The remunicipalisation of Paris’ water supply service

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Outline of the presentation

- Part 1 – Background information on water service provision
- Part 2 – The reform process
- Part 3 – Benefits of the reform
PART 1

- BACKGROUND INFORMATION ON WATER SERVICE PROVISION
Paris’ current water supply system
Key figures on Paris’ water service

- A densely populated city with no individual customers
  - 2.2 million inhabitants within 100 km²
  - 3.5 million daily consumers including commuters and tourists
  - 93,000 subscribers
  - daily consumption of 550,000 m³
  - a 1,800 km long water network
  - 470 km of aqueducts
  - 1.1 Mm³ of water storage capacity
  - A water supply network efficiency of 95% / Leakage rate of 5%
  - 50,000 water samples analysed every year (300,000 parameters)

Avre aqueduct
Vanne aqueduct

Voulzie spring

Laboratory

Fizzy water fountain
France’s approach to water service provision

- **Local authorities** have the overall responsibility for providing drinking water

- **Service provision:**
  - **Direct Public Management**: ownership and service provision are concentrated in one public body (municipality or group of municipalities)
  - **Delegated Private Management**: a private company performs the day-to-day activities necessary for the provision of the service. The local authority is responsible for regulation and monitoring

**Delegated private management** is the most common form of water service management and operation with a control of 72% of the population predominantly in large and medium-sized towns
Since the 1990’s independent reports have pointed out large scale malpractices within the system:

- **No procurement procedure** required to award contracts to private water operators
- Contracts can last for **decades**
  - the adoption of **1995 Sapin Law** tackled these issues
- **Weak approach** by public authority figures in regulating and monitoring private water operators
- A complete **lack of transparency** in the financial practices of private operators
- An escalation of the **price of water**
- Multiple parties including both **environmental and consumers associations** have applied continuous pressure for reform and transparency in water service management
PART 2
- THE REFORM PROCESS
Paris’ water service: a delegated private management for 25 years

- Until 1984: water supply is **publicly-managed** with the exception of customer services that are delegated to Veolia

- 1984: Decision by the Mayor of Paris to delegate Paris’ water supply service ⇒ **three private entities** are introduced in two stages (*without a proper procurement procedure*)
  - **Water distribution and customer services** are delegated to two private operators in 1985 for a 25-year period:
    - Eau et Force on the left bank of the River Seine (Suez)
      - 27,500 subscribers
    - Compagnie des Eaux de Paris of the right bank of the River Seine (Veolia)
      - 65,000 subscribers
  - **Water production and transport** to Paris are delegated to a semi-public company (SAGEP) in 1987 for a 25-year period
    - Shareholding: Ville de Paris (70%), Suez & Veolia (28%)
Paris' water supply prior to the reform

**MAIRIE DE PARIS**
- Responsible for water service provision
- Regulates the service
- Controls water operators

**WATER PRODUCTION**
- Production
- Transport
- Quality control

**WATER DISTRIBUTION**
- Bulk-selling

**Concession**
- SAGEP
- CRECEP
- Water quality control

**Lease**
- PARISIENNE DES EAUX
- Compagnie des eaux de Paris

**MINISTRY OF HEALTH**
- Filiale de Suez Lyonnaise des eaux

**Bulk-selling**
Contracts with the three operators:
• concluded and awarded without a formal procurement procedure for a prolonged period of time (25 years)
• lacked specific and challenging objectives

Numerous public reports notably denounced the practices of private operators in Paris:
• Loss of technical expertise by the local authority
• Lack of transparency in private operators’ management and a total profit-orientated approach (secured revenue)
• No platform for regulating private operators:
  ▪ Technical objectives absent
  ▪ SAGEP assigned by the municipality to control the activities and practices of Suez and Veolia (SAGEP shareholders)
“The wind of change”

2001: Change in **political order** (Bertrand Delanoë is elected Mayor of Paris)

2002: A **specialised unit** is set up within the municipalities’ services, with the responsibility of policing the activities of private operators, financed by a charge given to water users

2003: **Negotiations** between Paris and the three operators with the objective of rectifying the inadequacies of the contracts:

- Implementation of an **ambitious investment plan** to be carried out by Veolia and Suez without any impact on water tariffs (**153 M€**)

- Adoption of **detailed objectives**, notably to improve the water network efficiency

- Veolia and Suez to part with their shares in SAGEP
A political ambition to reform the service

In spite of positive outcomes problems remain (overlapping, financial monitoring, etc.):

- 2006:
  - Studies (legal, economic, etc.) are launched to explore pathways to improvement
  - A steering committee derived from members of the Council of Paris is established to oversee these studies

- 2007: The remunicipalisation of Paris’ water service appears in the Mayor’s campaign manifesto as a key item

- March 2008: B. Delanoë and the same left-wing coalition are re-elected
Steps leading to the reform

- April 2008: Legal and administrative implementation of the reform with the objective to complete the remunicipalisation by 31 December 2009

- November 2008: Council of Paris deliberates regarding the establishment of the public entity Eau de Paris
  
  - A political decision: water is a public good and should be managed directly by the local authority
  - An administrative decision: managerial efficiency and optimisation

EAU DE PARIS

- Public entity endowed with **legal personality** and **financial autonomy**
- Autonomous **budget** and managerial **autonomy**
- **Management Board**
- Staff with **private-law employment contracts** (civil servants and contractual agents)
Steps leading to the reform (contd.)

- 1 May 2009 - Water production activities transferred to Eau de Paris & SAGEP dissolved
- 2009 – Negotiations with:
  - the unions on the drawing up of a collective agreement for the staff from the private operators
  - Suez & Veolia on the purchase of all the water distribution equipment and the transfer of staff
- 31 December 2009: Water distribution activities transferred to Eau de Paris

1 January 2010: EAU DE PARIS is fully operational and in charge of production, distribution, billing and customer services
Paris' water supply after the reform

**MAIRIE DE PARIS**

- Responsible for water service provision
- Regulates the service
- Monitors Eau de Paris

**Eau de Paris**

- Production
- Transport
- Quality control
- Investments
- Customer services
- Billing

**MINISTRY OF HEALTH**

Water quality control
PART 3

- BENEFITS OF THE REFORM
Positive outcomes of the reform

- The remunicipalisation enables **easier control** and **oversight** from:
  - the municipality
  - a participative body, the “Observatoire de l’eau”, mainly comprised of water users

- Revenues derived from the services provided are **reinvested** into Eau de Paris resulting in:
  - improved control of the price of water
  - the development of social measures to ensure the Right to water for all
A better regulated service

- Regulation implemented by means of a memorandum of understanding (MoU) between Eau de Paris and the municipality
- Numerous performance indicators introduced in the MoU to guarantee service standards and efficiency
- Continuous monitoring of Eau de Paris’ performance through regular technical meetings between Eau de Paris and the municipality
- Annual activity report submitted by Eau de Paris to the Council of Paris ensuring that all points of the MoU are fulfilled
- Benchmarking exercise carried out (France & Europe)
Water users at the heart of the service

The « Observatoire parisien de l’eau »

- A participative body that is a platform and a channel for the transfer of information, discussions and debates on water issues

Objectives
- A support to the municipality in defining and implementing its water policy;
- A link between citizens and the municipality
  → to raise concerns and transmit requests from users;
  → to inform Parisians on current issues related to water

Members
- Representatives of water users
  - Public & private housing management agencies
  - Tenants associations,
  - Consumer associations,
  - Trade unions,
  - Environmental associations
- Members of the Council of Paris and of local Councils
- Technical partners of Paris’ water service
Active involvement on all water-related subjects

Example of issues tackled by the “Observatoire”

- Water service reform (service administrative rules, Memorandum of Understanding)
- Elimination of all lead pipes in the water network following reinforced European regulations on lead concentration in water
- The Right to water for all
- and more recently the reduction of water tariff

Modus operandi

- Organisation of a consensus conference on the future of Paris’ non-drinking water network
- Setting-up of working groups on technical subjects
- Organisation of meetings open to the general public
- Participation of a member of the “Observatoire” in Eau de Paris’ administrative council
An **innovative approach to water governance**

<table>
<thead>
<tr>
<th>Eau de Paris’ Management Board</th>
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<tbody>
<tr>
<td>Administrators with voting rights</td>
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<td>2 employees representing Eau de Paris’ staff</td>
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| Administrators with consultative rights | 5 administrators:
  - **3 representatives for the civil society**: one of French largest consumer association, a nation-wide environmental association and a representative from the “Observatoire”
  - **water expert** from a national water research centre
  - **expert on water governance and participatory methods**

**Water users at the heart of the service**
Offer the highest quality service at the lowest possible price

- **Economic gains thanks to the new service organisation**
  Profit margin projected at **35 M€ per annum** as a direct result of the reform (no dividends issued, optimised efficiency due to consolidation, tax exemptions)

- **8% reduction in water tariffs (1 July 2011)**
  - Opposite trend between 1985 and 2008 with a 260% raise in prices
  - A **saving of 76 M€ for water users** between 2011-2015 as a result of the 8% price reduction
  - Water price: **0,9627€/m³**, well below National average

- **High standards maintained**
  - High level of investments (70M€ per annum)
  - Ambitious water resource conservation policy
  - Improved service efficiency
Reduction in water tariffs following the reform

- 1985: water distribution delegated to the private sector
- 2010: re-municipalization 8% reduction

Offer the highest quality service at the lowest possible price
Offer the highest quality service at the lowest possible price.

- 25% decrease in water consumption over a 25-year period (~1.4% per annum).
Guarantee the Right to water for all

- **Preventive measures**
  - **Price subsidy** for 41,000 beneficiaries in 2010, receiving an average of 70€ per annum
  - Supply and installation of 15,000 **water economisers** (savings of 100 € on energy and water bills annually, water consumption reduced by approximately 15%)

- **Curative measures**
  - In 2011 Eau de Paris doubled its contribution from 250,000 € to 500,000 € to the Housing Solidarity Fund which is responsible for issuing **financial benefits** to users encountering difficulties to pay their water bills
  - 5,500 beneficiaries in 2010 receiving an average of 80 € per annum under this programme

- **Access to water for the marginalised**
  - Water supply maintained in **squats** until a legal eviction notice has been passed and provided an agreement has been signed between Eau de Paris and the squatters
  - Increase **free access to water and sanitation on the streets** (drinking water fountains, toilets), distribution of flasks and jerry cans as well as maps with water spots
Dans Paris, dégustez une eau de qualité grâce aux fontaines mises à votre disposition 24h/24, 7j/7, sur la voie publique et dans les bois. Des fontaines sont également accessibles dans les parcs, jardins, squares et les cimetières aux heures d’ouverture.
Conclusion: an innovative public approach to water service management

❖ Commitments to our water users...

• Offer the highest quality service at the lowest possible price

• Guarantee the Right to water for all Parisians regardless of circumstances through a social support mechanism

• Putting water users at the heart of the service: offer services of the highest standards that meet users’ expectations and assimilate users in the governance process

❖ ... keeping in mind the following objectives:

• Environmental objective: manage responsibly vital and endangered water resources

• Democratic objective: monitor the management of the service closely

• Economic objective: financial transparency and cost control