

Chapter 1

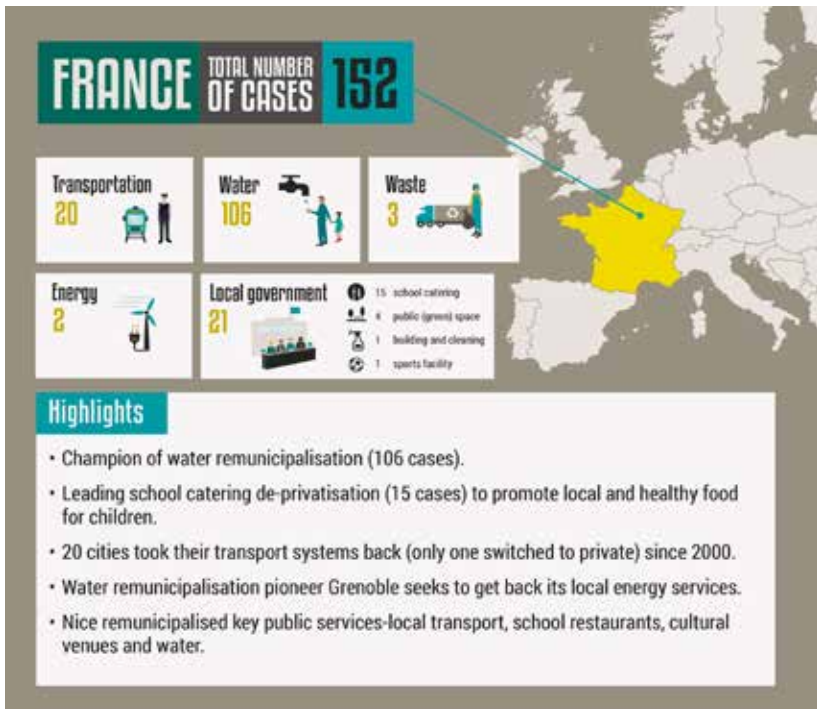
Remunicipalisation in France: From addressing corporate abuse to reinventing democratic, sustainable local public services

By Olivier Petitjean

France is known for its attachment to the public sector and state intervention in the economy. But it is also, in many ways, a champion of privatisation. Think about Veolia and Suez in the water and waste sectors; EDF, Veolia and Engie in the energy and heating sectors; Keolis, Veolia-Transdev and RATP in the public transport sector; Sodexo in the catering sector; Bouygues and Vinci in the infrastructure sector; Atos and Steria in the outsourcing sector, and so on. All of these companies – many of which, paradoxically, are partly state-owned – are active promoters of and benefitters from privatisation in its various forms, both in France and abroad.

Things, however, might be beginning to change in France, thanks to many local politicians, officials and social movements. Most obvious and publicised (and most politicised) is the current trend toward water remunicipalisation. Water privatisation has long been dominant in France, which makes it an exception in the world. Now dozens of French cities, including Paris and a host of other large cities such as Montpellier, Nice, Rennes and Grenoble, have decided to take their water and sanitation systems back into public hands. There is a similar trend among small or medium-sized cities. The large number of water services in France makes it impossible to provide a precise figure, but by the latest count we have been able to identify 106 cases of water remunicipalisation in France over the last 15 years, with more to come as contracts expire in the next few years. National statistics suggest that there could actually

be twice as many cases. On the other hand, in the past 20 years, not one city in France has decided to switch from public to private management of water. Even in those cities that decided against remunicipalisation, private providers were often forced to agree to steep cuts to the price of water and new commitments in terms of water quality and investments. Overall, apart from a few infamous cases such as Marseille (where the 2013 private contract has already been challenged by the regional court of auditors because of a series of financial irregularities in favour of Veolia¹), the remunicipalisation wave seems to have put an end to the most blatant private abuses that had been going on for decades in the water sector.



Box I

Water in Montpellier

Montpellier was the last large French city to remunicipalise its water services in 2016. This case is particularly significant since the Montpellier area, where a lot of Veolia's and Suez's research teams are located, has long been a stronghold of the private water sector. Montpellier has created its new public water operator building on the lessons from previous experiences in Grenoble, Paris and Nice. As a result, the price of water dropped by 10 per cent, which could have been even more significant had it not been for the poor state of the water infrastructure as discovered by local officials after remunicipalisation. Montpellier created a Water Observatory to allow for citizen participation, based on the Paris model. The board of the new public operator also has 30 per cent civil society representation. This element of democratic participation will be all the more important given that there is still a divergence between local authorities and the citizen movements that pushed successfully for remunicipalisation on the matter of building a new water plant that would bring water from the Rhône river, which local activists deem unnecessary.

Remunicipalisation is rarely just about a change of ownership

Overall, the main driver for remunicipalisation in France has undeniably been a reaction against the abuse of private water companies, particularly in financial terms (excessive water rates, lack of investment and maintenance, high fees charged by parent companies). But remunicipalisation has also been driven, from the very start, by a concern for ecological sustainability, democracy and social justice. In other words, remunicipalisation was never only about the financial management of public services,

but also about the very nature and objectives of these public services. Of course, this is true to varying degrees: some public water operators are not managed very differently from private companies, while others (including Paris and Grenoble) are more progressive. Remunicipalisation usually involves, at minimum, lower water rates (social justice), a focus on reducing water losses through network maintenance and investment (sustainability) and greater financial transparency at least for elected officials (democratic management).

Many public water operators go further than these minimal steps. Some have introduced more advanced forms of democratic management (greater public transparency, citizen representatives on the boards, and citizen-led bodies such as the Water Observatories in Paris and now Montpellier). Many have adopted a policy encouraging users to reduce their consumption of water, which would be unthinkable for private providers who are still essentially selling water as a product. Paris has also introduced a policy to work with farmers in water catchment areas and is encouraging them to shift to organic agriculture, in order to protect water quality and reduce the need for treatment. The effects of this policy are still limited because it takes years to eliminate pesticides from water sources, but it represents an investment in the long-term quality of water, reducing the need for costly technologies. While private water companies are arguing that the price of water will inevitably go up in the future because of stricter quality standards, this alternative model could prove both cheaper and more effective at protecting water resources and ecosystems.

Box II

Remunicipalisation champions

Some French cities are remarkable for their commitment to remunicipalisation in various sectors. It is the case of **Grenoble**, a city that pioneered water remunicipalisation in the early 2000s. It

is now seeking to remunicipalise entirely its local energy services, including collective heating and street lighting, in an effort to fight energy poverty and reduce greenhouse gas emissions. This requires buying back Engie, which still owns part of the local energy company, in turn raising complex labour issues.

In a different way, the city of **Nice**, which has a conservative administration, has also engaged in the remunicipalisation of key public services, including the local transport system, school restaurants, cultural venues and the city's water and sanitation system, which had been outsourced to Veolia for 150 years. These remunicipalisations were mostly implemented to gain greater political and financial control over the services. To some extent the administration has also demonstrated its concern for public health and the environment by switching to local, organic food in remunicipalised school restaurants across the city.

Remunicipalisation in other sectors

Remunicipalisation in France has been most prominent in the water and sanitation sector, in terms of the sheer number of cases, the highly politicised nature of the debate and because of the long history of private sector dominance in the country. Nevertheless, there have also been experiences with remunicipalisation in other sectors – both in large cities and small towns – particularly in local public services such as school restaurants and local transport systems, and to a lesser extent in services such as collective heating systems, parking or waste collection and treatment. These sectors are somewhat different from the water sector, as the dominance of private providers is not as widespread or as long-standing. Privatisation contracts have been historically shorter and easier to reverse than in the water sector. It is perhaps too early to talk of a “remunicipalisation trend” in these sectors, except for local public transport

systems. According to industry figures, in the past 15–20 years, at least 20 cities or regions have put an end to privatisation contracts and taken their transport systems back in public hands, while only one has chosen to switch from public to private. (These figures may seem lower than in the water sector, but they are actually significant: the number of public transport services is much lower since only large cities have them.)

The energy sector raises specific questions. As opposed to Germany for instance, where there has been a strong remunicipalisation trend in the sector, the French energy system is national and dominated by the former national public operators, EDF (now 84 per cent state-owned) and Engie (now only 33 per cent state-owned). Both companies have a monopoly (though their subsidiaries are still fully public, in contrast to the parent companies) on energy distribution networks, except for a handful of local public distribution networks (*régies*) that already existed before the nationalisation of the energy sector in 1945. This quasi-public status leaves no room for remunicipalisation. As a matter of fact, the creation of new local public energy operators is still prohibited by law in France. French environmentalists have tried in recent years to initiate a review of this legislation in order to spark an energy transition based on the German model, but so far their efforts have been in vain. Nor have they gained wide support from French public opinion, which remains attached to the image of a national energy public service.

Remunicipalisation as a shift to new models

Remunicipalisation in other sectors is also, of course, a reaction to the usual shortfalls of privatisation, including dissatisfaction with the price and quality of service, lack of investment or lack of control by local authorities. Just as is the case for water, these public services are dominated by a handful of private providers or “oligopolies.”

However, perhaps even more so than in the water sector, many examples of remunicipalisation in the waste, school restaurant and transport

sectors in France have been primarily driven by a political aspiration to change substantially the way public services are provided, toward more sustainable paradigms. This is particularly true of the waste and school restaurant sectors.

In the first case, one of the main criticisms addressed to private providers by local authorities is their reluctance to engage into a policy of waste reduction or prevention. Indeed, large providers such as Suez and Veolia have largely focused on incineration as their favoured waste management solution. In recent years, they have even tried to rebrand waste incineration as a 'renewable' energy source, even though it is not energy-efficient and a source of air pollution. This means building large incineration plants that are lucrative for private companies but costly for local authorities and users. These incinerators in turn require large amounts of waste, which is why private companies do not encourage waste reduction. It is often when they are confronted with the need to build a new incinerator or create a new landfill that local authorities throughout Europe decide, in order to avoid these costs, to engage in active waste reduction or even 'zero waste' policies.

In the school restaurant sector, remunicipalisation is part of a wider trend toward more local, sustainable food provision, as opposed to the industrial and standardised food sourcing systems that have long been characteristic of companies such as Sodexo or Elicor. Remunicipalisation helps local authorities to control and limit the pricing changes that are associated with the shift to higher quality, local food. Private providers are now increasingly forced to adapt to these requirements. And naturally, cities that have always kept school restaurants under public management, such as Grenoble or Paris, are also leading the trend by aiming at 100 per cent organic food. This remunicipalisation trend can be observed both in large cities (Nice, Rouen, Amiens, Avignon, Valence) and in small villages. Remunicipalisation also allows for implementing change through close collaboration with the local farming community, turning school restaurant remunicipalisation into a wider local, sustainable economic development

project. In the small city of Mouans–Sartoux, in the South of France, the municipality even bought a piece of farmland and employed a farmer to provide the local school restaurants with 100 per cent organic food.

In the public transport sector, one of the key drivers for remunicipalisation is the need for better alignment between transport services and local urban development policies, in order to encourage the use of public transport or non-polluting transport rather than cars.

Finally with regard to the energy sector contracts that fall beyond the scope of the national companies, such as collective heating in urban contexts or street lighting services, some cities are seeking to remunicipalise services to shift to renewable energy sources and fight energy poverty. For example, the city of Champigny, in the suburbs of Paris, has ended its heating contract with Engie in order to develop a fully public and affordable heating service based on geothermal energy.

Box III

Municipal farmland for all-organic school restaurants

If a city wishes to provide 100 per cent organic food to children in school restaurants, and if private providers are not able to meet this demand, why not grow it? Two small French towns, Mouans–Sartoux (south of France, 10,500 residents) and Ungersheim (Alsace, 2,000 residents), have pioneered the approach of buying farmland and creating a “municipal farming service” (*régie agricole municipale*) to grow organic food for the local school restaurants. Both towns have been providing 100 per cent organic and seasonal food to school students since 2012 and 2009, respectively. Most of this food comes from the municipal farm or other local sources. This system has allowed them to switch to all-organic food at a very low cost. Having these public organic farms also

offers educational opportunities for school students and town residents. Other towns such as Barjac (south of France) have adopted a similar approach, but by facilitating the development of local organic farming co-operatives, which have a long-term partnership with the municipality and the city's school restaurants.

Why the public-private debate is still relevant

Because of the remunicipalisation trend in the water sector and the changes in privatisation contracts, it has been suggested by many experts – and indeed by private water companies themselves – that the issue is now somehow resolved, and that the distinction between public and private management of water services is no longer as relevant as it used to be. In reality, there are still many problems with the private management of water, even with the new contracts, including in terms of financial transparency. While cutting off water to households because of unpaid bills is now illegal in France (a law to that effect was passed in 2013, as an implicit recognition of the right to water), private water companies are still trying to have this new legislation repealed and, meanwhile, are refusing to respect the interdiction, in spite of having lost multiple court cases initiated by families who had their water cut off.

Suez and Veolia are now seeking new business models in response to the remunicipalisation wave. Part of this shift involves looking for new customers, particularly in the energy and industrial sectors, to compensate for their market losses in public water services. It also involves a new emphasis on technological solutions, including water treatment and decontamination, and data-based management technologies, which they use themselves as water providers but also seek to 'sell' to public water operators. This could lead, in the future, to new forms of "quasi privatisation" of water services, because of technological dependence and because of the long-term costs of these technologies. Finally, water com-

panies claim that the current trend of consolidation of water services on a larger scale (merging of communal water services into larger intercommunal services) will benefit them in the long run, but at this point there is little evidence to sustain this claim, which mostly serves to reassure their shareholders. It is true, however, that larger water services, more remote from citizens, could lead to a loss of democratic accountability.

Fundamentally, the debate between public management of collective services and privatisation is about who pays the price for these services, and who gets the benefits – in financial terms, but also in social and environmental terms. But it is also a debate about the very nature and purpose of public services. In France, remunicipalisation in the water sector and beyond shows public management is leading the way in terms of reinventing local, democratic, sustainable public services with a focus on basic needs and social justice.



Olivier Petitjean is a French writer and researcher, who is currently the chief editor at the Multinationals Observatory, an investigative website on French transnational corporations.

Endnotes

- 1 See: <https://www.mediapart.fr/journal/france/290414/marseille-des-contrats-de-leau-trop-favorables-veolia-et-suez>