new report "Our Right to Water - case studies on austerity and privatisation in Europe" shows, the real-world experience with privatisation of water is very different:

"Services get worse, jobs are lost, and private monopolies enjoy inflated profits for decades, while the amount of money paid by the private buyers is invariably far below expectations. It is not good economics." [8]

In a context where harsh austerity measures have led to income loss, job losses and widespread poverty, privatisation (typically leading to higher prices and undermining access to services) directly threatens the right to water. [9] The report also demonstrates that these privatisation measures have been imposed from above despite widespread public opposition, in violation of the right to public participation in decision-making about water and sanitation services.

The privatisation programmes are being imposed at a time when the appetite for water privatisation among municipalities is at a long-time low because of the disappointing experiences throughout Europe and around the world. An increasing number of cities are choosing remunicipalisation, having tried privatisation, including Paris, which has experienced lower prices and improved services as a result. [10]

Imposing top-down water privatisation in the context of a deep economic crisis is not only flawed socially and economically but reveals undemocratic policy-making concerning the most vital public service of all. By imposing privatisation of water utilities (as part of the Troika) on Member States, the European Commission appears to be violating EU legislation and the subsidiarity principle, an approach, which the European Court of Justice would likely condemn.

It is in this context that we ask you to guarantee that the European Commission withdraws such demands and refrains from any further pressure to impose water privatisation conditionalities on

Greece, Portugal and any other country that might enter negotiations with the Troika in the future. Similarly, outside the Troika, the European Commission has been putting pressure on Italy and perhaps other countries (in the context of the structural reform programmes) to privatise local public utilities, including those providing drinking water and sanitation. For the reasons noted above, this pressure is flawed, undemocratic, at odds with the EU treaties and should be terminated immediately.

We look forward to your response.

Yours sincerely,

Água é de todos (Portugal)

Aquattac

ATTAC Hungary

ATTAC Spain

Berliner Wassertisch (Germany)

Blue Planet Project

Coordination Eau Ile de France

Corporate Europe Observatory (CEO)

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Italian Forum of Water Movements

Movement 136 (Greece)

Transnational Institute (TNI)

Wasser in Bürgerhand (Germany)

Za Zemiata (Bulgaria)

P.S.

* TNII, 17 October 2012:

<http://www.tni.org/article/ec-stop-imposing-privatisation-water>

Footnotes

[1] See below

[2] As part of the Troika, together with the European Central Bank and the International Monetary Fund.

[3] Bel, Germà, Xavier Fageda and Mildred E. Warner 2010. "Is Private Production of Public Services Cheaper than Public Production? A meta-regression analysis of solid waste and water

services,” *Journal of Policy Analysis and Management*, 29(3): 553-577.

[4] Hall D., Lobina E., “Water companies and trends in Europe in 2012”, Public Services International Research Unit (PSIRU), August 2012.

[5] See www.remunicipalisation.org and “Remunicipalisation: Putting water back into public hands”, Pigeon M., MacDonald D., Hoedeman O., Kishimoto S., TNI/CEO/MSP, March 2012.

[6] <http://www.right2water.eu>

[7] Article 345 of the EU Treaties (ex Article 295 EC) requires the Commission to be neutral on public or private ownership of companies: “The Treaties shall in no way prejudice the rules in Member States governing the system of property ownership.” Article 345 TFEU (ex Article 295 EC).

[8] Our Right to Water - Case studies in Austerity and privatization in Europe, ed. by D. Hall and M. Karunanathan, Blue Planet Project, EPSU, PSIRU, Food and Water Europe
<http://www.blueplanetproject.net/documents/RTW/RTW-Europe-1.pdf>

[9] As recognised by the 2001 European Charter on Water Resources and the July 2010 United Nations General Assembly Resolution on the right to water and sanitation.

[10] Remunicipalisation - Putting water back into public hands, ed. by M. Pigeon, D. McDonald, S. Kishimoto and O. Hoedeman, Municipal Services Project, Transnational Institute and Corporate Europe Observatory, March 2012.