

Information

City of Vienna – Municipal Department 27

EU-Strategy and Economic Development

Schlesingerplatz 2

A-1080 Vienna

Phone: +43 1 4000 – 93918

Fax: +43 1 4000 – 7215

E-Mail: post@meu.magwien.gv.at

City of Vienna – Municipal Department 31

Water Management

Grabnergasse 4–6

A-1061 Vienna, P.O. Box 331

Phone: +43 1 59959 – 31800

Fax: +43 1 59959 – 7231

E-Mail: post@m31.magwien.gv.at

Imprint:

Owner and publisher:

Municipality of the City of Vienna

Municipal Department 27 – EU Strategy and Economic Development

Schlesingerplatz 2 · A – 1080 Vienna

Text: Gerhard Loibelsberger

Contributors and editors:

Martin Pospischill, Eva Gsteu-Kirschbaum

Municipal Department 27

Graphic Design: Thomas Apel, open communication

Photography: Municipal Department 31 – Water Management

Municipal Department 49 – Forestry Office and Urban Agriculture

Cover photo: Brigitte Göderle

Printed by: Reprozwolf Spannbauer



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Caution!
Water Damage!
*Seven Arguments Against
the Liberalisation of
the Water Sector*



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Municipal Department
for EU-Strategy and
Economic Development

City of **Vienna**
Vienna is special.



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Vienna is special.

Liberalisation of the Water Sector

Harms Us and the Environment



The future of water supply has recently been the subject of controversial debates. In Europe, the call for the increased liberalisation of the sector has often been heard. It aims at opening municipal water-supply services to private operators. The dispute regarding the liberalisation of water-supply services in Europe started on 30 April 2003 within the WTO (World Trade Organisation)...

On that day the European Commission presented the following documents on behalf of its Member States at the GATS (General Agreement on Trade in Services) talks:

- The **EU's offer** contained no commitments in the field of public services (nor regarding water supply!).
- At the same time, 72 other WTO members were **requested** to open up (= liberalise) their water markets to European businesses!

On a European level, things began happening in rapid succession:

- 7 May 2003: The European Commission announced that it would examine competition in the water sector of the Member States and adopt legal measures promoting liberalisation.
- 21 May 2003: The European Commission presented a "Green Paper* on services of general interest", continuing the debate on the liberalisation of the water sector.
- June 2003: The European Commission sent out questionnaires to all Member States containing detailed questions regarding their water supply. At the same time the respective states were also informed of a study on the application of competition rules to the water sector.

Liberalisation of the Water Sector

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This was met with massive resistance not only in Vienna, but in all of Austria, not to mention in numerous cities and regions in Europe. In this struggle the European Parliament has proved to be a major ally for cities, municipalities and regions.



- 14 January 2004: A clear majority in the European Parliament spoke out against the liberalisation of the water sector.
- 19 February 2004: Following an initiative of the mayor of Vienna, 18 cities (Vienna, Berlin, London, Paris, Rome, Athens, Amsterdam, Luxembourg, Sofia, Bratislava, Barcelona, Munich, Leipzig, Frankfurt, Stuttgart, Brno, Madrid and Brussels) adopted a resolution on maintaining services of general interest in Europe, clearly rejecting the liberalisation of the water market.

- 11 March 2004: The European Parliament again rejected the liberalisation of the water sector.
- 12 May 2004: European Commission's White Paper** on services of general interest, announcing that the water sector in the Member States would be subject to examination and assessment.
- August 2004: The European Commission published a Eurobarometer survey on the "liberalisation of water", which showed that EU citizens were **against** the liberalisation of the water sector.

* *Commission Green Papers are documents intended to stimulate debate and launch a process of consultation at European level on a particular topic. These consultations may then lead to the publication of a White Paper, translating the conclusions of the debate into practical proposals for Community action.*

** *Commission White Papers are documents containing proposals for Community action in a specific area. In some cases they follow a Green Paper published to launch a consultation process at European level. When a White Paper has been favourably received by the Council, it can become the action programme for the Union in the relevant area.*

A Contradiction in Terms: Competition and Water



1 ARGUMENT

Water is a **natural monopoly**. All measures aimed at undermining such a monopoly will inevitably lead to higher prices to be ultimately paid by consumers.

Water is a limited natural resource that is fundamental for sustaining life (only 1% of the world's water can be used as drinking water). Opening up the water-supply market would entail the following consequences:

- Liberalisation requires that all existing water-infrastructure facilities are already in place and is exclusively aimed at making a profit from providing public services.
- This destroys proven supply structures.
- Problem of interfaces: Synergies that are now guaranteed by integrated services will be lost (in Vienna water services are all in one hand, from capturing a spring to the final consumption of water).
- This necessitates additional administrative structures (establishment of tendering authorities, quality assurance measures, supervising mechanisms, etc.).
- Environmental control measures become more complicated.
- All of the above incur additional costs.

2 Liberalisation Results in High Costs + Low Efficiency

The water companies in England and Wales were privatised in the 1980's with the following outcome:

- Water prices **rose** by an average of **36%** (1988 – 1998).
- Business profits **increased by 147%** on average (1990 – 1998).
- Two million people were **in arrears** with their water bills (1994).
- **18,636 households had their water supplies cut off** for non-payment of the mounting bills (2004).

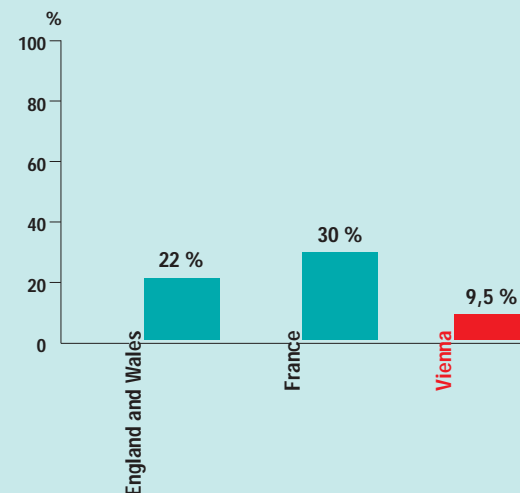
The efficiency of water supply is measured in terms of water pipe leakage. In England, Wales and France (where the sector has already been liberalised) the rate of leakages is distinctly higher than in Austria:

- In England and Wales (1999 to 2000): **22%**
- In France (1998): **30%**
- After privatisation, expenditure for repairs was **cut by more than half** in England and Wales (according to a study conducted by the University of Manchester).
- **Four billion litres of water** are lost in Europe every year due to leaking water pipes (according to a study commissioned by the Federal Ministry of Economics, Germany 2001).



- Vienna invests approximately 20 million euros each year to maintain and renew its network of water mains.

Comparison of water pipe leakage between ...



Unlike the above-mentioned examples, Vienna's public water utilities are extremely cost-efficient and provide good value for money.

2
ARGUMENT

3 Liberalisation Is Irreversible



Lessons to be learnt from cities that have liberalised their water supply:

- **50,000 jobs** have been lost due to the liberalisation of the water sector in England and Wales.
- Worsening of water-supply services after partial liberalisation in Paris.
- Existing know-how at local level has been lost.
- "Re-integration" of municipalities in providing water-supply services proves difficult: Once the network-specific know-how is lost, the authority is no longer competent to render these services.

3
ARGUMENT

As examples from England, Wales and France show, liberalising the water sector results in a deterioration of quality and efficiency and a loss of know-how and jobs. There is **virtually no way** to reverse liberalisation.

4 Diversity Instead of Imposed Unity

The water-supply systems within the European Union are characterised by great diversity.

- In practice, water-supply systems are operated by
 - the municipal authority itself
 - or an enterprise owned by the local authority
 - or an enterprise determined by way of public tender.
- In the future, each region should continue to be allowed the freedom to decide which water supply is best for its consumers.
- This diversity in the organisation of water supply is an expression of the principle of subsidiarity enshrined in the EU and EC treaties.



In Europe, the diversity in the water-supply sector often builds on traditions that have developed in the Member States and regions in the course of history. This diversity must be maintained where breaking with the old system would cause **high costs for transactions, transition and risks**.

4
ARGUMENT

Vienna Has the Best Water

The City of Vienna can look back on **130 years of know-how** when it comes to first-class water supply:

- Top-quality water supply from the mountain springs of the Alps.
- Sustainable water management of the spring regions, which means:
 - Purchasing additional spring protection areas.
 - Forestry: Steps aimed at tending and regenerating forests.
 - Hunting: Concentrated hunting in sensitive areas.
 - Pastures: Separating forests from pastures, protecting dolines from grazing cattle, abandoning alpine pastures, etc.
 - Tourism: Improving the disposal of waste water in mountain lodges, controlling mass tourism, promoting "soft tourism".
- Vienna has placed its mountain springs under Constitutional protection.
- The treatment of spring water is not necessary thanks to the extensive protection of springs.



5
ARGUMENT

A sustainable water supply means we must act now! Make sure our children and grandchildren will still be able to drink first-class water in 130 years from now.

Water Supply Should Not Be Taken for Granted

The water-supply system of a city or region is, in the true sense of the word, a source of life, which makes it a service of prime importance. In Vienna, the following services also fall under the responsibility of the water sector:

- First-class drinking water is provided at a socially compatible price.
- In Vienna the average daily consumption of water was 399,997 cubic metres (in 2003).
- Water-supply facilities may supply up to 609,000 cubic metres of drinking water per day.
- Enough drinking water is available even during peak-consumption times.
- Efficient drinking water supply: Excellent benchmarks at low water pipe leakage rates and low final consumption costs.

6
ARGUMENT

Vienna has a favourably-priced and efficient water-supply system in place. The citizens of Vienna are highly satisfied with, and appreciative of, their water-supply services. **The liberalisation of the water sector would result in a dramatic loss of quality.**

7 Europeans Oppose the Liberalisation of Water

Vienna's Water Is a Miracle

The European Commission is promoting and pushing ahead with its plans to liberalise the water sector against the will of its citizens, efforts that are being met with resistance both in Austria and in all of Europe:

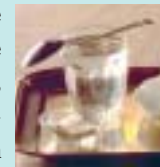
- 5 September 2003: All Austrian provinces adopted a joint statement in which they **clearly renounced** the European Commission's examination of competition in the water sector.
- 14 January 2004: The European Parliament decidedly spoke out **against** sectoral regulations for liberalising water supply, waste and wastewater disposal services.
- 28 June 2004: The citizens of the European Union **rejected the liberalisation of the water sector by a clear majority** (Eurobarometer survey 2004).



7
ARGUMENT

Liberalising the water sector would be in **blatant violation of the explicit intention of the citizens of the EU** and therefore a step in the wrong direction.

Water-supply services follow rules that are different from the mechanisms of the free market. **Security of supply, continuity, social price policy, health and sustainability** are the relevant criteria to be taken into consideration.



On a European level, Vienna is one of the main players to speak out against the liberalisation of the water sector. Vienna's major arguments are:

- No compulsory competitive tendering: Local and regional authorities must continue to enjoy the freedom to choose which services are rendered in which form (**principle of subsidiarity**).
- Maximise quality instead of maximising profit: Extremely long amortisation periods (networks of water mains, water containers) and the high costs of necessary repairs must be taken into account when considering any measures and investments.
- Maximise security of supply. Optimise business structures along economic lines **and** for the purpose of a sustainable development.

If we want the quality of Vienna's water to remain wonderful for the next 130 years to come, there is only one thing we can do - we must say **No to competition in terms of costs, and yes to competition in quality.**