

Brussels, May 15th 2011

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, member of the Commission responsible for Internal Market and Services

Janez Potočnik, member of the Commission responsible for the Environment

László Andor, member of the Commission responsible for Employment, Social Affairs and Inclusion

Dear Mr. Rehn,

As a member of the 'Troika', the European Commission (with the International Monetary Fund and European Central Bank) has been responsible for setting the loan conditions for Greece, Portugal and other countries receiving rescue loans in the context of the sovereign debt crisis. These conditions, which have been widely criticized for the emphasis on cutting public budgets, include in the cases of Greece and Portugal large-scale privatization of public services, including water utilities. We believe that this privatization conditionality is unacceptable and seriously undermines the right to water.

The fact that the Commission (as part of the Troika) has insisted on the privatization of water utilities also 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).¹

In the case of Portugal, the Troika's conditions include the privatization of the state-owned water company, Aguas do Portugal. For Greece, the Troika package includes a long list of companies that the country has to sell off, including the water companies for Athens and Thessaloniki.

The argument is that these privatization measures will create income that can be used to repay government debt while the private sector continues to deliver the service. This is indefensible in a crisis situation as the companies will be bought at their market value and not their assets value. In Thessaloniki, the company is a net contributor to the city's budget, while the redemption price of the 40% capital and management rights being forcibly sold will amount to only three years of profit. As the new report "Our Right to Water – case studies on austerity and privatization in Europe" shows, the real-world experience with privatization of water is very different:

“Services get worse, jobs are lost, and private monopolies enjoy inflated profits for decades, while the amount of money paid by the private buyers is invariably far below expectations. It is not good economics.”²

In a context where harsh austerity measures have led to income loss, job losses and widespread poverty, privatization (typically leading to higher prices and undermining access to services) directly threatens the right to water.³ The report also demonstrates that these privatization measures have been imposed from above despite widespread public opposition, in violation of the right to public participation in decision-making about water and sanitation services.

The privatization programs are being imposed at a time when the appetite for water privatization among municipalities is at a long-time low because of the disappointing experiences throughout Europe and around the world. An increasing number of cities are choosing remunicipalization, having tried privatization, including Paris, which has experienced lower prices and improved services as a result.⁴

Imposing top-down water privatization in the context of a deep economic crisis is not only flawed socially and economically but reveals undemocratic policy-making concerning the most vital public service of all. By imposing privatization of water utilities (as part of the Troika) on Member States, the European Commission appears to be violating EU legislation and the subsidiary principle, an approach, which the European Court of Justice would likely condemn.

It is in this context that we ask you to guarantee that the European Commission withdraws such demands and refrains from any further pressure to impose water privatization conditionalities on Greece, Portugal and any other country that might enter negotiations with the Troika in the future. Similarly, outside the Troika, the European Commission has been putting pressure on Italy and perhaps other countries (in the context of the structural reform programs) to privatize local public utilities, including those providing drinking water and sanitation. For the reasons noted above, this pressure is flawed, undemocratic, at odds with the EU treaties and should be terminated immediately.

We look forward to your response.

Yours sincerely,

Água é de todos (Portugal)

Aquattac

ATTAC Hungary

ATTAC Spain

Berliner Wassertisch (Germany)

Blue Planet Project

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 and Water Europe
France Libertés
Gemeingut in BürgerInnenhand (Germany)
Ingenieros Sin Fronteras (Spain)
Italian Forum of Water Movements
Movement 136 (Greece)
Transnational Institute (TNI)
Wasser in Bürgerhand (Germany)
Za Zemiata (Bulgaria)

Notes:

1. Article 345 of the EU Treaties (ex Article 295 EC) requires the Commission to be neutral on public or private ownership of companies: "The Treaties shall in no way prejudice the rules in Member States governing the system of property ownership."

Article 345 TFEU (ex Article 295 EC)

2. Our Right to Water – Case studies in Austerity and privatization in Europe, ed. by D. Hall and M. Karunanathan, Blue Planet Project, EPSU, PSIRU, Food and Water Europe <http://www.blueplanetproject.net/documents/RTW/RTW-Europe-1.pdf>

3. As recognised by the 2001 European Charter on Water Resources and the July 2010 United Nations General Assembly Resolution on the right to water and sanitation.

4. Remunicipalisation – Putting water back into public hands, ed. by M. Pigeon, D. McDonald, S. Kishimoto and O. Hoedeman, Municipal Services Project, Transnational Institute and Corporate Europe Observatory, March 2012.