



Remunicipalization: The future of water services?

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ABSTRACT

After three decades of privatization, the world is witnessing dramatic reversals in the water sector. Cities around the world are 'remunicipalizing' their water services by taking them back into public control, and the pace appears to be growing. But there are also forces which may slow this trend. Private water companies appear concerned about its impact on profits, austerity has forced some governments to abandon plans for remunicipalization, and legal barriers are multiplying. There are also diverse motivations for remunicipalization, putting into question its status as a coherent political trend. This paper develops a typology of different ideological forms of remunicipalization, identifying key stakeholders and the nature of their support, as well as indicating prevalent formats and regional trends. My hypothesis is that remunicipalization will continue in the medium term due to widespread dissatisfaction with privatization, but that differences within the remunicipalization movement, combined with resistance from powerful multilateral actors, may make it difficult to sustain.

1. Introduction

Remunicipalization² is one of the most important changes in water services in a generation. After more than three decades of privatization (including public-private partnerships and outsourcing), cities around the world are taking water services back under public management and ownership, with major implications for how water and sanitation may be owned, financed and operated in the future. Over the past 15 years there have been at least 267 cases of water remunicipalization in 37 countries, affecting more than 100 million people (Kishimoto and Petitjean, 2017). The pace of remunicipalization appears to be growing, and there is an expanding international movement in favour of publicly-managed water.

This trend prompted the Chair of *Eau de Paris* (which remunicipalized in 2010) to claim that "a counter-attack is underway and is spreading throughout the world...giving rise to a new generation of public companies that are beginning to play a stronger role in the water sector" (Blauel, 2015, 2). The majority of remunicipalization has thus far occurred in two countries – France and the US – but it is a truly global phenomenon, wherever privatization has taken place, including cities as diverse as Accra (Ghana), Almaty (Kazakhstan), Antalya

(Turkey), Budapest (Hungary), Buenos Aires (Argentina), Conakry (Guinea), Dar es Salaam (Tanzania), Kuala Lumpur (Malaysia) and La Paz (Bolivia). Half of all cases have occurred since 2010, suggesting an acceleration of interest (Lobina, 2015).

Further support for remunicipalization is evidenced by the wide cross-section of actors that are behind it, including governments, labour unions, NGOs and social movements (Beveridge et al., 2014, Hall et al., 2013, Le Strat, 2014; Nickson and Vargas, 2002; Pigeon et al., 2012, Wollmann et al., 2010). A broad-based revival of state-led development and a growing international pro-public movement give further impetus to the remunicipalization trend (Bollier, 2014, Chavez and Torres, 2014, Clifton et al., 2007, Clò et al., 2013, Cuervo-Cazurra et al., 2014, Florio, 2013, Ramesh et al., 2010). There are also regional associations of public water operators that appear "well positioned to play a strategic role in the generation and dissemination of knowledge and advocacy of remunicipalisation", especially in Europe (e.g. France Eau Publique, Allianz der öffentlichen Wasserwirtschaft, and Aqua Publica Europea) (Hall et al., 2013, 208).

Remunicipalization is taking place in other sectors as well, including transportation, waste management, cleaning, housing and electricity (Hall, 2012, Kishimoto and Petitjean, 2017). The electricity

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² Different terms have been used to describe this phenomenon, including de-privatization, reclaiming public services, taking services back in public hands, in-sourcing and social re-appropriation, some of which reflect different institutional and ideological characteristics at play. I have opted for the (admittedly inelegant) term 'remunicipalization' because most water services are in fact operated at the municipal level, and because it has become the most widely used expression in the literature on this topic. It should be noted, however, that in some cases water services are being made public at the national or regional level (e.g. Uruguay) while in others they are being made public for the first time, in which case the appropriate term is 'municipalization' (e.g. Missoula, in the United States, which made its water services public for the first time in 2017).

sector is particularly active, with Germany alone having established more than 60 new local public utilities (*Stadtwerke*) and 190 energy concessions between 2007 and 2012 (Wollmann et al., 2010, 179). Approximately two thirds of all German communes are “considering buying both electricity generators and the distribution networks, including private shareholdings in some of the 850 *Stadtwerke*” (Hall et al., 2013, 203; see also Becker et al., 2015).

And yet, there are important questions to ask about the coherency and sustainability of the remunicipalization trend in the water sector. Although it is likely to continue in the short to medium term due to the widespread failures of, and dissatisfaction with, various forms of privatization, radical differences within the remunicipalization movement, combined with ongoing fiscal restraints and possible resistance from powerful multilateral actors, could make it difficult to sustain as a coherent policy movement. There are also concerns with the kinds of governments that water services are being returned to, and whether remunicipalization necessarily leads to democratic, equity-oriented and accountable public agencies. Rising legal and financial barriers to remunicipalization are also becoming a problem.

Nor has privatization itself disappeared. Despite concerns on the part of private water companies with long-term, risk-bearing contracts – especially in the South – their participation in the water sector continues to expand. As Nellis (2012, 1) notes, “Although powerbrokers now tend to view privatization warily, there is good reason to believe that, due to the impact of the ongoing global economic crisis on government budgets, its day will come again.” In fact, 2015 saw the highest level of privatization transactions ever recorded (at over \$300b, across a wide range of sectors), “shattering” the previous record set in 2009, prompting Megginson (2015, 2) to claim that “privatization as a core national economic policy appears to be in rude good health.”

Private sector participation in the water sector also continues to be supported financially and ideologically by governments, international financial institutions, many UN agencies and professional water associations (Bakker, 2010). Some 14% of the world’s population were receiving water services from private corporations in 2012 (up from 5% in 2000), and the cumulative number of private sector contracts in the water sector is still growing (albeit at a slower pace than before) (Owen, 2012, xiii, 8–9). China has witnessed particularly rapid privatization growth, where the population served by private water companies increased from 8% in 1989 to 38% in 2008 (Wu et al., 2016).

Nevertheless, water privatization does appear to be losing traction in many parts of the world and could face widespread reversals in the future. Hundreds of municipalities will be making difficult choices in coming years about whether to renew or cancel private sector contracts, with policy makers and other interest groups seeking reliable insights into how and why remunicipalization decisions have been made and what the potential challenges might be. In Spain alone, concession contracts in some 90 municipalities – home to about 3.5 million people – are set to expire by 2025 (Planas, 2017, 146). The growth of remunicipalization may also prevent privatizations in the future as private companies decline bidding opportunities for fear of contract reversals. It is important therefore to have a sober assessment of the challenges and opportunities that lie ahead for water remunicipalization, as well as a better sense of its varied characteristics.

This paper develops a typology of different forms and rationales of water remunicipalization and discusses their possible trajectories into the future. It draws on a small but growing body of literature on the topic to map out these positions, while at the same time highlighting gaps in our knowledge, calling for more conceptual and empirical research to test and (re)formulate the ideas outlined in this paper, particularly with respect to competing paradigms of remunicipalization, some of which may dampen the prospects for progressive change in the future.

The paper begins with an historical review of water remunicipalization in the *longue durée*. Many water utilities began as private entities in the 1800s and were municipalized for the first time

starting in the late 19th century (only to be privatized again from the 1980s). The different rationales for this original municipalization movement share some commonalities with that of *re-municipalization* today, making a brief appraisal of these previous policy swings a necessary starting point for any contemporary analysis.

The paper then lays out a proposed typology of competing remunicipalization frameworks, clustered into five broad categories: autocratic state capitalism, market managerialism, social democracy, anti-capitalism and autonomism. This is followed by a discussion of the challenges that a diverse and sometimes contradictory ideological terrain presents to the future of remunicipalization, with some concluding remarks on the reactions of private water companies and other privatization organizations.

2. Back to the future?

The rapid industrialization of European and North American cities in the early 1800s witnessed a dramatic growth of networked services, provided almost universally by the private sector, with small and large firms springing up to provide water, gas, transportation, waste management, health care and electricity services for growing productive and consumptive needs (Emmons, 1991; Melosi, 2005; Warner, 1987). Where economies of scale and capital intensity mattered there tended to be large players, with some of the most important extant private utility companies in operation today owing their existence to this period (e.g. Suez, United Water, General Electric) (Granovetter and McGuire, 1998; Lorrain, 2005). More localized services such as waste removal and health care were typically managed by small, sometimes informal, private providers, although consolidations quickly became the norm.

This *laissez-faire* approach to service development began to change in the mid- to late-1800s with a push to *municipalize* facilities, with local state authorities taking ownership and control of private services. This trend spread throughout Europe and North America and carried into the 1940s (Booth, 1985; Kellett, 1978). The overarching rationale for municipalization was that service provision by multiple providers was illogical and wasteful, particularly with natural monopolies such as water, gas and electricity where it made little economic or regulatory sense to have multiple infrastructures. Outbreaks of cholera and other public health concerns added to the pressure. The British Parliament passed a series of public health measures as early as 1848, mandating local authorities to take action, after which the municipalization movement in that country came to encompass an extraordinary range of public services, including slaughterhouses, cemeteries, crematoria, libraries, refuse and sewage disposal services, a printing plant, a sterilized milk depot and a wool conditioning house (Leopold and McDonald, 2012).

This enthusiasm for state ownership nevertheless hid competing and often inconsistent ideological motivations for municipal takeover. On the left, some advocates of “municipal socialism” advanced a strong anti-capitalist sentiment, ridiculing the “robber barons” of the day and tapping into a “widespread anti-monopoly sentiment” that “flowed easily into calls for public production and distribution of basic goods and service” (Radford, 2003, 870). But just how ‘socialist’ this movement was remains disputed. Many critics saw these initiatives as far too compromised to create real social and economic change, with no less a detractor than Lenin (1907) declaring the municipalization trend to be incapable of bringing about larger socialist transformation. These far-left critics disdained the gradualist municipal politics of the Fabians, rejecting the parliamentary road to socialism that they said gas-and-water enterprises represented.

To the right were pro-market liberals who argued for municipalization on efficiency grounds, in part to combat the municipal socialism movement. Economist Mill (1851, 88) took up the cause of water reform in Britain, criticizing the wastefulness of balkanized private supply. Similar arguments were made in the United States, where the

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