Taking our Public Services Back In-house

A REMUNICIPALISATION GUIDE FOR WORKERS AND TRADE UNIONS

APPENDIX - COMPENDIUM OF 50 REMUNICIPALISATION CASE STUDIES
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Appendix - Compendium of 50 remunicipalisation case studies

This section offers an overview of remunicipalisation cases across sectors, drawing on research and interviews, and identifying the main lessons learned.

TABLE 1: LIST OF CASES IN THE COMPENDIUM TO THIS REPORT

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CASE 1. GERMANY, BERLIN

Private company: Vattenfall (Swedish public company)
Time as private: 1997
Drivers of remunicipalisation: Contract expiry in 2014, demand for green energy
Process: civil society mobilisation

The fall of the Berlin Wall saw a wave of privatisation sweep over the city in the 1990s. The energy sector was no exception. In 1997, Berlin sold its energy grid to a private Consortium which the company Vattenfall took over in 2001.¹ The move was highly profitable for the private providers. Vattenfall made €80 million profit from Berlin’s energy network in 2012 alone.²

From late 2010, activists from Attac, Powershift and other organisations, aware that the contract with Vattenfall was to expire in 2014, came together to launch the Berliner Energietisch (Berlin Energie Roundtable) remunicipalisation campaign.³ The Berliner Energietisch, organised using the principles of participatory democracy, grew to be a coalition of 55 different civil society organisations.

in November 2013, on the eve of the contract expiry with Vattenfall, the Berliner Energietisch forced the city to hold a referendum on the remunicipalisation of the energy grid. The aim was the creation of a democratic, transparent, independent utility company that focused on green energy and combating fuel poverty.⁴ But it failed. While over 80 per cent of votes were for remunicipalisation, only 24.1 per cent of the population voted, just short of the 25 per cent participation a referendum needs in order to be valid.⁵

However, the referendum had an impact as Berlin’s government announced that it would initiate remunicipalisation processes for the electricity grid through Berlin Energie, a new public entity, which had been created in 2012 as a subsection of the local administration, but stopped short of being a totally independent public utility company (Stadtwerk). While Berlin Energie planned to take over the grid when the license expired in 2014, the process was delayed by Vattenfall initiating legal proceedings. Eventually, Vattenfall lost the court cases and the grid was passed over to Berlin Energie in 2019.⁶

While the successful remunicipalisation means that Berlin Energie will own and control the grid for the next 20 years, there is still private sector involvement. Berlin Energie entered a ‘consultancy’ PPP with Edis, a subsidiary of E.ON, a leading private energy supplier, around staffing and other issues. Edis may well view this PPP as an opportunity to profit from Berlin’s energy market.⁷ The arrangement was viewed with skepticism by the pro-remunicipalisation campaigners.⁸ It was also ironic that on the same day the Berlin Energie was announcing is cooperation with Edis, Vattenfall and E.ON were taking the German government to court over its phasing out of nuclear power.⁹
CASE 2. GERMANY, HAMBURG

Private company: Vattenfall (Swedish public company)
Drivers of remunicipalisation: Expiry of contract, demand for renewable energy and environmental concern
Processes: Referendum, large civil society coalition for remunicipalisation of the energy grid, as well as the creation of a new local public supply company, Hamburg Energie.

History of privatisation

Until 1998, in Germany, electricity and gas sales were operated by municipal utilities and other territorial suppliers. This was changed with the bill on the revision of the Energy Industry Law (EIL) that liberalised the German electricity supply market. A few years later, in 2003, the gas market was also liberalised. The view behind the EIL was that liberalisation would lead to reduced energy prices, yet the opposite was the case: average prices rose by over 75 per cent between 1998 and 2018, while inflation was just 26 per cent over this 20-year period.

Four big companies (Vattenfall, RWE, E.ON, EnBW) were created through mergers in 1997-2003. While liberalisation led to more competition, and users could choose between around 100 different energy providers, the ‘big four’ still dominated the market, with a market share of 68 per cent in 2013. The monopolisation of the energy market was facilitated by the fact that there were a few large power-generating companies and many small providers (municipal utility companies) which did not generate their own electricity. The liberalisation of the supply market went hand in hand with the privatisation of the energy grid. Hamburg privatised its grids for electricity, long distance heating and gas around around the year 2000.

Creation of a new public utility company (municipalisation)

Despite their market share and their profitability, the ‘big four’ performed very poorly on renewable energy. Vattenfall, the Swedish multinational that dominated the market in Hamburg, was no exception: it produced energy mainly through coal-fired power stations. Aiming to increase renewable energy in Hamburg, the Conservative-Green local government founded a utility company in 2009 called Hamburg Energie. Hamburg Energie is an autonomous subsidiary of Hamburg waterworks, which were fully in public hands. Hamburg Energie supplies and produces green energy. While its user numbers are growing, it is only serving a small percentage of the population: by the end of 2016, 6.7 per cent of the population (125,000 people). Vattenfall still has the biggest market share in Hamburg. In 2016 it provided electricity to around 70 per cent of Hamburg’s population.

Campaign for the remunicipalisation of the grid

While Hamburg Energie is a successful example of municipalisation through the creation of a public company, the progress in renewable energy was still not enough for Hamburg’s citizens. As the type of energy supplied depends on the management and capacity of the grid, Hamburg’s citizens demanded the remunicipalisation of the electricity and gas grids as well as of the long-distance heating provision.

The main motivation for the remunicipalisation was an environmental concern. It was argued that remunicipalisation of the grid would enable the extension of renewable energy, as it would give Hamburg more control over energy provision and also enable the local authority to make the investments needed so that the grid would be capable of transporting renewable energy more efficiently. Moreover, it was argued that the profits from the provision of energy should benefit Hamburg and not multinational companies. Interestingly, social and democratic concerns were only a minor concern in the coalition’s call for the referendum, as were high energy prices.

In 2011, a broad coalition of different civil society organisations, including Attac, Friends of the Earth, parts of the Lutheran Church, the Customer Advice Centre and a campaign group against the coal-fired power station came together to launch a campaign for a referendum to remunicipalise the energy grid. The campaign grew quickly and was supported by around 50 civil society organisations and many independent activists.

Vattenfall’s fightback

However, as the date of the referendum in 2013 came nearer, a counter-campaign emerged that tried to persuade people to vote against the remunicipalisation
of the energy grid. This campaign, while assumed to be initiated by the private providers, was backed by business associations and also the mayor and the main political parties, who all followed a neoliberal agenda at the time. Vattenfall launched an advertising campaign in three main newspapers (Bild, Hamburger Abendblatt and Die Welt) and across local transport about one month before the referendum. The adverts used a sentimental advertising approach to praise Vattenfall as a traditional Nordic company in order to tap into the Nordic identity of many Hamburgers and showcased Vattenfall as a safe energy provider. This advertising strategy was illegal. According to German law, the grid operator runs a monopoly and is therefore only allowed to advertise in moderation to maintain a good image. If the grid operator is also supplying and producing energy, the services are not allowed to be mixed in the advertisement, so that the grid operator cannot abuse its monopoly position. But this is exactly what Vattenfall did in its advertising campaign before the referendum. Hamburg threatened the company with fines up to €10 million. However, it seems that Vattenfall considered this risk worthwhile, compared to the lucrative income stream over decades that the grid would provide.

**September 2013, success**

Despite the counter-campaign against the referendum and Vattenfall’s illegal advertisement, the referendum for the remunicipalisation of the energy grid was successful. However, it only won by a small majority - 50.09 per cent - of the people voted for the remunicipalisation of the energy grid, while 62 per cent of the people eligible to vote participated. The referendum took place on the same day as the German national election, which facilitated the high voter turnout. In 2014, the energy grid was repurchased for €495.5 million. This figure includes a 2011 purchase of 25.1%. In January 2018, Hamburg also acquired its gas distribution network for €275 million.

Since the remunicipalisation, Hamburg has invested in the infrastructure of the electricity grid to make it fit for the transition towards renewable energy. It plans to further invest €2 billion over the next decade as the grid is old and needs to be maintained, modernised and extended to facilitate the transition towards increased renewable energy supply.

On the other hand, Vattenfall, no longer in the lucrative position to reap profits through the grid, made up for this lack of income by raising electricity prices by 3 per cent in April 2016. In its press release it justified the price increase by its higher fees for the grid due to the remunicipalisation. This is a clear indication of a private sector fight-back and revenge strategy, that aims to make up for lost profits elsewhere while simultaneously damaging the reputation of the remunicipalisation. Consequently, in 2017 Hamburg was the third most expensive region for electricity services.

**Remunicipalisation as a stepping stone for the transition towards renewable energy**

The struggle over Hamburg’s energy supply is far from over. The referendum also included the option to repurchase the long distance heating provision by the end of 2019. However, Vattenfall, which currently owns 74.9 per cent of the long distance heating grid, is still trying to prevent its remunicipalisation. Vattenfall currently operates a profitable coal fire power station, Moorburg, near Hamburg and aims to use Moorburg energy for long distance heating. Meanwhile, Hamburg wants to terminate this power station due to its negative environmental impact. The coal-fired power station Moorburg generates an increasingly large share of Hamburg’s energy. In total, Hamburg used 10 million megawatt hours in 2016, of which 9.4 million megawatt hours came from fossil fuels. This is mainly from Moorburg, where the electricity for 8.5 million megawatt hours was generated. This was 1.5 million megawatt hours more than in the previous year. In the same time renewable energy decreased by 16 per cent. In 2016, only 0.5 million megawatt came from renewable energy in Hamburg, which is only 4.6 per cent of the entire electricity consumption. However, Hamburg’s citizens have not given up the fight against Vattenfall: a referendum for Hamburg’s coal exit is already planned for 2022 by Hamburg’s civil society coalition “Tschüss Kohle”.

**Benefits from the remunicipalisations**

Since the remunicipalisation the city of Hamburg has managed to achieve a healthy surplus, it is steadily paying back the loan it took in order to buy back the energy grid, thus showing that the remunicipalisation was – in the long run – a financially wise decision. Moreover, the Green party in Hamburg gained in popularity in the February 2020 election. The remunicipalisation of the grid has arguably impacted on the election result, as the party listened to voters, demands for green energy. Hamburg thus showcases that remunicipalisation policies can facilitate the vitalisation of progressive parties.
CASE 3. GERMANY, STUTTGART

Private company: Energie Baden Württemberg (EnBW)
Time as private: 2002-2014
Drivers of remunicipalisation: contract termination, demand for renewables
Process: civil society mobilisation

In 2002 the municipal energy grid in Stuttgart was privatised. A decade later, in 2011, Stuttgart city council created a municipal utility company, Stadtwerke Stuttgart (SWS), as a subsidiary of Stuttgarter Versorgungs- und Verkehrsgesellschaft, in charge of public transport. A few years later, in 2014, it took over the distribution networks (gas and electricity). An ambitious energy transition followed the remunicipalisation, which aims to make Stuttgart a zero-emission city by 2050. In order to do so, Stuttgart plans to reduce primary energy use by 65 per cent and cover the remaining 35 per cent with renewable energy. Stuttgart offers energy efficient advice services and bonuses for the purchase of highly efficient equipment. Moreover, it is expanding the operation of renewable power plants in order to produce enough green electricity to cover the whole city’s demand by 2050.

CASE 4. GERMANY, WOLFHAGEN

Private company: E.ON
Time as private: 1996 - 2009
Drivers of remunicipalisation: demand for energy sustainability, renewables
Process: community mobilisation

Wolfhagen, a small town of around 14,000 inhabitants located in the middle of Germany, has been a pioneer of the energy transition (Energiewende) in Germany. In 2006 Wolfhagen remunicipalised the electricity grid, when the 20-year-long contract expired. The transition had taken three years to negotiate with E.ON, the multinational company that previously ran the services. The already existing local utility company, Stadtwerke Wolfhagen, took over the electricity service. Just two years later, Wolfhagen won a prize for being the most energy efficient city in 2008.

In 2010, the Stadtwerke had the idea to widen participation and to increase the capital for investment in renewable energy by establishing a local cooperative that would partly own the Stadtwerke. In 2012 the Bürgerenergiegenossenschaft Wolfhagen (BEG) was founded with 264 members and capital of over €800,000. It attained 25 per cent of the Stadtwerke. Only electricity users can become a member of the cooperative by buying a share of €500. The maximum number of shares a member can have is 40. This model enabled the Stadtwerke to have more capital available for renewable energy projects while it also functioned as a stable investment for the members. But moreover, members could directly participate in decisions and projects of the Stadtwerke through their general meetings. And the BEG is also represented in the governing body of the Stadtwerke Wolfhagen, which consist of nine people, of which two are representatives of the BEG, one of the work council and six of the municipality. In March 2018, the BEG had 850 members and managed about €4 million for its members. While this partnership between the cooperative and the public local utility company widened participation and involved the local residents in the decision making process, it excluded less well-off residents. Only people who could afford to buy a share of the cooperative were permitted to become members. A one-off payment of €500 was affordable to most people in the town, yet still a system which includes less affluent people.
ENERGY

CASE 5. LITHUANIA, VILNIUS

Private company: Vilniaus Energija, a subsidiary of the French multinational Veolia
Time as private: 2002-2017
Drivers of remunicipalisation: contract termination
Process: state-led campaign with regulators

Vilniaus Energija, a subsidiary of the French multinational Veolia, transferred the Vilnius district’s heating grid back to the municipal heating supplier Vilniaus Silumos Tinklai after its 15-year leasehold of the assets expired in late March 2017.  

Vilniaus Energija supplied heating to about 80 per cent of buildings in Vilnius, which accommodate about 90 per cent of the city’s population.

The process preceding the remunicipalisation was long and conflict-ridden. In early 2016, Veolia took the Lithuanian government to the International Centre for Settlement of Investment Disputes in Washington, demanding about €100 million in compensation for what it said was unfair state behaviour and appropriation of its investments in Lithuania.

Meanwhile, in September 2016 the energy market regulator in Lithuania found that Vilniaus Energija generated an unlawful excess profit of €24.3 million in the 2012-2015 period. And after the remunicipalisation, in March 2017, the city of Vilnius submitted a claim worth around €200 million to Veolia and Vilniaus Energija seeking compensation for damage caused to the assets during the lease period. And then decided to turn to the Stockholm ISDS arbitration court to demand the compensation. The court cases are still ongoing.
In 2015 the Nottingham City Council launched Robin Hood Energy, which was the first not-for-profit energy company run by a local authority in the UK. Robin Hood Energy’s priority is to tackle fuel poverty. Fuel poverty means that the household’s income would fall below the official poverty line if spending the actual amount that is needed to heat the home and its energy costs are higher than typical for its household type. Figures from 2015 show that in England alone, 11 per cent of the population (2.5 million people) were living in fuel poverty. This figure has been rising constantly over the last few years. Nottingham was one of the areas the most affected with 15 per cent of the population living in fuel poverty. Robin Hood Energy succeeded in making energy cheaper. On average, Nottingham residents save £315 a year if they use Robin Hood Energy. Robin Hood Energy buys the energy in bulk from the National Grid, one of the world’s largest investor owned utility companies, which owns the electricity transmission system in England and Wales and the gas transmission system in Great Britain. To start the public company, Robin Hood Energy borrowed the money from Nottingham Council at commercial interest rates and broke even by April 2018. Moreover, between April 2016 and April 2017 almost 30 per cent of Robin Hood’s supply came from renewable energy, which is higher than the UK average which lies below 25 per cent. A year later the municipality in Bristol followed with Bristol Energy which also aims to extend the local renewable energy production in the future. They currently source 40 per cent from renewables. Other cities followed, mostly aided through a white label partnership with Robin Hood Energy that allows other councils to launch their own energy suppliers. The partnership means that the tariffs and customer service will be provided by Robin Hood Energy and that the council does not need to get their own license. In this way Leeds set up its own public not-for-profit energy company, White Rose Energy, in 2016. In 2017, Liverpool followed with Liverpool Energy and Community Company (LECOY), Derby and the Rest of the Midlands with RAM, the Borough of Islington followed with Angelic Energy in the UK’s capital, Sussex with “Your Sussex Energy” and Doncaster with Great Northern Energy. Within three years, by the beginning of 2018, 118,000 people had signed up to Robin Hood Energy and its partner companies. It currently employs 180 people and is an accredited living wage employer, which means that all employees are earning at least the living wage (£8.75 in 2018), which is adjusted every year in November in accordance with the calculations made by the Living Wage Foundation. Most of the Robin Hood Energy staff are on permanent contracts and nearly all (90 per cent) are employed in Nottingham directly by Robin Hood Energy. Learning from the success of Robin Hood Energy, Scotland is now planning to set up a public energy company by 2021. Like with the other municipal energy providers, its aim is to reduce fuel poverty. However, the public sector trade union, UNISON, raised concerns that these municipal companies could end up being just a cheaper alternative of the big six energy companies – which employ thousands of UNISON members. Instead of setting up competing municipal energy companies in a liberalised energy market, UNISON proposes the nationalisation of the big six energy companies in the UK, which dominate the market. Currently, the big six serve 75 percent of the customers in the UK. The nationalisation of the big six could benefit workers and service users alike. It also would provide an opportunity for redistribution, as currently the poorest customers pay the highest electricity prices, as they pay through pre-paid meters for which the charges are higher than when paying through a monthly bill.
Following the 2006 drought that reduced the country’s hydro power production capacity, Tanesco, the Tanzanian state utility company, responsible for the generation, transmission and distribution of electricity, signed a short-term emergency energy contract with Richmond Development Company (RDC). The contract was worth $179 million. It turned out that RDC was unexperienced in delivering electricity though generators and unable to provide the electricity. So, towards the end of 2006, RDC passed on the contract to Dowans Holdings, without informing Tanesco first. In early 2008, a parliamentary committee investigated the contract, and produced the ‘Mwakyembe Report’. It found that the RDC was an unsuitable provider because it “lacked experience, expertise and was financially incapacitated”. The contract had overlooked key legal provisions, showed evidence of influence peddling by senior government officials, and involved corruption. The enquiry also found evidence of political interference at a senior level in the government in support of RDC and granting the company favourable credit terms in contravention of national regulations and those of the IMF Multilateral Debt Relief Initiative fund that it was using for this purpose. After the release of the Mwakymbe report, the Tanzanian Prime Minister, Edward Lowassa, who was said to have made the final selection of RDC, and two other ministers resigned, prompting the Tanzanian President to dismiss his entire cabinet and to form a new government. Despite the Mwakyembe report’s condemnations of the contract, considerable public pressure was still required to force the new government to try and terminate it. It was first thought that Dowans would sell the power plants to state-owned Tanesco at a cost of $60 million. But some MPs suggested the plants were fake or dubious and also the World Bank procurement procedures prohibited the government from buying used equipment and machinery. Consequently, the nationalisation was prevented, as it was decided that Tanesco would not buy the machines from Dowans. Dowans Holdings took Tanesco to the International Chamber of Commerce (ICC), alleging breach of contract and claiming compensation. In November 2010 the ICC ruled in favour of Dowans. The arbitration tribunal found that, even though RDC had transferred the contract to Dowans without the approval of Tanesco’s Tender Board, this did not invalidate the contract itself. The ICC arbitration tribunal ordered Tanesco to pay $123.6 million (about Sh185.5 billion) to Dowans in settlement of its claim. The ICC decision caused public anger, and many demanded the government should not pay the award. A demonstration was initiated but banned at the last minute by the police because of security fears. Human rights activists and Tanesco appealed against the ruling, arguing that paying the compensation to Dowans was against the public interest. But all the appeals were lost. Instead of remunicipalising the service, the US registered company Symbion then acquired the generator plant from Dowans in May 2011 and has been operating it since.
5. Ibid.
8. Ibid.
11. Ibid.
13. Ibid.
15. Hamburg Energie. (no date) Wir sind Partner für die Energiewende. Hamburg Energie. Available at: https://www.hamburgenergie.de/privatkunden/ueber-uns/unternehmen/


36. Ibid.

37. Ibid.

38. Email exchange with the board of the BEG Wolfhagen on the 26 March 2018.


44. The Baltic Times (4 May 2017) Vilnius to turn to Stockholm arbitration over France’s Veolia. The Baltic Times. Available at: https://www.pressreader.com/latvia/the-baltic-times/20170504/281805693835066


47. Ibid.

48. Ibid.


52. Robin Hood Energy (n.d.) What fuels are used to generate my electricity? Robin Hood Energy. Available at: https://robinhoodenergy.co.uk/home-help/fuels-used-generate-electricity/


57. Robin Hood Energy (n.d.) What a year! Robin Hood Energy. Available at: https://robinhoodenergy.co.uk/news/what-a-year/


64. Ibid.

65. Ibid.

66. Ibid.

67. Ibid.


70. Ibid.

Public service privatisation in Australia has been aggressively promoted and implemented since the 1980s. In 2016, ahead of a looming threat of even more public service privatisation by the conservative government then in office, Australian public service unions joined forces with civil society organisations and launched a participative, transparent and democratic assessment of the consequences of 20 years of public services privatisation to shift the dominant political discourse and public opinion over public service. This is how Australia’s “People’s Inquiry into Privatisation” was born.

In Australia’s “People’s Inquiry into Privatisation”, public sector trade unions joined forces with civil society groups, communities and public services users to redress the power imbalance with pro-public service privatisation corporate lobbies and to counter the neoliberal narrative that private public services management is more effective. The Inquiry was a way to build a vision around a new generation of public services with people’s needs and welfare at their heart, not profit. The Inquiry’s partners adopted the typical methodology used by the Australian government to issue recommendations for future policy and legislation though a public inquiry consisting of a series of public consultations whose conclusions would be captured and published in a public, independent report. The Inquiry’s partners especially insisted on the participatory, transparent and grassroots approach of the consultations, which ran for 18 months.

The Inquiry’s partners approached three independent rapporteurs from progressive think-tanks, who accepted to run the inquiry on a totally voluntary basis under the condition they would have total control over the content of the final report. They identified appropriate city targets, focusing on large and strategic agglomerations, but also on rural towns and intermediate cities to ensure a full coverage of the diversity of privatisation’s impact on people, including in different regions and economic background.

To keep the inquiry as independent and neutral as possible, the coalition decided to use hotel halls as venues, instead of e.g. union venues or churches that carried a partisan connotation. Unions and some of the civil society organisations provided in-kind and human resources support with staff that would help the panellists with the practical organisation of the public hearings (flights, logistics, booking of venues and accommodation, refreshments, hearing transcripts, etc.); digital communication, grassroot mobilisation via calls and flyers and social media work to encourage community participation. Unions also contributed financial resources to pay for the rental of the venues (hotel halls), refreshments, panellists’ travel and accommodation expenses and for a professional editor and graphic designer for the final report.

Participation in the public hearings was encouraged via the creation of a dedicated website describing the

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**CASE 8. HEALTH CARE, AUSTRALIA, VICTORIA**

Private company: Ramsay Health Care  
Time as private: 2000-2020  
Drivers of remunicipalisation: contract termination, unsatisfactory service  
Process: civil society mobilisation.

In 2019, the Victorian Government announced that it will take over management of the state’s only privately-run public hospital. Ramsay Health Care had operated the Mildura Base Hospital since it opened almost 20 years ago under a PPP scheme. The remunicipalisation was the result of a strong community push after standards of patient care dropped.

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**Box 1: Australia’s “People’s Inquiry into Privatisation” 2016**

Public service privatisation in Australia has been aggressively promoted and implemented since the 1980s. In 2016, ahead of a looming threat of even more public service privatisation by the conservative government then in office, Australian public service unions joined forces with civil society organisations and launched a participative, transparent and democratic assessment of the consequences of 20 years of public services privatisation to shift the dominant political discourse and public opinion over public service. This is how Australia’s “People’s Inquiry into Privatisation” was born.

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Participation in the public hearings was encouraged via the creation of a dedicated website describing the
purpose of the inquiry and encouraging people to make public submissions about their experiences and recommendations over privatised public services in Australia. The page was connected to related social media pages (Facebook and Twitter) and coalition members’ activists spread the word via calls, leafleting, email groups, and via grassroot work talking to their contacts and communities about the inquiry, using the same principles of door-to-door political campaigning and union organising.

While extremely labour intensive, this approach turned out to be necessary and the most effective in rural towns and intermediate cities, whereas digital communication worked well in cities such as Adelaide and Melbourne. Big cities were also where the unions had lots of members who could do the outreach. People wishing to contribute and speak at the public hearings in front of the panellists could sign up on the website as well as at the venue, and would be given five minutes each, followed by 10 minutes discussion, had they made a submission or not.

An obstacle was the confidentiality clauses some of the public service workers were bound by so that they could not share their full experience, whereas users did not have that same constraint. The communication team featured a press release after each hearing with the main highlights and conclusions from the session, and the biggest stories were disseminated among the mainstream media.

The Inquiry enabled Australian trade unions to leverage their key asset - their membership - in communities and on shop floors. It provided the education, the solid arguments and cases needed to build up the confidence to articulate why public service privatisation was harmful for people, users and communities and argue that viable public solutions existed. It unveiled the concrete ways in which public services privatisation had negatively impacted service users’ and workers’ lives, such as in the case of failing disability children’s services. It helped build a different narrative that went against the dominant neoliberal pro-privatisation dogma, creating a favourable context in which to reclaim public service ownership and management for the public.

The final Inquiry report was strategically released ahead of two state elections and was used to inform the federal election campaign. It created a solid factual advocacy and policy basis that glued the different organisations’ part of the campaign together and helped them develop a way of working together for the common objective of promoting public services in public hands and for the people. It was also critical to influence the policy of Australia’s national centre (ACTU), which in turn could influence policy makers seeking labour support and helped educate and rally support from private sector unions on publicly held public services.

Source: M. Whaites, PSI
HEALTH CARE

CASE 9. LUOYANG, CHINA

Time as private: 2011-now
Drivers of remunicipalisation: benefits of privatisation failed to materialise.
Process: state reversal of process

In 2011, the local government transformed 14 public hospitals into private, employee-owned, non-profit hospitals. The employee ownership was divided between ordinary staff that owned 49 per cent of the shares in each hospital, and management, which were given 51 per cent of the shares. However, the employees were not happy with this ownership system as no bonuses were awarded and there was no clear correlation between working harder and gains in employees’ salaries. The system proved to be especially problematic for already retired employees. Eight years later, in 2019, the local government took steps to reverse the process as the privatisation clearly failed. The government therefore decided to regain control of the local hospital systems by bringing it back into public ownership.5

CASE 10. DENMARK, SOUTH DENMARK

Private company: Bios
Time as private: 2015-2016
Driver of remunicipalisation: company went bankrupt, service failure
Process: state reversal of process

In August 2014 the regional council of Southern Denmark decided to outsource ambulance services to the newly created Dutch-Danish company, Bios, starting on 1st September 2015. Soon after the privatisation, problems emerged, including a reduction in the speed of response rate which put patients at risk. Consequently, Bios had to pay penalty fees for not meeting its contractual obligations. Moreover, Bios had an increasing amount of debt to service and was forced to declare bankruptcy in July 2016. In September 2016 it stopped paying its staff. By mid-August the region’s public Syddanmark took the ambulance services back under its control.6

CASE 11. INDIA, DELHI

Drivers of remunicipalisation: cost-saving
Process: decentralised control from central government to local

In 2015 the newly elected local government of the Aam Aadmi Party began to set up affordable primary healthcare community clinics across Delhi. These clinics, which are called Mohalla (community centres), consist of a doctor, a nurse, a pharmacist and a lab technician.7 The clinics are of a small size and are situated in pre-fabricated portable cabins that can be easily set up virtually anywhere. They cost only 2 million rupees (approximately €250,000) much cheaper than government dispensaries which cost approximately €360,000.8 The government promised to set up a 1,000 Mohallas. By November 2017, 162 clinics had been established.9 The clinics offer 110 essential drugs and 212 diagnostic tests to people free of cost.10 The government claims that between the second half of 2015 and 2017, 2.6 million people have been treated in Mohallas.11
HEALTH CARE

CASE 12. UK, HINCHINGBROOKE

Private company: Circle
Time as private: 2012-2013
Drivers of remunicipalisation: unsatisfactory service, failure
Process: company withdrawal

In 2012, Circle won a ten-year contract to run the NHS Hinchingbrooke hospital, a small district general hospital in Cambridgeshire, with some 250 beds and nearly 1,500 staff. It was the first NHS hospital in the UK to be handed to a private management firm since the NHS was established in 1948.12

Not even one year later, in January 2013, the UK’s parliamentary public accounts committee expressed concerns that Circle’s bid to run Hinchingbrooke hospital had not been properly risk assessed and was based on overly optimistic and unachievable savings projections.13 The following year, in 2014, the Care Quality Commission (CQC), the independent regulator of health and adult social care in England, inspected the hospital and gave it an overall rating of ‘inadequate’. It found a catalogue of serious failings that put patients in danger and delayed pain relief. The hospital was put into special measures; this was the first time the CQC had taken such a step.14

Circle handed back the hospital to the NHS in March 2015.15 Circle cited financial considerations when announcing its withdrawal but conceded that the CQC report had also been a factor in its announcement.16 Circle left behind a deficit well above the level that it contractually committed to cover, leaving the taxpayer to pick up the rest of the bill: Circle’s deficit for the first nine months of 2014-15 was £7.5 million, which is beyond the £5 million cap on losses for which Circle is made liable under contract.17

CASE 13. UK, SOMERSET

Case 13. Health Care, UK, Somerset
Private company: Vanguard Healthcare
Time as private: 2014-2014
Drivers of remunicipalisation: unsatisfactory service
Process: National Health Service terminated contract

In Somerset UK, the Musgrove Park Hospital contracted out eye operations to private company Vanguard Healthcare in 2014.18 Vanguard agreed to perform 20 cataract operations a day, which were at least six more than the hospital’s own surgeons would usually undertake.19 Within days the private failure became obvious. Half of the patients, to be precise 31 out of 62 treated patients, had suffered problems.20 Some patients said they felt the procedures were hurried, complained of pain during the operation and claimed they were shouted at by medical staff. Consequently, the hospital’s contract with Vanguard Healthcare was terminated after only four days. One patient, who lost his eyesight, entered legal procedures to claim for ‘substantial damages’. The patient is expected to be awarded tens of thousands of pounds – paid for by the NHS and thus the taxpayer and not the private company.21
2. Nurses and Midwives’ Association (NSW), CPSU, CPSU-SPSF, Australian Services Union, ETU, and their global union federation PSI
3. ActionAid and PerCapita.
6. BT (31 March 2017) OVERBLIK: Konkursboet Bios kørte ambulancer i under et år. BT. Available at: https://www.bt.dk/politik/overblik-konkursboet-bios-koerte-ambulancer-i-under-et-aar
8. Ibid.
9. Raja, V. (27 November 2017) Here’s a Look at What’s Making AAP’s Mohalla Clinic a Hit in the Capital. The better India. Available at: https://www.thebetterindia.com/122432/aap-mohalla-clinics-delhi/
10. Ibid.
14. BBC (2 February 2015) Hinchingbrooke Hospital: Circle to hand back to NHS by end of March. BBC. Available at: http://www.bbc.co.uk/news/uk-england-cambridgeshire-31104003
15. Ibid.
17. Pimmer, G. (9 February 2015) First privately-run NHS hospital seeks £10m taxpayer bailout. Financial Times. Available at: https://www.ft.com/content/770804fc-b070-11e4-a2cc-00144feab7de
CASE 14. CANADA, MONTREAL

Private company: n/a
Time as private: 201--2014
Drivers of remunicipalisation: unsatisfactory service, corruption
Process: termination of contracts after an inquiry

In 2013, several boroughs in Montreal, such as Villeray–Saint-Michel–Park-Extension, Rosemont–La Petite-Patrie, and Côtes-des-Neiges–Notre—Dame-de-Grâce, decided to insource the maintenance and construction of sidewalks. The public insourcing took place after a public inquiry had exposed province-wide corruption and collusion in the construction industry. Companies had been awarded contracts at highly inflated prices. According to the mayor of Villeray–Saint-Michel–Park-Extension the quotes of the private contractor were 25-44 per cent higher than expected.

Consequently, the sidewalk maintenance was brought back under public ownership in 2014. Through the public sector insourcing substantial cost savings could be achieved, for example Rosemont–La Petite-Patrie saved $150,000 (or 18 per cent of the budget) in 2015.³

CASE 15. UK, CUMBRIA

Private company: Capita
Time as private: 2001-2011
Drivers of remunicipalisation: unsatisfactory service and cost saving opportunities
Process: contract expiry

In 2001, Cumbria County Council signed one of the first major PPPs for highway and road maintenance in the UK. When the contract expired in 2011, Cumbria decided to take the services for highway and road maintenance back in-house. It is estimated that Cumbria has saved £1.8 million a year since it ended the PPP. Moreover, the local authority can respond better to natural disasters such as floods, which are not uncommon in England’s Lake District.²
CASE 16. DENMARK, SYDDJURS

Private company: Forende Care
Time as private: 2012-2016
Drivers of remunicipalisation: deterioration of service and working conditions
Process: contract expiry and non-renewal

In 2012 in Syddjurs, Forende Care, a Danish Private healthcare provider, took over the running of the care home Søhusparken. Soon after the company took over the contract the service deteriorated and the working conditions worsened. When the contract expired after four years the municipality chose not to renew it and brought the care home back under public ownership. 72 employees were taken back in-house.

After the remunicipalisation, the city council invested NOK 900,000 (€120,000) to train staff.6

CASE 18. NORWAY, OSLO

Private Company: Norlandia
Time as private: ended 2017
Drivers of remunicipalisation: company failure
Process: termination of contract

After various scandals about the private failure of Norlandia in running care homes in Oslo, the city council decided to take back the care homes in-house in January 2017. The decision to remunicipalise the care homes translated into pay rises of 40,000-50,000 NOK (€4,100-5,100) in 2017 per worker.6 The trade union Fagforbundet had lobbied hard to put remunicipalisation on the national policy agenda.

CASE 17. NORWAY, BERGEN

Time as private: ended in 2016
Drivers of remunicipalisation: working conditions
Process: trade union campaign

In Bergen, Norway, two care homes for the elderly were remunicipalised in May 2016. The staff benefited from the remunicipalisation. Wages increased, and a new pension scheme was introduced that left workers better off.6 Despite the additional costs of nearly 4 million NOK (€400,000) for higher wages and pensions, both care homes managed to be debt free within eight months after the remunicipalisation. The one in the area of Soreide even managed to make savings of 5 million NOK (€500,000).6

There are around 40 nursing homes in Bergen. Since 2016, all are either municipal or run by private nonprofit organisations.6 The process of remunicipalisation was initiated by the trade union Fagforbundet, which started to meet regularly with the Labour Party from 2014 onwards to prepare for the upcoming 2015 municipal elections, thus putting remunicipalisation on the political agenda. When the Labour Party came into power as part of a local coalition government their lobby work paid off.7
CASE 19. FORT MCMURRAY, CANADA

Private companies: Tok Ltd
Time as private: 2013-2015
Drivers of remunicipalisation: company failure
Process: termination of contract

In 2013, the company Tok Ltd won a 15-year contract to run the standard and specialised bus transit services in Fort McMurray, Canada. Shortly after the privatisation, services started to deteriorate. Within the first six months of 2014, there were 1,853 delays and 59 missed trips reported. Consequently, user complaints rose drastically. Just two years after the privatisation, a public audit found that Tok Transit Ltd was not fulfilling staffing requirements, had not kept to the timescale for constructing a bus facility and that user complaints had risen to an unacceptable level. Moreover, the local government’s transit service branch was not in a position to monitor the private contractors’ finances and system utilisation.9

Following the results of this audit, in February 2015 the Regional Municipality of Wood Buffalo exercised a contract provision allowing for cancellation without reason at 90 days’ notice. The fares and the bus schedules remained the same after remunicipalisation. The workers, who were transferred to the municipality, supported the decision to take the service back in-house.10 After the remunicipalisation the quality of the service improved.11
CASE 20. UK, LONDON

Private companies: Metronet BCV, Metronet SSL and Tubelines
Time as private: 2003-2008 & 2003-2010
Drivers of remunicipalisation: company failure
Process: local transport authority terminated contracts

London remunicipalised some of the tube and light rail network in 2007 and 2008. Just a few years prior, in 2003, three large PPPs had been set up to modernise and maintain the underground’s infrastructure. Metronet BCV, Metronet SSL and Tubelines were awarded a 30-year-long contract worth over £1.7 billion. Metronet BCV and Metronet SSL (collectively referred to as Metronet) were owned by a consortium of Balfour Beatty plc, Bombardier Inc., WS Atkins plc, EDF SA and Thames Water plc. The major of London at the time, Ken Livingstone, opposed the PPPs and unsuccessfully tried to prevent the planned privatisation through the courts. Instead he advocated for the financing of Transport for London (TfL) through government bonds secured against future fare revenues.

In 2007 Metronet went into administration as it had accumulated a deficit of over £1 billion and TfL refused to cover the loss. However, prior to the bankruptcy it managed to hand out generous dividends to its shareholders. TfL and the government had to buy back 95 per cent of all Metronet’s debt obligations in February 2008. The national statistics office estimated that the overall cost to the taxpayer of this collapse was between £170 million and £410 million.

In 2010 the PPP with Tubelines was also terminated. This was after Tubelines had a funding gap of £1.35 billion for major repair work on two main tube lines. TfL challenged the cost estimates and won the arbitration award. Consequently, Tubelines could not continue and TfL bought the company for £310 million. The then mayor of London, Boris Johnson, revealed that lawyers’ fees came up to £400 million over the course of the contract.

Since the termination of the Tubelines PPP, the work has been refinanced through bonds and carried out in-house by workers directly employed by TfL. Through this TfL saved billions of pounds.
CASE 21. UK, EAST COAST

Private companies: Great North Eastern Railway (GNER), National Express, Stagecoach and Virgin

Time as private: 2005-2009 & 2015-now

Drivers of remunicipalisation: repeated company failures, poor service

Process: renationalisation.

The privatisation of the UK’s East Coast rail franchise, which connects London with Scotland, failed three times. On being made private, it was first awarded to Great North Eastern Railway (GNER) in 2005 on a 10-year contract. However, GNER abandoned the contract when passenger numbers were lower than expected and its parent company, Sea Containers, went bankrupt. So, in 2007, UK transport multinational, National Express, took over management of the train line. However, two years later the company had accumulated unsustainable amounts of debt related to the franchise and likewise abandoned the contract.20

In 2009, after the second contract failure, the then Labour government decided to nationalise the franchise. It established an organisation, Directly Operated Railways, to manage the line under public ownership. The service improved significantly. User satisfaction and punctuality increased, and the state-owned operator - which no longer had to dish out dividends to shareholders - was more financially successful than the private companies. It even managed to return £1 billion to the government.21

However, in 2015, the Conservative-led Coalition Government chose to ignore the train line’s success under public ownership and reprivatised it. A partnership of Stagecoach and Virgin won the eight-year contract for £3.3 billion. Stagecoach was the majority owner with 90 per cent of the shares, and Virgin held the rest. Yet again, the expected revenue growth did not materialise. Stagecoach lost around £200 million of its own funds and breached a financial covenant. Consequently, the East Coast train line had to be renationalised for a second time in 2017.

The move was ultimately advantageous to the failing companies, which avoided the many payments they still owed on the contract and were still allowed to bid without penalty for other rail franchises.22 Shortly after the East Coast line contract failure due to financial reasons, Virgin and Stagecoach shared £51.2m worth of dividends from the West Coast main line railway which they also operated.23 While the franchise is currently publicly run, the government expects to reprivatise it again in 2020.24
TRANSPORT

CASE 22. TRANSPORT, SOUTH KOREA, SEOUL

Private companies: Metro9
Time as private: until 2038
Drivers of remunicipalisation: poor service, price rises.
Process: union and civil society campaign which removed a layer of outsourcing but failed to fully remunicipalise service.

Seoul’s metro is the world’s longest in terms of passenger-route length; it is comprised of nine lines, of which one is privately operated, line 9. The other lines are operated by a public corporation called Seoul Metro. Line 9 was built in three phases. The Phase 1 section, completed in 2009, stretches 25.5km and connects Gangnam and Gangseo, Seoul. The Phase 2 and 3 sections were opened in 2015 and 2017 respectively. The Korean Public Service and Transport Workers’ Union (KPTU) campaigned to end the outsourcing of the line’s operations. The workers of the privatised line 9 were employed under significantly inferior working conditions than the workers of the publicly operated lines. Due to the campaign, one layer of subcontracting in the operation of phase 1 was taken out when the local government decided to terminate its contract with the French private operators RATP Dev and Transdev. In phase 2 and 3, strikes and campaigning forced the Seoul City government not to renew the contract with a private operator, but Phase 2 and 3 workers have yet to be fully integrated into the work structure of the public Seoul Metro Corporation, which technically took over operations. Thus, a full remunicipalisation has not yet been achieved and the trade union campaign is on-going.

Line 9 was constructed through private investment by a public-private partnership (PPP) using the Build-Transfer-Operate (BTO) model that transfers the ownership of the facilities to the Seoul metropolitan government after the completion, but that allows private investors to gain benefits from investment for 30 years of operation in accordance with the agreement with the Seoul Metropolitan Government.

The initial construction of Phase 1 was carried out by Metro9, a special purpose company (SPC) owned by a private consortium led by Hyundai Rotem and the Australian firm Macquarie as its two largest shareholders. It outsourced the operation of this phase to the Seoul Line 9 Operation Company, a joint venture between the two French companies RATP Dev and Transdev.

However, the original contract with Metro9 shifted a lot of financial risk onto the government. The contract included a ‘minimum revenue guarantee’ (MRG) which meant that for 15 years, the government would guarantee most of a projected annual after-tax revenue of 8.9 per cent of the capital invested. The Metro9 consortium further enjoyed the freedom to renegotiate and raise fares. As a result of this imbalance, and protests from citizens and workers, in 2013, the Seoul government undertook an expansive and costly restructuring of the project.
The main changes included a replacement of Metro9’s shareholders, recovery of fare setting rights by the Seoul government, and a cancellation of the MRG agreement. It was also decided that Phase 2 and 3 of the line should be operated by the public corporation, Seoul Metro. As a result, Metro9 became a joint venture between Veolia Transport Korea and Hyundai Rotem, which continued to contract out the operation and management of Phase 1 of the line to the Seoul Line 9 Operation Company.

According to KPTU, the Line 9 transport service quality and working conditions were significantly inferior to publicly operated lines. Aggressive cost-cutting and shareholder profit-extraction policies led to curtailed rest hours for metro drivers and lack of investment in coaches, infrastructure and staffing, putting passenger safety at risk. Line 9 also became increasingly overcrowded and congested: pickpocketing, episodes of violence and harassment became a regular occurrence, so much so that passengers renamed it “the subway from hell”. Workers felt they could no longer put up with these conditions; they organised themselves and reached a union density of 90 per cent, which is very high, especially when considering that South Korea’s average union density is only 10 per cent.

Since 2017, the union has been campaigning together with a coalition of civil society organisations to achieve remunicipalisation of line 9. Their campaign has included various protest actions including a six-day strike at the end of 2017 with the threat of another in 2019, outreach to and surveys of passengers, press and media work, and lobbying of the city government. Line 9 workers also received international solidarity from workers facing similar conditions in other countries.

As a result of these efforts, the Seoul City government and Metro9 announced cancellation of the operation contract with the Seoul Line 9 Operation Company. Line 9 Phase 1 will now be directly operated by Metro 9 with greater oversight from the city government. As such, one layer of outsourcing was removed. However, a full remunicipalisation could not be achieved. Metro 9, the intermediary private company, holds a contract until 2038.
1. CUPE (2016) Back In-house: Why Local Governments are Bringing Services Home. CUPE. Available at: https://716.cupe.ca/files/2016/07/Back-In-House.pdf


6. Ibid.

7. Email exchange with Fagforbundet.


21. Ibid.

22. Ibid.

23. BBC (14 October 2018) West Coast rail: Virgin Trains and Stagecoach net £51.2m in dividends. BBC. Available at: https://www.bbc.co.uk/news/business-45854824


27. Ibid.


29. Ibid.

30. Ibid.
**CASE 23. CANADA, CONCEPTION BAY SOUTH**

Private companies:
Newfound Disposal Systems Ltd  
Time as private: 30 years from 1981
Drivers of remunicipalisation:
Poor service quality, rising costs
Process: Union campaign

Conception Bay South is a fast-growing city in Newfoundland and Labrador with a population of nearly 25,000. In 2011, the city decided to end 30 years of privatised waste collection service when the contract came up for tender. The move was a result of poor customer satisfaction, rising costs and sustained efforts to bring the work in-house by the Canadian Union of Public Employees (CUPE).

The CUPE local representing the town's workers had worked tirelessly over the years to convince management and council that public worked best, first bringing bulk waste pickup back in-house, and building a solid case to end privatisation once and for all. In 2016, it was decided to keep the service public, and the local authority saved $1.15 million CAD during a successful five-year in-house trial period.¹

In a recent survey of town residents, waste collection topped a list of what residents liked about their community, with nearly 82% of people choosing the service first.² The service became more personal as waste collectors got fixed routes, often building up customer relations with the residents.

Wages increased as a result of the remunicipalisation, and working conditions improved. Workers are now paid sick pay and enjoy better health and safety practices, as the municipality provides more and better equipment. Moreover, waste workers have to lift almost 5 tons less or 40 per cent less during their working day.³

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**CASE 24. CANADA, PORT MOODY**

Private company:  
International Paper Industries (IPI)  
Time as private: 1998-2008
Drivers of remunicipalisation:  
poor service quality, contract expiry
Process: Union campaign working with local authority

In 2008, Port Moody's five-year solid waste collection contract expired. During the ten previous years of privatised waste collection, the city had faced rapidly escalating costs, unmet recycling targets, as well as an unsatisfactory service causing many residents to complain. Consequently, the local authority faced intense pressure to rethink its service delivery model.

In 1998, the decision to outsource had been based on two competing reports. A report from the City Council's management listed the benefits of lower payroll and savings from not replacing the city's trucks under privatisation. In contrast, a report prepared by the Canadian Union of Public Employees (CUPE) argued in favour of keeping the service in-house, citing employee loyalty and investment in new trucks as a way of lowering operating costs. Based on the two reports, the municipality opted to outsource.

In 2008, a different approach was chosen. Instead of producing competing reports, the City Council's management and CUPE formed a joint task force. A team, with an equal number of management and union representatives, built trust through joint research and decisions made by consensus. Based on the research conducted by the taskforce, the municipality voted to insource the service. The waste service in Port Moody improved significantly and it is provided on a rate lower than fees charged in neighbouring communities.

In preparation for the transition to the new public collection system, the municipality educated residents about recycling. It even won an award from the Solid Waste Association of North America (SWANA) for its communication strategy. Recycling rates increased to 73 per cent in 2011 from less than 50 per cent when the service was delivered by a private contractor three years prior. Port Moody is now one of very few Canadian communities that achieved a recycling rate above 75 per cent.⁴
WASTE

CASE 25. CANADA, WINNIPEG

Private company: Emterra
Time as private: 2006-2020
Drivers of remunicipalisation: contract expiry, exposure of the failure of privatisation
Process: The trade union successfully lobbied the local authority to pilot the remunicipalisation of the service

The Winnipeg Municipal Council has decided to bring back in-house a part of the city’s municipal waste services in 2020. While this initial project only involves hiring a small number of city employees, if the model proves successful, there is potential to bring back in-house 200 or more waste collection jobs, which includes both truck drivers and waste workers.

Trade union membership loss following the privatisation
The city of Winnipeg privatised its municipal waste service refuse collection in 2006. Prior to the privatisation, the service was a public municipal utility, with a trade union presence. Following the privatisation, the trade union, CUPE, lost bargaining status for the service and a lot of problems followed.

Following the privatisation, working conditions and the service quality decreased significantly. While some of the workers sought help from CUPE, it was very hard for the trade union to represent these workers due to the lost bargaining agreement after privatisation. As the company relied heavily on subcontracted workers to carry out the municipal waste services in Winnipeg, their employment status was extremely precarious.

Exposing the failure of privatisation
An investigative journalist documented the situation and aired a reportage on TV publicly denouncing the labour conditions of Winnipeg waste collection services. This was an opportunity for CUPE. The trade union approached a progressive research think-tank, the Canadian Centre for Policy Alternatives-Manitoba (CCPA-MB), to prepare a primary research report documenting in depth the labour conditions of the privatised waste service. The report exposed the precariousness, poverty wages and poor working conditions, including limited Occupational Safety and Health (OSH) standards, endured by these workers daily. It also shed light on the ethnic and social segregation this situation had caused, as the wide majority of subcontracted workers were indigenous workers and/or workers with a criminal record having trouble in finding better quality employment. In other words, the private companies exploited the vulnerabilities of a marginalised workforce. Some workers were daily labourers, only knowing on the day if they would get work. Workers had to implement very tight refuse pick up shifts and they would have their daily job renewed on condition they had stuck to these schedules. Consequently, they would do a lot of heavy manual lifting of the trash bins instead of using the mechanical arm lifter of the trucks as that took longer. This type of work exposed them to risks of serious musculoskeletal injuries.

Proposing the in-house alternative
The publication of the report promoted reactions from the Winnipeg City Council as it faced reputational damage. The evidence contained in the report made a strong case for bringing Winnipeg waste services back in-house. CUPE used it strategically to lobby the Council and politicians to convince them to reverse the privatisation. CUPE also approached other Canadian municipalities that had fully or partially (like Ottawa) kept municipal waste services in-house. Instead of just focussing on the price-only performance (a traditionally conservative pro-privatisation rationale), CUPE successfully made an argument that it is the overall performance of the service that matters, including social and service quality considerations.

The lobby efforts worked and the Mayor and the city council decided to take steps towards the insourcing of the service. They also realised that after over a decade of privatised municipal waste services, the city of Winnipeg had lost the tools (for example trucks) and the competences (staff) to do deliver the service. Knowing this, the contractors were using that to significantly raise their prices. Consequently, the municipality decided to turn the tables and to engage with the process of remunicipalising the service.

Piloting remunicipalisation
While CUPE aimed for the full remunicipalisation of the service, the city council remained cautious and opted for insourcing only a part of the service as a pilot test. The pilot programme starts in in 2020, when the contract with the private company comes to an end. A big part of the challenge will be to re-build the technical and physical capacity of the city to implement waste pick up and recycling services after 14 years of privatisation. It is a mid- and long-term financial investment that the city has to make. CUPE is working closely with the city to re-build that capacity again. Workers in the remunicipalised service will become CUPE members and will be covered by CUPE’s waste services collective bargaining agreement.
CASE 26. COLUMBIA, BOGOTA

Private company: various - Time as private: 1996-2012 and 2018-now
Drivers of remunicipalisation: failure in recycling, job loss and exclusion
Process: ongoing political campaign by waste-pickers association and a progressive major won a partial remunicipalisation but failed to prevent reprivatisation

From informal recycling to landfill with private companies

In Bogotá, which has a population of eight million, 6,300 tons of waste are sent to Dona Juana, Bogotá’s only landfill.⁶ Before it gets there, around 21,000 waste-pickers (also called recicladores) sift through the waste for recyclables. According to a 2015 case study, through their work, around 1,200 tons of recyclables are turned away from the landfill daily.⁶ Historically, the waste pickers worked on an informal basis and were not paid for their job, but survived by selling the recyclable material gained from the waste. In 1990 the Asociación de Recicladores de Bogotá (ARB) was founded by three recicladores cooperatives to resist the closure of their dump. Colombia has a tradition of recicladores cooperatives, with the first one formed in Medellín as early as 1962.⁷

The local government has been involved in the collection and disposal of waste in Bogotá since 1875, but not in recycling. Over a hundred years later, despite strikes and resistance of the municipal workers, the local government privatised the waste management service in 1996, awarding a seven-year contract to private companies. The private companies then excluded the recicladores from the system, as the contractors were paid per ton of waste trucked to the landfill - a system that discourages recycling.⁸

The waste-pickers of Bogotá fight back but are blocked

However, over the next years, the ARB fought back against this injustice. In 2003, when the waste management service came up for tender again, the ARB bid for it. However, the organisation was excluded from the tender as by law only companies listed on the stock market could bid. Moreover, direct experience of providing waste management in the previous five years was also a requirement for being able to bid. The ARB challenged these exclusions and won: The Constitutional Court ruled in 2003 that waste pickers cooperatives could not be excluded from competing for these contracts. But before any measures by the Court could be taken, Bogotá had already closed the tender process.⁹
The zero-waste programme: formalisation of waste pickers and remunicipalisation efforts

In 2011, when the contract again came up for renewal, the ARB was again side-lined by the city. But through another court case the ARB managed to block the tender as the Constitutional Court ruled that waste pickers must be included in the city’s solid waste management system. In 2012, Colombia’s Auditor General found that the four waste management companies contracted by Bogotá recorded profit margins of 23 per cent by overcharging residents by 20 per cent. In the same year, a new mayor, Gustavo Petro, supported by the waste pickers, won the election to become mayor of Bogotá. His zero waste campaign envisioned that the previously informal waste pickers could deliver formal government services - and therefore be paid by a fixed rate - and that most of the waste disposal business would become remunicipalised. He aimed to extend the private contracts temporarily for six months, whilst developing the municipal capacity to provide the service in-house.

The private companies fight back

However, the private providers who wanted to be assured of new long-term contracts put pressure on the mayor Petro by stopping the service. Rubbish was not collected for four days. This forced the mayor to compromise. The old private contractors retained 47 per cent of the collection and disposal of municipal solid waste, whilst a public company, Aqua de Bogotá, took care of over half of the service and included the work of the ARB. Through the remunicipalisation of half of the city’s waste collection service, Petro managed to reduce the waste budget by 11 per cent in 2013.

However, in December 2013, the Inspector General Alejandro Ordóñez Maldonado banned Petro from holding office for 15 years citing, as his reasons that the decision to bring the waste management in-house violated free competition and had caused an environmental crisis as a consequence of the uncollected rubbish. The ARB and other inhabitants of Bogotá demonstrated against the mayor’s ousting. A long legal battle followed. Eventually president Santos, in the hope of gaining political support for the upcoming elections, initiated a legal order by the national court that restored Petro into office in April 2014.

Petro returned to office and continued to develop his zero-waste plan through educational campaigns on recycling and waste reduction and by formalising more and more recicladores, who were paid an amount per kilogram collected. By December 2014, 8112 recicladores became registered and approximately doubled their income to US$ 200 a month.

The new mayor cancelled the zero-waste programme

In 2016, Enrique Peñalosa, the new centre-right mayor, announced his intention to cancel the zero waste programme implemented by Petro, but the ARB and the recicladores stopped this from happening through active mobilisation on the streets. However, Peñalosa ordered a new tender for the waste management and excluded the public company Aqua de Bogotá from bidding. Five private companies (SIMA - LIME - Ciudad Limpia - Aseo Urbano - Aseo Capital) won the contract and started operation on 12 February 2018. The contract has a combined value of 4.8tn-peso (US$1.6bn) and is set to last eight years. The reprivatisation led to an indefinite strike of 3,200 municipal waste collectors previously employed by Aqua de Bogotá over feared job losses. Rubbish in 12 out of Bogotá’s 20 districts was not collected. In one day alone, 2,700 tons of waste were not collected, forcing Peñalosa to announce a ‘state of sanitary and environmental emergency.’ The mayor tried to break the strike by sending riot police. Several Aguas de Bogotá workers were injured when clashing with police.
CASE 27. EGYPT, CAIRO

Private company: Veolia, FCC and Urbaser, AMA Arab Environment
Time as private: 2002/2003-2017
Drivers of remunicipalisation: poor service, bad charging and failure to recycle
Process: Zabaleen union campaign and citizen mobilisation

Cairo’s community-led green waste management

In the 1940s, the Zabaleen, who are a Christian community, migrated from Upper Egypt to the outskirts of Cairo, and over time established a waste management system that achieved an astonishingly high recycling rate of 85 per cent. By means of comparison, the average recycling rate of municipal waste in the EU-27 and Norway in 2014 was 43 per cent, with Germany achieving the highest rate with 64 per cent.

The term Zabaleen is rooted in the Egyptian Arabic word zebāla which means waste. The Zabaleen collect rubbish through a door to door system in Cairo - a mega-city with 18 million inhabitants. The recyclers work collectively, and each person is allocated a specific part of the city. They then take the waste back to the Zabaleen’s local area, which is located near the historical centre of Cairo. The area where the Zabaleen live is also often referred to as “Garbage City” or Zabaleen City. In Zabaleen City the waste is sorted and organised into 16 different types of waste every day. There are 750 small and medium-sized enterprises (SMEs) related to waste management in the city. Men usually recycle plastic and metal and women recycle food waste. Pigs are also an essential component of their recycling and sorting system, as the food waste is fed to them. The pigs are eaten by the community but also provide an income, as pork can be sold to hotels and other tourist locations in Egypt.

The Zabaleen community is estimated to be 70,000 and they are believed to sort 15,000 tons of waste daily, which is approximately 2/3 of Cairo’s overall waste. The Zabaleen make most of their income by selling the recycled waste, but a monthly collection fee from the households from which they collect their rubbish also adds to their income.

The Zabaleen also set up recycling systems in Alexandria, Egypt’s second largest city, and in Giza. However, until recently, the Zabaleen recycling system has never been officially recognised by the Egyptian government and even been marginalised by the authorities.

Privatisation

In the early 2000s, a series of contracts with multinational waste companies were signed for waste management in Cairo, Alexandria and Giza, which collectively were worth around $75 million annually. Other smaller municipalities also privatised their solid waste management systems. The multinational companies were only required to recycle 20 per cent of the waste, the rest of which would go into landfill. This stands in stark contrast to the unrecognised work of the Zabaleen who were able to recycle more than four times as much.
Table 1: Privatisation of waste management in Egypt, main municipal contracts

<table>
<thead>
<tr>
<th>City</th>
<th>Year of privatisation</th>
<th>Value of contract</th>
<th>Length of contract</th>
<th>Company</th>
<th>Remunicipalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alexandria</td>
<td>2000</td>
<td>$446 million</td>
<td>15 years</td>
<td>CGEA Onyx, a division of Vivendi, which later became Veolia Environment</td>
<td>In 2011 Veolia terminated the contract (four years early). The public sector company Nahdet Misr, which is a subsidiary of the state owned enterprise Arab Contractors, is now in charge of waste management.</td>
</tr>
<tr>
<td>Giza (Dokki, Agouza, and Imbaba districts)</td>
<td>2002</td>
<td>$7.6 million</td>
<td>15 years</td>
<td>FCC and Urbaser</td>
<td></td>
</tr>
<tr>
<td>Cairo (eastern and western zones)</td>
<td>2003</td>
<td>$25 million a year</td>
<td>15 years</td>
<td>FCC and Urbaser</td>
<td>Contract terminated in 2015 and was not renewed</td>
</tr>
<tr>
<td>Cairo (North)</td>
<td>2002</td>
<td>$11.5 million a year</td>
<td>15 years</td>
<td>AMA Arab Environment Company (AAEC)</td>
<td>Contract terminated in 2015 and was not renewed</td>
</tr>
</tbody>
</table>


The privatised waste management system was very different from the Zabaleen door to door collection system. The private companies did not collect the waste from the narrow streets or tall buildings, instead they set up central collection points by putting large bins in the streets, in which residents could deposit their waste. Residents were charged for the waste collection through their electricity bills. The contracts awarded to the private companies gave them ownership of the waste that they collect. Though most of the companies promised to give the Zabaleen communities around 50 per cent of the waste in return for their help in sorting, that was only a fraction of what the Zabaleen had before. In other words, through the privatisation the Zabaleen lost access to waste, and with it, their livelihood. Some Zabaleen saw as much as a 75 per cent decrease in earnings as a result.40

Complaints of irregular collection and inadequate street sweeping.42

As the private companies charged the citizens for the waste collection service through the electricity bills, many users feared that by not paying their bills for an inadequate service their electricity might be cut. Consequently, in 2003, hundreds of citizens in Cairo and Giza filed lawsuits against the government to get the waste collection fees off of their electricity bills. The case was won by the consumers with the administrative court ruling that city residents do not have to pay any fees for garbage collection that are held in contracts endorsed by the Greater Cairo Company for Electricity Distribution (GCCED), the municipal sector responsible for the distribution of electricity for Cairo and Giza. This ruling also led to the cancellation of the billing system in Alexandria.43

Due to the failure of the privatised waste service, many residents went back to paying the Zabaleen for their services from December of 2004.44
The swine flu epidemic and the pigs

In 2009, at the height of the swine flu epidemic, the Mubarak government had roughly 300,000 pigs slaughtered against the World Health Organization's (WHO) advice. The slaughtering of the pigs destroyed a key element of the Zabaleen recycling system as it was no longer possible to recycle organic waste. As a consequence, food lay rotting in the streets. The warnings about swine flu were thus replaced with warnings about typhus. Moreover, as pork was an important element of the Zabaleen diet, signs of malnutrition reportedly appeared amongst Zabaleen children as pig meat had been a major source of protein for them.

Remunicipalisation

Waste became an increasingly political issue in Egypt. In 2012, the President Mohamed Morsi made the failed municipal waste management an election issue and promised to clean up the streets in 100 days. But he failed.

Eventually, in 2017, the Egyptian government was forced to accept that their grand multinational experiment had failed miserably. When the 15 year-long contracts with the private companies came to an end, the government chose not to renew them. Instead they gradually implemented a ‘new’ system based on Zabaleen door to door collection. The streets of Cairo became much cleaner in the areas where the new system was operational.

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Remunicipalisation

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The city government allocated $17 million for the new waste collection system to purchase the necessary equipment and to pay wages to the Zabaleen. Already before the contracts of the private companies expired, the government agreed to give the Zabaleen uniforms and vehicles and, for the first time, granted them an official role in the city’s waste processing system. By 2015 the government, in cooperation with the Zabaleen’s trade union, registered 44 local disposal companies with a labour force of 1,000 families.

CASE 28. GERMANY, BERGKAMEN

Private company: Remondis - Time as private: until 2006
Drivers of remunicipalisation: cost-saving
Process: local authority decision

In January 2006, Bergkamen, a city in West Germany with 50,000 inhabitants, created their own utility, Entsorgungsbetrieb Bergkamen’ (EBB), and remunicipalised their waste collection and street cleaning services. Previously, the waste collection service was operated by Remondis, one of the largest waste multinationals in Europe. The decision to remunicipalise was not driven by a dissatisfaction with Remondis’ service delivery, but by costs. A local authority working group calculated that in-house provision of waste collection would eventually reduce costs by 30 per cent. The reduction was indeed achieved in 2010, within four years of remunicipalisation, while the service quality remained the same. The price drop was achieved as the EBB runs on a non-profit basis.

At EBB, wages were on average 18 per cent higher than in private waste management companies. Nonetheless, workers earned more at Remondis as they were working six days a week and paid more for overtime at the weekend. At EBB, workers were employed for 5 days a week.

The working conditions under EBB improved. More attention was paid to education and health and safety training, as well as equipment of higher quality and better clothing. This had a positive impact on the employees’ wellbeing, and there was a reduction in time off for sickness. Employees report a positive working environment which is also reflected by much higher staff retention.
CASE 29. NORWAY, OSLO

Drivers of remunicipalisation: poor service, bad working conditions, company failure
Process: local authority decision, union campaigns

In February 2017, Oslo remunicipalised its waste collection services after 20 years of outsourcing. The decision to remunicipalise was caused by private failure. In 2016, under the last provider, Veireno, thousands of complaints were received about uncollected waste; 20 per cent of service users voiced their concerns. In addition, workers got a rough deal with the company: the workload was extremely hard with some workers working up to 70 hours a week, with shifts lasting from 6am to 10pm.

In January 2017, Veireno filed for bankruptcy, despite still paying out dividends and operating financially viable companies in other Northern European countries, such as Denmark and Sweden. Oslo was then forced to remunicipalise, as the workers would otherwise not have been paid their salaries. After Oslo took over, working conditions for the 170 employees improved, and workers gained pension rights and higher wages.

In the same year, another Norwegian waste company, RenoNorden, also went bankrupt. The company had provided waste management services to nearly 140 municipalities, managed through 28 inter-municipal contracts. Most of these municipalities decided to sign contracts with other private providers, however, 13 municipalities decided to remunicipalise and four of these decided to do so permanently. By law in Norway, in the case of service failure, local authorities must sign a new ad hoc contract directly with a new operator for 18 months without following normal procedures for tendering out. After this, the municipality can decide if it wants to tender out or remunicipalise.

After the bankruptcy of RenoNorden, the trade union Fagforbundet put remunicipalisation on the agenda. Fagforbundet lobbied politicians, engaged in a press campaign highlighting the private failure, put forward arguments for public ownership, and trained union activists on remunicipalisation.

CASE 30. SPAIN, LEÓN

Private company: Urbaser - Time as private: until 2013
Drivers of remunicipalisation: cost saving
Process: local authority decision with union involvement

In 2013, León, Spain, remunicipalised its cleaning and waste collection services. The costs of the services decreased from 20 to 10 million euros annually. After a long negotiation with the unions UGT and CCOO, 224 workers received public employment contracts.
CASE 31. UK, SHEFFIELD

Private company: Veolia - Time as private: 2001 – present (with a threat to terminate early in 2017)  
Drivers of remunicipalisation: inadequate service, failure to meet recycling targets, work conditions  
Process: Local authority decision and union campaign. Failed to remunicipalise but renegociated contract.

In 2017 in Sheffield UK, the council voted for an early end of the city’s 35 year contract with Veolia, which was agreed in 2001 and is due to expire in 2036. The contract was no longer perceived to meet the city’s waste management needs, and the council wanted to remunicipalise the services.60

The GMB union alleged that Veolia had been diverting recyclable household waste to its incinerators. This increased pollution and prevented Sheffield from meeting its recycling targets, and also meant that workers missed out on the bonuses they would have received if recycling targets were met. Veolia employees had taken part in several strikes, sparked by pay disputes, complaints of “aggressive” tactics by management, and an excessive number of gross misconduct cases. However, due to very high compensation costs, the council ended up renegotiating the contract with Veolia on more favorable terms rather than full remunicipalisation.61
1. Plus Media Solutions (9 June 2017) Promoting the inclusion of labour and environmental clauses in local and national public procurement policies and practices
3. Ibid.
8. Ibid.


30. RT Documentary (15 May 2016) Zabbaleen: Trash Town. A whole community in Egypt that lives on rubbish. RT Documentary. Available at: https://www.youtube.com/watch?v=D0s7WsoC528


32. Ibid.

33. Ibid.


42. Ibid.

43. Ibid.

44. Ibid.


47. Guénard, M. (19 November 2013) Cairo puts its faith in ragpickers to manage the city's waste problem. The Guardian. Available at: https://www.theguardian.com/world/2013/nov/19/cairo-ragpickers-zabaleen-egypt-recycling


49. Ibid.


52. Ibid.

53. Ibid.


57. Briefing paper from Fagforbundet for EPSU and PSI on the RenoNorden Bankrupcy

58. Ibid.


CASE 32. ARGENTINA, BUENOS AIRES

Private company: Suez
Time as private: 1993 - 2006
Drivers of remunicipalisation: failure to invest, prices rises
Process: termination of contract

In May 1993, a Suez-led consortium started operating a 30-year water supply and sanitation concession in Buenos Aires, Argentina. According to a 2001 study, having been offered a 10 per cent shareholding in the private concessionaire Aguas Argentinas, the main trade unions softened their resistance and turned into supporters of the privatisation - convinced of its inevitability. From May 1993 to January 2002, average household bills increased by 88.2 per cent in nominal terms as opposed to a 7.3 per cent increase in the Consumer Price Index. Not only did water charges increase significantly above inflation, Aguas Argentinas also failed to deliver the originally agreed investment of US$746.39 million. When considering investment targets set by the 1997 renegotiation of the contract, Aguas Argentinas failed to realise 39 per cent of projected expansions in the water supply network and 59.7 per cent of projected investments in the expansion of the sewerage network.

In March 2006, the Argentinian government revoked Aguas Argentinas’ concession on grounds of failure to provide the promised levels of investment and service quality, and renationalised water and sanitation services by appointing the public operator AySA.

After the change from private to public ownership, AySA was 10 per cent owned by trade unions like Aguas Argentinas used to be. The trade unions were initially skeptical about the remunicipalisation, as the workers feared losing this benefit after the insourcing. However, the fact that the shareholding remained the same enabled them to proactively engage in the 2006 remunicipalisation process.

Also, like its private predecessor, AySA involved residents in expanding water access in low-income neighborhoods. However, the practice of financing investments in the extension of the service changed following remunicipalisation. In October 2006, a long term investment plan of $5.69 billion was approved to achieve full service coverage, 52 per cent of which was to be financed through tariffs and the remaining 48 per cent by the central and local governments.
TAKING OUR PUBLIC SERVICES BACK IN-HOUSE

WATER

CASE 33. BOLIVIA, COCHABAMBA

Drivers of remunicipalisation: significant price rises
Process: mass civil society campaign and international solidarity

In 1997, the World Bank declared the privatisation of water as conditional to further water aid. A year later, the IMF made the privatisation of Cochabamba's water agency, SEMAPA, a condition for the approval of a $138 million IMF loan for Bolivia. As a result, in 1999, an international consortium “Aguas del Tunari”, led by the US company Bechtel, was granted the concession to supply drinking water and sewerage services to the city of Cochabamba. The contract was made in secret and there was only one bidder. Within weeks, Aquas de Tunari had raised water prices by over 50 per cent.\(^5\)

The price hike led to a wave of protests by the Coordinadora de Defensa del Agua y de la Vida (Coalition for the Defense of Water and Life), a broad alliance of farmers, factory workers, rural and urban water committees, neighborhood organisations, students, and middle-class professionals against water privatisation. The movement, which became famous worldwide as the Cochabamba Water War, was later joined by the militant federation of coca growers from the Chapare, led by then labour leader Evo Morales. The government reacted by sending the police and the army to the demonstrations and opening fire. Hundreds were wounded and one high school boy, Victor Hugo Daza, was killed. However, eventually the government capitulated. They abrogated the contract with Aquas del Tunari in the year 2000 and the water services returned to public control: SEMAPA took over the water services again.

In response, Bechtel and its Spanish co-investor Abendooa filed a $50 million compensation claim in the International Centre for Settlement of Investment Disputes (ICSID). The legal dispute lasted four years, despite International protests and press campaigns demanding that the companies drop the claim. In January 2006, the companies gave in and settled the case for a token payment of 2 bolivianos (30US$ cents). This was the first time global public pressure had forced a large multinational corporation to drop a case before the ICSID.\(^6\)

However, whilst the water war was won, the struggle for accessible water continues. Over a decade and a half after the renationalisation, almost half of the Cochabamba population (45 per cent) still lack access to the formal drinking water system.\(^7\) This is especially the case in the South of the region. Some of the people who lack access to water provided by SEMAPA have to buy water from water trucks. The water is often of poor quality, much more expensive, and can be contaminated with bacteria.\(^8\) To get around this issue, there are also around 700 neighborhood community water systems that are financed without state support by the people themselves, NGOs, and other donors.\(^9\) Despite being publicly-owned, SEMAPA's water management model prioritises water for the use of mining and the industrial agriculture sectors. While the constitution of Bolivia acknowledges water as a human right, in reality it is treated as a commodity for extractive activities.\(^10\)
CASE 34. CAMEROON, YAOUNDÉ

Private company: Camerounaise des Eaux (CDE) - Time as private: 2008 - 2018
Drivers of remunicipalisation: water shortages, failure to invest
Process: did not renew contract

A new public asset-holding company

Cameroon Water Utilities Corporation (Camwater) was created in 2005 to facilitate the establishment of a Public Private Partnership (PPP)\(^{11}\) and attract investors into Cameroon’s water system.\(^{12}\) Camwater was to manage the infrastructure, while the private partner would be responsible for service delivery.\(^{13}\) Camwater, which started operating on 31st March 2006, was put in charge of the managing, financing and construction of all the infrastructure for the capture, production, transport and storage of water, as well as control over water quality. As such, Camwater took over the activities of National Water Supply Company of Cameroon (SNEC, Société Nationale des Eaux du Cameroun), apart from maintenance and operation activities, as well as its assets, liabilities and employees.\(^{14}\) Through Camwater, the Cameroonian government intended to invest over two hundred billion CFA (€30.6 million) in the extension and rehabilitation of water supply networks in the country in the following ten years.\(^{15}\)

Outsourcing operational management

It was announced in 2007 that a consortium of the Office National de l’Eau Potable (ONEP), the national water supply company of Morocco, and the Moroccan companies DELTA HOLDING-INGEMA, had won a 10-year lease contract with Camwater to manage operations.\(^{16}\) Through this PPP, the consortium, named Camerounaise des Eaux (CDE), became responsible for managing water supply, while Camwater remained in charge of running the infrastructure.\(^{17}\) The contract between CDE and Camwater was signed on 2nd May 2008 and was to expire in May 2018. It was hailed by the World Bank as “the first example of a true South-South PPP in the (Western and Central African) region” and constituted one of the largest water PPPs in the region by population served.\(^{18}\)
Private failure

In April 2016, Cameroon’s President Paul Biya announced that the 10-year contract would not be renewed. CDE had requested an extension of the contract for five more years. While no official reason was given for the decision, it was made in the context of acute drinking water shortages. For more than five years, both consumers and the authorities had been criticising CDE for poor services and overbilling. The water shortages were in part due to a failure to build new infrastructure to match a rapidly growing urban population and expand in rural areas. CDE had failed to invest enough, even when in receipt of subsidies. The PPP made limited progress in access expansion despite receiving a US$10 million funded programme for 50,000 new connections. The programme was funded with a US$5 million grant from GPOBA, a multi-donor trust fund that aims to foster access to basic services for the poor, with co-financing from both Camwater and users.

According to the newspaper Reperes, CDE responded to the non-renewal of the contract with a demand for compensation for the ‘breakdown of the economic and financial balance’ and financial losses due to unpaid water bills. In total, CDE claimed 101 Billion CFA (US$19 million) in compensation. As demonstrated in some of the other cases, private water operators often claim compensation when operations are remunicipalised or renationalised - a sobering reminder that the best way to avoid the social costs of water privatisation and conflicts with the private sector is not to privatise water in the first place. On 1st May 2018, Camwater will officially take over CDE and from then onwards, it will be in charge of water supply. CDE employees are expected to be transferred to Camwater.

The termination of CDE’s lease contract in Cameroon adds to previous failures of water privatisation in the region, including the termination of PPPs in the Central African Republic and Guinea-Conakry in 2003, Cape Verde and Mali in 2005, and Ghana in 2011. The Ghana PPP was a management contract with two public companies – Vitens of the Netherlands and Rand Water of South Africa. Like Ghana, the Cameroon PPP demonstrates that for-profit PPPs with public water companies can be just as problematic and prone to failure as contracts with private water multinationals.

Public ownership delivers better results

It is safe to assume that the water services will improve once back under public ownership. Greater progress in expanding access to drinking water in Cameroon was achieved when the service was under public rather than private management. The UNICEF and World Health Organization’s (WHO) Joint Monitoring Programme for Water Supply and Sanitation (JMP) estimates that access to drinking water in Cameroon rose from 50% in 1990 to 74 per cent in 2008, prior to the privatisation that year. Around 8 million people gained access to improved sources of drinking water over this period. In the seven years after privatisation, between 2008 and 2015, access to improved drinking water rose only by 2 per cent to 76 per cent.
CASE 35. FRANCE, GRENOBLE

Drivers of remunicipalisation: corruption, high prices
Process: political campaign

The city of Grenoble, which had good quality water resources and a satisfactory network, experienced an intense period of change from the mid-1980s. These events were initiated by the technical need for a new wastewater treatment plant, personal political ambitions and connections, and proposals from private companies. The operation of both water supply and sewerage were privatised under “gestion déléguée” and awarded to Lyonnaise des Eaux (now Suez) subsidiary COGESE (Compagnie de Gestion des Eaux du Sud-Est) in 1989. The company won the tender through financial support for political parties and a mayoral election campaign, which was subsequently judged to be corrupt.35

In 1996, the city renegotiated the contract. A PPP between the council and Suez was agreed. In May 1996, the city council decided to transform COGESE into SEG (Société des Eaux de Grenoble). But SEG then immediately sub-contracted water supply and sanitation to the Suez subsidiary SGEA (Société Grenobloise de l’Eau et de l’Assainissement) for the duration of 15 years. And while SEG was established as a mixed economy enterprise (“société mixte”), with 51 per cent owned by the municipality, SGEA was 100 per cent owned by Suez.

After the privatisation, service users faced price rises. In the meantime, the legal validity of the contract was uncertain. The renegotiated contract was controversial, not only because of potential corruption, but also due to lack of transparency and excessive pricing.

After some years of political campaigning, it was eventually terminated in 2001 when water supply was remunicipalised under a new public operator.36

With the new municipal operator REG, investments in maintenance and renewal increased threefold as compared to the previous private operator. At the same time, tariffs were kept at a lower and more stable level. An advanced form of public participation in decision-making was adopted by the new public enterprise, with a third of members of the Board of Directors being civil society representatives, and the remaining two-thirds city councillors.37

The decision on the legal status of the new municipal enterprise was influenced by the municipal government’s assessment of the implications on workers’ pay and conditions. They chose a form of municipal enterprise called a rgie  autonomie financire et personnalit morale (an entity from the municipality, fully owned by the municipality and enjoying financial autonomy and distinct legal personality). This form facilitated the transfer of the staff working for the former public-private joint venture into the new public body while preserving the same treatment and pay conditions that all staff enjoyed under the previous employer.38 Other organisational forms presented the risk that workers might lose their status or suffer a salary reduction.
CASE 36. FRANCE, PARIS

Private company: Veolia and Suez - Time as private: 19th century until 2010
Drivers of remunicipalisation: cost-saving, public accountability, worker representation, reduction of water poverty.
Process: contract expiry, local authority decision

In Paris, France, the water supply was remunicipalised in January 2010. The decision of the municipal government to remunicipalise was not only of a political nature, but was seen as a way to put an end to the lack of financial transparency and accountability surrounding the private operations, which had been repeatedly criticised by public auditors. In the first year of operation, the new public municipal operator, Eau de Paris, made efficiency savings of €35 million, which allowed for an 8 per cent reduction in tariffs. This contrasted with a 260 per cent tariff increase under private operation from 1985 to 2008. Eau de Paris also increased its financial contributions to poor households (of over €3 million per year), launched a water saving campaign resulting in social housing tenants saving an average of €50 per year, and refrained from cutting off water supply in squats. Transparency, accountability and public participation in decision-making were considerably strengthened. While eleven members of the Board of Directors of Eau de Paris were city councillors, the other members were two workers’ representatives and five civil society representatives. In addition, two civic organisations sat as observers on the Board of Directors.

In 2014, France’s Regional Court of Auditors published two reports - an assessment of Paris’s water policy and an audit of the performance of remunicipalised public water utility Eau de Paris – both of which turned out to be generally very positive. In particular, the audit of Eau de Paris stressed that remunicipalisation allowed for a reduction in the price of water, while maintaining a high level of investment. The audit on policy commended the Paris administration for its implementation of a water policy that goes beyond the smaller water cycle and takes into account issues of water conservation, sustainability and democracy. In June 2017, on the occasion of Public Services day, Eau de Paris was awarded the United Nations Public Service Award. This award, which aims at rewarding excellence in the public sector, was given to Eau de Paris in recognition of its “efforts to promote transparency, accountability and integrity in public service.”
CASE 37. GERMANY, BERLIN

Private company: RWE and Veolia - Time as private: 1999 - 2013
Drivers of remunicipalisation: prices rises and lack of accountability
Process: civil society mobilisation

Reunification costs were stretching Berlin's budget in the 1990s. In line with the neoliberal consensus of the time, privatisation was the quick and easy answer for both financial recovery and effective public services. Alongside its other public services, Berlin launched the process to privatise its water services in the mid-1990s. The workers from Berlin's waterworks, Berliner Wasserbetriebe (BWB), with the support of their trade union Ver.di, highly contested the water privatisation plans. But their voices were not heard. Berlin part-privatised its water in 1999. However, the union resistance led to a strong collective agreement, which meant that pay and working conditions remained the same after the part-privatisation and the employees had their employment guaranteed until 2014. In other words, no involuntary redundancies could be made.43

RWE and Veolia get a 30-year secret contract and hike prices

The contractors in Berlin's privatisation of water services were RWE and Vivendi (now Veolia) who bought 49.9% of the BWB for €1.8 billion, each company receiving a share of 24.95 per cent.44 The contract period was 30 years. As part of their contractual obligations, the private companies had to guarantee that no prices would increase until 2003 and that they would invest €2.5 billion within 10 years, so €250 million per year. However, the full details of the arrangement were not known, as Berlin and the private companies agreed to keep the contract, which was called ‘consortium agreement’, confidential – not even parliament was able to view the full contract.45

The privatisation of Berlin’s water was supposed to be a showcase for water privatisations, not only in Europe but also globally for Veolia.46 But the privatisation turned out to be highly controversial. The explosion of water prices after 2004, when water prices rose by 21 per cent from 2003 to 2006, led to public resistance, which eventually – after persistent social mobilisation – led to the remunicipalisation of Berlin’s water services in 2013.

The campaign

The rising water prices and the secret contracts with the private providers caused public anger, and the privatisation of water became a topical issue in Berlin. In that context, the anti-privatisation movement Attac initiated a campaign for the remunicipalisation of water. In May 2006, the Berliner Wassertisch (Water Roundtable) was launched, a grass roots campaign to take Berlin’s water back under public ownership.

The first demand of the Wassertisch was to make the secret contracts transparent, to gain more clarity on how the water tariffs were calculated and how much profits the private companies, RWE and Veolia, were making from the water services in Berlin. It mobilised a petition to this end (Volksbegehren). According to German law, if a Volksbegehren has collected the signatures of 7 per cent of those eligible to vote within four months, the city is obliged to hold a referendum (Volksentscheid).47 The city of Berlin tried to prevent the Volksbegehren by arguing that the companies have a right to privacy and
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agreed to pay RWE and Veolia what they would have earned if the water remunicipalisation did not come cheap. Berlin, in turn, also agreed to sell its shares back to Berlin. But Veolia lost the court case and consequently did not need to collect so many signatures itself.48

The campaign wins its referendum in 2011

In February 2011, the Wassertisch mobilised for the referendum, which opened the path for the remunicipalisation of Berlin's water: 98.2 per cent voted for the remunicipalisation of water services. The turnout was 27.5 per cent, so above the 25 per cent needed to make the referendum valid. One day after the referendum, the secret contracts were made public and it became known what many expected: the treatment was very favourable for the private sector and included a guaranteed return on equity of 8 per cent.49 That meant that, for instance, in 2010 alone, the water services made €270 million profit to be shared between the municipality and the private providers. It was therefore no surprise that Berlin had the most expensive water in the whole of Germany.

The private companies withdraw

As public concern for the rising water prices rose in Berlin, the leftwing Senator Harald Wolf (Die Linke) called on the competition regulator to investigate Berlin's water prices. Despite sitting on the board of managers that controlled the BWB, Harald Wolf did not find himself in the position to invoke the decision to reduce the prices. In March 2011, the competition regulator suggested a price reduction of 16 per cent. The BWB appealed against the decision. However, the prospect of tariff cuts enforced by the competition regulator made Berlin's water sector much less attractive for the private companies. The reduced profitability and the public pressure which damaged the companies' images led RWE to withdraw and sell its shares back to BWB. Veolia was far less keen to sell, and even took RWE to court to prevent Berlin from acquiring RWE's shares. However, Veolia lost the court case and consequently also agreed to sell its shares back to Berlin. But the water remunicipalisation did not come cheap. Berlin agreed to pay RWE and Veolia what they would have received in profits until the end of the contract in 2028, namely over €1.2 billion in total.

Prices come down post-remunicipalisation

After the remunicipalisation, the competition regulator and Berlin reached a settlement that tackled the excessive water prices charged by Berlin's water utility BWB between 2009 and 2011. As a result, BWB had to reduce water prices by an average of 17 per cent throughout the period 2012-2018, as compared to 2011. The price reduction would correspond to savings of more than €440 million for Berlin water users in the same period, showing the extent to which water prices had been inflated by the semi-privatised utility. In its investigation, the Federal competition regulator compared water prices in Berlin with those in Hamburg, Munich and Cologne – where water is supplied by utilities operating under similar technical conditions to those in Berlin – and found that there was no justification for the high prices in Berlin.50 As such, despite the remunicipalisation, Berlin had to pay significantly, not only during the years of part-privatisation but also afterwards, to acquit itself for the failures of privatisation. The case of Berlin demonstrates, once again, that it is better not to privatise in the first place.

Better investment and workers’ agreement maintained

After the remunicipalisation, the BWB invested more in Berlin's waterworks. While the agreed investment of €2.5 billion within 10 years was made during the privatisation, this was significantly less than what was needed in Berlin. By the time of the remunicipalisation, Berlin's water network suffered from a 'severe underinvestment'. How severe this underinvestment is, is still unclear, as the condition of the waterworks was not fully assessed before the remunicipalisation. By the time of remunicipalisation, the BWB estimated that 23 per cent of the sewerage system is in need of rehabilitation measures.51 Consequently, the BWB committed to double the investment needed for the rehabilitation measures to €94m annually in the period from 2013-2020. In 2012, before the remunicipalisation, only €47m were spent on rehabilitation measures.52

For the BWB's workers, the strong collective agreement they achieved through their struggle in the 1990s remained valid. But while no redundancies were made under the privatisation, also no new workers were employed when people left. This led to a decrease of employment levels of nearly 35 per cent from 6,012 workers in 1999 to 4,475 in 2010 (in full-time equivalents).53
CASE 38. GERMANY, ROSTOCK

Private company: Eurowasser – a subsidiary of Remondis - Public company: Nordwasser
Time as private: 25 years (1993-2018)
Drivers of remunicipalisation: Expiry of contract, cost-benefit analysis
Process: non-renewal

History of privatisation

In Rostock, in the beginning of the 1990s, the mantra of privatisation was everywhere. There seemed to be no alternative but to privatise water. It was argued that privatisation would lead to stable prices and better investment. Negotiations with Suez were held, which saw Rostock as an entry point for the East German water market. A counterproposal by the public utility, Stadtwerke Rostock, was also considered, as some local politicians were opposed to the privatisation process. However, the public utility was only given four weeks to come up with this counterproposal and, in the end, it was rejected. The local parliament decided by a small majority to privatise water services in Rostock, and Suez won the contract for 25 years. The contract was kept secret. In 2011, Suez passed the contract to Eurowasser, a subsidiary of Remondis.

Process of remunicipalisation

Around 2012/2013, the idea of remunicipalisation gained momentum, as the 2018 expiry date for the contracts approached. In consultation with Ver.di union officials, the umbrella organisation of all public enterprises in Rostock, the Rostocker Versorgungs und Verkehrs-Holding (RVV) developed concrete proposals for the remunicipalisation of water and stimulated the debate around remunicipalisation. The RVV proposed to provide water through a municipal company, and demonstrated through cost-benefit analyses that Rostock would benefit financially by doing so. Two years later, in 2014, the local parliament decided to remunicipalise the water services. A municipal company, Nordwasser, was subsequently created.

Role of trade unions

The main water trade union nationally, Öffentliche Dienste Transport und Verkehr (ÖTV) - which later became part of Ver.di - tried to prevent the privatisation of water by involving the media and by lobbying for the counterproposal of the public Stadtwerke Rostock. However, the trade union movement was divided. For historical reasons related to Germany’s reunification, two trade unions represent the water sector in Germany. While most water workers were part of the ÖTV, local water workers in Rostock were organised in the Industriegewerkschaft Bergbau, Chemie, Energie (IGBCE), which advocated privatisation. Later during
the remunicipalisation process, the IGBCE also opposed remunicipalisation, against the will of its members, as it only represents workers in the private sector. Hence, remunicipalisation would cause a loss in membership.

Disappointed with their union, IGBCE workers started to organise themselves in the trade union Ver.di, which supports remunicipalisation, to negotiate their terms and conditions after the remunicipalisation. During the process of remunicipalisation and after the move to Ver. di, unionisation increased rapidly, by around 30 per cent. Now roughly half of the 320 workers are unionised. Through Ver.di, the workers managed to secure a collective transition agreement which guaranteed that their pay and working conditions remained the same. They also received a bonus on the day of the remunicipalisation.

Further negotiations between Nordwasser and Ver. di are scheduled in order to integrate the workers into the collective agreement for public utilities (Tarifvertrag Versorgungsbetriebe TV-V) by 2020. This will leave the workers up to €300 better off per month. Furthermore, it will give them a six-year-long protection against dismissals and protection against outsourcing without the consultation and approval of the trade union. Ver.di also initiated the establishment of a workers, council at Nordwasser, through which the workers are represented on Nordwasser's board.

Private sector fightback

Eurowasser, which is a subsidiary of the German multinational waste company Remondis, tried until shortly before the remunicipalisation to prevent the transfer into public ownership. Rostock was of strategic importance for the company's marketing strategy, as it seemed to be a blueprint for the company to enter the water business.

When Eurowasser realised that the remunicipalisation of water was back on the agenda, it tried to increase its existing offer to make the renewal of the contract more lucrative for the city. When Rostock's parliament nonetheless decided for the remunicipalisation of water services, the German Federal Association of the Energy Industry initiated a complaint procedure at the European Commission on behalf of Eurowasser. Remondis sued the city, as the newly-established public company, Nordwasser, was given the contract without a European-wide open tender. The legal proceedings lasted for two years, but eventually Remondis withdrew the lawsuit in the hope of brokering a secret deal to deliver water services below the market price and prevent the remunicipalisation. However, this attempt was unsuccessful, as the offer was made when the procurement deadline had already passed.

When it became clear that the remunicipalisation could no longer be prevented, Eurowasser did everything in its power to obstruct a smooth transition from Eurowasser to Nordwasser. For example, it denied Nordwasser access to the information it needed for the takeover, including the human resources data. It then spread fear among the employees that Nordwasser was not able to provide responsible HR management. Of course, Nordwasser could not do so without having the HR data. In response, Ver.di facilitated a smooth transition by encouraging the workers to register with Nordwasser before the transfer.

Remunicipalisation benefited workers and users alike. It was not only the workers who benefited from the remunicipalisation. The 36,000 users of Nordwasser in Rostock and its surrounding areas also benefited, as water is now 24 per cent cheaper and wastewater 14.4 per cent cheaper.
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In 2017, the Indonesian Supreme Court declared the contracts privatising Jakarta Water invalid on the basis of the human right to water, and directed the public utility to take control of water distribution.

CASE 39. INDONESIA, JAKARTA

Private company: Moya Indonesia (previously Thames Water, Suez)
Time as private: 1997 – ongoing, due for renewal 2023
Drivers of remunicipalisation: working conditions, failure to invest, lack of transparency
Process: trade union and civil society campaign has so far failed to achieve municipalisation

The false promises of privatisation

The population of Jakarta might have had high hopes when private companies Thames Water and Suez signed a PPP contract in 1997 to deliver the city’s water supply. Yet promises that 70 per cent of Jakarta’s population would have piped water by 2002 were never materialised. Instead, today most of the city’s population has no access to clean, piped water, and the public water utility PAM Jaya has suffered huge financial losses. Meanwhile, the private sector companies that took part in the PPP in 1997 have reaped financial rewards. As of 2018, both original companies had sold either all or part of their stakes in the project – a project which has had far-reaching, negative consequences for the citizens and government of Jakarta.

The history of water privatisation in Jakarta

In 1991, the World Bank kicked off its plan to improve water services in Indonesia’s capital, Jakarta, with a $92 million loan for infrastructure improvements. Consultants were appointed to advise Jakarta’s water provider, PAM Jaya, in a process that paved the way for private sector involvement. The plan was presented as a solution to the failure of Jakarta’s public water delivery and unequal access.

Following negotiations, in 1997, the supply of drinking water was handed to two private operators, with whom PAM Jaya signed PPP contracts to provide water to both east and west Jakarta (hereafter Jakarta Water). They were leading multinationals: France’s ‘Suez’ and Britain’s ‘Thames Water’, and the contracts became effective from February 1998 for a 25-year period. To enter the market, both companies brokered deals with the political elite. Suez formed PT PAM Lyonnaise Jaya (Palyja). Meanwhile, Thames Water created the company that would become Aetra Air Jakarta (Aetra). Both benefitted from favourable contracts that were not put out for public tender.

Despite an attempt to retake water back into the public sector, and a series of strikes, a new agreement was
signed in 2001. In 2006, Suez sold 49 per cent of its shares to Indonesian company PT Astratel Nusantara and Citigroup Financial Products Inc. In the same year, Thames Water sold all its shares to a Singapore-based company. In 2007, the PPPs received the backing of international financial institutions. The World Bank’s Global Partnership on Output-Based Aid approved a US$ 5 million grant, to “(expand) access to water services to low income households”, and “(pilot) an innovative approach to ‘illegal’ community service access”. The Asian Development Bank also approved a US$ 50 million private sector loan to partially fund its capital expenditure programme for 2008-2012.

**Ambitious targets through privatisation**

According to the World Bank in 1996 PAM Jaya recorded just 45 per cent tap water coverage, and 57 per cent of non-revenue water (water lost to leaks or stolen). For this reason, the PPPs had two main goals: (a) to expand service, with an emphasis on poorer residents and neighbourhoods; and (b) to improve the quality of service in poor neighbourhoods and the overall quality of the water.

Ambitious targets were set: Jakarta Water committed to achieving universal coverage by 2023, and to supplying clean water by 2007. The contract required 732 billion Indonesian Rupiah (US$318 million at the 1997 exchange rate) over the first five years of the project, used to expand the existing pipeline; add 1.5 million users; increase the water supply; and reduce non-revenue water. With these additional users, over 70 per cent of Jakarta’s population would have access to piped water by 2002, and water losses were to be reduced to less than 35 per cent by 2003.

The PPP contracts established that the assets, including network, treatment plants and equipment, were transferred to the private companies with the agreement that they would be returned by 2023, at the end of the concession. The two private companies took charge of the raw water supply, cleaning the raw water, pipe network and user service. PAM JAYA remained responsible for setting the tariff applied to consumers. For these services, it pays a ‘water charge’ to the two companies while users pay ‘water tariffs’ to PAM JAYA.

The partnerships lacked transparency and accountability. The contracts did not grant PAM Jaya access to the consortium’s financial records, undermining its ability to oversee implementation of the PPPs. They were also hidden from public sight, until 2013 when the Jakarta government considered terminating the contracts with the private providers.

**Broken promises: the financial cost**

The contracts were designed to be lucrative for the private partners. Jakarta Water received a fee based on volume of water supplied and calculated on a rate of return of 22 per cent. This provided a guaranteed profit, and protected them against the uncertainties of raising water tariffs. The contract also included a “management know-how” fee to the parent companies, and a safeguard for the private partner against any risk from foreign exchange or interest rate movements, as they were compensated by the government.

Therefore, most economic benefits were to be reaped by the companies, and risks borne by the government. The risks materialised during the Asian financial crisis, when PAM Jaya accumulated additional debt. Given that people were already facing rising costs, the government instructed PAM Jaya to hold tariffs steady for the first three years of the contract. Meanwhile, inflation spiralled to 120 per cent. PAM Jaya was squeezed on both sides—unable to increase tariffs, while having to make grossly increased payments to the private operators, which meant taxpayers’ subsidised tariffs. Finally, PAM Jaya broke with government policy and increased tariffs three times in under three years. From 1998, water tariffs increased 10 times, amounting to a 300 per cent increase.

The contracts resulted in significant losses for PAM Jaya, paid for by taxpayers. In 2011, the financial loss of PAM Jaya was IDR 154.3 billion (US$ 18 million), in addition to a significant decrease in the value of assets. The President of PAM Jaya is quoted as saying the PPP contracts “would sink the public water utility into huge financial losses (up to IDR 18.2 trillion [USD 2.4 billion]) if the cooperation agreement continued as planned until its expiry date in 2022.”
KMMSAJ (the People’s Coalition Against Jakarta Water Privatisation) filed the Citizen Lawsuit in 2013 accusing the privatisation project of being unlawful under the Indonesian constitution, which defines water as a human right. © Transnational Institute

The consequences for the people of Jakarta

According to the Amrta Institute for Water Literacy, PAM Jaya says the service coverage ratio in 2013 was targeted at 66 per cent, but the private operators reached 59 per cent. The leakage level is 44 per cent, while the Interior Ministry’s regulation specifies that it should not be higher than 20 per cent. And the poorest continue to miss out. Only 25 per cent of new connections between 1998 and 2004 were to low income households. In 2003, over 85 per cent of networked connections were for middle income and rich households. Although PAM Jaya implemented a subsidy to lower the monthly bill of poor families, this was still not always affordable. Residents often rely on groundwater from community wedge wells, or buy water in jerry cans, which can cost as much as half a person’s daily income.

People covered by the piped water network are not free of challenges. Cuts are frequent and in 2013, nearly 40,000 complaints were registered about water deficiencies. Also, the water often smells, causes skin irritations and is sometimes muddy. Consequently, hotels and wealthier residents have dug their own private wells. This is serious, as it means Jakarta is sinking faster than any other big city on the planet. Forty per cent of the city is already below sea level. In one decade, North Jakarta, which hosts millions of residents, could be under water. The excessive use of groundwater is also a major public health issue, because it is dirty and highly polluted due to the lack of an adequate sewerage system.

Also, the workers were affected. The privatisation of water services in Jakarta created a two-tiered workforce. Out of the 3,000 workers before the privatisation, 2,800 utility workers were transferred to the private companies, but their contractual situation remained unclear. After the privatisation, new workers were recruited that were given better pay and better working conditions than the old workers.

The future of Jakarta's water – Is there an alternative to PPPs?

Trade unions and civil society groups have for decades demanded water management be returned to public ownership. The resistance gained momentum in 2011,
when the Coalition of Jakarta Residents Opposing Water Privatisation (KMMSAJ) was launched. KMMSAJ organised rallies and public discussions, and also opened policy dialogues on water privatisation. In November 2012, the coalition prepared a class action lawsuit to annul the 1997 contract with the two companies on the basis that the partnership had failed to serve the people in the city. After years of litigation, the Indonesian Supreme Court ordered termination of water privatisation and restoration of public management to ensure the human right to water. However, it has not issued a clear order to cancel the agreement. As such, it is questionable whether a complete remunicipalisation can be achieved before the contract expires in 2023.

Meanwhile, the private company Moya Indonesia, which now owns Aetra, recently acquired two water PPPs in the surrounding areas of Jakarta – Bekasi and Tangerang – for 25 years. Moya Indonesia aims to renegotiate Aetra's Jakarta contract into a Build, Operate and Transfer contract, which presumably will also be of a long duration.

This is despite success stories showing public water supplies can work. Surabaya, the second largest city in Indonesia, has a public water supply covering over 95 per cent in 2016 – twice as much as Jakarta Water – and water is much cheaper. The Amrta Institute has calculated that the average price of water in Jakarta is triple that of Surabaya. Surabaya accumulated a net profit of over US$ 14 million (IDP 280 billion) in 2017. Lobina and Hall (2013) have also shown that public operations enjoy an advantage over the private sector.

Jakarta is a typical story of water privatisation. Water prices skyrocketed while around half of the population was left with no access to clean water, and those lucky enough to be covered by the piped water network had to endure frequent water cuts for hours, and at times even for days. The contract with the private providers, the cooperation agreement, which guaranteed the private providers a profit equivalent of 22 per cent of the Internal Rate of Return, was concealed from the public for a decade and a half, and only disclosed when the provincial government of Jakarta began to consider the termination of the contracts with the private providers. While the authoritarian Suharto regime (1966–1998) offered fertile ground for corruption, with its lack of transparency, Jakarta is not an isolated case in the global water business. Berlin, for example, had a similar experience.
CASE 40. ITALY, TURIN

Private company: Turin Metropolitan Water Company - Time as private: until 2017
Drivers of remunicipalisation: no need to pay dividends, more accountability
Process: An inter-municipal enterprise changed from being a private to public legal entity.

In early October 2017, the city council of Turin (Italy) voted to change the legal status of its local water provider - the “Turin Metropolitan Water Company (SMAT)” - from a publicly-owned joint stock company governed by private law to an inter-municipal enterprise governed by public law.

A shift from private to public law
The decision is a major victory for the local chapter of the Italian right to water movement, because the change of its legal framework from private to public law has important implications for SMAT’s corporate governance. For example, under public law, the new inter-municipal enterprise will no longer be subject to an obligation to pay dividends to its public shareholders (over 290 municipal governments in the Turin metropolitan area) and will be subject to tighter public oversight. The main operational and strategic decisions concerning the utility will now be subject to the approval of the municipalities, and there will be scope for greater public participation.

SMAT’s workers will remain under private law and collective agreements, ensuring that they can keep their jobs and employment conditions under the new legal regime, and will not have to be dismissed and then re-hired pending a public competition, a requirement for permanent public sector employment in Italy.

A victory for the Italian “right-to-water” movement
The Turin city council's decision does justice to years of campaigning for the implementation of Italy’s 2011 referendum, when over 27.6 million Italian citizens said “no” to the privatisation and commercialisation of water services. The Italian government has so far proved unwilling to enforce the people's decision and this has led to renewed social mobilisation at local and national level, in a struggle to make water as a common good a reality.

Reaffirming the results of the 2011 referendum was the main motivation for civic groups demanding to change SMAT’s legal status. Right-to-water activists also denounce that – under private law - SMAT has behaved as a private water company, even if it was publicly-owned. For instance, a SMAT subsidiary had won a water concession in the province of Palermo, which soon became problematic. As the concession did not meet profitability targets, in 2010 SMAT’s subsidiary sought compensation for damages from local authorities and demanded tariff increases before the concession was terminated. Activists also point out that – while under private law - SMAT prioritised the payment of dividends to its municipal shareholders over social and environmental considerations, such as the reduction of user tariffs, investment in infrastructure and maintenance, and fixing leaks. It was only in May 2014 that Turin city council agreed, as a partial concession to activists, to provide for 80 per cent of SMAT’s post-tax profits to be reinvested instead of being used to pay dividends.

An opportunity for enhanced public scrutiny and democratic participation
With this decision, Turin joins Paris and a growing list of cities that have chosen to bring back their water and sanitation utilities into full public ownership to ensure that the provision of water services to local communities is under public control, is of high quality, guarantees cost-efficiency and transparency, and has democratic oversight through inclusive public participation mechanisms. In the case of Paris, remunicipalisation has allowed for progress towards more affordable and accessible water, and the appointment of workers and civil society representatives to the board of directors of the new public utility. It remains to be seen how this principle will be implemented in SMAT.
CASE 41. USA, NEW YORK

Private company: Veolia - Time as private: 2011 - 2016
Drivers of remunicipalisation: job losses, costs
Process: contract expired and was not renewed after a union and civil society campaign

In 2011, New York commissioned the multinational Veolia to supervise its wastewater systems. Within five years, Veolia had been paid US$60 million to oversee New York’s Department for Environmental Protection (DEP). The contract was similar to the contract in Pittsburgh that would allow the company to keep half of all the money it saved the city. In June 2016, the city decided not to renew the contract with Veolia to manage its 14 wastewater plants. An extension of the contract was already pending, but trade unions and civil society groups successful mobilised against the renewal of the contract. The trade unions were angered as Veolia cut the sewage treatment workers by 20 per cent; 120 workers were made redundant. The disaster in Flint, Michigan, where Veolia was paid $50,000 in 2015 to test the water but failed to detect the lead contamination, fuelled the public outrage and consequently a coalition of civil society groups got organised and successfully prevented the renewal of the contract.
CASE 42. TANZANIA, DAR ES SALAAM

Private company: City Water Services - consortium with Guaff and Biwater, Superdoll
Time as private: 2003 - 2005
Drivers of remunicipalisation: service failure, failure to invest, corruption
Process: termination of contract

In Dar es Salaam, water services were privatised in 2003 as part of an IMF and World Bank condition for debt relief. The World Bank spearheaded a US$164.6 million fund to carry out the privatisation. City Water Services (CWS), a consortium of the German company Gauff, the British Biwater and the Tanzanian company Superdoll won a 10-year contract for delivering water and sewage services in Dar es Salaam. The contract was a lease through which CWS had the responsibility for billing, tariff collection, general management and routine maintenance, while assets remained in public ownership. The privatisation process was very secretive, with not even the Tanzanian parliament being able to see the contract.

Immediate problems

As soon as CWS started to operate, the service problems arose. Within months of the start of the contract, CWS stopped its monthly fees to the Tanzanian government. Also, investment targets weren’t met, with CWS only injecting half the US$8.5 million it agreed to invest. The company’s revenue dropped by a third between August 2003 and March 2005. Moreover, fewer people were billed for their water than before the privatisation, as the new billing software was introduced slowly. In addition, there was a high level of water leakage reported; it was estimated that 76 per cent of the water leaving the treatment plans was lost due to leaks. According to a report by Tanzania Water Aid, the CWS employees, whom CWS took over from DAWASA, were badly paid, ill qualified, and not adequately supervised. This led to widespread corruption, with employees generating their income in other ways. CWS then proposed to reduce over 40 per cent of its employees (450 staff). But before this could happen, the government terminated the contract with CWS due to its lack in performance.

Return to public operation

In 2005, a new public operator took over the water service delivery, called Dar es Salaam Water and Sewerage Corporation (DAWASCO). DAWASCO took over CWS’ entire company structure including the employees. Prioritising fixing the leaks, DAWASCO managed to bring the leaks rate down by 20 per cent by 2009, yet the leak rate, at 56.5 per cent, was still very high. DAWASCO also managed to increase the coverage by 12.7 per cent between 2006 and 2009. Improvements were also made in billing and metering: in 2006, 45 per cent of the connected users were metered but by 2009 this had increased to 67 per cent. However, the situation for the employees did not improve after the re-nationalisation. One third of the employees were retrenched in 2007, and the remuneration did not increase. Consequently, corruption continued to be a major issue as most illegal connections appear to be performed by DAWASCO employees and the retrenched ex-employees, who are thought to be earning money this way years later.

As a consequence of the renationalisation of Tanzania’s water service, Biwater and Gauff went to the World Bank’s International Centre for Settlement of Investment Disputes (ICSID) and the United Nations Commission on International Trade Law (UNCITRAL) to seek compensation of $20 million - $25 million from the Tanzanian government. Although the government of Tanzania was found guilty of illegally terminating the contract, it was not ordered to pay financial compensation. Instead UNCITRAL found that water and sewerage services had deteriorated under City Waters Services management and ruled £3 million in damages to DAWASCO, which were never paid because CWS had gone bankrupt.

The nationalisation happened quickly and DAWASCO had not long to prepare for this. Nonetheless, since 2005 DAWASCO has managed to extend coverage and improve water service delivery in Dar es Salaam. In 2015/16, over half, to be precise over 55 per cent, of the population had direct access to water services. This marked a 8.6% increase in comparison to 2011/12, when over 46 per cent of the population were covered by direct water services. This is a significant increase when considering that Dar es Salaam's population is estimated to have grown by around 1 million during this time, from 4.3 million people in 2012 to 5.4 million in 2016 (Based on 2012 Population and Housing Census).
CASE 43. TURKEY, ANTALYA

Private company: Suez - Time as private: 1996 - 2002
Drivers of remunicipalisation: pricing, company bankruptcy
Process: local authority takeover

As part of an agreement with the World Bank, Antalya’s municipal water utility company, ASAT, privatised its water and sewage in 1996. Suez, one of the leading global multinationals in the water sector, was contracted to deliver the water services for the period of 1996-2007. Within six years, water prices rose by 600 per cent, investments in the infrastructure were not made and Suez only provided a minimum of free water for collective facilities, such as fire protection. Moreover, around half of the utility company’s employees lost their jobs after Suez took over, and were consequently transferred to other municipal jobs.\(^{116}\)

Conflict between ASAT and Suez escalated when Suez insisted that the municipality should double water prices and sewerage prices tenfold. The municipality refused, and Suez declared bankruptcy in February 2002. Despite withdrawing from the contract, Suez resorted to international arbitration, claiming compensation of US$30 million. ASAT’s legal response was to demand counter compensation of US$40 million from Suez. In 2005, the court ruled that both sides would obtain lower amounts of compensation than they had asked for but the exact details are unknown.\(^{117}\)

Since 2002, the water and sewerage provision has been back in the hands of the municipality. After the remunicipalisation, prices dropped significantly, but are still higher than before the privatisation.\(^{118}\)


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CASE 44. UK, LEICESTER

Private company: Interserve - Time as private: 2013 - 2016
Drivers of remunicipalisation: job losses and conditions, poor, dangerous service
Process: termination of contract

In 2013 in Leicester, several local NHS trusts partnered up and signed a 7-year-long contract with Interserve for facilities management services, such as cleaning, catering and security. The contract covered 550 NHS buildings and properties worth £300 million.\(^1\) In 2016, four years before the end of the contract, the local NHS trust terminated the partnership and took the services back in-house due to major problems and poor standards. For example, Interserve combined the cleaning and catering roles, which meant that not only did over 100 workers lose their jobs, but also cleaning and catering services deteriorated.\(^2\) In one hospital, patients received their meals three hours late. The catering quality improved rapidly after the service was taken back under NHS control.\(^3\)

When Interserve took over the services it transferred the around 2,000 workers to zero-hours contracts.\(^4\) A zero-hours contract means that the employer is not obliged to provide any minimum working hours for the employee. As such, one can be officially employed but still be without work, if the employer has not offered any hours.

When transferred back to the NHS, ex-Interserve workers earned half of what the NHS contracted staff were being paid.\(^5\) This was because the workers, who worked for Interserve previously, were transferred on their existing contracts to the same conditions, while newly employed workers were given better conditions and paid a higher wage, sometimes double the rate of what the new workers on NHS contracts were getting.\(^6\)

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CASE 45. UK, NOTTINGHAM

Private company: Carillion
Time as private: 2014 - 2017
Drivers of remunicipalisation: poor standard of service
Process: termination of contract

In Nottingham, UK, Carillion had won a £200 million contract for estate and facility services with the Nottingham University Hospital Trusts in 2014. After poor cleaning standards were reported, which meant that nurses had to clean the hospital, the local NHS issued a warning in 2016 and finally terminated the contract in the beginning of 2017. Eight months after the NHS brought the services back in-house, the hygiene ratings increased from the lowest rating to the highest.\(^7\)

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CASE 46. INDIA, KERALA

Private company: various - Time as private: various
Drivers of remunicipalisation: failing companies
Process: local authority decision after people's movement for public education

In May 2016, the State of Kerala in India remunicipalised primary education. The decision made by a newly elected coalition of left-wing parties came on the back of a people's movement for public schooling. At the time, there were 1,000 private, but publicly subsidised, schools that were facing closure due to financial difficulties. The government remunicipalised some of them and changed the Kerala Education rules to ease the remunicipalisation of private schools which are running a deficit. Consequently, in August 2017, student numbers went up for the first time in a decade: 12,198 more students enrolled in year 1 and 16,710 more students joined years 2-9 compared to the previous year. Previously student numbers had been in decline.\(^8\)
CASE 48. UK, CROYDON

Private company: Carillion - Time as private: 2012 - 2018
Drivers of remunicipalisation: company failure
Process: local authority takeover

Croydon council has announced it will start running its libraries itself after years of unsatisfactory service. They were formally run by Carillion (see Box 2), which went into compulsory liquidation on the 15th of January 2018. The company was responsible for scores of government contracts, including the management of library services in several London boroughs.

Like other local authorities around the UK, Croydon was forced into outsourcing their library services in 2012 to a company called John Laing Integrated Services because of budget cuts. The contract was for eight years and supposed to end in 2020. Just one year later, John Laing Integrated Services sold the contracts on to Carillion.

Just one day after Carillion's collapse, Croydon announced it would take the borough's 13 libraries back in-house rather than outsourcing them to another private provider. Even before the Carillion liquidation, Croydon was looking for opportunities to get out of the contract as it was dissatisfied with Carillion's services. Problems included missing funds to pay for basic supplies such as paper and photocopier engineers. Staff had to pay out of their own pockets for activities, such as craft materials for children. The staff will receive a pay rise as the Croydon borough is a Living Wage employer.

CASE 47. SPAIN, BARCELONA

Private company: various
Time as private: various
Drivers of remunicipalisation: affordability
Process: creation of public funeral company

Barcelona is the city in Spain with the highest funeral costs. While the average national cost for a funeral is €3,600, in Barcelona the price is €6,500, almost twice as much. Two companies dominate the market. The Barcelona city council has therefore decided to create a public funeral company to guarantee affordable prices and to offer people a dignified end of life process. The company will start providing services in 2019 and cut prices by approximately 35 per cent.
Box 2. Carillion:
The collapse of a giant private contractor

The British multinational Carillion was founded in 1999 following a de-merger from the construction and building material company Tarmac plc. Carillion took over the construction side of the business, while the building material business remained with Tarmac. Carillion soon expanded beyond construction into various other areas. One of its main areas became facility management. In the UK, Carillion managed several libraries, 900 schools, half of the UK’s prisons and it was involved in at least 14 hospitals, either as the main contractor or for the delivery of specific services, such as cleaning or catering. Carillion also maintained the 50,000 homes for the Ministry of Defence and it was contracted to bring broadband to remote communities in Devon.

In short, Carillion was a key supplier to the government with 450 contracts in total. The contracts with the UK government made up 38 per cent of Carillion’s revenue in 2016, which equates to £1.9bn. Both central government and local authorities relied on Carillion for the delivery of essential services. There were 38 different ‘buyers’ from the government, with the Ministry of Defence being the biggest customer of Carillion, followed by the Department of Transport and the Department of Education. Between 2011 and 2018, all but one of England’s 27 county councils had a contract with Carillion. In London, 30 out of 32 borough councils had contracts with Carillion. During this six-year period, 149 local government bodies spent £1.3bn on services with Carillion. While the largest local government client of Carillion was Oxfordshire county council, which spent £43m with the firm in 2016 and £10m in 2017, with a total spend across the six years of £136m, Carillion expanded internationally too: It had contracts in Canada, the Middle East and the Caribbean.

With so many contracts for essential services, Carillion seemed too big to fail. However, on 25th January 2018 the company went into liquidation and left behind a host of unfinished and ongoing public sector contracts. At the time of the collapse, Carillion employed 19,500 people in the UK and a further 23,500 in other countries. The collapse of the company caused thousands of job losses and further damage down the supply chain. For example, the company Vaughan Engineering was owed £650,000 for works it had completed for Carillion and had a £1.1m contract for further works in the first three months of 2018. Vaughan Engineering is now preparing to file for administration and its 160 staff are expected to lose their jobs.

Carillion never officially revealed what exactly caused its collapse. It is likely that it was the consequence of numerous factors, not least corporate greed, which made the company expand too widely, too quickly. The company relied on large contracts, some of which turned out to be far less lucrative than assumed, so it accumulated debts. To pay its lenders and suppliers, Carillion relied on new contracts.

In 2017, CEO Richard Howsonoptimistically declared that Carillion had made ‘an encouraging start to the year’ with ‘increased revenue visibility’. Two months later,
he resigned after Carillion issued its first profit warning. Despite – or possibly because of – the profit warning, the UK government kept awarding Carillion with contracts: Carillion was part of a consortium that won a £1.4 billion contract for the High Speed 2 (HS2) rail link – the largest infrastructure project in Europe. And the day after that, the Defence Infrastructure Organisation gave the company two contracts worth £158 million. The contracts had in effect become a legal ‘Ponzi scheme’ – a (fraudulent) investment operation, where returns on older investments are paid by new investors, which leads to revenue growth but not profit.

Two further profit warnings followed in the same year. When Carillion collapsed in January 2018, it had £2bn in liabilities but just £29m in its bank account. The financial difficulties of Carillion were noticed by hedge funds as early as 2013, as Carillion’s 2012 financial statement revealed that it took Carillion a long time to pay its subcontractors. They started short-selling Carillion’s shares to profit from future failures. In 2014, when Carillion failed to take over Balfour Beatty, bets against Carillion increased. Carillion became the most shorted company on the London stock exchange. Investors are believed to have made around £200 million by betting on Carillion.

Carillion’s failure was also a story of personal greed, and demonstrates what happens if private companies put dividends and executive bonuses before ensuring the company’s financial stability. Between 2012 and 2016, Carillion paid out dividends of £376m, while just generating £159m in net cash during the same period. In order to do that, Carillion accumulated more and more debt. Despite having financial difficulties, the executives were rewarded handsomely. On his resignation, Richard Howson, the former CEO of Carillion, was still paid for an extra year’s service. The remuneration committee of Carillion was expected to pay him his annual salary of £660,000 per year plus other contractual benefits until October 2018. In 2016 he received £1.5m, including a £122,612 cash bonus and £231,000 in pension contributions. But he was not the only one in Carillion, who was paid handsomely. The former finance director, Richard Adam, who retired at the end of 2016, also received more than a million – £1.06 million – in 2016. As if these remunerations weren’t high enough, Carillion even considered in 2016 increasing the maximum bonus level to 150 per cent of pay, but as shareholders expressed concern, it was forced to back down. The rest of the non-executive board members shared another £450,000 between them in 2016.

Since Carillion’s collapse, a civil servant, David Chapman, working for Insolvency Services, has been appointed as a liquidator. He is advised by the accounting firm, PricewaterhouseCoopers (PwC). The advice services of the accounting firm have not been cheap for the government. Just for the first eight weeks of its work, the accountant firm charged £20.5m, with the special manager of PwC charging an hourly rate of £865.
CASE 49. ARMENIA, YEREVAN

Private company: Parking City Service
Time as private: 2013 - 2016
Drivers of remunicipalisation: Complaints, poor service, lost revenue
Process: Termination of contract

In 2013, the Armenian government contracted the private company Parking City Service (PCS) to introduce and enforce a new parking system through street cameras and electronic billing in its capital, Yerevan. However, due to numerous complaints about the frequency of fines street users received, and the high revenue that benefited the private provider and not the city, the government decided to re-nationalise the parking system in 2016.⁴⁰

CASE 50. NEW ZEALAND, MT EDEN

Private company: Serco
Time as private: 2011 - 2015
Drivers of remunicipalisation: poor treatment of staff and prisoners
Process: termination of contract

In 2011, the government of New Zealand handed over the management of MT Eden prison in Auckland – one of New Zealand's largest prisons – to the British outsourcing company Serco. In 2015, after serious scandals regarding weekly organised fight clubs, drug consumption, understaffing, and neglect of the guards, the government renationalised the prison. Speaking out against the privatisation of prisons, the government's spokesperson argued that private companies such as Serco have little incentive to support prisoners' rehabilitation if they are profiting from large numbers of prisoners.⁴¹

After the government's Department of Corrections took over the management of the prison, there was a 55 per cent drop in serious assaults between prisoners. Prisoners reported that they felt a lot safer after the renationalisation. The Department of Corrections employed 50 additional staff.⁴² While the government managed to terminate this contract, it is unable to terminate a contract with Serco in Auckland South, where the contract ends in 2040.⁴³


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