Brussels, October 17th 2012

To:

Olli Rehn, Vice-President of the European Commission and member of the Commission responsible for Economic and Monetary Affairs and the Euro

CC:

José Manuel Barroso, President of the European Commission
Michel Barnier, Commissioner for Internal Market and Services
Janez Potočnik, Commissioner for the Environment
Laszlo Andor, Commissioner responsible for Employment, Social Affairs and Inclusion

Selected MEPs, Richard Seeber Intergroup on Water European Parliament

Dear Commissioner Rehn,

Thank you for your reply to our letter of May 15th 2012.[1] Despite the urgency of the issues we raised, the reply came after four months of reminders to your services and only after we indicated that we would complain to the European Ombudsman if a response was not received soon.

In our letter, we asked the Commission to stop demanding the privatisation of municipal water systems in countries receiving rescue loans in the context of the sovereign debt crisis. Our letter made clear that the privatisation loan conditions imposed on these countries by the European Commission[2] are economically, socially and democratically flawed.

Your response is astonishing. Not only does it confirm that the Commission has indeed imposed water privatisation on these countries but it actually defends this as the Commission's preferred general policy for the water sector, implying this policy will continue. Your letter asserts a declaration of beliefs in the general virtues of the privatization of public water utilities, which is wholly unsubstantiated by facts.

Such ideological arguments are simply blind to reality. In 2010, the largest survey ever on water privatisation cases found that no cost savings could be attributed to privatisation in the water sector.[3] The privatization wave of the 1990s has long run out of steam, reversing the trend of private water companies expanding.[4] Negative experiences with privatisation have made many municipalities in Europe decide to bring back their water systems into public management.[5] Could you please indicate what evidence you have to support your position that water privatisation "has the potential of increasing the efficiency of companies and, by extension, the competitiveness of the economy as a whole, while attracting foreign direct investment"? Has the Commission explored the remunicipalisation trend and taken the lessons from these cases into account?

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1 http://corporateeurope.org/open-letter-eu-commission-water-privatisation
2 As part of the Troïka, together with the European Central Bank and the International Monetary Fund.
3 Bel, Germà , Xavier Fageda and Mildred E. Warner 2010. "Is Private Production of Public Services Cheaper than Public Production? A meta-regression analysis of solid waste and water services," *Journal of Policy Analysis and Management, 29(3): 553-577.*
4 Hall D., Lobina E., "Water companies and trends in Europe in 2012", Public Services International Research Unit (PSIRU), August 2012.
5 See www.remunicipalisation.org and "Remunicipalisation: Putting water back into public hands", Pigeon M., MacDonald D., Hoedeman O., Kishimoto S., TNI/CEO/MSP, March 2012.

Strikingly, you fail to respond to our statement that imposing privatisation of water utilities "appears to be in violation of the EU's supposed neutrality on the question of public or private ownership and management of collective water services (article 345 TFEU and Art. 17 1 of the Directive 2006/123/EC on services in the internal market)." This is hardly a trivial matter and we would therefore expect the Commission to reply. Can you please explain to us what the legal basis is for the Commission's policy of imposing water privatisation on EU member states?

Finally, you claim that: "the Commission will check that the privatisation process of water companies guarantees full access to water for all citizens." This is far from convincing. The European Commission has so far refused to initiate legislation to implement the human right to water and sanitation, ignoring the July 2010 UN resolution on this right. You also have not created a framework to implement the Public Services Protocol of the Treaty. It is on this basis that we have recently launched a European Citizens Initiative to force the European Commission to take action to secure the right to water.[6]

Confronted with these worrying signs that the Commission has lost touch with reality, we can only re-state the conclusion of our previous letter: we ask you to guarantee that the European Commission withdraws its demands and refrains from any further pressure to impose water privatisation conditionalities on Greece, Portugal and any other EU member state. This pressure is flawed, undemocratic and at odds with the EU treaties, and should be terminated immediately.

In concern,

Água é de todos (Portugal)
Aquattac
ATTAC Hungary
ATTAC Spain
Berliner Wassertisch (Germany)
Blue Planet Project

Coordination Nationale des Associations de Consommateurs d'Eau (CACE)
Coordination Eau Ile de France
Corporate Europe Observatory (CEO)
Council of Canadians
La Coordination Rhône-Méditerranée des Associations des Usagers de l'Eau (CRAUE)
Ecologistas en Accion (Spain)
European Federation of Public Service Unions (EPSU)
Food & Water Europe
France Libertés
Gemeingut in BürgerInnenhand (Germany)
Ingenieres Sin Fronteras (Spain)
Italian Forum of Water Movements
Movement 136 (Greece)

Mouvement Utopia (France)

Save Greek Water (Greece)
Transnational Institute (TNI)
Wasser in Bürgerhand (Germany)
Za Zemiata (Bulgaria)

6 http://www.right2water.eu

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EUROPEAN COMMISSION
DIRECTORATE GENERAL
ECONOMIC AND FINANCIAL AFFAIRS
Economies of the Member States II
Greece

Brussels, 26 September 2012
GG D(2012) Ares

Dear Mrs Zanzanaini,

Thank you for your letter related to the water privatisation of various countries.

As you know, privatisation of public companies contributes to the reduction of public debt, as well as to the reduction of subsidies, other transfers or state guarantees to state-owned enterprises. It also has the potential of increasing the efficiency of companies and, by extension, the competitiveness of the economy as a whole, while attracting foreign direct investment.

The Commission believes that the privatisation of public utilities, including water supply firms, can deliver benefits to the society when carefully made. To this end, privatisation should take place once the appropriate regulatory framework has been prepared to avoid abuses by private monopolies. At the same time, public access to basic goods must be ensured. This is why it is important to find a balance between equal and fair access to public utilities (water, gas, electricity), good quality of services and a financially sustainable supply.

The Commission will check that the privatisation process of water companies guarantees full access to water for all citizens.

Yours sincerely,

Gabriele Giudice
Head of Unit
Country desk Greece.

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