Return of drinking water supply in Paris to public control

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Abstract

The ‘reclaiming’ by Paris of its water back into public hands is a paradox in the homeland of transnational water companies and at a time when the European Commission rather favours the liberalisation of public services ‘of general economic interest’. Yet what has happened is more complex. A quick historical review of management formulas in Europe reveals both the specific model of delegation to private companies made in France, and also the maintained direct labour management formula (with direct public procurement by municipalities) used in several French cities to be presented. Paris has a long history of public procurement of water, whilst using a private company for metering and billing customers. Mayor Chirac changed to a semi-public company with public production and private distribution contracted out to two private companies (with responsibility for the right and left banks). Mayor Delanoë managed to reclaim the distribution in a commercial but public institution called an Établissement Public à caractère Industriel et Commercial (EPIC); this had unsuspected impacts on water supply issue in the suburbs. While Paris can obviously run its services directly, the emerging issue appears to be multi-level governance at the metropolitan level, rather than just a public–private debate. This paper also discusses in detail the arguments put forward by Anne le Strat, Deputy Mayor for Water, in favour of returning to public control, and presents the difficulties of assessing the performance of a service operator, under both delegation and direct management.

Keywords: Contract regulation; Delegation; Paris; Private sector; Public management; Regional governance; Technical performance; Water supply

Introduction

On 1 January 2010, the city of Paris reclaimed direct management of its drinking water by not renewing contracts with subsidiaries of Veolia and Suez for water distribution and metering on the right and left banks, respectively. At the same time, the semi-public company Eau de Paris was transformed into an Établissement Public à caractère Industriel et Commercial (EPIC; a subsidiary operated like a private company but with public accounting, similar to a German Eigenbetrieb). This change, however,

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was not as dramatic as presented in the media, though equally there have been unsuspected consequences and issues.

The public versus private debate in France

In France, as in the rest of Europe, opposition to water supply management by private companies has always been present, periodically coming up on the political agenda: at the end of 19th century, when the concession formula was found to be inefficient (Pezon, 2011); and at the end of the 1930s, under the Popular Front in the Paris area (discussed in Stefanovitch, 2005). It has reappeared in the last 20 years, particularly within the extreme left and the green party, but is also significant and growing in the socialist party; and the movement even includes some right-wing members of Parliament. The return of the public–private debate is partly a consequence of the conflicts in developing countries stirred by privatisation as advocated by the World Bank in the 1990s, in particular in Latin America. These conflicts created a backlash in developed countries due to some anti-globalisation non-governmental organisations (NGOs) and the media amalgamating issues of water resources appropriation (e.g. the Owens Valley water war in the 1930s; see Kahrl, 1983) and private sector participation in services (e.g. the Cochabamba water war; see Olivera & Lewis, 2004). In France, however, the issue also grew in importance after the disclosure of a number of corruption cases 20 years ago, in particular in the city of Grenoble (Hall & Lobina, 2001). True or not, most political parties, including the communist party, were then suspected to have received electoral campaign funds from either public works or public services companies, and, given the concentration of the water–wastewater–solid waste sectors in large transnational companies, these latter were suspected of selling water at above cost to fund their global expansion, with the complicity of politicians1.

The majority of water and sanitation services (WSS) in Europe are run directly by local authorities or the joint boards they form. In many cities, however, this changed during the 20th century, with the development of semi-public companies and even private companies that local authorities fully owned, so that mayors and councils became board members of companies which were run by professional managers. In Germany, these private companies (called Stadtwerke) often run several local public services together with water (e.g. electricity, gas, public transport, etc.). The growing technical complexity of the services also results in consolidation at a supra-local level (e.g. in the Netherlands, there are only 10 private water companies remaining today, publicly owned by the provinces and communes together) but not as frequently in full privatisation. England and Wales is a unique situation since the WSS industry there was first centralised into 10 watershed-based regional water authorities (1974), and then fully privatised (1989), with assets owned by the private companies. This model is close to the ‘investor owned’ water supplies that serve approximately 15% of the American population. In Europe, nearly all assets are owned by local or other public authorities, with services either run ‘in-house’ or contracted out to private companies under various formulas (such as management, lease and concession contracts).

For historical reasons, France has retained a large number of very small local government units (communes), and therefore adopted the model of joint boards gathering many communes around a town

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1 These transnational companies were on the list of firms to be nationalised after the election of François Mitterrand, but were not. They had actually transferred their assets into holdings abroad and, in any case, did not own the water infrastructure in the country: this is the basis of delegation formulas.
(Pezon & Canneva, 2009); these joint boards in turn grant lease contracts and management contracts to
the large and concentrated private water companies (Générale des Eaux, now part of Veolia; Lyonnaise
des Eaux, now part of Suez; SAUR). In France, the word ‘delegation’ designates all those contracts
where the private partners receive part of their income from operations income, which means they
assume part of the financial risk. Delegation then includes concession, lease, management with
bonus contracts (where the operator receives the bills from customers), but not simple management
(e.g. a service contract) where the private partner only deals to the public authority and has no direct
contact with the customers. Delegation contracts are now of a shorter duration than they were a century
ago: then, a concession would typically be for more than 50 years; now they are down to 30 years,
whilst the duration of other forms of delegations cannot legally exceed 20 years and, on average,
they are now down to 12 years – in these cases (of a shorter duration), private operators are not in
charge of renewing expensive infrastructure, whilst in the concession contracts they are.

But what is usually ignored is that, in France, delegation of water services to private companies has
never been the sole management formula. About 28% of French people receive water directly from their
municipality or joint board; corresponding services include many small rural systems but also several
urban services. These publicly maintained urban systems are ranked as being quite efficient, in particular
when the water charges allow for depreciation of their assets. Indeed, the city of Amiens’ direct labour
management was given a positive assessment 15 years ago within the Water 21 project funded by the
European Union (EU)’s Research and Development Directorate General.

Interestingly enough, cities which kept water supply under public management were not necessarily
controlled by left-wing parties. Indeed there has been competition between the two broad models
amongst all types of political parties in power, and after the Second World War, the concept of dele-
gation finally prevailed. However, direct labour survived in many small management units and in
some cities and counties. It is noteworthy that national regulation forbids local authorities which reclaim
public water services management to return them to the ancient direct labour formula: they can only
create EPICs, which means that the commercial status of the service (with a budget which balances
expenses with income) is maintained2. As in the delegation formula, income is raised from meter-
based billing. In any case, budgets for WSS must be kept separate from the main municipal budget
and be balanced.

In May 2010, a new law at last allowed French municipalities to create Sociétés Publies Locales
(SPL), private companies which they can own (as is already the case in other European countries);
but it is as yet too early to evaluate possible outcomes. On the delegation side, there are still concession
contracts but the most frequent formulas are affermage (lease) and régie intéressée (a management con-
tract with bonus), where public authorities retain the ownership of the infrastructure and private
companies are only in charge of operations and maintenance, billing customers, plus the replacement
of those parts of infrastructure which wear out in a relatively short period (electric machinery and
pumps, etc., but not the pipes).

In the 1990s, benchmarking showed that joint boards had higher prices than isolated communes and
that delegated services also had higher prices than direct management (IFEN, 2001, 2004). But higher
prices do not always mean more profits for private companies: the latter indeed often run services in

2 However, EPICs must be set up with administrative legal status, with the corresponding administrative constraints and public
accounting rules.
complex situations where more investment is needed, entailing higher operation and depreciation costs. Under direct labour management, there was no such tradition to depreciate and to set money aside for infrastructure renewal. But in 1994, a new public accounting rule (M49) mandated all public (and of course private) services to depreciate their assets; since then the average water price of the régies has begun to catch up with prices of the private companies.

It is also worth noting that the disclosure of corruption cases plus the pressure of the EU Internal Market Directorate General resulted in the 1993 Sapin Law (named after the then Treasurer) which compels water supply authorities to organise tenders before renewing a contract with a private partner, unless they decide to resume direct control and adopt in-house management. A survey taken 12 years after the law was voted in showed that, in most cases, authorities did not resume public management but instead continued to contract out, though often receiving only a very few bids; the winners were usually the previous managing companies. The main result was that, on average, the new prices were lower than the previous ones by 9% (but with a large standard deviation). However, it is difficult to attribute this decrease to profit reduction by private companies, or else to the postponing of (renewal) investment (along with price increase) by public authorities for electoral reasons (TNS SOFRES, 2008).

What remained largely unnoticed in the 1990s is that for the first time water volumes sold started to decrease in many cities in France. In Paris, the reduction reached 17% between 1991 and 1998, then came to a halt but resumed after the 2003 drought was over, and in 2011 consumption was 27% less than in 1991\(^3\). Even though they were smaller in other cities, these consumption decreases impacted the revenues of WSS, which had to match their (largely fixed) costs with water bills, be they private or public-managed. This was a particularly serious problem in the new eastern Länder of Germany after re-unification; utilities frequently had to raise the unit price of water as consumption was reduced, mainly as a result of industry closing down but also due to the decrease in population; this situation stirred the anger of low-income customers (Naumann & Wissen, 2011).

### Paris water supply tradition: public management and private customer relations

Nineteenth-century Paris had a public water service which was chiefly used to ‘wash the city clean’, fight fires, water the parks and feed public fountains. There were also private services providing water to wealthy residents but a universal domestic water supply still did not exist. In 1853, when Baron Haussmann was appointed Prefect of Paris (i.e. the representative of central government) with special and extended powers, he wanted the domestic service to be a public monopoly, for efficiency reasons, and he took over the private services that had developed here and there, particularly in the suburbs which were annexed to Paris in 1860\(^4\); indeed the Compagnie Générale des Eaux (CGE) was selling water in the area from its creation in 1853. However, in those days, the political culture did not allow for cities to deliver commercial services, and this was why Haussmann kept the CGE, but put it in charge only of connecting, metering and billing customers, while production and distribution of all water was made public. In 1924, the arrangement became a management contract, with a long and generous 60-year duration. During this period, the connection of private residences to a water supply of

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\(^3\) Demand reduction chiefly came from 50 large industry and service users before 2000. After the city installed smart meters, it was possible to notice additional small but significant decreases from residential buildings.

\(^4\) Annexation trebled the surface of the capital, and led to the creation of the 13th to 20th arrondissements.
When Jacques Chirac was elected mayor in 1983, the 60-year contract was coming to an end and the municipality took advantage of this to set up a new arrangement: water consumption was still growing, and the city had to renew a drinking water plant and also to reduce leaks: heavy investment was on the agenda. It was then decided to turn the Paris water service into a mixed economy company: SAGEP (later called Eau de Paris), with 70% of shares owned by the city (the legal maximum then being 75%), 14% owned each by Compagnie des Eaux de Paris (CEP, subsidiary of CGE, now part of Veolia) and Eau & Force – Parisienne des Eaux (Suez group), the remainder being held by public housing and other institutions, for legal reasons. While SAGEP would produce all drinking and non-drinking water, and renew the water plants and aqueducts, CEP would be in charge of distributing, metering and billing, as well as leakage control in the distribution system on the right bank (70% of meters), whilst Eau & Force would do the same on the left bank of the Seine. Some observers noted that bringing in Suez was a favour to its CEO, Jérôme Monod, a former Cabinet Director of Mayor Chirac when he was Prime Minister. (It should be noted that, in Paris, 80% of water supply pipes are located in the famous large, ovoid Paris sewers, which can be walked through. This makes it easier to detect and control leaks than it is when pipes are buried.)

At the time of the 2001 elections, the green–socialist coalition advocated reclaiming public control and getting rid of private operators, which they alleged would allow water prices to be lowered. This coalition was elected, and the new municipality led by Bertrand Delanoë soon expressed some concern about private water operators not fulfilling their contracts in terms of leakage control. In response, the operators stated that they were on schedule, but that the 10-year decrease in water consumption had reduced their profits and their capacity to invest. This position was supported by the other operators whose income depended on water bills, including sewage collection and treatment operators (local and regional, both public), and the agence de l’eau, etc. Negotiation resulted in a 9% increase in water price, against a commitment by the companies to complete their investment in leakage control and to replace all meters with smart meters before the end of the contract.

The original contract signed by Mayor Chirac was for 25 years, and ended in December 2009. By then, almost all 93,000 meters had been replaced, and average leakage was down to around 3%. In spite of this achievement, Mayor Delanoë, who was re-elected in 2008, forced the two private companies to re-sell their shares in the mixed economy company, and the shares were bought by Caisse des Dépôts et Consignations (the National Savings Bank). The mayor still decided to return all operations to public management, as he felt that SAGEP could never be in a position to control the private partners. He waited until the end of 2009 to transform Eau de Paris into an EPIC, which became responsible for water production and distribution plus metering and billing. Wastewater management had always

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5 After Haussmann’s takeover, Paris had two water supply systems: the former private supply became the potable water system, whilst the ‘public service’ was kept for non-drinking water uses. This latter network is used less and less but is still maintained so that it could be used in the event of new needs with climate change.

6 There are only 93,000 meters in Paris because there is usually only one meter per property. Many residential buildings, however, have invested in sub-metering, and frequently ground floor shops have a separate meter. This makes billing much cheaper and also reduces the rate of bills in arrears. It is noteworthy that the Suez group did not meter and bill left bank users directly but subcontracted this to Générale des Eaux, which knew where the meters were and held lists of customers. In the negotiation with the new mayor, Eau et Force was eventually forced to set up its own metering and reporting system. This had further consequences later: when the city recovered the meters, it had to merge two different information systems.
remained under direct labour and was not touched by the reform. This new public management of services has operated since 1 January 2010. Unfortunately, it was impossible for the city services to set up their own billing system in the year preceding the change, as the two private companies were using different software, parts of which were patented in other countries. Paris was obliged to sign service contracts of 18 months with both of them to calculate bills. The city’s difficulty in setting up its own customer list and billing system illustrates how important this task is in light of economic sustainability (cost recovery).

Arguments in support of returning to direct control

In her additional contribution to the French version of the book Reclaiming public water (Belén et al., 2005), Anne le Strat, Paris Deputy Mayor (for Water), argued that reclaiming public water allowed for the saving of €35 million/year, when compared to the previous arrangement (Le Strat, 2010). This figure was later re-evaluated at €76 million and, accordingly, the mayor decided to lower the water price by 8%. One of the chief arguments put forward was the saving of the dividend payments to SAGEP’s shareholders. This, however, is inaccurate since the profits were not made by the private companies as shareholders of SAGEP; if that had been the case, the city of Paris would have recovered 70% of the total. Indeed, the mixed economy company was operated so as to balance its budget and not make profits. Compagnie des Eaux de Paris and Parisienne des Eaux did make appreciable profits from their contract with the city: the latter required them to buy the water SAGEP produced, but allowed them to re-sell it at a higher price, to cover their investments and operation costs.

Another argument is that the water price had increased outrageously in the 25 years of the contract; some said it was multiplied by 265% (see footnote 12 below). According to official data, the standard Paris drinking water bill for a consumption of 120 m³ was multiplied by 2.75, corresponding to an increase of 175% between 1985 and 2010, within which inflation accounted for 70%. However, what really increased in the period was the wastewater part of the water bill, due to the implementation of the EU Urban Waste Water Directive of 1991. For a 120 m³ annual consumption, the water plus wastewater bill increased by 289% in the same period, a rough multiplication by 3.9 (or 3.2 in real or constant currency). And since the sewer system is run under direct labour, the argument against private companies is weak, especially given that significant leakage control investments took place in the drinking water system (see below). Altogether, the total water price in Paris remains one of the lowest in French cities, while suburban joint boards are above the national average.

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7 In the last years of the contract, the average accumulated yearly profit of the two private partners was €13 million before tax, 10% below what had been forecast. The yearly turnover of these two companies was around €120 million, while the turnover of Eau de Paris as the water producer was roughly €100 million.

8 For the drinking water part, the exact price increase was +176% between January 1985 and January 2010, including inflation (+70%). However, during the period when SAGEP’s production price was separate from the distribution price of the two private companies, the latter part increased less: between January 1987 and January 2009, SAGEP’s water price rose by 177%, while the distribution part rose only by 118% (inflation included). All these increases are justified by investments; in any case, it is unfair to put the blame on the private partners for the overall price increase.

9 The average national water and wastewater price doubled between 1990 and 2004 to reach €3/m³; in Paris it rose to €2.89/m³.
aqueducts gravity-feed Paris from intake points which are higher than the city so that the transfer of water needs little energy; most of the cost was in the initial investment, with maintenance costs being limited. Ms Le Strat, however, put forward another and more valid explanation for savings: the new EPIC is not subject to the ‘professional tax’ (local tax on business turnover) while, as a société anonyme, Eau de Paris had to pay this tax to the city (Le Strat, 2010)\(^\text{10}\).

It is interesting to compare the public service concept revealed by these arguments with the German culture of the Stadtwerk. German cities set up private multi-service companies, which they own, then subject those companies to a local professional tax based on the turnover of all the services, while the tax on profits paid to the Land (the state) is greatly reduced as some services like public transportation are in deficit. This form of public involvement in the economy allows for money flowing and cycling at a local level. In France, the delegation of unbundled services to large companies leads to a delocalisation of this money cycle and, conversely, in case of direct management, money flows are reduced.

In fact, the situation is even more complex: it is common for French cities to tax the occupation of public space, be it for restaurants setting tables out on the pavement, or for public services installing pipes or wiring under the streets. Eau de Paris pays €8 million/year to the municipality. Recently, this levy on public space occupation has been capped by a government decree but, in France, law is not applied retroactively, so Paris is not concerned. In addition, Eau de Paris still runs the former public water service, now a secondary network providing non-drinking water, which is chiefly used to clean the streets and to flush the sewers. Even though the users of this second system pay a price for non-potable water, until 2010 it remained highly subsidised, so that around three-quarters of the corresponding cost was in fact passed on to drinking water users. This situation was recently criticised by consumer NGOs and a public hearing on the future of the non-drinking water system led the city to pay 100% for this water, thus reducing the burden on water bills.

Altogether, most of these arguments in favour of direct public procurement are based, or could be based, on administrative change and not on a superior efficiency of public procurement per se.

More serious is the comparison in terms of management of the infrastructure and of the cost of public works. First, in the last 25 years, water pipes have been upgraded and they now need less investment\(^\text{11}\). However, it could have been possible to lower the price of drinking water even with the private companies (provided they had co-operated; see below). Another (and seemingly less debatable) argument in favour of public operation is that, from now on, a larger fraction of public works is subject to tendering procedures, thus reducing their costs compared to the previous situation where private companies subcontracted these works to their own public works subsidiaries without tender, resulting in higher costs. This accounts for approximately half of the €76 million savings ‘returned’ to water customers, the rest coming from the elimination of companies’ profits and non-payment of local taxation\(^\text{12}\).

\(^{10}\) Note that this advantage could only be temporary: as of 2010, the government suppressed the professional tax to boost local private investment, and replaced that tax on the turnover of companies by a combination of a land tax and a value added tax. Currently, EPICs are not subject to this new local tax but they might eventually be at a later date.

\(^{11}\) With the replacement of the Société anonyme by EPIC, the change of accounting systems from private to public implied moving from provisions to depreciation. The water infrastructure in Paris is fully depreciated, resulting in a formal lowering of bills. However, if the private operators had been maintained, provisions might also have been lowered.

\(^{12}\) In an e-mail sent to the members of the water consulting committee on 30 March 2011, Ms Le Strat wrote [our translation]: ‘After meeting twice, the Board of Directors [of Eau de Paris] voted the level of the water price rebate […] and it was on World Water Day, 22 March, that the Mayor of Paris revealed the exact level of this rebate to be 8% (contd. on next page).
The generalisation of tenders should indeed reduce the costs of individual works; yet, at odds with liberal economic theory, it could be argued that the unbundling of operation and maintenance, public works, etc., and the generalising of tenders, might make individual items cheaper, but that coordination costs between the actors would rise. Conversely, integration of all tasks in one single company might lead to monopoly abuse if it remained unchecked; this is one of the criticisms made of the German Stadtwerk system by some economists to explain why German water prices are so high. Yet, in turn, these economists make an undue simplification: they ignore that the decrease in water consumption was larger in Germany than in France, and had to be compensated for by higher unit prices. Benchmarking studies argue that the unit price per m³ should not be the sole criterion, but should be taken together with the average yearly bill of households. It is very difficult indeed to benchmark different water service management systems across Europe. In any case, in Paris, the reduction of the drinking water price by 8% will largely be offset by the dramatic increase in the wastewater treatment price scheduled by the regional sewage works joint board (SIAAP), due to compliance with the Urban Waste Water Directive.

Consequences at the regional level

Beyond the public versus private debate, there are frequently also issues of territorial reorganisation. The return to public management in Paris opened a Pandora’s box of water production and reorganisation at the regional level.

The management contract between the Syndicat des Eaux d’Île de France (SEDIF; the biggest joint board in France, serving 4 million people in 144 communes in the suburbs surrounding Paris), and Compagnie Générale des Eaux (Veolia), was also finishing at the end of 2010. Some communes wanted to take this opportunity to quit the SEDIF. Most members, however, preferred to keep the delegation system, and the contract was ‘opened to competition’, following the Sapin Law (1993) procedure. The contract was won by Veolia again but, during the process, nine communes with a total of 400,000 inhabitants, including

‘This measure is historical, since it comes after 25 years’ continuous significant rises in prices: during the delegation to the private sector, the price of water in Paris was multiplied by 260% [our underscoring of this repeated ambiguous and confusing formulation]. The decrease of the water price is the direct consequence of the return to public water supply management, now run since 1 January 2010 by a single operator, Eau de Paris, in charge of the full service, from production to distribution including billing.

‘Yearly benefits generated by this change to public procurement are estimated to be about €35 million. They come chiefly from the recuperation of profits in absence of shareholders remuneration within this formula, and from an optimal service operation with, for the same quality, systems maintenance, billing and customer relations costs clearly lower than those previously practiced.’

The message goes on to estimate that −8% would lead to the return of €76 million to Paris water users, while the decrease in consumption estimated at 1.4%/year would correspond to a loss of €4 million/year, taken with rising production costs due to EU standards and the maintained rhythm of replacement of ageing pipes.

The last paragraph concerns social measures, with: a unique creation of a preventative support system for bill payments; the doubling of Paris Water’s contribution to the Fonds de Solidarité Logement (Housing mutual support scheme) to increase the recovery of poor households’ water bills in arrears; and support for public housing operators and NGOs for the installation of water conservation kits.
Montreuil\footnote{In 2008, Montreuil, with a population of around 200,000, was lost by the communist party to the green party led by Dominique Voynet, a former (green) Minister of the Environment when Lionel Jospin was Prime Minister.}, formed ‘Est Ensemble’, a Communauté d’Agglomération (CA; a new type of institution, and a special district formulation designed to harmonise budget management and planning for member communes). This new form of ‘super-commune’ can take on responsibility for water supply and wastewater. Est Ensemble did this, allowing them to quit SEDIF and to instead hopefully purchase water from Paris, which is adjacent. Two other communes south of Paris also formed a CA and decided to quit SEDIF, with the hope of obtaining water from Eau de Paris, connecting to the nearby long-distance aqueduct built a century before to bring pure water to the capital. Indeed, since water consumption had gone down significantly within Paris, the existing production capacity could have made water available for others; there was even a reserve security connection (to be used in the case of drought or a pollution accident) between Paris and Montreuil.

But neither project was able to succeed, at least at such short notice: in fact, Paris had already decided to close down one of its drinking water plants (the historical filtration site in Ivry), and also to reduce its abstractions from distant sources to reduce conflicts with local communities. Paris then feared that it would be short of water, and at any rate required some time to make a careful analysis of the situation. Additionally, the networks of Est Ensemble required some redesigning to replace its connection to the SEDIF system with a permanent connection to Eau de Paris. This operation was thought possibly to be too expensive and, as it appeared quite risky to quit SEDIF without having secured other water sources, member communes of Est Ensemble decided to stay with SEDIF for 2 more years. The other small CA chose to quit but to purchase its water from a water plant run by Suez, which happened to be in their territory\footnote{In fact these communes are close to the Seine and have important sand and gravel extraction sites which have become lakes. They have made significant efforts to recover the sites and landscape them but not enough to build and operate their own drinking water plant and feed it from the lakes.}.

But by their attempts, these suburban actors indeed raised the most serious issue, which is territorial: there are more than 14 significant drinking water plants in Ile de France, plus the long-distance aqueducts of Paris reaching out of the Ile de France region. There is obviously a possibility to rationalise drinking water production, just the same way as happened for sewage treatment a long time ago: a very large joint board, the SIAAP, treats the wastewater of the central part of the metropolis (i.e. for 8 million people) and can now invest in sophisticated technology to try to stop ‘killing the Seine’ and meet the targets imposed by Europe’s Urban Waste Water Directive. It is now also possible to talk of doing the same for potable water, though it is to be anticipated that politics will interfere and thus delay implementation.

**Conclusion: governance problems with both private and public management**

The last but important comment then concerns the real capacity for any city to control the quality–price ratio offered by its operator, be it a private company or its own services. It is true that having a single operator makes it easier for the city to rationalise the service. However, the real issue in France is the lack of an a \textit{posteriori} control culture: before reverting to fully public management, Paris’s control of its semi-public company and the two distribution operators was non-existent. Yet it could have been started in 1985 when the city created a department of water and waste, separate from SAGEP. But this department was never explicitly mandated to control compliance with the contract; control was supposed to be undertaken by
SAGEP itself, even though the two private companies were its own shareholders. Today the situation is clearer but members of the water industry community consider that the political control has now become excessive: Deputy-Mayor Le Strat is also the president of the new EPIC structure. This potential confusion between political control and management could be questioned, as it leaves little room for independent reviewing of the performance of the new institutional system. All public or private management systems have advantages and disadvantages, and in any case control is difficult. It is well known that the EU Commission supports liberalisation of utilities and would like to force all member States to create, or re-create, a legal possibility for concession contracts, so as to encourage the involvement of private companies in the supply of water services. Yet, history has shown repeatedly that the specificity of water infrastructures (heavy costs but slow depreciation) favours public rather than private investment, since public institutions can generally obtain cheaper money. This is why concession contracts have risen and fallen (Pezon, 2011). Today they survive in a minority of situations, since they have evolved from an initial price-cap to the cost-of-service: usually contracts are renegotiable by both parties every 5 years. But concessions pose another typical control problem: it is difficult for delegating authorities to control the effective work done by the concessionaire. Doing so might imply specifying the exact nature and amount of work to be done every year in the contract, but this would then leave no room to adapt to unexpected circumstances (e.g. lead pipe replacement, which was unexpected in the Lyonnaise des Eaux contract in Bordeaux in 1991 but turned out to become an expensive priority after the new Drinking Water Directive of 1998). In a lease contract, the replacement of ageing pipes is the duty of the public partner and the operator only replaces those pieces with a short expected lifetime. The problem resulting from this dual responsibility is the intrinsic opacity it generates: if a private company develops a good maintenance of the infrastructure, won’t this postpone the need for renewal of ageing pipes? Is the renewal really made and well made, and, if not, who is to blame: the profit-seeking company or the politician who wants to keep prices down for electoral reasons? These shortcomings encourage supporters of a modernised and unified public management, but this approach also has its own problems: local water engineers might also favour costly projects which valorise them, in a context where cost–benefit analysis is not undertaken systematically; additionally, elected representatives might impose politically driven solutions without assuming any financial implications (e.g. using patronage in staff management, giving jobs to political clients, postponing investments to lower the bills, etc.). In all cases, long-term management of infrastructure implies a regular funding of (renewal) investments, and since they should be less and less subsidised, a new equilibrium can only be met with relatively high prices: by French standards, this would be around €3.5–4/m³ including sewerage; by Dutch standards,
it could be as high as €6/m³. This is obviously difficult for countries like Italy which have kept a tradition of subsidised, and therefore cheaper, water prices. This is why the extensive liberalisation project proposed by the ‘Ronchi’ decree in 2010 met fierce resistance, right up to a referendum where 80% of Italians voted in favour of public management, including a possibility to return to the old régie formula. This might lead to abandoning small utilities to poor management and substandard water quality.

In conclusion, the return of the Paris water supply under public control is clearly a political decision which requires no particular justification: it is obvious that a city of more than 2 million inhabitants with such important economic activity can run its water services directly, with no help from a private operator; all the more so given that the role of the private sector was previously limited to distribution and billing. Still, this decision opens new questions concerning (a) the future of water supply in the whole region\(^\text{16}\) (external governance); and (b) the balance of power between elected representatives, engineers, workers of the new EPIC, and users, who should not remain an anonymous group behind the 93,000 meters but be involved in a more transparent water services management (internal governance).

Since January 2010, a few other French cities such as Lille have threatened to reclaim their water services. Greater Bordeaux (with 600,000 people and a historical stronghold of Lyonnaise des Eaux) has just decided to terminate its drinking water concession in 2018, 3 years before the end of the ongoing 30 year contract, at the same time that the ongoing lease contract for wastewater and stormwater ends. Greater Brest set up the first Société Publique Locale (SPL) for water services provision together with a couple of other joint boards, in order to go back to public operation. Yet, as soon as this was done, the SPL apparently decided to re-sign with its former lease contractor (Veolia), but this time with only a service contract. One could bet that Bordeaux would do the same: given the experience of Lyonnaise des Eaux in the city, it would be risky to lose the know-how of the private company. In Rouen, despite the public opposition of the allied green and communist parties, the socialist mayor, former Prime Minister Laurent Fabius, re-signed a service contract with former delegate company Lyonnaise des Eaux, just after reclaiming direct control of services.

This indeed seems to be the most important potential change emerging in France. One could argue that the really important moment was not so much Paris’s recent change but the disclosure of a corruption affair in Grenoble in 1992, which led concerned citizens to place water services under closer scrutiny in many cities. However, something else is now happening: in large cities, elected representatives now consider water services as a political issue, i.e. an area to gain political legitimacy; therefore they want to face their fellow citizens directly, and stop interposing private water companies in the charging and billing. Many left-wing city mayors also believe that they are in a better position to impose new social tariffs\(^\text{17}\). However, they are reluctant to return to funding water services partly from general budgets and local taxes. They want to keep the services commercial, and may well opt for the new SPL formula and for reducing the role of the private companies to mere operators on the basis of service contracts. This would not necessarily mean the end of French water businesses like Veolia, Suez and SAUR, but it would question the French Delegation model. This gives credence to the analysis we developed back 20 years ago when we started comparing European water services policies (Barraqué, 2011).

\(^{16}\) Regionalisation of drinking water production can only be obtained through voluntary cooperation between existing boards and municipalities, unlike in Britain where governments have repeatedly reorganised the devolution of territorial competencies. It is not a public versus private issue, but one of balance of power between levels of government.

\(^{17}\) Many opt for increasing blocks tariffs, without having made any prior sociological survey. This tariff system, however, might not have the expected effects. See Barraqué (2011).
1995): the peculiar role of private operators in France is not due either to their technical excellence or to their ‘bribing capacity’; it is the consequence of this particular situation of the high political legitimacy of local authorities but with the tight economic (and in particular budget) control by the government under fiscal centralisation. Local authorities then sought the support of private companies to gain more independence, and also for fear that water supply would end up with the nationalisation of Eau de France, as had occurred in 1936 with the railways, and in 1946 for electricity and gas. Today water utilities can consolidate and adopt modern public management approaches, as in the Netherlands or Germany. And this is what makes the role of private companies less crucial in France.

Paradoxically then, it is the influence of the European Union and of regional policies, at the expense of national States, which makes French Jacobinism obsolete, thus making economic decentralisation effective, with French cities better able to get involved in the local (capitalist) economy, like their Dutch or German counterparts. There is indeed a wide difference between the public versus private issue in Europe and the same issue in developing countries.

References


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