

Chapter Two

Une eau publique pour Paris: Symbolism and Success in the Heartland of private Water

by Martin Pigeon



On November 24, 2008, the City Council of Paris, France, decided not to renew the municipal water supply service contract with Veolia and Suez, two French companies that dominate the global water market for municipal water services. They had been operating the French capital's water supply system jointly since 1985, and Veolia had been in charge of billing for the entire system since 1860. Instead, municipal authorities would create *Eau de Paris* as a public company under its direct supervision to operate the system from 2010 onward.

The two private companies' losing a contract at home was a major symbolic defeat. It also represented a significant challenge for Mayor Bertrand Delanoë, who had pledged to take back control of the city's waters during his electoral campaign; the remunicipalisation of a system on this scale had never been experienced in France, and there were tasks that the city administration had never performed, such as billing and customer relations. While the private companies were legally obliged to transfer responsibilities for the operation of the system, some property boundaries were not clearly defined, as was the case with information technology systems. Further, bringing together workers from multiple backgrounds and status into one structure was no simple task. The companies threatened to fight back, and did. Countless difficulties were likely to keep arising but the mayor and his team were convinced they could run the system just as well as the private sector, and even better. A year and a half after the official transition, results are proving them right: the transition was managed on time and with impressive financial outcomes.

As a case in point, Eau de Paris saved the city about €35 million with the shift to public ownership, leading to a reduction of water tariffs by 8% compared to 2009. The integration of fragmented parts of the water system gave birth to a more efficient, consistent and sustainable organisation, as well as revived water resource protection, research and innovation, and awareness-raising activities. Of course, results will need to be assessed over the long run, but the debut is promising.

Two water giants and an old network under tension

Paris is a densely populated city of 2.2 million inhabitants and the larger metropolitan area comprises approximately 10 million people. It is also home to the biggest water corporations in the world, *Veolia Environnement* and *Suez Environnement*. These companies were established (under different names) in the second half of the 19th century, under Emperor Napoleon III, but contrary to most other Western countries who municipalised their urban water systems at the beginning of the 20th century, these two firms managed to retain most of their contracts in France. Even as managers of vital natural monopolies, they were not affected by the country's three waves of nationalisations (1936, 1945 and 1981). This is an indication of the political power they could yield thanks to strong connections extending throughout the political system.¹

What is unique about Paris' water is that it runs through two networks. The current drinking water and wastewater systems were created in the 1860s and completed in the early 20th century thanks to massive public investments into a state-of-the-art network of sewers and pipes. The latest phase in the development of the water network was part of an effort to stop the cholera and typhoid fever epidemics caused by the consumption of untreated water from the older network constructed under Napoleon I. Both networks are still in use today: the former supplies about 550,000 m³ of drinking water a day to its inhabitants, half of which comes from groundwater and springs located in a large belt around the city and half from the rivers Seine and Marne, whereas the non-drinking water network is used for watering the parks and cleaning the streets and sewers.

Another distinctive feature of the Paris water systems is that very few residents are aware of their water tariffs because there is limited individual billing, water typically being included in buildings' collective charges. Nevertheless, decreasing consumption,² rising standards for wastewater treatment and additional taxes have translated into massive hikes in water charges over the past two decades. Rising pollution levels coming from industry and household effluents as well as industrial and chemically intensive agriculture (mostly cereals in this region) threaten the sustainability of the resource.

Privatisation of supply, corporatisation of production

Until 1984, Paris' water systems were entirely run by the city with one notable exception: billing, which had been outsourced to Veolia (then called *Compagnie Générale des Eaux*) in 1860 and grew to become a very lucrative business that generated a 60% profit rate over the 30 first years.³ The network's efficiency varied through the years however: it was in a dire state after World War II (44% losses), then improved until 1966 (22% losses), and degraded again until 1976 (32% losses). After the city elected its administration in 1977 in the first municipal election in over a century, the trend was reversed, with the network's efficiency improving again to reach an average of 20% losses between 1980 and 1984.⁴ The raw water network was hardly maintained throughout this post-war period.⁵

In 1984, then-mayor Jacques Chirac signed a 25-year contract to subsidiaries of Veolia and Suez (its CEO at the time, Jérôme Monod, was a co-founder of Chirac's party) to manage Paris' water supply and billing services. Maintaining the non-drinking water network was also part of the contract. Veolia was awarded the right bank of the Seine River and Suez, the left bank; this two-thirds to one-third customer sharing agreement interestingly reflected the companies' respective market weights in France. They also established a special joint unit called *Groupeement d'intérêt économique* (GIE) to collect invoices based on Veolia's historic database of clients.

In 1987, the water production and the control mechanism for the two private companies in charge of supply were also partially privatised with the creation of a mixed capital company, SAGEP (*Société Anonyme de Gestion des Eaux de Paris*). An outsourcing contract was signed between Paris and SAGEP, whose capital was owned 70% by the city, 28% by Veolia and Suez (each owning 14%), and 2% by the *Caisse des Dépôts et Consignations* (CDC), a public national investment bank. The private companies' shares in SAGEP placed them in a clear conflict of interest since the latter was supposed to oversee the concession, a situation said in a 2003 city audit to create "a paradoxical role, and partnership relationships that are not favourable to a controlling exercise."⁶ A first step toward privatisation was also taken with the city's internal Water Quality Control Service becoming an independent public body, the *Centre de Recherche et de Contrôle des Eaux de Paris* (CRECEP).

Under this new institutional setup, the network's leaks were reduced from 22% of the water serviced in 1985 to 17% in 2003, and after a harsh renegotiation of the contract between the city and the operators (see below), this figure was reduced dramatically to 3.5% in 2009. But water tariffs increased massively, by more than 265% between 1985 and 2009 for drinking water alone, with automatic tariff updates every three months; in contrast, inflation only rose by 70.5% over the same period. Such an increase led to strong suspicions of excessively high rates of profit for the two companies. For instance, water tariffs in Paris increased by more than 90% between 1991 and 1997 whereas they only increased by 51.5% in other French cities of more than 100,000 inhabitants over the same period.⁷

The city also began to lose control over the system's technical knowledge: no patrimonial assessment of the supply network had been performed before the privatisation and authorities became entirely dependent on the private companies to obtain information on the network's state. The city's administration also had difficulty accessing reliable financial information: a 2001 audit by the city showed that the bill collecting entity, GIE, had never been controlled, and concluded that "the satisfactory service does not justify such a high cost."⁸ Another audit by the Region's Court of Auditors showed that GIE never declared to the city the extra revenue it obtained. Last but not least, another 2001 audit of Veolia's Paris subsidiary showed that it was "a very profitable company" and a "generous cash-flow contributor to the group."⁹ The official average annual profit made by the two companies was about 6-7%, but sources at Eau de Paris today argue that in reality it was closer to 15%, although this is impossible to prove given the absence of reliable data. In addition, many works undertaken by the companies were commissioned to their own subsidiaries, a classic way to extract additional profits through overpricing; but here again, the exact level of profits remains unknown except to the companies' top

executives. As far as the maintenance of the raw water network was concerned, it was hardly done at all: the companies had no economic incentive to take this on, the contract hardly required any maintenance anyway, and the controller SAGEP was not unfavourable to the dismantlement of the network, hoping to sell extra drinking water that would compensate the consumption decrease.¹⁰

Toward remunicipalisation

In 2001, newly elected Paris Socialist Mayor Bertrand Delanoë published a communiqué on the need to take control of the city's water services.¹¹ Concrete steps were quickly taken by the city to regain control of certain in-house competencies and capacities. For instance, a team was established to follow up and control water infrastructure construction projects, a consultative commission was created to involve users in water policy, and a separate 'water' section in the city's budget was re-established.

2001-2003: Initial negotiations

The new team heading the city soon realised that its capacity to control the service provided by the private companies was severely limited, and that financial opacity was "absolute," in the words of Anne Le Strat, then newly elected Green party politician appointed CEO of SAGEP. Within the city's administration, Le Strat quickly became renowned for her strong commitment to water remunicipalisation in Paris. For her part, Myriam Constantin, a Socialist, became Vice Mayor for Water and Sanitation. She took a less radical stance, stating that "what matters is that public authorities can develop genuine control over the services executed in their name,"¹² in line with her party's stance on the issue (many privatised drinking water systems in France are run by Socialist and even Communist municipal administrations).

Negotiations to review the contract started almost immediately between the city and the private companies. They involved only a handful of city managers and were kept secret from the public and from most elected officials. Only their outcome was made public in 2003: the companies agreed to lower their declared average profitability rate from 6-7% to about 4%, to invest €153 million by 2009 to accelerate the network's renewal, and to replace lead joints to comply with EU standards. But the water tariffs were not lowered, and the excessive amounts provisioned by the companies for construction works were only partially taken back.¹³ The 2003 appendices to the contract signed with the companies cancelled the 1997 appendix, but the report explaining the details of the deal was partially censored by the municipality when published. Furthermore, 80% of the investments were financed by no-interest public loans, a good deal for the companies who had all these works executed (and likely overpriced) by their own subsidiaries.

Why such a favourable deal, and such secrecy, after years of public criticism of these two companies by Paris' left-wing politicians? The Socialists were constrained by the previous agreements made between the companies and former mayors, notably the 1997 contract that guaranteed a minimum profit rate to the operators to compensate for the decrease in volumes sold. They were also trapped by a loophole in the contract that enabled Veolia and Suez to wait between six and 10 months before transferring the money they collected to SAGEP, thereby generating substantial extra profits in interest earned over the period. In a nutshell, the reason Paris' Socialists were so discreet about the renegotiation was that the companies had not broken any provisions of their contracts, and admission of excessive charges would have required the city to reimburse Parisians! One must also take into account the water companies' numerous channels of influence within the city administration and among politicians: for instance, the vice-mayor at the time, Socialist Anne Hidalgo, had worked for Veolia between 1995 and 1997.

2003-2007: Building capacity

The period 2001-2003 had been a reality check for Paris' new political leadership, revealing the narrow margins for manoeuvre associated with a privatisation contract with such powerful companies. To strengthen their position, politicians launched a series of legal, technical and financial audits as well as extensive consultations with Eau de Paris personnel to assess the potential consequences of cancelling the contract. The investigation concluded it was best to wait until the end of the contract in December 2009 for legal and technical reasons. Another finding made clear that issuing another PPP contract would be much easier to handle for the city's administration. As François Leblanc, director at SAGEP during the transition, put it,

the private to public transition had never been experienced at this scale... I think it was easier, technically and legally, to re-issue a new tender than to remunicipalise... It is not only the network management, it's everything; for instance, the assets are enormous, you have numerous buildings, plots of land, etcetera, that need to have their status changed; you have changes of taxation regimes... And all this work you have to do on top of all the rest.¹⁴

Nevertheless, these challenges did not deter the municipal team from staying the course with their agenda. The team made its first major move to remunicipalise in March 2007 by ousting Veolia and Suez from SAGEP through a city council vote that forced the companies to sell their shares – at a good profit¹⁵ – to the French national investment bank CDC (Veolia's biggest shareholder at the time). GIE, the opaque financial structure set up by the companies to collect their invoices, was dissolved and the task of monitoring the two private companies was transferred back from SAGEP to the city administration. The private companies were worried but anticipated that they could still renew their contracts in 2009.

The real game changer event occurred on November 5, 2007: Delanoë, campaigning for his second term as Paris mayor, promised that water supply and billing, a €180 million annual contract at the time, would be publicly managed again if he were re-elected. According to most interviewees for this research, this decision was taken in a very small circle, and perhaps even on a personal basis since it took some of his closest colleagues by surprise when it was announced. Reasons behind this decision are multiple. One argument is financial and technical: the numerous audits and studies commissioned by the city and SAGEP indicated that substantial savings could be achieved by taking the service back in-house, and that a unified institutional setup made more sense than the ongoing fragmentation of responsibilities. This became the city's main official argument: public water management can be more efficient, and it enables the city to manage water as a common good rather than being treated as a private commodity. But one must also point out that Delanoë was, at the time, tempted to play a bigger role in national politics, and ran for the position of first secretary of the Socialist Party later in 2008 – which he eventually lost. His decision to remunicipalise water could therefore be interpreted as a political signal sent to the party's left wing to change his image as too business-friendly. Veolia and Suez argue that it was a political decision, rather than one made on financial or technical grounds. In any event, Delanoë was re-elected mayor of Paris very comfortably on March 16, 2008 with 57.7% of votes for his coalition.

2008-2009: Decision time

In July, 2008, the city took another step toward remunicipalisation by buying CDC's 30% share in SAGEP, which then became a fully municipal company. But an even more critical decision came on November 24-25, 2008, when the Paris City Council voted for the entire water system, from resource protection to end user, to be operated by one unified public entity beginning January 1, 2010. This served as the first official announcement of the remunicipalisation and initiated a complex legal process that had taken months to design and plan: SAGEP was liquidated before the end of its contract but not dissolved thanks to a universal assets donation that enabled the creation of the public company Eau de Paris on January 1, 2009, before the contract with Veolia and Suez ended.

The private operators who thought the mayor's pledge was nothing more than an electoral promise were furious, and complained that his decision would ruin their public image and undermine their global commercial position. They quickly toned down their criticism, however, taking the stance that this was a purely political and ideological move that had nothing to do with their performance. Meanwhile, two members of the right-wing opposition – UMP city councillors Jérôme Dubus and Jean-François Legaret – challenged the municipal decision in court in January 2009. They claimed that this move

was in breach of European treaties, which required all public authorities to organise a tender each time they wanted to entrust the execution of an economic activity to an operator engaged in the market. The court dismissed their accusation, ruling in May 2010 that under EU regulations a municipality had the right to manage any service to its population in-house.¹⁶ There was thus no legal obstacle to the transfer, and the final decision to launch Eau de Paris, formally voted by the City Council in November 2009, was confirmed.

From fragmentation to unity

As soon as the official remunicipalisation decision was taken, a task force was created to organise the transition. It was an enormous challenge given the short 18 months left before the actual transfer, with major bottlenecks to overcome.

IT systems: Blurred property boundaries

Generally speaking, the private operators cooperated throughout the transition, but some aspects proved more difficult to deal with such as the transfer of the customer databases and information systems. In fact, customer relations (metering, billing, follow-up and interventions management) remain outsourced to the private operators until 2012 to ease the transition. Customers and technical data was transferred, as it was a legal requirement, but the transfer of the IT tools developed by the private companies to process and articulate the various sets of data has proven to be a much more sensitive issue. Technical and geographical information systems were rather simple to integrate with the former SAGEP system, but transferring the IT tools making the strategic link with the commercial systems was much more difficult because such tools are important factors for these companies' competitiveness.

To add to the complexity, the existing IT systems were not compatible: the two companies have different histories, are more or less centralised, and the systems are proprietary. "We don't manage to speak to the relevant specialist, it's just as simple as that,"¹⁷ complains a current manager at Eau de Paris in charge of the dossier. As a consequence, one of the first steps of remunicipalisation was to identify what, within these centralised systems, belonged to the Paris contract. The companies apparently only began to collaborate when they were sure that they would get a service contract for this work, and that the allocation of tasks and liabilities was clearly laid out. Trust was a major issue in these tense negotiations, each party imagining worst case scenarios.

In the end, the collaboration was fruitful and Eau de Paris developed its own information system, based on one put in place by the French city of Grenoble when it remunicipalised its water services in 2000. The unified information system was launched in October

2011. Eau de Paris also recruited external know-how in order to create a commercial department that now employs managers coming from electricity and telecom companies notably, bringing with them new methods and approaches.

Workers: From five organisations to one

One of the most delicate parts of the transition concerned workers: 642 workers from Eau de Paris, 228 workers from Veolia and Suez, 55 workers from CRECEP, and 14 workers from the city administration were to be brought together in the same company, involving 15 different unions in a six-month negotiation over wages, working conditions and benefits. The negotiations were completed just in time and produced a partial agreement signed in December 2009. All workers integrating Eau de Paris were paid according to a harmonised salary scale in January 2010.

However, this achievement conceals some ongoing difficulties. One problem was with the type of workers who were transferred from the private operators: all workers coming from the private sector were given the choice to stay with the company or go to Eau de Paris, and both private operators managed to keep the overwhelming majority of their higher ranking staff: no managers were transferred from Suez, and very few from Veolia. Eau de Paris tried to recruit a few managers from the private companies, but its incentives seemed no match for the private companies' and it had to recruit external personnel for management positions, a lengthy and sensitive process. In general, the re-organisation of the whole structure was very demanding and created a host of tensions in the organisation, since many workers had to substantially change their assignments.

A second difficulty was more pernicious: the two unions coming from Suez and Veolia and the one from Eau de Paris did not merge, despite belonging to the same union federation (CGT), and Veolia employees could not preserve all their previous benefits but are still fighting to access them.¹⁸ This situation gave rise to a legal battle between the two unions, each accusing the other of betraying workers either by being too close to Eau de Paris' directors¹⁹ or by acting on behalf of Veolia and Suez²⁰ to undermine remunicipalisation. This in-fighting has continued, with the added tension of some outsourcing of service contracts having ended in July 2011 and some unions threatening to sue Eau de Paris for not automatically hiring workers from these outsourced firms.

Financial management

The biggest problems, however, were experienced with the financial system, particularly the transition from private to public accounting and buying procedures. As a public company, Eau de Paris requires all procurements above a certain price threshold to be decided by a commission, whose recommendations are then decided by the board. As a result,

delays have occurred in some important areas and administrative processes have generally grown more burdensome. Furthermore, public entities in France are legally required to establish a budget based on particular accounting methods. Finally, all payments are done by one sole public official, an accountancy agent (*agent comptable*) detached to Eau de Paris from the Ministry of Finances but who remains legally separate from the public operator and who is personally responsible for everything he signs.

Specific IT tools also had to be acquired to manage the thousands of invoices, creating another hurdle because the market for accounting software dedicated to managing public industrial structures in France is almost non-existent after three decades of privatisations. All this translated into severe, sometimes dramatic payment delays to suppliers. The situation is now improving, with several consultants hired to clean the books by the end of 2011, and with payment delays having been brought back to an above-average 30-35 days. The buying and procurement procedures are clearly heavier in the new institutional setting as compared to what existed before, but expense control has greatly improved.

Ideological and structural obstacles within the city administration

One last difficulty is that some departments within the city administration, particularly the water and finance departments, were opposed to the remunicipalisation and thought that the mayor's pledge was nothing more than a political gesture that would not materialise. The consequence was that the transition was neither anticipated nor prepared for by these departments. Another explanation for this situation is that many public officials in management positions seem to prefer outsourcing public services to the private sector because it enables them to avoid managing complex infrastructures and numerous personnel. It can be simpler to organise a tender and, if necessary, to hire a consultant to solve the legal difficulties and/or monitor performance.

Achievements, challenges and perspectives for Paris waters

Despite important challenges, Eau de Paris began operating Paris' water systems on January 1, 2010, and there was no apparent difference in service to end users. But of course lots had changed, including the signing of a performance contract²¹ between the city and Eau de Paris, defining the new public company's objectives, putting it under closer scrutiny than any local water provider in the past in an effort to demonstrate that the public sector can be operated in a transparent and efficient manner. The contract was reviewed and approved by the municipality with indicators that enable the City Council to monitor performance and to communicate to workers and the wider public what the political objectives of the new water systems are, including permanent access to the best possible

water at a fair price, better transparency of water management with a clearer allocation of responsibilities, increased participation of users in the systems' management and strong social and environmental responsibility ambitions.

Eau de Paris is now a *régie à personnalité morale et à autonomie financière*, a semi-autonomous body with a separate budget and legal status. It is publicly owned and city-controlled. All top management appointments are decided by the City Council. The board is the highest body in the organisation and includes a president (currently Anne Le Strat, re-elected in 2008 and now also vice-mayor for water, sanitation and canals), 10 members of the City Council, two staff representatives and five 'qualified' persons including two water and sanitation experts, one environmental NGO, one consumer organisation and one member from *Observatoire Municipal de l'Eau* (City Water Observatory).

With Paris managing its water systems in-house, expectations were high at home and abroad and the move was monitored attentively by many in the water sector. After only 18 months of public operation (at the time of writing) it is still too early to offer a definitive assessment, but a number of key achievements and lessons can be highlighted, as outlined below.

Financial savings above expectations

An outstanding achievement, beyond the sheer fact of having managed such a challenging transition in such a short time, are the economic results of the remunicipalisation. Operating costs are below expectations and below those of the private companies, while transition costs were lower than planned. The transition itself cost Eau de Paris roughly 15% of its turnover in its first year, but since financial surpluses reached €68 million (a figure that must be balanced out by the fact that some capital investments were postponed). Overall Eau de Paris saved some €35 million on its previous contract costs with Suez and Veolia thanks to remunicipalisation. These savings come from the internalisation of profits previously extracted by the private companies to pay shareholder dividends, from the systematic organisation of competitive tenders for works that were previously entrusted to the companies' subsidiaries, and from a more beneficial tax regime for in-house rather than private companies. These savings are expected to last, and enabled Delanoë and Le Strat to announce on January 5, 2011, an 8% decrease in Paris' drinking water tariffs (from €1.0464/m³ to €0.9627/m³), a symbolic victory that infuriated many in the private water industry who have been pushing for hikes in water tariffs for years. The city promised Parisians that the water tariff would not increase above inflation until 2015 (year of the next municipal election) despite decreasing revenues associated with diminishing consumption volumes of residents.²²

Better planning for the long term

Another achievement is the creation of synergies by merging the three previous operators into one for the same service area, enabling scale savings, a clearer institutional structure with cross-checks between water production and supply departments and a centralised overview of the cycle. In terms of water quality there is no detectable difference with the private sector era, but this new institutional architecture enables more comprehensive quality control. The researchers of the former public laboratory of the city (CRECEP), which was closed by a national government decision to open the “market” of water quality testing to competition, were partly re-hired in Eau de Paris’ new internal laboratory. Importantly, a public water research centre called *Aqua Futura* has been launched with funding from the city, the region, and partnerships with neighbouring universities, and aims to create a centre of excellence for public water, independent of the large groups that dominate water research in France.

One must also note Eau de Paris’ renewed interest in protecting water resources and tackling water pollution challenges over the long term, such as establishing partnerships with farmers around water catchment areas to help them switch to organic agriculture or at least to practice agricultural methods requiring fewer chemicals (the groundwater that supplies 50% of Paris’ water did not need treatment until the 1990s). The program is new and will take several years to deliver, but several farmers have already begun the transition toward more environment-friendly farming with the support of Eau de Paris.

Network performance remains strong for drinking water (due in part to the high level of maintenance by the private companies in the last few years of their contract, a result of the 2003 contract renegotiation) but the network’s age is a worrying factor. There is a major difference between maintaining a network, which the private companies did, and renewing it, which was not done according to Eau de Paris managers. Big investments are needed and have already been planned, but the question remains: How long can this old an infrastructure last? Some engineering knowledge has been lost in the transition from private to public ownership and needs to be re-built. A total assessment of infrastructure health, which had never been done, is now being undertaken by the city.

The fate of the network transporting raw water is more uncertain. Abandoned for decades, it requires major investments to be rehabilitated, but its dismantling would be extremely costly. The city has now launched a public debate to determine what infrastructure needs should be given priority. Either way, the cost of this prolonged inaction will be high.

Reaching out: Transparency, solidarity, participation

Eau de Paris is investing in its general communication and in new interactive tools to enable users to better monitor their own consumption of water, the quality of water in their street and neighbourhood, and the planned works that might disrupt traffic. This transparency effort has been recognised by the main French consumers' association, *UFC Que Choisir*.²³ Eau de Paris' new website features numerous resources on the history of the service, its environmental impacts, and its social and solidarity programs. Eau de Paris has also launched campaigns to promote tap water against bottled water, to give advice on water savings and, more generally, to raise awareness about water challenges in Paris and worldwide.

The new public water company is also engaged in solidarity actions: it increased its contribution to the city's housing solidarity fund (from €175,000 to €500,000), paid a water solidarity allocation to 44,000 poor households in the city, commissioned a report on progressive billing,²⁴ launched a water saving campaign, and has systematically avoided cutting off water supply in squats. But solidarity is not restricted to local water users, with Eau de Paris engaged in defending and promoting public water management at the European and international levels. The public provider co-founded *Aqua Publica Europea*, a European federation of public water operators that represents and promotes public water management at the EU level, as well as defends public operators against water corporate lobbying activities. It supports NGOs of African migrants willing to develop water supply and sanitation in their home countries, and has established a partnership with the Moroccan *Office National de l'Eau Potable* (ONEP) to develop water supply in Mauritania. It also financially supports other public operators in developing countries, such as Phnom Penh,²⁵ one of the most efficient public operators in South-East Asia,²⁶ where Eau de Paris funds social connections.

In terms of user participation in the new public system, outcomes have been mixed. The push to remunicipalise was not driven by civil society, but city politicians have attempted to broaden the system's governance and involve users in decision-making processes. The City Water Observatory – a civil society water assembly created in 2006 to bring together consumers (mostly property agents), environmental NGOs, institutional players, and water experts that now meet six times a year – plays a consultative role at the moment, although Eau de Paris has been considering granting it a voting right on the board. Eau de Paris has also commissioned a study on water user participation in the hope of identifying inspirational practices, but evidence suggests that there is little demand for this in Paris at the moment. According to Eau de Paris' communications department, individual users are interested in a municipal water management topic when the information is

brought to their attention but they rarely see their water invoice because of Paris' collective billing system and as a result awareness of local water issues has remained low, despite the dramatic change in ownership and operation.

On a related note, many Eau de Paris employees seem unconvinced about the remunicipalisation idea: in addition to union in-fighting, the decision to lower water tariffs generated unease among some staff that fear that revenue reduction might impact their working conditions or salaries. The development of a lively public service culture within the organisation, after all the difficulties created by the transition, will of course take time but remains a crucial task for the sustainability of the organisation.

Conclusion

A striking fact about the remunicipalisation of Paris waters is that it has been a highly political move undertaken with little public pressure or participation. Some civil society groups pushed for the system to be taken in-house, but they never managed to attract media attention, and in any case their lobbying power was no match for Veolia's and Suez's. Although the Greens and the Communists pushed for remunicipalisation from an early stage, the Socialist Party remained divided on the issue. What probably made the difference in convincing Mayor Delanoë were the numerous and detailed audits proving the potential for financial savings, more than arguments about managing water as a 'public good'.

The transition was difficult, particularly on the financial management side and in terms of personnel. Certain competences had to be re-built and in-depth knowledge of the infrastructure will take time to regain. The private operators did not undermine the transition, but neither did they provide help beyond their legal duties, at times withholding information on commercial grounds. The fact that some sections of the city administration were reluctant to remunicipalise did not help either. There were also weaknesses in the reform process: it was very top-down, linked to a handful of committed and competent individuals, and it created tensions in the organisation.

But despite these challenges, the transition was managed on time and with very impressive financial outcomes. The integration of the fragmented parts of the drinking system gave birth to a more efficient, consistent and longer-term planning organisation, as well as renewed activity of the company into water resource protection, research, innovation, and awareness-raising. In general, the major bottlenecks experienced during the transition phase were tackled efficiently, with the exception of the bitter fight between unions. Overall, the preliminary assessment is promising, with Paris' water systems moving from opaque, fragmented and short-term management to a more integrated, transparent, longer-term and progressive approach.

Regardless of one's take on the outcomes, this enormous institutional reorganisation has created the institutional equivalent of a tsunami in a water sector dominated by privatisation ideology for the past three decades. The simplistic idea that the private sector is naturally better equipped to manage urban water systems was proven wrong in Paris, where a private duopoly by powerful companies was operating at the expense of the residents of the city. But this example has also shown that what has been done by politics can be undone by politics. There is no safeguard against the re-privatisation of Eau de Paris in the future. However, achieving the best performance possible and involving as many Parisians as possible in this success are ways for the city to work against a possible reversal. Political change brought about mostly by reasons of financial efficiency will then lead to a deeper set of political reasons to keep and broaden the public character of the city's waters.

Endnotes

- 1 The French reform of political party funding in the 1990s forced publication of all party accounts, which triggered numerous corruption scandals. It showed that water companies had been for years among the biggest contributors to governmental and opposition parties alike. See for instance Guinel, J. (1994) De grandes entreprises en cause: l'eau éclabousse la classe politique française. *L'économiste* 157 (December).
- 2 Barraqué, B. and Nercessian, A. (2008) *Mieux comprendre comment évolue la consommation d'eau à Paris*. Paris: Agence de l'Eau Seine-Normandie, Mairie de Paris.
- 3 Stefanovitch, Y. (2005) *L'empire de l'eau*. Paris: Ramsay, p. 93.
- 4 Barraqué and Nercessian (2008), *op. cit.*
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- 6 Mairie de Paris, Inspection Générale (2003) *Le contrôle par la Ville de Paris de sa filière eau (production-distribution)*. IG – 00 – 06 (June). Paris: Mairie de Paris, p. 141.
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