Water privatization

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Water privatization is a short-hand for private sector participation in the provision of water services and sanitation, although more rarely it refers to privatization of water resources themselves. Because water services are seen as such a key public service, proposals for private sector participation often evoke stronger opposition than for other sectors. Globally, more than 90% of water and sanitation systems are publicly owned and operated.

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Types

There are two main types of private sector participation in water supply and sanitation, sometimes known as the "British Model" and the "French Model". The British model consists of privatising both the assets (water and sanitation network, treatment plants and so on) and the operation of the assets, whilst in the French model, the assets remain publicly owned. The British model is largely limited to England and Wales (the system is still public in Scotland and Northern Ireland), with only isolated examples elsewhere.

For the more common "French model" of keeping assets public and privatizing service operations, there are three major types, in order of increasing risk transfer to the private operator:

- management contract, under which the private operator is responsible only for running the system, in exchange for a fee (usually performance-related). Investment is typically financed and carried out by the public sector, but implementation may be delegated.
- lease contract, under which assets are leased to the private operator, who recoups the cost from end users. Investment is typically financed and carried out by the public sector, but implementation may be delegated.
- concession, under which the private operator is responsible for running the entire system, including planning and financing investment. Concession contracts usually run for 20–30 years.

An additional structure, a BOT (Build-Operate-Transfer), exists for the carrying out of specific new investments, usually the construction of new water or wastewater treatment plants. The BOT contract involves the private partner constructing the plant and then running it for a number of years (during which payment is received for the treatment capacity provided) before handing it over to the public water company. The risk for the private company for these is often relatively low, especially when contracts relate to capacity provided (rather than services provided) and the water company takes the demand risk.

All these structures can be considered public-private partnerships. In some cases, the operating company is a joint venture between the public owner of the assets and the private company, which usually has at least day-to-day management control.

Reasons for privatization

Typically there are five reasons for attempting to involve the private sector in water supply and sanitation:

- mobilizing financing for investment
- need for technical expertise
- increasing efficiency
- improvement of service quality

In developing countries, during the 1990s there has sometimes been pressure from international financial institutions such as the World Bank and IMF to introduce private sector participation in water supply and sanitation, for example through the imposition of loan conditionalities.

A recent World Bank paper summarised evidence on efficiency: "For utilities, it seems that in general ownership often does not matter as much as sometimes argued. Most cross-country papers on utilities find no statistically significant difference in efficiency scores between public and private providers." Note: exact quote missing - link does not function [1]

Currently, commercialisation or the corporatisation of water supply systems is more popular in developing world due to the failures of water privatisation in some developing economies and the lack of interest by multinational water companies in commercially unattractive water supply systems.

**Impact of privatization**

The impact of private sector participation can vary substantially from one case to the other. In the case of water privatization in England, tariffs increased by 46% in real terms during the first nine years and operating profits have more than doubled (+142%) in eight years. On the other hand, privatization increased investments (in the six years after privatization the companies invested 17 billion Pound Sterling, compared to 9.3 billion Pound in the six years before privatization) and brought about compliance with stringent drinking water standards and led to a higher quality of river water.[2] However, it has been also argued that privatisation has led to both a decline in quality and supply with much of the infrastructure being left to decay.[3] Full-scale privatization with the sale of assets following the English example has been adopted by very few other countries, one of them being Chile.

For details see Water privatization in England

**Multinationals**

Privatization is often associated with multinationals. According to Masons Water Yearbook 2004/5, 545m people (9% of the world population) were served by private providers. The number has declined since then after private concessions in Argentina and Bolivia have been cancelled. Of the three biggest multinationals active in the sector

- Suez serves 117.4 million people around the world;
- Veolia Environnement (Vivendi), 108.2 million;
- RWE, 69.5 million (before selling its major water subsidiary, Thames Water, to Kemble Water)

The next biggest players are Aguas de Barcelona (35.2 million); SAUR (33.5 million); and United Utilities (22.1 million). Exceptionally, none of these are U.S.-based. Of the big three, Suez and Veolia are French-based, and RWE is German, although its water subsidiary (Thames Water) was originally British.

However, increasingly, domestic water operators are entering the market in Middle Income Countries (e.g. Brazil, Colombia, Malaysia, and China).

In addition, public utilities are going overseas and entering contracts that do not require investments (e.g. management contracts). Examples of these include Rand Water (South Africa) and Vitens (The Netherlands) winning the management contract in Ghana. The lines between public and private are thus blurring.
Anti-water-privatization campaigns

Privatization proposals in key public service sectors such as water and electricity are in many cases strongly opposed by opposition political parties and some civil society groups. The opposition viewpoint is often centred around the worries that privatization will lead to multinational corporations controlling the necessities of life, that profits would be valued over service, and that expensive centralized projects will be undertaken to the exclusion of small decentralized projects like wells or rain water collection.

In other parts of the world, previously communist in practice, the general idea is that the free availability of water has led to irresponsible water use.

According to PSIRU, the research arm of Public Services International, this has been the case in England and Wales. Usually campaigns involve demonstrations and political means; sometimes they may become violent (eg Cochabamba Riots of 2000 in Bolivia). Opposition is often strongly supported by trade unions. Other recent examples include Ghana and Uruguay (2004). In the latter case a civil-society-initiated referendum banning water privatization was passed in October 2004. A law banning privatization of public water supply was also passed in the Netherlands in September 2004, with broad cross-party support.

References

1. World Bank
2. ^ Water privatization and regulation in England and Wales, by Caroline van den Berg 1997
4. PSIRU on UK water privatization (Microsoft Word format).

Sources

- David Hall and Robin de la Motte, Dogmatic Development: Privatisation and conditionalities in six countries, War on Want [3]
- Emanuele Lobina and David Hall, Problems with private water concessions: a review of experience, PSIRU, University of Greenwich [4]
- De Witte, Kristof (2006), 'Efficiëntieprikkels in de drinkwatersector', Economisch statistische berichten, 5 mei, [7]
Further reading


See also

- Water privatization in Argentina
- Water privatization in Bolivia
- Water privatization in Brazil
- Water privatization in Chile
- Water privatization in Colombia
- Water privatization in Cuba
- Water privatization in Ecuador
- Water privatization in England
- Water privatization in Honduras
- Water privatization in Indonesia
- Water privatization in the Philippines
- Flow: For Love of Water, 2008 documentary film

External links

- The Remunicipalisation Tracker
- Water Justice Project
- Food & Water Watch's Water for All campaign
- World Bank Water Supply and Sanitation
- Corporate Accountability International's Water Campaign
- Policy note on regulating water services in Chile
- World Bank archived online discussion: "A Scorecard for Water Utilities in Developing Countries"
- We Won't Pay Campaign THE main anti water privatisation in Northern Ireland.
- The Democracy Center's report on the Bolivian Water Revolt
- Fredrik Segerfeldt, "Private Water Saves Lives"
  [http://www.waterproject.info]
- Water wars - SourceWatch

Multimedia

- Dirty aid, dirty water video on the global water crisis and privatisation of water services
- Blue Gold: World Water Wars, 2008 documentary
- Map of water privitisation The Record of water privitisation in developing countries


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