

## 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

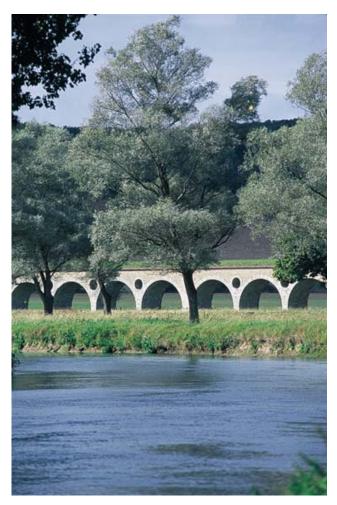
## BACKGROUND INFORMATION ON WATER SERVICE PROVISION

#### Paris' current water supply system

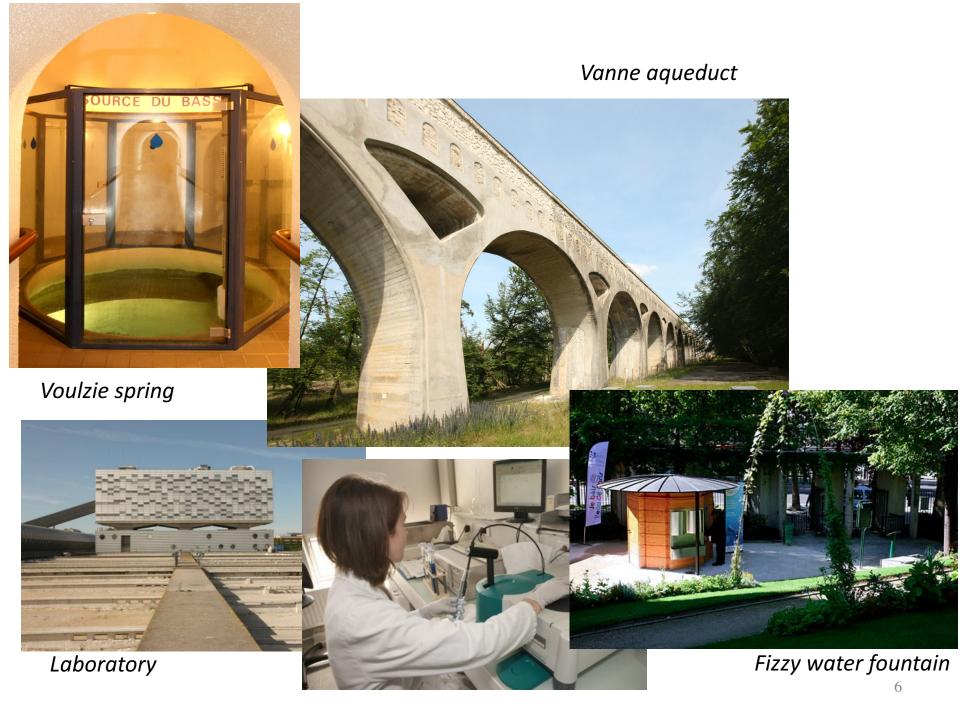


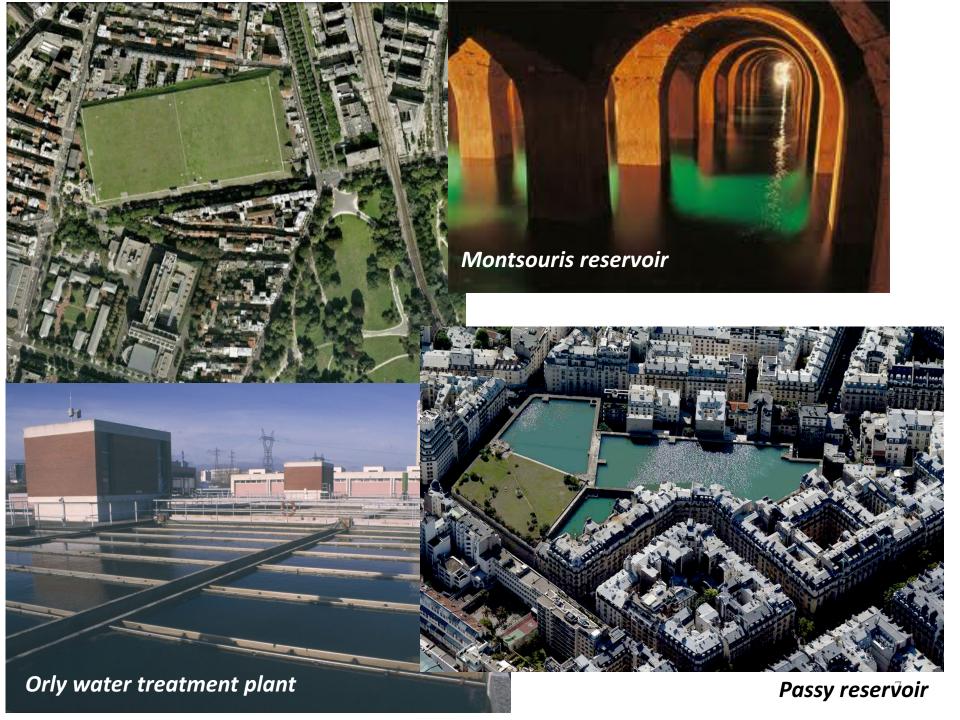
#### Key figures on Paris' water service

- 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 m<sup>3</sup>
  - 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)



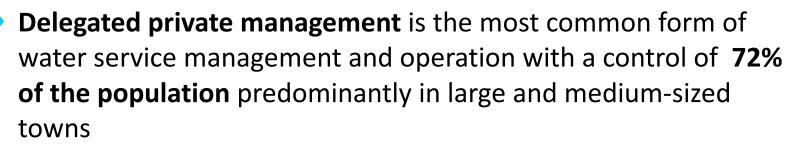
Avre aqueduct





#### 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



#### France's approach to water service provision (contd.)

Since the 1990's independent reports have pointed out large scale **malpractices** within the system:

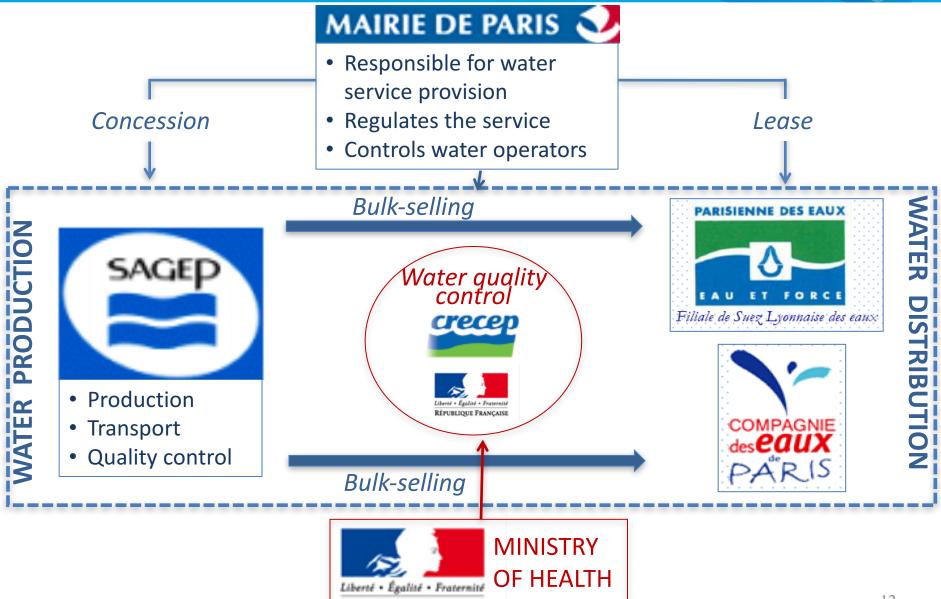
- No procurement procedure required to award contracts to private water operators
- Contracts can last for decades
  - the adoption of **1995** *Sapin Law* tackled these issues
- Weak approach by public authority figures in regulating and monitoring private water operators
- ➤ A complete lack of transparency 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



RÉPUBLIQUE FRANÇAISE

#### A complex and criticized system

- 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



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

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

#### Water users at the heart of the 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' nondrinking 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

#### Water users at the heart of the service

#### **An innovative approach to water governance**

	Eau de Paris' Management Board
Administrators with voting rights	10 elected representatives from the Council of Paris 2 employees representing Eau de Paris' staff
Administrators with consultative rights	<ul> <li>5 administrators :</li> <li>3 representatives for the civil society: one of         French largest consumer association, a nation-wide environmental association and a representative from the "Observatoire"     </li> </ul>
	<ul> <li>water expert from a national water research centre</li> <li>expert on water governance and participatory methods</li> </ul>

## 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)

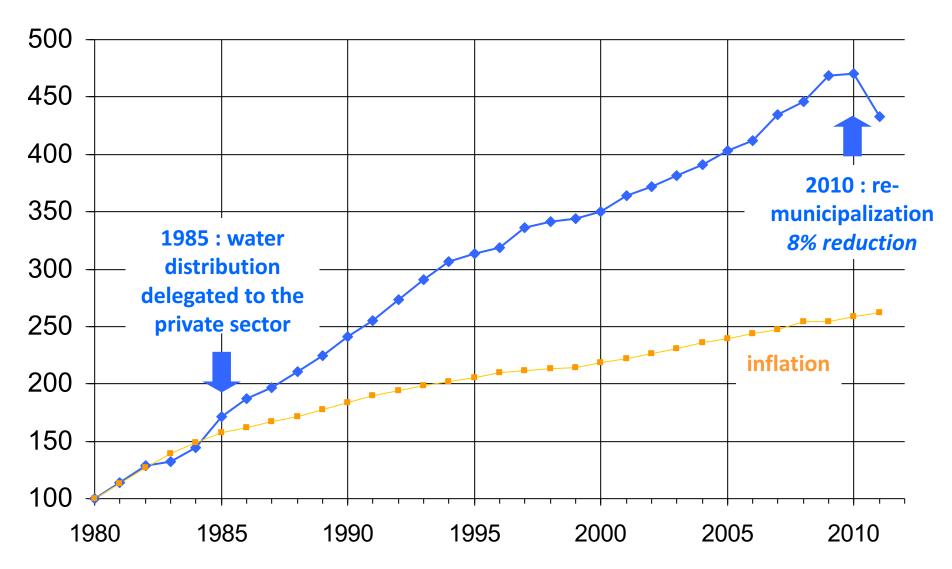
- \* 8% reduction in water tariffs (1 July 2011)
  - Opposite trend between 1985 and 2008 with a 260% raise in prices
  - A saving of 76 M€ for water users between 2011-2015 as a result of the 8% price reduction
  - Water price: 0,9627€/m³, well below National average

#### High standards maintained

- High level of investments (70M€ per annum)
- Ambitious water resource conservation policy
- Improved service efficiency

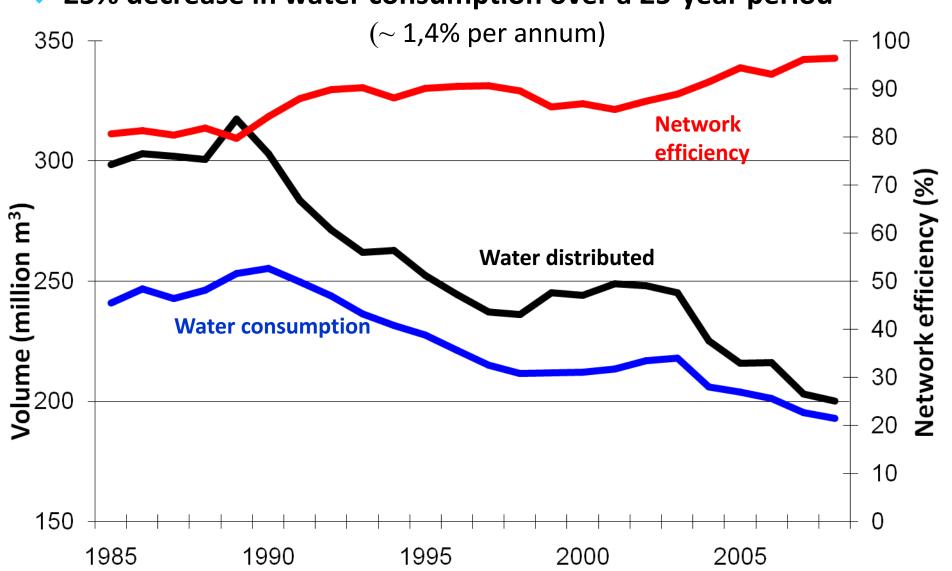
## Offer the highest quality service at the lowest possible price

#### Reduction in water tariffs following the reform



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





#### 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



#### LISTE DES FONTAINES

## 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