

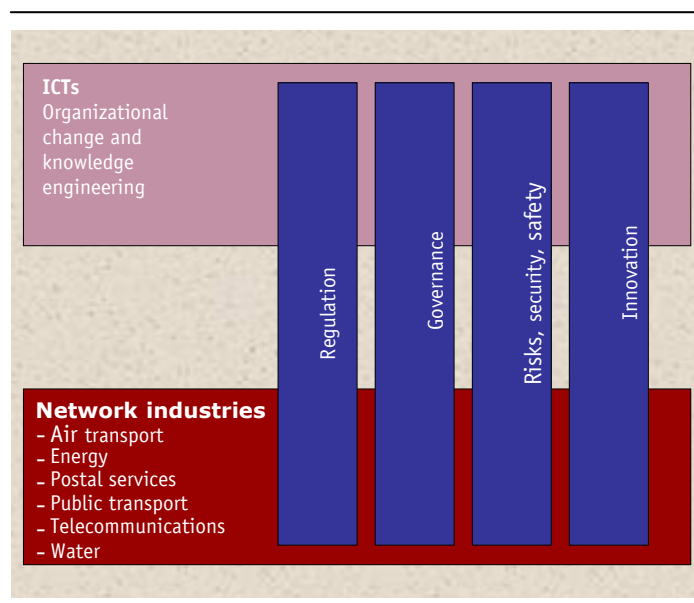
Forum II
Mehr Markt für Wasser?
Wasserpolitik in Europa

Jeremy Allouche – Eidgenössischen technischen Hochschule Lausanne

MIR

MIR is a research unit, directed by Prof. Matthias Finger, whose aim it is to foster practical solutions to intellectually challenging problems in the areas of management of network industries, regulation, and e-governance. MIR's core competencies are both substantive and sectoral. We cover four topical areas – namely regulation, governance, risk management, and innovation –, as well as the following six sectors:

- Air transport
- Energy (electricity & gas)
- Postal services
- Railways & local public transport
- Telecommunications
- Water supply and sanitation




MIR generally places these sectors, as well as regulation, governance, risk management, and innovation within the evolving context of the Information and Communication Technologies (ICTs).

Summary of the presentation

This presentation examines the current situation in the European water supply and sanitation sectors and sees how the situation is likely to evolve. In this regard, the author presents the main structural characteristics of the sector, the main actors involved and the main models of management and regulation in this sector across Europe. The presentation then looks at the

recent initiatives of the European Commission and sees which direction and impact the Commission may have in the likely evolution of the sector.

 **Chaire MIR** Management des Industries de Réseau
CHAIR, MANAGEMENT OF NETWORK INDUSTRIES


Water is the future
Drinking water supply in the 21st century
15/16 April 2005 in Berlin
German Bundestag

The likely evolution of drinking water throughout Europe & the possible role of the EU Commission

Jeremy Allouche,
Scientific coordinator of the EUROMARKET project

Structure of the presentation

- 1. Where are we?** Characteristics and outlook of the water sector in Europe today
- 2. Where do we go?** Drivers of change and possible scenarios
- 3. The possible role of the European Commission in this evolution**

 **Chaire MIR** Management des Industries de Réseau
CHAIR OF NETWORK INDUSTRY MANAGEMENT 2

Where are we (1)?

- Water supply displays the **four following main characteristics**:
 - Strong natural monopoly features (duplication of the infrastructure too costly).
 - Local nature of water supply (transport of water raises important quality problems and is very expensive).
 - No substitutes.
 - Strong merit and quasi-public good characteristics (social benefits exceed private ones).

Where are we (2)?

- The responsibility for the provision of water services in most countries lays with municipalities:
 - municipalities generally have legal ownership of assets for the provision of WSS services (except in the UK)
 - in most countries municipalities may delegate or contract out provision of the WSS services
 - operators = municipality and/or municipality-owned companies; privately-owned companies; mixture of municipality and private owned companies.
 - Operators (% of European population)
 - 55 % public
 - 35 % private
 - 10% mixed owned

→ De facto liberalization takes the form of private sector participation in the management of services

Where do we go (1)?

- **Five** major drivers of change:
 - Modernization of the management of the public sector
 - Social pressure against liberalisation
 - Actors promoting liberalisation
 - Crisis of public finances
 - Technological changes

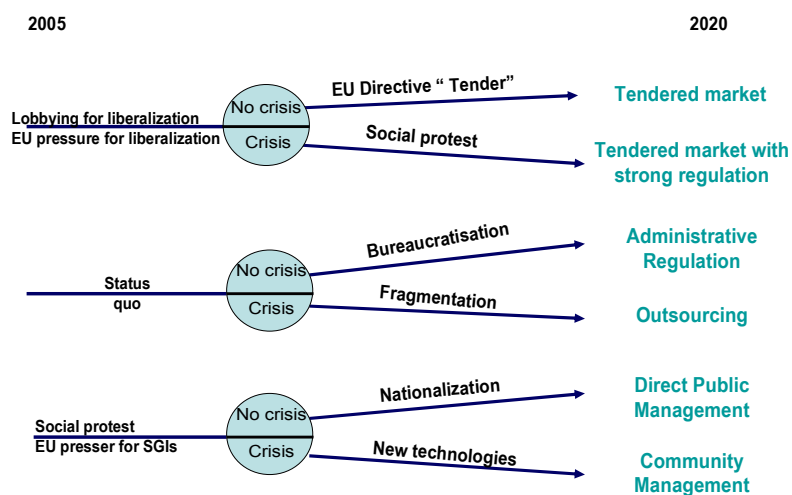
Where do we go (2)?

- **Modernization** of the management of the public sector ('New Public Management')
 - Push for professionalisation (growing technicality; increasing security concerns).
 - Introduction of new managerial methods (autonomisation, scaling up of water management).
 - The push by both consumers and politicians for more accountability (corruption scandals, user participation).
- **Social pressure against liberalisation**
 - Recent legislation in Uruguay and Netherlands.
 - Large number of associations and NGOs against the liberalisation water services and leading figures (Ricardo Petrella, Maude Barlow, ...)

Where do we go (3)?

- Actors promoting liberalisation
 - Large private operators (Veolia water, Suez Environment, RWE)
 - DGs within the Commission (DG Competition, DG Internal Market)
 - WTO – General Agreement on Trade and Services (GATS).
- Crisis of public finances
 - High capital need for wastewater treatment plants (e.g.: Austria, Belgium, Ireland, Netherlands, Scotland).
 - End of EU Cohesion Funds in most Southern European countries.
- Technological changes
 - Water purification and decentralization.

Where do we go (4): Water sector evolution scenarios



The possible role of the European Commission in this evolution

- At a cross road:
 - Water Framework Directive;
 - Internal Market Strategy 2003-6;
 - EU-Green and White book concerning services of general economic interests and public-private-partnerships.