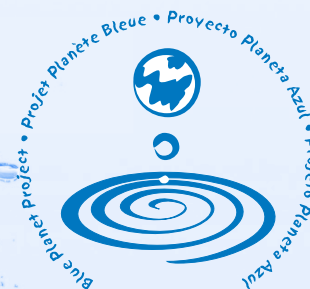
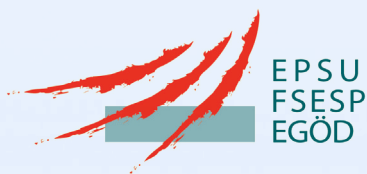


OUR RIGHT TO WATER



CASE STUDIES ON AUSTERITY AND PRIVATIZATION IN EUROPE



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This paper is one of a series of reports commissioned by the Blue Planet Project which examine the state of the human right to water and sanitation around the globe.

CASE STUDIES ON AUSTERITY AND PRIVATIZATION IN EUROPE

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Introduction

This booklet presents reports from five European countries on the threats they face in terms of water privatisation. The reports were written in response to a common questionnaire. In some places the reports have been edited to improve clarity and reduce repetition, and the Spanish and Italian reports have been translated.

In Europe and elsewhere, the 2010 United Nations General Assembly resolution recognizing water and sanitation as a human right arrives at a time when governments are slashing public spending under the rubric of austerity programs purportedly aimed at addressing the debt crisis. In some countries, right-wing governments have taken advantage of the economic downturn to further advance neoliberal policies, resulting in the sale of public assets including water and sanitation infrastructure to private interests. But, as acknowledged in the October 2011 report of the Special Rapporteur on the Human Right to Safe Drinking Water and Sanitation titled “Financing for the Realization of the Rights to Water and Sanitation,” without adequate financing, there can be no human right to water and sanitation.

This report examines the impacts of these austerity measures on the human right to water in Greece, Italy, Spain, Portugal and Bulgaria. Of these countries, Spain, Italy and Portugal voted in favor of the human right to water and sanitation at the UN General Assembly, while Bulgaria and Greece abstained.

The following reports have been written by the workers, and representatives of citizens’ groups and social justice organisations who are at the forefront of the struggles against the privatisation of water and sanitation services.

Privatised water is more common in Europe than on any other continent – though it still affects less than 30 per cent of the population. France is the homeland of the great water multinationals Suez and Veolia, whose footprints extend across many other countries. In the United Kingdom, water was privatised in England under the Thatcher government. Despite this, a series of campaigns in the 1990s and early 2000s succeeded in halting attempts to expand it at local and national levels. Campaigns also won a rare victory at EU level, persuading the European Parliament to reject a plan to liberalise the water sector throughout Europe. In the last few years the pro-privatisation tide has been turning the other way, with some water services being re-municipalised and returned to public hands, most notably in France itself.

There is now a new push for water privatisation, and it is driven by the austerity policies of cutting back public spending and public services. These policies are being applied by national governments in many countries, and imposed with particular stringency on countries that are subject to “rescue packages” from the IMF and the EU, which both include requirements for extensive privatisations, including of water services.

New EU-level mechanisms are being created to impose right-wing economic policies on all countries by requiring sharp reductions in public debt and virtually banning Keynesian policies of economic stimulus by government borrowing, despite the fact that it was the global use of these policies that saved the world economy from a far worse recession.

The policies are strongly promoted by right-wing politicians and corporate stakeholders who identify government debt as the central problem, despite the simple fact that the economic crisis, which shook the world in 2009, was due entirely to the massive failures of the private bankers. Incredibly, these same bankers are being sent in as unelected commissars to dictate economic policies in countries such as Greece and Italy. And the same banks, most of which were rescued by nationalisation or other government bailouts, are now openly arguing that this a great new opportunity for large-scale privatisation, from which they will expect to make handsome fees.

The key element in austerity packages that fuels the new privatisation drive is the obsession with cutting debts. If public services are sold, goes the argument, this money can be used to repay government debt while the private sector continues delivering the service. This has always been a central argument for privatisations, but the reality is 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. Even the United States is maintaining government spending, and its economy is recovering much better than Europe’s. And it does not necessarily result in reduced debt. The biggest privatisation program of all time was carried out by the Thatcher government in the UK over the course of 17 years. At the end of that period the level of government debt in the UK was about the same as at the start.

In this climate of savage austerity, proposals to privatise water services are growing. The actual effects vary between countries. The five country reports in this booklet set out some of the most poignant cases, as well as the ways in which social movements are organising resistance.

For Greece, the package of the International Monetary Fund (IMF)- European Union (EU) – European Central Bank (ECB) “troika” includes a long list of companies that the country has to sell off, a list that includes the public stake in the water

companies of Athens and Thessaloniki, the two largest cities. A minority of the shares in these companies has already been sold, and the report on Greece below shows that this has already led to higher prices and job losses without any improvement in services. There continues to be fierce public opposition to government plans to further privatise the utility despite immense pressure from the International Monetary Fund.

For Portugal, the troika's conditions include a more general requirement for privatisations. The government, as expected, has offered to plan for the privatisation of the state-owned water company, Aguas do Portugal. As the Portuguese report below explains, this company was originally encouraged to acquire municipal water services because if they became concentrated in one company, it would be easier to privatise.

With poverty on the rise, the Portuguese have seen a drop in personal incomes of up to 50 per cent. Yet water rates are rising drastically and private companies are blocking access to free public water supplies, such as drinking water fountains. In the meantime, IMF-imposed cuts to public spending have prevented municipalities from improving access to water or the quality of services.

The nationalisation of water services as a prelude to privatisation is also noted in the Bulgarian report. Bulgaria is not subject to an external loan with conditions, but it has been enthusiastically pursuing austerity policies nonetheless. The Bulgarian report also shows what water privatisation means, with a shocking catalogue of fraudulent behaviour by Sofiiska Voda, the privatised company running water services in the capital Sofia. As the report explains, that privatisation itself was pushed through as part of an earlier austerity package.

Bulgaria has seen steep rate hikes for water and sanitation services while ironically, fees for industrial water users have dropped tenfold to allegedly stimulate economic growth. According to the environmental organization Za Zemiata, 1,000 households were cut-off from water services at the end of 2011 and 5,000 households were reportedly unable to pay their fees. In the beginning of 2012 there were 370 families in Sofia that were evicted because they were unable to pay their utility bills. And communities living in informal settlements, primarily the Roma, are completely neglected by the water company.

Some cities in Spain have water services that have been privatised for more than 100 years, but Madrid has retained a strong public water service with a high reputation. The national government is under a right-wing party that is implementing austerity policies – under strong pressure from the EU – and the same party has now won control of Madrid where it is proposing to privatise the water company without even bothering to publish any justification. Privatisation plans in Madrid have been dominated by a climate of non-transparency, lack of accountability, and a disregard for the right to public participation.

In Italy, the pressures from outside have been cynically undemocratic. Despite the overwhelming national referendum vote in 2011 against plans to liberalise and privatise water – 96 per cent of the 57 per cent voter turnout said “no” – leading EU officials put pressure on the Italian government to liberalise and privatise water services. This government, however, is an unelected “interim” government that is led by a banker. Determined to see their vote respected, citizens are now running a “civil obedience campaign.”

These developments are not simply a return to the privatisation pressures of the 1990s. They are part of a much wider and harsher economic and social attack on public services. The EU is clearly prepared to take a series of undemocratic measures to impose policies on those who might otherwise resist. This is a troubling political environment, particularly since it is not certain that these policies are sustainable.

But the reports also show how the movements built to defend public water in the 1990s and 2000s have maintained their organisations, which are now amongst the strongest social movements in Europe.

Bulgarian campaigns halted World Bank plans for private water in many towns and cities in the early 2000s, and have continued to pressure the only private company, which is located in the capital Sofia. The Italian movement has become an inspiration for many after its great referendum victory in 2011, which was delivered by a network that was constructed much earlier to win support for legislation to make water privatisation illegal. The campaign against the proposed privatisation of water in Madrid also draws strength from a network of unions, social and political organisations, and experts that have been working to protect public water for more than a decade, and has succeeded in many cities. The campaign in Portugal also draws on previous success in preventing earlier plans to privatise Aguas do Portugal. And, while there are intense pressures from above to privatise, there is also a contrary trend towards re-municipalisation.

In April 2012, the European Federation of Public Services Unions (EPSU) is spearheading the launch of a campaign for 1 million signatures in support of a European Citizens Initiative (ECI) on water as a Human Right. This ECI will urge the

European Commission to exclude water from liberalisation and the internal “free trade” rules market of the Europe. The ECI demands human rights above market interests and that water and sanitation services be guaranteed for all in the EU. The battle for public water in Europe is continuing stronger than ever, at all levels.

Austerity and privatisation are stripping the poorest communities of their access to the most vital of public services. This report is published as part of the fight against this.

There are three important steps to be taken:

- Provide all possible support to the campaigns against water privatisation in these countries, and to those who are on the frontline against the forces that threaten the right to water everywhere.
- Support the European Citizens Initiative, which is collecting 1 million signatures to force the EU to exclude water services from the liberalisation programme. More information about the ECI is available at: www.right2water.eu
- Support and participate in creating policy alternatives to austerity

COUNTRY REPORTS

Bulgaria

The austerity programme that is currently sweeping Europe is not something new to the post-socialist world. Bulgaria experienced the first wave of austerity measures in the second half of the 1990s. This happened after years of shock liberalization, starting with the agricultural sector in the beginning of the 1990s and subsequently covering the industrial sector by the end of the decade. The banking crisis of 1996/7 ended in a severe political crisis that brought down the government and triggered parliamentary elections. In 1997 a new government was elected with a majority mandate to deal with the financial crisis. It signed a loan with the IMF and implemented a set of what was referred to at the time as “unpopular policies” – more specifically: austerity measures, a currency board, structural adjustment programs and a long lasting regime of strict fiscal discipline.

Water privatisation policies in Bulgaria have to be understood in that context. In Sofia, water and sanitation services were leased for 25 years to United Utilities in 2000. At that time, the water network was in pretty bad shape, with a leakage rate of about 60 per cent, compared with about 20 per cent in the end of the 1980s.¹ Thus privatisation was rationalized by the suggestion of attracting foreign investment in order to raise the necessary capital to renovate the water and sanitation services in times of austerity.

There were ideas to privatise water and sanitation services in Sofia at the beginning of the 1990s. At that time, an initiative by experts and citizens – called the National Committee for the Improvement of the Quality of Water – was formed to oppose water privatization schemes. In the end, under pressure from civil society organizations, the municipality withdrew the original proposal to sign a lease with the French company (SAUR). The privatization scheme only became politically possible again under the general austerity climate and pressures from the pro-privatization government that was in power between 1997 and 2001. Sofijska Voda (Sofia water and sanitation services) was finally privatised in November 2000 by a British company called United Utilities, ironically only a few months after the water wars in Bolivia. There were more attempts to lease the water and sanitation services to private companies in other municipalities (Varna and Shmen), but they were unsuccessful because of strong citizens’ opposition.

Now there is a new push to privatise water and sanitation services under the pretext of the debt crisis, which has led governments to push the necessity for austerity and further liberalization. The new legislation, that was recently passed, allows for harsher price increases for end-consumers in an attempt to further liberalize the sector.² At the same time, the government drastically decreased the fees (by 10 times) for industrial plants that mine for water themselves in order to – supposedly – stimulate economic growth.³ Currently, there is a debate as to whether the government should nationalize the water and sanitation services owned by municipalities and thus centralize control. This may be used to privatise the whole sector more easily, as it is harder for a municipality to undertake a privatization scheme because of local pressure from citizens. Despite the fact that there are no concrete proposals for further privatization or leasing, government officials are generally putting the issue on the agenda once again.⁴ There are strongly critical voices that oppose such ideas, on the basis that the previous experience of the country showed that, in fact, privatization of the natural monopolies (water and electricity) contributed to further economic recession and not growth.⁵

Currently only Sofijska Voda is private. Back in 2000 United Utilities promised not to increase the price of the water beyond 0,405 BGN⁶ per cubic meter for the first year and 0,435 BGN for the rest. The company was supposed to reduce water losses by half in the first five years – from 60 to 30 per cent for the first five years and to continue to reduce them by about six percent annually. The investment plan that was provided by United Utilities initially stated that water leakages would be 26 per cent in 2011, but in beginning of 2012 they are still at about 60 per cent. These clauses are allegedly in the leasing contract, but the contracts, as well as all relevant documentation such as external audits, are not

1 <http://bg.mondediplo.com/article425.htm>

2 <http://temanews.com/index.php?p=tema&iid=594&aid=14208>

3 <http://www.trud.bg/Article.asp?ArticleId=1138189>

4 <http://www.168chasa.bg/Article.asp?ArticleId=1188269>

5 <http://www.24chasa.bg/Article.asp?ArticleId=363231>

6 BGN is pegged to the EUR under a currency board at about 1.96 BGN per 1 EUR

publicly disclosed.⁷

The price for water was also increased far beyond the initial agreement during the period of the lease. The last price increase occurred at the end of January 2011. The price for a cubic meter is now 1,68 BGN. Currently the company is trying to negotiate a new increase of between 10 and 12 per cent.⁸ A special governmental agency in charge of water and electricity services has to approve each price increase, which the company justifies by claiming it needs more revenue in order to be able to make the necessary investments for the improvement of the network. Sofijska Voda actually does not invest in renovation at all except in cases of emergencies.

Leakages in Sofia are on par with national average levels and have not changed since the privatization. In fact, the two most effective water and sanitation companies in Bulgaria (with losses of about 35 per cent) are the ones in Rousse⁹ and Bourgas.¹⁰ Bourgas is owned by the State, and Rousse's is co-owned by the State and the municipality. The prices in Bourgas and Rousse are a bit higher – 2.12 BGN in Bourgas and 1.88 BGN in Rousse – but one has to take into account the higher costs arising from the lack of clean water sources in their regions. Sofia, in that respect, is much better geographically predisposed, with developed water connections from Rila Mountain's water sources, which is a large mountain range with a high availability of water, as well as the proximity to large lakes (such as Iskar).

There is a serious lack of transparency in the management of the company. For example, in 2008 the National Committee for the Improvement of the Quality of Water demanded that the municipality grant them access to information regarding the management and financial situation of the company (e.g. external audits and other relevant documents), but they were denied on the basis that it was a "lawyer's secret," disregarding legislation granting citizens the rights of access to public information. The Committee subsequently took the municipality to court for denying the public access to the information and won in 2010. Despite this legal victory, the municipality continues to deny access to the relevant documentation.¹¹

Corruption scandals have been a constant issue as well. In a statement by the external auditing body of Sofijska Voda that was released in 2005,¹² there is a series of severe problems in the way the company is run. According to the report, management receives extremely high remuneration, despite serious violations of the contract agreements with the municipality. The CEOs of the company get more than 400 000 EUR per annum, but all other levels of management had unfairly and unrealistically high remuneration (over 25 000 EUR per month) as well. Just for comparison: the average monthly salary in Sofia was about 500 EUR at the end of 2011, according to the national statistical institute,¹³ and the public data for the company is from 2005 when salaries in Sofia were lower than they are today.

According to the auditing company there was a whole list of serious frauds, falsifications and omissions in the company's financial statements. Personal expenses (such as rent, home renovation, etc.) were also included as investment. Such costs were covered even for friends and relatives of management who were not actually working for the company. Those costs were also reported as investment. Unjustified high rates were charged for consultation services that were provided by United Utilities, which is the owner of Sofijska Voda, at prices that are on average 20 per cent higher than the market price in Bulgaria. Those services were reported as investment in the renovation of the water and sanitation network. Sometimes the same costs were reported more than once. And the list does not end here. All kinds of costs were reported under investment, including parties.¹⁴

The report states that during the first five years of the lease, the company decreased the loss by only two per cent, when it was supposed to decrease it by 32 per cent. Despite its monopoly position in the market, the company has steadily reported financial losses. At the same time the actual costs for renovation and extension of the water and sanitation network are negligible. According to the report of the auditing company all of this shows a strong possibility of financial fraud. The auditing company is not allowed to disclose the full details of their report. Such a disclosure could only be done by the municipality, but, as already mentioned, the municipality has steadily and illegally, according to the court, denied access to such information.

United Utilities sold its shares to Veolia in 2010 without changing the contract with the municipality. This included

7 <http://bg.mondediplo.com/article425.html>

8 <http://fakti.bg/bulgaria/28929-i-sofijska-voda-iska-uvelichenie-na-cenite>

9 <http://www.vik-ruse.com/>

10 <http://www.vik-burgas.com/>

11 <http://www.aip-bg.org/library/dela/del77.htm>

12 www.potrebitel-vikbg.org/files/document_1.pdf

13 <http://www.segabg.com/article.php?issueid=9950§ionid=16&id=0000102>

14 www.acefraud.org/fileadmin/storage/documents/bg/LiderArticle.doc

the investment plan that was initially set, and not followed, by United Utilities.¹⁵ Despite the fact that the ownership changed, the way the company is managed did not change and all of the problems remained unsolved.

There had also been a series of violations to the human right to water in Bulgaria that are a direct result of the privatization of water and sanitation services in Sofia. Hundreds of households are being disconnected from the network annually because they are unable to cover the constant price increases. It is important to restate the fact that those price increases were unlawful and that the promised investment in renovation and extension of the network never materialized. Detailed statistics on how many households lost their right to water does not exist, but according to Sofijska Voda, their customers have accumulated 62 mln. BGN in bad debt. By the end of 2011, 1,000 households were cut off from water service¹⁶ and the company put about 5,000 households on trial because they were unable to pay their fees.¹⁷ The persecution of households that are unable to pay sometimes leads to violation of the human right to housing as well, especially for citizens who live in municipal social housing because Sofijska Voda puts the municipality on trial for these unpaid debts and the city authorities are forced to evict the residents. In early 2012 there were 370 families in Sofia that were evicted because they were unable to pay their bills for water, heating and electricity services.¹⁸ Another problem is the lack of extension of the network – it cannot reach residents of Sofia who live in informal settlements (slums) in the margins of the city. They are predominantly economically marginalized Roma communities that move to Sofia in search of employment because of deindustrialization of the rest of the country. Their harsh economic situation forces them to move to these informal settlements. Nevertheless, they provide virtually no economic interest to the private company and are effectively unable to take advantage of their human right to water.

According to a recent statement by the National Committee for the Improvement of the Quality of Water, the combination of private and bad water management risks leaving one-quarter of the citizens of Sofia without water in the summer of 2012. This is due to the fact that water reserves are diminishing because of a lack of rainfall in the last year, and is also combined with a complete lack of investment in the renovation of the network. The Committee states also that the urgently required repairs are relatively inexpensive, which the private company refutes, risking a water crisis.¹⁹

Water privatization schemes in Bulgaria were introduced as a part of the austerity programs at the end of the 1990s with the promise of more economic efficiency, the provision of needed investment, and an opportunity to keep prices low. The actual results are the exact opposite. Privatization proved drastically inefficient and has failed to provide the promised solution to the economic stagnation. Instead, it led to capital being moved abroad and serious corruption scandals. The promised investment never materialized and water leaks have stayed at the same level, while prices went up several times. Introducing water privatization as a part of a more general austerity program has also led to a series of violations to the human right to water. The case of Bulgaria demonstrates that privatization is not an effective solution to economic recession and is profoundly at odds with the notion of water as a human right and a common good.

Greece

Water services throughout Greece are municipal, except in the two biggest cities of Athens and Thessaloniki. In these two cities, the municipal companies were turned into public-limited companies a decade and a half ago, and were floated on the stock market in 2001. The Athens Water and Sewerage Company (EYDAP) is now 61 per cent State owned and 39 per cent private owned. The Thessaloniki Water and Sewerage Company (EYATH) is now 74 per cent State owned and 26 per cent private owned. (Five per cent is owned by the French multinational water company Suez).

The government presented privatisation as good for the public, investors and the company itself. The money that was gained from the stock market flotation (for the part that has been privatised) was supposed to be invested in infrastructure and service quality improvements. In general they presented privatisation in the same way as it has been presented by private companies worldwide. SUEZ worked closely with EYATH and the government from the start of the privatisation process. Suez executives presented to the government and EYATH the idea of Suez expanding to the Balkans through EYATH.

Although most of the water workers in Thessaloniki opposed the sale in the beginning, after the company doubled their salaries opposition waned. However, since the start of the privatisation process, the number of workers in the two companies has been reduced by more than 50 per cent as workers are not replaced as they retire.

15 http://www.dnevnik.bg/biznes/2010/06/14/916670_frenskata_veoliia_stava_sobstvenik_na_sofiiska_voda/

16 <http://www.dnes.bg/sofia/2011/11/15/1000-stolichani-bez-voda-zaradi-dylgove-ot-nad-1500-lv.133982>

17 <http://www.monitor.bg/article?id=320250>

18 <http://www.cross.bg/1273200>

19 <http://www.vesti.bg/index.phtml?tid=40&oid=4475871>

The price of services has been raised between 250 and 300 per cent, but the services have never been improved. Almost all the work is now carried out by contractors, at a higher cost than before. Every year the two companies make profits and give dividends to the shareholders and taxes to the State.

The privatisation has so far brought only an increase in the cost of water bills and a reduction in the quality of service. People pay more and more money for water and sanitation services but because of the failure to replace ageing water pipelines, more and more are turning to bottled water as the years go by, which comes at a much larger cost.

Over the last two-and-a-half years increasingly harsh austerity measures have been introduced. The rationale presented was that the previous government had falsified the financial data, and that the country's debt was huge. The government argued that expenses had to be cut and austerity measures implemented in order to get loans and pay salaries and pensions, while paying off the debt.

A new privatisation mechanism has been created as a result of the response to the financial crisis. Our government has accepted loans from the IMF, the European Union and the European Central Bank – the “troika” – which has laid out a schedule of conditionalities that Greece must implement in order to get each successive part of the loan. These include a series of extreme austerity measures, including cuts in health care, and a list of public sector bodies that must be privatised. This list includes the water companies of Athens and Thessaloniki. The government has argued that the loans are necessary for “money for salaries and pensions,” and has so far overcome the resistance of the people, trade unions and the left-wing parties.

So far, the government only plans to fully privatise the two semi-private companies. The municipal water and sanitation companies are not scheduled for privatisation yet. The plan that was approved by Parliament was as follows:

- 1) During the 3rd quarter of 2011 to sell 40 per cent of the shares, and managerial control, of EYATH and 27 per cent of shares and managerial control of EYDAP.
- 2) During the 3rd quarter of 2012 to sell the remaining 34 per cent of both companies.

There is no separate justification for the privatisation of the two water companies. Government uses the general rationale of needing to sell public assets to pay off the debt burden, because otherwise we won't have “money for salaries and pensions.” This line is repeated as an excuse for every measure that the government, the Central European Bank and the IMF want to impose.

We believe that privatisation will have the same results and impacts experienced elsewhere – namely, it will result in decreased access, higher rates and lower quality of service.

Portugal

In Portugal, the vast majority of water and sanitation services are public, and up to 1993, they were managed solely by local authorities. Private participation was essentially through municipal concessions. Another form of intervention was the holding of a minority stake in the capital of municipal companies. There are currently nine companies whose share capital is partially privatised, and six of these are 49 per cent privately owned, the maximum percentage allowed. Even 18 years after the liberalisation of the sector, the level of privatisation is still not significant. However, the growing pressure on local authorities and the threat of privatisation of the Águas de Portugal group are posing a serious threat to the public sector.

Privatisation began in 1993 following legislative amendments introduced that year (Decrees-Law 372/93 and 379/93). The aim of these amendments, according to the government at the time, was to promote the creation of the «water industry.» Against this backdrop, multi-municipal systems (regional monopolies) were created for the collection of water and the treatment of wastewater, transferring these powers to local authorities and their respective management bodies, and creating private-law State-owned public companies, in which the State owned a stake of 51 per cent or more through the state-owned holding company Águas de Portugal. The remaining share capital was owned by the municipalities.

At the same time, it became possible for privately-owned capital to be injected in the management of these services in the form of a concession. Then, in 1994, five multi-municipal systems were set up and the first concession for municipal services was granted. Through the years, successive governments introduced a plethora of restrictions that prevented municipalities from running these services, forcing them to join the multi-municipal model. More recently, the so-called State-Local Authority partnerships were introduced for the domestic supply of water, in order to concentrate the entire urban cycle of water supply in the Águas de Portugal group, with a view to privatising it.

This operation was never fully realised, purely and simply because the transfer of public ownership was never completed, and because the various populations fought to prevent it. However, this did not prevent the sale in 2008 of the public company Aquapor, which provides domestic water supply services and was at the time a concession holder in 24 municipalities.

At the local level, privatisation also reflects different political stances. None of the local authorities governed by the left-wing PS (Socialist Party) have opened up the management of water services to private interests. However, privatisation goes beyond the level of mere services. The “Lei Quadro da Água” (Framework Water Law) and the “Lei da Titularidade dos Recursos Hídricos” (Law on the Ownership of Water Resources) legalised the water market and made it possible for private concession-holders to control entire hydrographical basins, river beds and banks, hydraulic infrastructures – irrigated areas, dams, ports – as well as taking control of public powers such as licensing, collection of charges and supervision, and securing profits based on the principle of the recovery of costs, the user pays principle, the polluter pays principle, and a higher level of application of taxes and charges on the different ways of using water, particularly domestic use.

On the one hand, there have been consequences for municipalities that have joined the multi-municipal systems and became clients of the Águas de Portugal group, as they were forced to purchase water and to treat wastewater at exorbitant prices that were set unilaterally by the government. This situation was exacerbated further by the existence of mandatory minimum water consumption, imposed by the municipal authorities, far in excess of actual requirements and completely irrational. The result: the debts increased.

Some municipalities declared their intention to contest the prices in the Courts. Others sought to get around the problem by seeking privatisation/concessions for water supply networks, leading to a staggering increase in prices. An analysis by the Associação de Empresas para o Sector do Ambiente (AEPISA) [Association of Companies in the Environmental Sector] concluded that users with an average annual consumption of 120 m³ pay 30 per cent more under these private concessions than under the municipal services.

In various municipalities, considering the minimum national wage as the sole source of income, the weighting of charges related to these services is already in excess of the 3 per cent figure recommended by the OECD. For «privatised» workers, the increase in operations had the following consequences: increased working hours and an increase in the volume and rhythm of work, greater flexibility and multi-tasking, the introduction of a commercial culture, greater insecurity and the deterioration of working conditions, and more difficulties for workers’ representatives in relation to contracts and collective negotiations. The idea that workers had nothing to fear from the privatisation of services was false, knowing that the lowest cost in terms of manpower forms a good proportion of the cost advantage of private operators.

Like other privatisation processes, the privatisation of water was presented as a means of improving the services, attracting capital, modernising public management, etc. However, what transpired was actually the opposite, in a process that was marked by the growing confusion between public and private from the lack of transparency, the corruption and the loss of rights. In spite of the significant progress made, Portugal is recording significant deficits in its systems, and considerable further investment is required.

This also makes the Portuguese water market attractive, however. Privatisation can only result in past and future investment using public and EU funding that is controlled by the private sector at prices that are purely representative. There is nothing positive in the removal of water management from the sphere of influence of municipal authorities, or in the resulting movement of services away from the population and the imposition of management models that are beyond democratic control and focused purely on earning profits.

At the same time, a regulatory body was set up for the sector. This was supposed to be an independent organisation with powers to implement and oversee compliance with public service obligations, and one that would have the authority to penalise any infractions. However, experience has shown that under the illusion of the «friendly commercialisation of water,» the overall aim of this body is to promote and guarantee higher water prices. Thus, in light of the obvious serious social and environmental consequences arising from the privatisation of water, against which the population is up in arms and seeking to recover water services that are aimed at everyone, the only explanation for this government objective is its patent wish and efforts to deliver this important natural monopoly – with its high profit-earning potential – into the hands of large, private corporations.

Following the «Memorandum» from the IMF/ECB/EU troika signed by the PS and the parties currently forming the government, the PSD and CDS/PP, the Portuguese people were subjected to a brutal programme of general impoverishment that involved cuts in wages, subsidies, pensions and social security benefits, the destruction of social functions of the State, and the implementation of a huge programme for the privatisation of strategic public companies

and services which would, if it came to fruition, leave the State completely devoid of any instrumental capacity to develop effective public policy. All of this has been presented and justified in terms of the fight against indebtedness and the deficit in public accounts, in a process in which the austerity measures are being introduced without any end in sight, dragging the country into a vicious circle of economic stagnation and recession, and compromising any possibility of overcoming the crisis.

The privatisation of water and of the Águas de Portugal group has long been a goal of the PSD, CDS and PS. The current government is made up of the same parties that, in 2004, argued against the handing over of water services to private corporations. Now these parties are more of a troika than the actual troika, as they have included the sale of Águas de Portugal in the «Memorandum» entered into with the IMF/ECB/EU.

In a recent interview, the Minister for the Environment said that the sector would be opened up to private companies through the concessions models, a thesis defended by the private national groups, in detriment to the sale of capital. The justification given for this strategy was the need to attract and to obtain «fresh money» in order to make investments and to guarantee the financial sustainability of the systems. This means placing the management of a common resource at the mercy of private companies that are motivated by profit.

Most workers, retired persons and pensioners will become dramatically poorer. The loss of income could run between 40 and 50 per cent. Unemployment is rising alarmingly. In 2012, the minimum wage, which is currently set at €485 per month, will be frozen! By contrast, there has been a huge increase in water rates, as a result of the commercialisation and privatisation of services, growing charges and surcharges and tax increases. As unemployment increases, the loss of purchasing power and increasing water bills are resulting in a growing number of people who are having difficulty paying their bills, resulting in their supply being cut off.

In addition, all forms of self-supply and community-based systems are being blocked, and public drinking fountains are being cut off in order to ensure there are customers for the monopolies. With no alternative offering free access to water, risky solutions to sanitation are on the increase. The cuts in funding imposed on local authorities will bring about a brutal decrease in their capacity for investment, preventing them from extending, maintaining and operating the systems. Likewise, the IMF's imposition of a 15 per cent cut in the operating costs of public companies is proving seriously detrimental to the quality of the services provided, and to the rights of workers. Many villages or areas that are not currently served are now far less likely to receive service in the future. The tasks of planning, monitoring and inspection will have to be down-sized because they are not in the interest of the large corporations, and because the State has increasingly fewer resources and no longer has the political will to carry out these tasks.

The Right To Water and Sanitation

No concrete measures have been adopted to apply the United Nations resolution on the right to water and sanitation. In spite of the fact that Portugal voted in favour of the United Nations resolution, in reality current policy would seem to be aimed at stripping citizens of their right to water.

In Portugal, there is growing mobilisation of movements aimed at defending public water, and in recent years we have seen a surge in various fights for this right by large and small groups.. These groups also reflect the sentiments transmitted in opinion polls, which show that the vast majority of Portuguese people are in favour of public ownership and management of water resources. Driven by and involving trade unions, left-wing parties and consumer groups in particular, these processes are based around local claims, and for this reason they are fairly intermittent.

However, it was this movement that in 2005 resulted in various organisations coming together in opposition to the “Water Law” proposed by the government at the time, clearly confirming the existence within Portuguese society of the conditions required in order to create a forum for intervention in defence of the right to water and public management of water resources and against privatisation. Surpassing the differences of each individual, this movement saw the joining of forces that the organisations involved had been developing individually in various different fights for the right to public water. It was during this period that a letter was signed by various bodies and movements, and a petition drive was held, requesting a wide-ranging process of public discussion with society as a whole, and demanding a “Water Law” that is fair to everybody. This petition attracted 15,000 signatures. The conditions were created to attempt to go even further.

Three years later, the STAL (Sindicato Nacional dos Trabalhadores da Administração Local) [National Union of Local Government Workers], Associação Água Pública [the Public Water Association] and the CGTP/Intersindical Nacional [General Confederation of Portuguese Workers], launched a national campaign under the slogan “Water is for Everyone, Not for Some People to Trade in.” It involved the coming together of more than 60 organisations and 40,000 citizens, and resulted in a petition “For the Right to Water, In Favour of Quality Public Management.”

In mid-2011, faced with the growing attack on the right to water, the “Water is for everyone” campaign was resurrected, and it currently brings together more than 100 organisations – from local authorities, to trade unions, associations, social movements and consumer groups. A Citizens’ Legislative Initiative was launched, proposing a draft law to the Portuguese Parliament. It is currently in the process of being signed by citizens as the petition titled: “For the protection of shared and individual rights to water.” The aim is to ensure that the right to water and sanitation is enshrined in the laws of the country, ensuring the protection of social, ecological and economic functions relating to water, and guaranteeing that these services and infrastructures are publicly owned and managed. This is a project that is opposed by powerful groups that have a parliamentary majority in their favour. However, if we can build a strong and wide-ranging social movement in support of this Law, it will eventually become a reality

Portugal is in a very difficult situation. The government, in the face of the crisis, the deficit and its debts, is seeking to privatise and transform into a business the collection, management and distribution of water. This path is even more perilous, given the application of the IMF/ECB/EU policies that are resulting in the general impoverishment of the population, with the imposing of brutal increases in water charges and taxes and the elimination of alternatives and management models that are not market-driven. What can be done? For us the solution is clear: water must be managed as a fundamental right. We therefore believe that it is vital that Portuguese society be encouraged to fight against privatisation, seeking the legal recognition of the right to water and guaranteeing that no citizen has his or her water supply cut off for economic reasons. It is vital too, that we fight to ensure that water services remain under public ownership and management, and that these services are run on a non-profit basis, securing a fair and equitable rates policy. It is also essential that the sub-funding of local authorities be invested in this sector, allowing these authorities to strive towards the improvement of the services offered towards the population in general.

“Water is for everyone”
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Associação Água Pública

CPPC - Conselho Português para a Paz e Cooperação [Portuguese Council for Peace and Cooperation]

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CNA - Confederação Nacional da Agricultura [National Confederation of Agriculture]

CPCCRD - Confederação Portuguesa das Colectividades Cultura Recreio e Desporto [Portuguese Confederation of Cultural, Leisure and Sporting Groups]

FENPROF - Federação Nacional dos Professores [National Federation of Teachers]

FNSFP - Federação Nacional de Sindicatos da Função Pública [National Federation of Civil Service Unions]

MUSP - Movimento de Utentes dos Serviços Públicos [Movement of Public Service Users]

STAL - Sindicato Nacional dos Trabalhadores da Administração Local [National Union of Local Government Workers]

USL - União Sindicatos Lisboa/CGTP [Lisbon Confederation of Trade Unions/General Confederation of Portuguese Workers]

Notes:

- (1) A concession is a form of privatisation. The provision of the public service is a public function and responsibility geared towards the well being of the population in general and not «a business» that is operated with a view to securing profits. By definition, a concession granted to a private organisation for the operation of this service changes this principle. The nature and purpose of private management is the securing of commercial and economic success, or, in other words the highest possible profits. This undeniable reality is incompatible with water as an asset, with the principles and values of the services associated with it and with the defence of the public interest. In the case of the municipal concessions, the legislation published in 2009 provides for maximum timeframes, including the duration of any extension, of 30 and 15 years, depending on whether or not there is significant investment from the private concession-holder. A further four municipal concessions for water supply and sanitation services have been announced.
- (2) There are a total of 13 municipal water and sanitation companies and two inter-municipal companies. The City Council of Oporto has just launched a public invitation to tender for the privatisation of the share capital of Águas do Porto.
- (3) Relatório Anual do Sector de Águas e Resíduos em Portugal 2010, Vol. 1 [Annual Report of the Water and Waste Sector in Portugal, 2010, Vol. 1] – Caracterização geral do Sector [General characteristics of the sector], ERSAR, 2010, <http://www.ersar.pt>.
- (4) DINIS, Samuel, MARQUES, Rui Cunha, Análise das Parcerias Público-Privadas Serviços Municipais de Água e de Águas Residuais, AEPISA, 2010. [Analysis of Public-Private Partnerships for the Provision of Municipal Water and Waste Water Services]
- (5) Map of the hydrographical basin of the Tagus http://www.planotejo.arhtejo.pt/docs/PGRH/docs_consulta_publica/RT_Sintese.pdf, pg. 170.
- (6) ATTACHMENT I. PORTUGAL—MEMORANDUM OF UNDERSTANDING ON SPECIFIC ECONOMIC POLICY CONDITIONALITY Second Update, December 9, 2011, pg. 46.
- (7) Jornal Água e Ambiente, Nº 158, Janeiro 2012, pg. 6-7. [Water and Environment Journal, no. 158, January 2012]
- (8) (<http://www.aguadetodos.com/content/view/47/1/>);(<http://www.aguadetodos.com/content/view/71/1/>)
- (9) TOVAR, Luisa, «Sobre a Iniciativa Legislativa de Cidadãos para protecção dos direitos individuais e comuns à água», 2011, Fórum Água é de todos, 2011. [On the Legislative Initiative of Citizens towards the protection of the individual and shared right to water. <http://aguainfo.no.sapo.pt/camp2011/infoILCA.pdf>.

Water and sanitation

Modern water supply has a number of features that explain why it has acquired the status of a public service. It is provided through a network infrastructure, which has seen tremendous expansion to meet public health needs. Universal access was financed through taxation revenues. Some municipalities still chose to delegate concessions to the benefit of private companies, the vast majority of which were owned by foreign capital. However, this invariably resulted in exploitative price increases, underinvestment in new infrastructure, and a failure to ensure universal access. Laws were passed that restricted the speculative activities of these companies.

Given the failure of the private model for water throughout the nineteenth century, Spain went on to pioneer a new approach to public management of surface water, thanks to the vision of Joaquín Costa. Spain was, in fact, the first country in the world to organize public management of rivers basins through the Water Boards. Groundwater, however, was still treated as private property, so that landowners did not need a state licence to abstract and use it. The Water Act of 1985 treated the whole water cycle as part of the public domain, but did not dare to change the private nature of groundwater. The EU Water Framework Directive in 2000 then moved from the traditional models of “resource management” to new approaches of “ecosystem management” based on principles of sustainability and proactive citizen participation.

These principles conflict with the current situation of water management in Spain, as the private model is committed to fragmenting the system and its management into profitable and non-profitable parts.

The privatisation of water and sanitation in Spain and its impacts

A process of privatisation began in the mid 1980s, so that now about 50 per cent of water services are managed by a public body, and 50 per cent are in private hands. Approximately 90 per cent of the private business is controlled by Agbar, which is owned by the French group Suez, and Aqualia, part of the FCC group, which has links with the other large French multinational, Veolia. The privatisation has taken the form of either fully private companies, or public-private partnerships. In both cases, they operate under concessions that last 20 to 50 years, giving the company effective control of business strategy and key decisions. And all in an opaque context of commercial confidentiality, making effective citizen participation difficult, if not impossible.

This policy of social sabotage by privatisation has serious economic, democratic, social and environmental consequences.

Looking at economic issues, it is first important to note that water and sanitation services are a natural monopoly, and so the argument that market competition delivers greater efficiency is false. As an essential service that is used by all, privatisation does not relieve the burden on taxpayers. Even if the debts of the public firm are privatised, citizens still bear the cost, as the private operator will increase charges to users in order to cover the interest and repayment of that debt. When the private company pays a fee to the municipality – which is used for other services, not for water – it is still paid for by users in the price charged by the private company, which also includes the cost of profits for the shareholders.

The democratic concerns relate to public participation. Privatised water services do not feature in electoral programs, and citizens cannot be directly involved in the management of the service. Furthermore, the privatisation processes have been characterized by a complete lack of transparency. Access to information and public participation, despite the obligation on all levels of government in Spain to ensure the right of citizens to participate effectively and make informed decisions on the management of water and sanitation, is very difficult. This right of participation goes beyond the right to request and receive information on water management, and also includes active participation of beneficiaries, and mechanisms for effective tracking, monitoring, accountability, reporting and court cases. The plans to privatise the water company of Madrid, Canal Isabel II, for example, have not been released to the public, discussed in the Madrid Assembly, nor have any papers justifying the privatisation been given to the President of the Tagus River Basin, or the unions, which are represented on the board of Canal Isabel II, or the other municipalities for whom the company works.

Finally, in relation to social and environmental issues, management of water services and sanitation should not be privatised, not only because they are essential services, but because water is a common good, part of the environment and the ecosystem, which needs to be managed according to environmental criteria. Privatisation fragments the service according to economic objectives, which marginalise public authorities except as guarantors, without recognising that all citizens have equal rights to the service. The principle of sustainability limits the environmental transgressions of water companies, and also the inequality resulting from water prices that are not acceptable in a social service.

The impacts on the human right to water and sanitation

The UN's Human Right to water and Sanitation is a right to provision of a service, and consequently, public authorities are obliged to provide water service and sanitation as specified by the Committee on Economic, Social and Cultural Rights in its General Comment 15. This applies regardless of the public or private nature of the operator. The UN Special Rapporteur has stressed that the human rights framework is neutral on the provision of services, and so the right applies regardless of the public or private nature of the provider.

However, the commercial model of water and sanitation management is not consistent with the provision of a public service aimed at realizing the basic human right. Private operators focus on fulfilling the rights of the populations that they find profitable to serve, in addition to increasing prices to meet the requirements of the contract.

Spain's position internationally promotes the Human Right to Water, but at the national level it has taken no action to mainstream the human right to water and sanitation in its national strategies.

Going forward, civil society demands the constitutional recognition of this right as developed by the UN in line with proposals from concerned groups. Ultimately, the State must formulate a national plan that includes specific objectives, strategies for implementation, identification of institutions and actors responsible, and the parameters and indicators of human rights.

In Spain, the significant campaigns against privatisation are through the 'Plataforma contra la privatización del Canal de Isabel II' (Platform against the privatisation of Canal de Isabel II) and the 'Aigua és Vida («Water is Life»)' campaign. They are working with municipalities, and have proposed the adoption of municipal laws on public water management. They have also carried out extensive work to inform the public through lectures, seminars, debates, demonstrations, petitions and more. The possibility of creating a nationwide network of organizations working on water issues has been discussed, not only as a meeting place, but also as a place of work on the subject. Groups have also raised the suggestion of a symbolic local referendum to enable citizens to vote and express their preferences regarding public water management, to emphasize that it is actually a democratic issue. Elsewhere in the world there have been many citizen initiatives that have defeated privatisation through citizens' referendums. The false austerity policies related to privatization of public services are intended to impose an economic model that threatens the public water and sanitation, the human right to water, and the welfare state model in Spain.

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Italy

The water networks in Italy are publicly owned, but the process of privatizing the management of integrated water services started in the mid-1990s. Today, after 15 years, several legislative measures have forced all the water service operations to be corporatised as joint stock companies (SpAs), which can, in principle, be wholly public, wholly private, or mixed public-private ownership. As such, "water services" are now run by corporations, or by persons under private law, whose purpose is the realization of profits and distributions to shareholders, be they public or private.

The transformation into companies under private law has been happening since the 1990s, and has sped up since 2000. About half of the inhabitants of the country are now served by management companies that are wholly owned by municipalities, the other half of the country by companies with mixed public and private owners. There are very few completely private companies. Some water companies are now quoted on the stock exchange.

Water charges increased by 61.4 per cent between 1997 and 2006, compared with general inflation of 25 per cent over the same period. At the same time, investments declined by more than 70 per cent, from around €2 billion for the decade between 1990 and 2000, to approximately €0.6 billion over the next decade. Employment in the same reporting periods decreased by approximately 30 per cent. The consumption of water is also expected to increase + 17.7 per cent over the next 20 years (source: Bluebook 2006 - Center studies Utilitatis).

From the environmental point of view this data confirms a major crisis in water resources. The lower investments have caused a deterioration of service to the user, despite the tremendous increase in charges. Lower investment has also caused environmental problems, in particular because wastewater treatment remains inadequate or completely lacking in many areas of the country, with serious consequences for the health of rivers and the Mediterranean. Privatisation has effectively deprived many citizens of an essential service. It is also a real expropriation of democracy, as local authorities cannot intervene on fundamental choices of good water management, which are effectively delegated to management companies that operate under the rules of private law.

The government, led by Mario Monti, approved a decree in December 2011 that has significantly raised taxes in order to reduce the government deficit and lower public debt. The government is also planning for the “liberalisation” of local public services, but after strong public opposition, water privatisation has been excluded from this plan because of a referendum that took place in June 2011. Despite the government urging people not to vote, an unprecedented 57 per cent of the electorate turned out, and 96 per cent of them voted against any privatisation or liberalisation of water services.

Privatisation has been justified by the need for greater competition and the fact that private entities are “more efficient” and able to make the necessary capital investments to modernise the networks – an ideological position that is refuted by the empirical data cited above.

The austerity measures taken by the government will have a negative impact on the right to water because it subjects a common good to the logic of the market.

Civil society has been extremely active in Italy, promoting a referendum for water as a common good. The referendum resulted in an extraordinary victory, and was based on a campaign with a very high level of participation.

The movement was led by the Italian Forum of Movements for Water, which has been active since 2006, and includes about 100 national organizations and more than 1,000 local committees. This movement, which promoted the referendum, is now working to implement the result of the referendum through a return to public water services in Italy by removing water from the market and eliminating the possibility of profit from water services. The Forum has drafted a law for the return to a public water service, which has been waiting for many years to be debated by the Italian Parliament. It sets out a model of participatory democratic governance by citizens and service workers.

The Forum is mobilizing to prevent the government from adopting a liberalisation measure that would eliminate the possibility of public management and thereby negate the outcome of the referendum. At the same time it has launched a «campaign of civil obedience» to implement the second referendum vote, which called for the elimination of the profit margin from the price that the water operators can charge. Finally, we are campaigning to return the corporatised SpAs to the public service, starting with the SpAs that are wholly owned by public authorities. The first example of this happened recently in Naples, where the city government decided to remunicipalise Arin SpA. A positive outcome on these three fronts would safeguard the right to water in Italy in a period of crisis.

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