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Water remunicipalisation in Berlin and Paris : specific processes and common challenges

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Reference: Bauby, Pierre/Hecht, Christa et. al. (2018). Water remunicipalisation in Berlin and Paris : specific processes and common challenges. Liège (Belgium) : CIRIEC International, Université de Liège.

This Version is available at:

<http://hdl.handle.net/11159/2345>

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Working Paper

**Water remunicipalisation in Berlin and Paris:
Specific processes and common challenges**

Pierre BAUBY, Christa HECHT & Stephanie WARM

CIRIEC No. 2018/07

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Water remunicipalisation in Berlin and Paris: Specific processes and common challenges^{*}

Pierre Bauby¹, Christa Hecht² and Stephanie Warm³

Working paper CIRIEC No. 2018/07

^{*}This paper was presented at the Workshop organized by Corporate Europe Observatory (CEO), CIRIEC, Rosa Luxemburg Stiftung (RLS) and the TransNational Institute (TNI) on “Limitations of progressive municipalism within a neoliberal EU” which was held on September 19, 2017, Brussels.

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Abstract

Around 2010, the capitals of Germany and France were involved in processes of remunicipalisation of their water services. They are subject of two working papers published by CIRIEC. At the initiative of TNI (TransNational Institute), a seminar was held on 19th September 2017 in Brussels, where the authors of the two studies presented a comparative analysis of the two processes on the basis of a table inserted in this Working paper.

Keywords: Water services, remunicipalisation, governance, public services.

Introduction

Around 2010, the capitals of Germany and France were involved in processes of remunicipalisation of their water services. They are subject of two working papers published by CIRIEC⁴. At the initiative of TNI (TransNational Institute), a seminar was held on 19th September 2017 in Brussels, where the authors of the two studies presented a comparative analysis of the two processes on the basis of a table inserted in this Working paper.

It emphasises contrasted situations of the two cities and the specificities of the remunicipalisation processes, then it illustrates common challenges as regards governance, the role of public authorities, relationships with operators, democratic participation of users and stakeholders.

1. Contrasting situations

Paris is a small municipality, 8 times smaller than Berlin.

But the city is very densely populated, the population density in Paris is 5 times higher than in Berlin.

There is a high predominance of the collective habitat in Paris - Parisians don't have individual contracts and they don't receive their own water bills. Berlin also has a high tenant rate among the population, for which water bills are only settled by the property management companies via ancillary rental costs.

Many *extra muros* water resources also exist in the French capital (for the Western side of the capital).

2. Specific remunicipalisation process

In Paris, water service distribution had been delegated to Veolia and Suez in 1985. In 1987, a public-private operator (SAGEP) was created for the management of water production and transport. This led to decreasing public control, increased prices, but few social movements manifested against this situation.

⁴ **WP14/01** – SCHAEFER C./ WARM S. – [Berliner Wasserbetriebe \(BWB\) – Water and sewage company in Berlin](#) ; **WP13/02** – BAUBY P./ SIMILIE M.M. – [La remunicipalisation de l'eau à Paris – Etude de cas](#)

In 2001, the new Mayor Delanoe first decided to rebuild the public capacities of direction, control and ownership of the system, then to renegotiate the contracts with the delegates and the SAGEP.

In 2007, before the local election of 2008, Delanoe proposed to confer to a single public operator the responsibility for the management of all water cycle; this proposal consolidated the political alliance between the Socialist Party, the Communists and the Greens. Following its re-election as Mayor of Paris, Eau de Paris became the single operator of Parisian water service on 1st January 2010.

However, users remain unseen/invisible. Moreover, the Parisian users' consultative committee on local public services created at the end of the 1990s had essentially a formal role. Nevertheless, after the remunicipalisation, it has been decided the creation of a new, specific and parallel entity representing users - the Parisian Water Observatory.

In the case of Berlin, due to high budget deficits after the reunification, Berlin had started in 1994 to sold some of his public companies, which led to a partial privatisation of the public company in charge of water management (50,1% Berlin, 24,95% Veolia, 24,95% RWE).

Thus, and with special regulations in the consortium agreement for the partial privatisation, the representatives of the private investors on the Board of Directors had a position in which they could assert their interests against the representatives of Berlin. The tariffs increased ever since 2003 after expiry of a four years stand-still-clause in the contract.

In May 2006 the Berliner Wassertisch (Berlin Water Table) was founded with the aim to take back the ownership of the water infrastructure and the Berlin Waterworks by remunicipalisation. It was a network of groups of initiatives and citizens who also fight for direct democracy. In 2011, a petition of a referendum of Berlin's population aimed to open to public access the consortium agreement and the other contracts. The referendum on 14 February 2011 was successful. 98% of the voters called for disclosure (27,5% of Berlin's citizens voted). The next day the contracts were published on the internet.

The remunicipalisation was a result of the citizen's engagement. One objective was the reduction / stabilisation of the tariffs. In addition, the German cartel office forced the BWB to a reduction of water process up to 15%. RWE had also changed its strategy since the partial privatisation. Since 2006 it has been withdrawing from the water market national and international and concentrates the activities on the energy market. Besides RWE has high debts

and needed capital at this time. Veolia still active in the water market didn't initially want to sell its share. But Veolia found itself in a dilemma: public pressure to sell the share and avoid image damage on the one hand and the loss of its cash cow and example for partial privatisation models on the other.

3. Common challenges as regards governance, the role of public authorities, relationships with operators, democratic participation of users and stakeholders

In Paris, a new relationship between the organising authority and the EPIC has been developed following the remunicipalisation, in particular as regards: the definition of water service missions, the objectives and performance indicators contract.

A price reduction of 8% of water occurred in 2010; yet, this 'symbol' of the remunicipalisation has remained invisible for users as the total price remained rather similar in 2011 and 2012 as licence fees for water extraction have been updated and the charges for wastewater treatment service increased by 6%.

As regards the transparency and the evaluation of the service, there was no significant change, excepting the creation of Water Service Observatory whose meetings are open and reported on line. Citizens' participation remains limited.

In the case of Berlin, after the complete remunicipalisation in 2013 the structure and organisation was adapted step by step.

For the citizens, there were no great changes. The quality and service are still high. The reductions of the tariffs were an effect of the cartel offices reprimand and no result of the remunicipalisation.

But the full control over the company opens new ways for the Berlin's government. There is a customer advisory board which consults the BWB. Before it became a customer advisory board it was a stakeholder advisory board. The Berlin Water Tables still require more participation of citizens in the strategy and decision of the BWB.

This comparative analysis allows us to construe several key issues for a remunicipalisation process, in particular the importance of:

- Having a strong political willingness.
- Having the necessary technical, human, financial means – or the willingness to gather them.
- Developing alliances strategies and democratic participation of citizens-users and all stakeholders.

Water Service Remunicipalisation: Paris & Berlin

Pierre Bauby, Christa Hecht, Stephanie Warm, CIRIEC

	Paris	Berlin
I. General data		
Area	A small municipality: 105 km ²	891,82 km ² (Wikipedia) The Berlin Water Works serves some municipalities in the neighbourhood with drinking water and waste water disposal
Inhabitants	2 257 981 inhabitants (2011)	1999 = 3.386.667 2013 = 3.517.424 2017 = 3.67 Mio.
Average density	A dense municipality: 21504 inhab/km ²	3948 inhab/km ² (2015 nach Wikipedia)
Habitat type	A high predominance of the collective habitat: over 2 millions inhabitants and a very concentrated economic activity but only 93 920 water service subscriptions	86% rental apartments, 14% private owned apartments or single or double houses. Connecting rate drinking water 99,8% and waste water 99,6%. The most important industries in Berlin are the creative and cultural industries, tourism, biotechnology, medical technology, pharmaceutical industry, media / information and communication technology, construction, retail, transport systems, optics and energy technology.
Water consumption by inhabitant	120 l	115 l
Water sources	Many <i>extra muros</i> water resources (100-150 km far from the city) and Seine River for the Eastern part of the city	100% abstracted groundwater (some wells under bank filtration from rivers)
	Notes: - Wastewater service has a different organisation with SIAAP (<i>Syndicat interdépartemental pour l'assainissement de l'agglomération parisienne</i>) deserving the capital city Paris, 3 counties (forming the "small crown") and 180 municipalities (forming the "big crown") – about 9 millions inhabitants - Paris has two easy accessible water networks – a drinking water network (1 990 km) and a non drinking water network (1 600 km)	

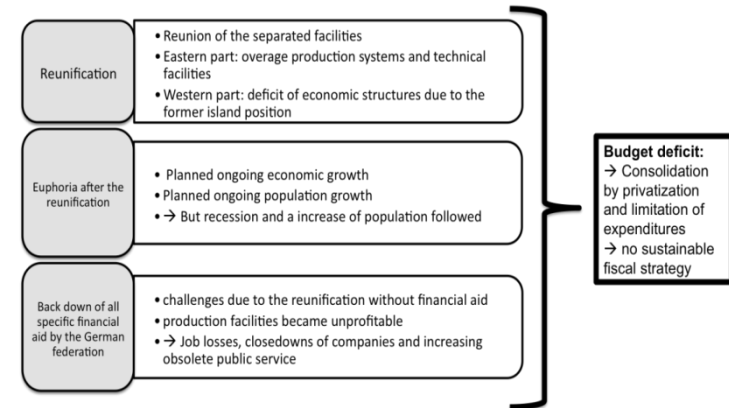
<p>II. Historical organisation before externalisation</p>	<p>Paris has an ancient tradition of public management of the municipal water service combined with a certain participation of private operators.</p> <p>Since the beginning of the 19th century, the Parisian water service (production and distribution) has been managed by the municipality.</p> <p>Yet, the <i>Compagnie Générale des Eaux</i> (ancestor of <i>Véolia</i>) had been conferred the management of the water service through a concession contract of 46 years in the municipalities that became part of the city of Paris in 1859. At that time, the prefect of Seine (Hausmann) decided to buy these concessions.</p> <p>In exchange, and because municipalities could not exercise economic activities, a contract of <i>régie intéressée</i> was concluded with the private company in 1860, which conferred it the management of the billing and cashing of payments of the Parisian water service. A 50 years annuity had to be paid by the company to the city.</p> <p>This organisation, which was renewed in 1910 and 1924, did not change until mid-1980s...</p>	<p>For over 150 years BWB and its predecessors have been securing the drinking water supply and wastewater disposal in Berlin and the surrounding regions⁵. “The following table shows the historical overview of the BWB until today. The dashed and continuous lines symbolize a change of function of the BWB. The dashed ones stand for a private and profit maximising company and the continuous ones for the public company focusing on the service for the public.</p> <p>Historical Overview:</p> <p>See at the end of the table.</p> <p>Political, Economic and Social Environment in the 90s</p> <p>In the five new Bundeslaender the capital investments into facilities and networks of municipal providers and disposal were secured by private capital. This was encouraged by the German politics, granted tax concessions, and implemented by in many cases young inexperienced local affaires. Ministerial task forces and consulting companies supported these processes. However, there was a lack of the essential procedural know how. The consequences became apparent in bad planned over dimensioned facilities, asymmetric risk distribution to the disadvantage of the public hand, and extensive transaction costs. Unfortunately, these results had long-term effects and came to light delayed in time. Public private partnership (PPP)-initiatives were another new approach during this period. Choosing the PPP-alternative, at first sight the considerable accumulated need of the modernization of the water and sewage facilities, electricity networks and power stations seemed to be realized without the overload of the underfunded municipal budgets. PPP promised fast and uncomplicated relief on both advantages. Thus, the 90s have seen a wave of privatizations, partial privatizations and PPP in the branch of municipal provider and disposal companies in former East and West Germany. European liberalization policy for services of general economic interest, municipal lack of public funds, an oversupply of investment-seeking private capital investment and the correspondent spirit of the time created a climate in which many municipalities put their silverware to disposal in a very unbiased and uncritical way⁶.</p>
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⁵ cf.: BWB: A company with tradition, <http://www.bwb.de/content/language2/html/881.php>

⁶ cf.: Lederer, K., 2011, p. 444-445

Continuation on Paris (p. 13)

Berlin's Economic Situation



Partial Privatization in 1999

Since 1994 the BWB were organized as a public law institution and the “Berliner Betriebesgesetz” (BerlBetrG) was effective for the BWB and other public law institutions in Berlin (e.g. public transport company or city cleaning). The organizational change was a political aim in order to give the management more entrepreneurial independence and to reduce the political influence and control.⁷ Berlin assumes the institutional and guarantor liability for the public law institutions, and in return they should act independent and contribute to the development of the city by entrepreneurial expansion strategies, providing new jobs, and encouraging private investments in Berlin. Critical voices call these public companies “cash machines”.⁸

§ 2 para. 7,8 BerlBetrG allowed the public law institutions to assume independent cooperations within their general tasks. The BWB developed a broad portfolio with more than 20 cooperations.⁹ Many of these entrepreneurial experiments proved to be unprofitable turning out to be expensive, unsuccessful investments for the BWB and of course for its guarantor Berlin. For many of these cooperations three main problems can be highlighted:

⁷ cf.: preamble of the Eigenbetriebsreformgesetz of 09.07.1993 on Abghs-Drs. 12/2897

⁸ cf.: Lederer, K., 2011, p. 447

⁹ cf.: Senatsverwaltung für Finanzen (1999), p. 11

		<ul style="list-style-type: none"> • The relation to the general task of a public company vanished into thin air. • The bad investments accumulated to a huge amount. • No politician and no public supervision felt responsible to stop this development.¹⁰ <p>Though in 1997/1998 the erroneous strategy of the BWB's operations became obvious, Berlin's Government didn't interfere. Instead of reducing BWB's operations back to its core business and generating a moderate revenue for Berlin's budget, e.g. by means of strict supervision, delegating competent representatives as board members, ensuring a competent management, and installation of a corporate governance, Berlin's Government fell back in and stuck to its old patterns of behaviour.</p> <p>After the full privatizations of its energy companies (Bewag and Gasag) in 1997 and 1998, the only public entity left, which promised from the politician's point of view contributions to the budget by taking privatization steps, was BWB. Although Berlin's Government transferred 500 Million Euro out of the BWB's equity,¹¹ both international financial and industrial players were easily mobilized, so that a commitment of well-funded investors was a realistic scenario.</p> <p>In the face of the fiscal gap in the budget these steps were a matter of emergency. Furthermore in 1999 elections for Berlin's Government and the Berlin City Parliament were ahead. The implementation of such an important project was beyond doubt an ambitious aim. Opposition against the privatization in Berlin's parliament was not expected; there was a clear consensus of the coalition to cover budget gaps by privatization.^{12 13}</p> <p>There were no fundamental political oppositions to certain forms of organization and the area of privatization. Only the management and the operator model dropped out, since they didn't allow property transfers with correspondent revenues in the budget - at its best they provide continuous revenues on a comparatively low level over a longer period. Berlin's Government found a model, which promised to be enforceable (in the Parliament though against the union) and generate adequate</p>
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¹⁰ cf.: Lederer, K., 2011, p. 447

¹¹ cf.: Ochmann, D., 2005, p. 21

¹² cf.: Huesker, F., 2011, p. 120-124

¹³ cf.: Plenarprotokoll 13/51, p. 3828 f.

		<p>revenues: The BWB should stay a public law company within a holding. In order to create this holding model (a typical silent partnership of a private company in a public law institution) the legal basis had to be established by Berlin's parliament.¹⁴</p> <p>Compared to the transformation into a capital company and its full privatization this model has some advantages:¹⁵</p> <p>Advantages of the model</p> <p>During the preparatory discussions and the whole process some stakeholders were significantly involved. The following table shows the relevant stakeholders and their position and aims.</p> <p>In June 1999, the consortium Vivendi (today Veolia)/RWE/Allianz were awarded to take over 49,9% shares of BWB. The purchase price amounted to 1,7 billion Euro and was the highest of all offers. In addition, the consortium also accepted other obligations, e.g. creation of new jobs and a water research centre, guaranteed employment until 2014 for core employees and investments amounting to 5 billion Euro until 2009. The period of validity was 30 years. The partner agreed confidentiality about the contents of the contract of the partial privatization. This means that the contracts, which formed the basis, were not treated in and not published to the public. The not public board of assets recommended the Parliament the acceptance of that business. In July 1999, the Parliament accepted the contract prepared by a public board of assets and confirmed the partial privatization.</p>

¹⁴ cf.: Abghs-Drs. 13/3367

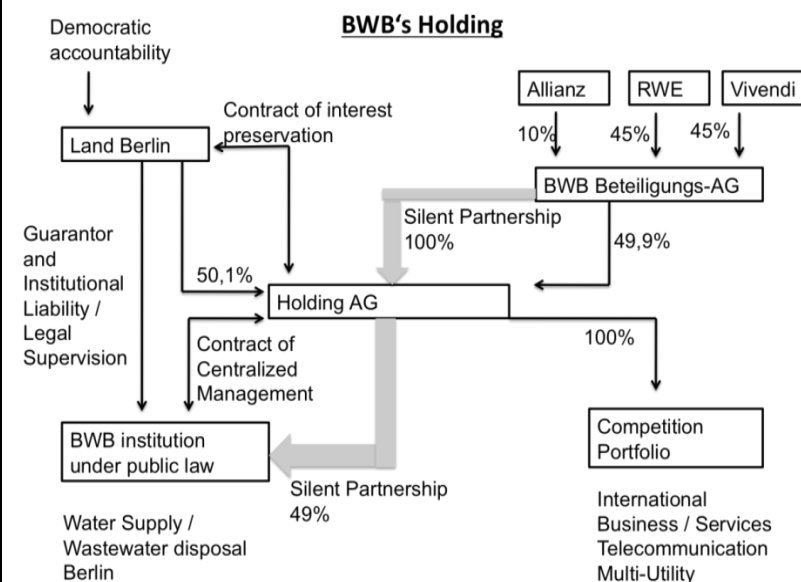
¹⁵ cf.: Lederer, K., 2011, p. 449

III. Externalised management	Jacques Chirac, elected mayor in 1977 (the first mayor of Paris since 1871), decided the reorganisation of the Parisian water service	Due to high budget deficits after the reunification, Berlin sold some of his public companies - starting in 1994
Type of externalisation	<p>► 1985 water service delegation</p> <ul style="list-style-type: none"> - for the distribution of water, 2 lease contracts were concluded on 20th December 1984 (for a duration of 25 years, until 31st December 2009) - the right part of the Seine river was conferred to <i>Compagnie Générale des Eaux</i> (that became <i>Véolia</i>) - the left part of the Seine river was conferred to <i>Société Eau et Force</i> (that became <i>Suez</i>) - the management of the relationships with users was conferred to a <i>groupement d'intérêt économique</i> created by the two private operators <p>► 1987 delegation of water production and transport</p> <ul style="list-style-type: none"> - until then, this service was managed by a municipal department but the new city administration decided to create a public-private operator (SAGEP – <i>Société Anonyme de Gestion des Eaux de Paris</i>). 70% of its shares were owned by the city, 28% by the two private companies in charge of water distribution and the rest by <i>Caisse des Dépôts et Consignations</i> and other institutions (in 2010, all water service activities had been integrated in the public enterprise - EPIC - <i>Eau de Paris</i>) <p>Yet, there was a continuity as regards the wastewater collection, which continued to be managed by a municipal department, and the treatment of wastewater, which is managed by SIAAP (intermunicipal syndicate)</p>	Partial privatisation (50,1 Berlin, 24,95 Veolia, 24,95 RWE)
Role and powers of the organizing authority	Decreasing control over SAGEP and over delegates (as SAGEP had been in charge of “controlling” distribution operators)	The most important governance mechanism of the BWB and its relations to both, the investors and Berlin, is the consortium agreement. It serves as a fundamental framework of the partial privatization. In addition to the shared aims of the contract partners the consortium agreement defines among other the determination of business areas, the appointment of persons and bodies, the fundamentals and objectives of the cooperation and arrangements for interruptions, placement of the stock, contract questions of guarantee, merger control and implementation. All other contracts and agreements are annexes of this contract. ¹⁶ The consortium agreement wasn't published in the commercial register

¹⁶ Abgeordnetenhaus von Berlin: D-13/3367 vom 05.01.1999

Continuation on Paris (p. 16)

because there was no disclosure and, even more important, because of the partners' interest of confidentiality.¹⁷



As mentioned before, an institution under public law is characterized by a supervisory board, the management and the guarantors' meeting. Thus it is necessary to consider these organs and explain its relations.

Due to the contract of the centralized management between BWB and the Holding AG the Holding AG owns the authority to give directives to the institution under public law. This right is limited by the contract of partial privatization and is accepted under reserve of the acceptance of the directive committee, in which the Land Berlin owns the majority.¹⁸

¹⁷ cf.: Ochmann, D., 2004, p. 38

¹⁸ cf.: Lederer, K., 2011, p. 453 and Ochmann, D., 2004, p. 43-44

		<table><tr><th>Supervisory Board</th><th>Board of Managers</th></tr><tr><td><ul style="list-style-type: none">• Nomination by guarantor's meeting• Holding AG submit proposals• Consists 16 members• Appointment and Dismissal of the board of managers, refusal only by important reasons• Supervision of the management• Confirmation of the business plan• Determination of the tariffs and charges</td><td><ul style="list-style-type: none">• 4 board members• Board members of technology and human resources proposed by Berlin and of finance and development and marketing and sales proposed by Holding-AG, with each consultation of Berlin or Holding-AG• § 9.6 consortium agreement constitutes a committee of the boards, which has 3 members (Berlin, Vivendi, RWE). This committee has the task to appoint the chairman of the board of BWB after the proposal of the majority. Thus the private shareholders hold the majority in this committee, which is definitely contradictory to § 6 para. 2 BerlBG</td></tr></table>	Supervisory Board	Board of Managers	<ul style="list-style-type: none">• Nomination by guarantor's meeting• Holding AG submit proposals• Consists 16 members• Appointment and Dismissal of the board of managers, refusal only by important reasons• Supervision of the management• Confirmation of the business plan• Determination of the tariffs and charges	<ul style="list-style-type: none">• 4 board members• Board members of technology and human resources proposed by Berlin and of finance and development and marketing and sales proposed by Holding-AG, with each consultation of Berlin or Holding-AG• § 9.6 consortium agreement constitutes a committee of the boards, which has 3 members (Berlin, Vivendi, RWE). This committee has the task to appoint the chairman of the board of BWB after the proposal of the majority. Thus the private shareholders hold the majority in this committee, which is definitely contradictory to § 6 para. 2 BerlBG
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Relation between the board of managers and the supervisory board:

As shown the representatives of the private investors in the board of managers own a position in which they can enforce their interests against the representatives of Berlin by the voice of the chairman. This provides an opportunity for the private investors of the Beteiligungs-AG (Holding-AG) to act against the intentions of Berlin in terms of the business of the BWB as long as the supervisory board is not needed to be involved. In case the supervisory board is involved a consensus between the employees' representatives and the chairman of the supervisory board countervail against the private dominated board of managers. The board of managers needs the confirmation of the supervisory board for the following decisions:¹⁹

Foundation of subsidiaries, disposal and acquisition of companies and participations, disposal and acquisition of assets as well as the disclaimer of receivables and conclusions of compromise agreements unless a limit of 10 million DM (ca. 5 million Euro) is not exceeded etc.

This leads to the following conclusion: the supervisory board is to be involved in important but not in all business decisions. In the case of involvement the supervisory board Berlin has a powerful control instrument. But not to be underestimated is the relation

¹⁹ cf.: Hüesker, F., 2011, p. 158-159

		<p>between the board of managers and the supervisory board of the Holding AG: very often the members of the BWB's supervisory board and in the Holding AG's supervisory board are the same persons the same for the BWB's and Holding AG's board of managers. A complicated overlapping of organs with authority is the consequence.²⁰</p> <p>For a deeper analysis of the management and control problems arising as a result of these facts the principal agent theory can be consulted. The main and first principal of any public company is the citizen. By elections the citizen gives power to its representative, its agent, who is in the same time principal, e.g. of the administration, and the public companies. Along this principal-agent-chain it should be ensured that the democratic control is in the citizens' hand. Therefore the citizen needs the possibility to gain information with a minimum of effort, e.g. transactions costs. As the paper has already elaborated, the partial privatization process featured a lack of transparency, so that a judgement by the citizen was impossible. Even the parliament did not have full access to the contracts. This gives reason to believe that there were hidden information and actions in terms of the moral hazard phenomenon. The complex structure of the holding, the complicated relation between the supervisory board and the board of managers as a result of the complex contract structure, and different committees with different authorities lead to the obligation to find always consensus and compromises by the boards in order to balance the diverging interests of the private investors and the Land Berlin.</p>
Effects of the externalised management	Increased prices, some investments	<p>With the acceptance and conclusion of the contract of the partial privatization the process of privatization and its developments have not been completed for a long time yet.</p> <p>Initiated by the parliament's opposition there was still the abstract of the judicial review to be performed. First of all they argued that the structure of an institution under public law embedded in a privately organized holding violates the democratic legitimacy. The second point aimed at the partial privatization law, which provides the basis for the tariff calculation. Especially the imputed interest on the capital employed and the treatment of efficiency measures were starting points for critical comments. Both were created to ensure the profit expectations of the private shareholders. The</p>

²⁰ cf.: Huesker, F., 2011, p. 163 and Ochmann, D., 2004, p. 155-156

		<p>court followed the objections only for the issue of the calculation of tariffs; all the other points were refused.²¹</p> <p>The tariffs increased ever since 2003 after expiry of a four years stand-still-clause in the contract. Therefore the former senator of commerce Harald Wolf recommended an investigation procedure conducted by the cartel office in order to decrease the tariffs. The cartel office followed the idea of the Land Berlin and suggested a price reduction of 16% including a recompense for recent years. The BWB appealed the decision of the cartel office and brought the issue to trial. The argument of the BWB was and has not changed up to now, that the cartel office is not competent, competent is only the local authority.²² This conflict is ongoing and the court has not come to a final decision yet.</p> <p>Yet another development after the privatization was a petition of a referendum of Berlin's population in 2011. The aim of that petition was to open the consortium agreement and the other contracts to public. Already in 2007 the citizens' initiative started with its activities. It was a difficult procedure because the initiative didn't have the support of any political party. But already in 2010 the amendment of the German freedom of information act came into effect, which allowed the disclosure of the contracts and agreements. Only due to constitutional rules the petition had to be finished and the population had to vote in 2011, although the issue had become obsolete at this time.²³</p>
Social movements	Few social movements: Parisians do not receive water bills, which are included in co-ownership "charges"	In Nov. 2004 a round table of Berlin citizens in Attac discussed to fight against water privatisation. In May 2006 the Berliner Wassertisch (Berlin Water Table) was founded with aim take back the ownership of the water infrastructure and the Berlin Waterworks by remunicipalisation. It was a network of groups, initiatives and citizens who fight also for direct democracy.

²¹ cf.: Lederer, K., 2011, p. 455-456

²² cf.: BWB: <http://www.bwb.de/content/language1/html/10124.php>, Spiegel online: <http://www.spiegel.de/wirtschaft/service/kartellamt-zwingt-berliner-wasserbetriebe-zu-preissenkung-a-837084.html>

²³ cf.: Citizens' initiative: Berliner Wassertisch: <http://berliner-wassertisch.net/index.php>, Tagesspiegel online: <http://www.webcitation.org/5wQWdfQAL>, Berlin: Senat legt Verträge zur Teilprivatisierung der Berliner Wasserbetriebe offen: <http://www.webcitation.org/5wQX6bBtL>, rbb Nachrichten: Wasser-Volksbegehren trotz offener Verträge, <http://www.webcitation.org/5w3WOGZ5f>

IV. Remunicipalisation process	Paris	Berlin
What democratic initiatives and participation?	In Paris, the users' consultative committee on local public services was created late, with no visible activities	<p>Several stakeholders and economical associations (Industrial, Trade, Owner of Houses, Tenants) fought against the increasing tariffs.</p> <p>Since 2006 many creative actions from the Berlin Water Table culminated 2010 in the demand for a referendum for the disclosure of the secret contracts of the partial privatisation. Prior to this the Senate of Berlin and the private Partners had refused any look in the treaties by reason of business secrets.</p> <p>The referendum on 14 Febr 2011 was successful. 98% of the voters called for disclosure (27,5% of Berlin's citizens voted). The next day the contracts were published in the internet.</p> <p>After disclosure the citizens of Berlin saw why the prices increased:</p> <p>High depreciation and Clause for high interest rates for the private investors. Additionally, if the tariffs couldn't be raised up by the Senate, the profits for the investors were guaranteed by the State budget.</p>
The remunicipalisation context and objectives	<p>The first mandate of Mayor Delanoë (2001-2008)</p> <ul style="list-style-type: none"> - rebuild the public capacities of direction, control and ownership of the system - renegotiate the contracts with the delegates and the SAGEP <ul style="list-style-type: none"> - to lift the power of control of SAGEP over the distributors - to define investment objectives for the distributors - to rend transparent the objectives aiming to reduce leakages - to confer each distributor the direct responsibility of the relationships with users - to make distributors participants to the Solidarity Housing Fund - to buy the shares of distributors in SAGEP - to precise the conditions of the end of the lease contracts for the distribution of water <p>At that time, the remunicipalisation was only one of the future possible options</p> <p>The remunicipalisation (2008-...)</p> <p>In November 2007, during the local electoral campaign, Bertrand Delanoë, Mayor of Paris, announced though a press communicated that it would reform water Parisian services and</p>	<p>The remunicipalisation was a result of the citizen's engagement. There was no political interest until the massive claim of the citizens, which ended in the positive referendum and the beginning of the negotiations with the private partners.</p> <p>One objective was the reduction / stabilisation of the tariffs. The German cartel office forced the BWB to a reduction up to 15%. The situation was not much attractive for private investors any more. The risk of decreasing dividends and a damage of their image was real.</p> <p>Furthermore, RWE has changed its strategy. Since 2006 it withdraws from the water market national and international and concentrates solely on the energy market. Besides RWE has high debts and needed capital at this time. Veolia still active in the water market didn't want to sell its share at the beginning. Actually it tried to get legal aid after RWE has sold its share because with a share under 25% it couldn't prevent decisions. This try failed. Veolia was in a dilemma: public pressure to sell the share and avoid image damage on the one hand and on the other the loss of its cash cow and example for partial privatisation models.</p>

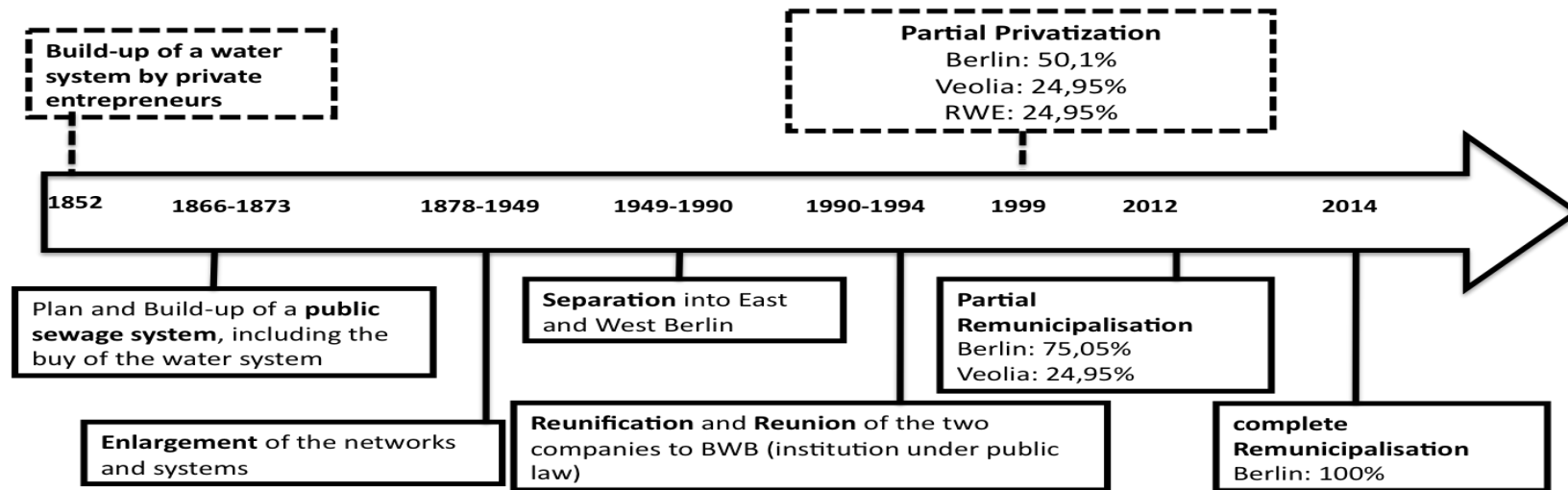
	<p>would confer to a single public operator the responsibility for the management of all water cycle. This proposal consolidated the political alliance between the Socialist Party, the Communists and the Greens and was integrated in the electoral program of the Mayor for the municipal elections of March 2008.</p> <p>After the re-election of Delanoë, 2008 and 2009 saw the creation of the EPIC <i>Eau de Paris</i>, with first the integration of water production and transport services, then of CRECEP (Parisian Centre on Water Research, Expertise and Control) <i>Centre de Recherche, d'Expertise et de Contrôle des Eaux de Paris</i>, and then of water distribution service and of the service of users relationships management</p> <p>1st January 2010 Eau de Paris the single operator of Parisian water service</p>	<p>Other players/actors: Beneath the Berlin Water tables (Civil Society initiatives) The association of the Berlin building industry (SME's) played a role, because they have lost after the partial privatisation assignments and business. The great privates (RWE/Veolia) assigned more and more their own subsidiaries.</p>

<p>V. Water service following the remunicipalisation</p>		<p>After the complete remunicipalisation in 2013 the structure and organisation was adapted step by step. The last step was in 2017, the abolition of the Consortium agreement of 1999. Since 2015/2016 the companies Berliner Wasserbetriebe and Berlinwasser Holding (formerly BWB's parent company) are almost complete separate companies and direct subsidiaries of Land Berlin.</p>
<p>What effects on the service and its governance?</p>	<p>Water service area: the capital city of Paris saw the main effects of the remunicipalisation but part of water resources are situated far from the city and therefore the city has close relationships with some other local communities and supports water source protection. The main part of municipalities surrounding Paris are members of SEDIF (Syndicat des Eaux d'Ile-de-France, created in 1923; it is the biggest water service in France, with more than 4.2 millions inhabitants served), and most of them have renewed water service delegation contract with Véolia in 2011.</p> <p>Organising authority and relationships with its water public enterprise: Who is the leader? Who controls? What sanctions? What possible conflicts of interest? What unbalances? (see also below)</p> <p>Users: unseen/invisible, the formal role of the Parisian users' consultative committee on local public services but creation of the Parisian Water Observatory</p> <p>Self-regulation? Self-evaluation?</p>	<p>For the citizens, there were no great changes. The quality and service was and is still high. The reductions of the tariffs were an effect of the cartel offices reprimand and no result of the remunicipalisation.</p> <p>But the full control over the company opens new ways for the Berlin's government. The BWB got a complete new task which they fulfil by founding a new subsidiary. The task is also legally fixed. With the Berlin Stadtwerke (public utility) the BWB should organise and support the energy revolution in Berlin as they offer concepts for alternative, sustainable and ecological energies.</p>
<p>What reports between the public authority and the public operator?</p>	<p>New relationships between the organising authority and the EPIC, in particular as regards:</p> <ul style="list-style-type: none"> - the Definition of water service missions: to clearly mark the change of approach – from a 'technical' service (production, transport, distribution, research, security, commercial) to the <i>"access of all users, with no discrimination, and in particular to the most deprived"</i> - the Objectives and Performance Indicators Contract: <ul style="list-style-type: none"> - it was part of a general trend but in France has appeared as 'pioneer' - it marks the passage from means obligations to results obligations (it rather includes regulatory indicators but also some specific indicators such as social indicators concerning employees); yet, no a single annual report for all indicators and few information accompanying the evolution of results, such a reporting being considered of little importance for users 	

	<ul style="list-style-type: none"> - no possible sanction provided for in case of failures - the regulation of the service to be conducted in the framework of the Contract of Objectives and the cooperation with the organising authority 	
What effects for users?	<p>In terms of quality</p> <p>- Water Quality</p> <ul style="list-style-type: none"> - investments for the preservation of the resource but they are situated far from the city - water sources are different between Western and Eastern part of the City (background or surface water) but the reporting present average data - no data on the quality of water after water counter (except surveys on tap water quality) <p>- Service Quality</p> <ul style="list-style-type: none"> - some indicators in the Objectives Contract: deadlines, reactivity, complaints (except for the price) - no information regarding the content of requirements, eventual complaints and the distinction user-subscriber (the first in an indirect relationship with the service, the later in a direct relationship with the service and more unsatisfied) - no follow up of the satisfaction regarding the price or the affordability of the service (which is also difficult to realise as the bill is collective) - no specific follow up of indicators such as equal treatment (with some categories of users in free access) or users rights <p>In economic terms</p> <p>- better network performance (less leakages)</p> <ul style="list-style-type: none"> - Parisian water service price is below the average price of water services in big French cities and has the lowest price in the Île-de-France region – on average, it represents 0,8% of the gross revenue of a family - during the 25 years externalisation period, the price had risen by 289%, in particular because of the growing royalty fees for wastewater and those perceived by Water Agencies, then the growing price of services provided by SAGEP and the two distributors - during the remunicipalisation a reduction of 8% for the production and distribution of water starting from 1st July 2011 with no raise until 2014; yet, this ‘symbol’ of the remunicipalisation has remained invisible for users as the global 	<p>The reductions of the tariffs were an effect of the cartel offices reprimand and no result of the remunicipalisation. At once the price for the remunicipalisation is to pay within 30 years which detracts the scope of tariff reductions. Until 2022 the tariffs are stable which is a political requirement.</p>

	<p>price remained rather similar in 2011 and 2012 because royalty fees for water extraction have been updated and wastewater treatment service has risen by 6%</p> <ul style="list-style-type: none"> - consumption reduction, the maintenance/improvement of network performance, the higher costs of production (environment protection, health) are important issues for the future which will impact water service price and its economic model 	
What effects as regards the transparency and the evaluation of the service?	No significant change, excepting the creation of Water Service Observatory whose meetings are open and reported on line	There are no changes.
What participation of stakeholders?	<p>The Parisian Water Observatory has been created following the remunicipalisation and is a sectoral entity, separated from the Parisian users' consultative committee on local public services</p> <ul style="list-style-type: none"> - it has a representative in the Board of Directors of Eau de Paris but with a shorter mandate than the mandate of elected officials represented in this Board - it has a consultative role and its creation has decided by the organising authority, it was not compulsory - citizens participation is limited, it lacks financial resources, the secretariat is ensured by the public administration of the city and for a while it has been under the presidency of the deputy mayor in charge of water 	<p>There is a customer advisory board which consult the BWB. Before it became a customer advisory board it was a stakeholder advisory board.</p> <p>The Berlin Water Tables still require more participation of citizens in the strategy and decision of the BWB.</p>
Perspectives	<p>The NOTRe Law (New territorial organisation of the Republic / <i>Nouvelle organisation territoriale de la République</i>) of 2015 has conferred water and wastewater powers to regroupings of communes – EPCI (<i>Etablissements publics de coopération intercommunale</i>) and metropolis – starting with the 1st January 2020 at the latest. But an exception is provided for the “big Paris” area and it is too early to know if there will be several “organising authorities” of the public water service and several management models within the same metropolitan area or a single management model for the whole metropolis.</p>	

Historical Overview BWB:



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