

Privatizing Water in Greece

by Christos Avramidis and Antonis Galanopoulos

This guest commentary from Greece has been excerpted for EIR. The full text is at <http://borderlinereports.net/2013/07/09/privatizing-water-in-greece/>.

Despite the fact that international experience shows that water privatization is harmful to the interests of citizens, the Greek government is pushing ahead with privatizing water supply and sewerage companies. In this report for Unfollow magazine, the authors present several sides of the issue, including a much-debated attempt to claim the Thessaloniki water supply company for the people of the city.

July 9—“The idea that water is a human right comes from ‘extremist’ NGOs. Water is a food like any other, and must have a market value,” said the president of Nestlé in 2005. This is perhaps the only man who found it in him to label the UN, which registered water as a human right in 2010 by 122 votes in favor and 41 abstentions, “extremist”—though it has to be said that, interestingly, one of the countries that abstained was Greece.

Greece’s abstention, however, might be less surprising if one considers the ongoing attempt in recent decades to privatize water supply and sewerage companies. Currently, the process of selling 51% of EYATH (Thessaloniki Water Supply and Sewerage SA) is underway, while EYDAP (Athens Water Supply and Sewerage Company) is also scheduled to be offered up. Abroad, Portugal’s national water supply company has also embarked on the course of privatization. David Hall, director of the Public Services International Research Unit, believes that the new push for water privatization “is manipulated by the austerity policies in public spending and the cutbacks on public services imposed more strictly in the countries subject to IMF and EU bailouts.”

A Profitable Business in Spite of the Crisis

EYATH was founded in 1998, following the merger of the Thessaloniki Water Supply Organization and Thessaloniki Sewerage Organization. In 2001, the company entered the stock market and was divided into the sector of EYATH of assets, which manages infrastructure, and EYATH SA. Furthermore, 25% is ceded

from the State to individuals. The company serves the greater Thessaloniki region, where more than a million and a half people live. It is worth noting that EYATH supplies the cheapest water in Europe.

Taking advantage of a natural monopoly such as water, the company ensures large profits. In particular, during the period 2007-11, it achieved a profit of EU75.2 million, and in 2012, a profit of EU17.8 million. The company also has a reserve of EU35 million. . . .

To be sure, the company’s profits are associated with the wage cuts and personnel downsizing that has occurred in recent years, as no employees have been hired since 2003, when the last call for hiring was published. Thus, while in 1998 EYATH numbered 650 employees for a smaller population and area, it currently numbers 250, with only 11 plumbers for the whole city.

In any case, Greek public water supply companies are significantly profitable in spite of the crisis. Moreover, the State and municipalities owe the water supply companies a total sum of EU356 million, a fact which sheds a different light on the paradox of privatization: The State will lose revenue from attributed dividends, while it will have to pay its debts to the new owners of the companies with the money earned from the sale. “The winners will be the new private owners, and the citizens will be the losers,” Member of the European Parliament Kriton Arsenis told us.

The Competitors for Purchase of EYATH

On May 30, 2013 the Board of TAIPED (the Hellenic Republic Asset Development Fund, a company founded by the Greek government to implement privatizations) approved two investment schemes that will proceed to the second phase of the competition for the acquisition of the Thessaloniki Water Supply and Sewerage Company. The first consortium consists of the French company SUEZ Environment SAS (whose name has been linked to several popular uprisings against the privatization of water),¹ and AKTOR Concessions SA, owned by George Bobolas. The second

1. Democracy: “*Demos*” (the people, the whole of citizens who have civil rights) and “*kratos*” (power, rule, sovereignty).



Hellenic Republic Asset Development Fund

The Thessaloniki Water Supply and Sewerage SA (EYATH), a state-owned company, is set to be privatized. International experience has shown that this leads to higher prices and worse service for consumers, and such privatization has been reversed in Paris and other cities.

one has been set up by the Israeli company Mekorot Development and Enterprise Ltd; the Greek construction company G. Apostolopoulos Participation SA; MIYA Water Projects Netherlands BV, of American, Israeli, and Dutch interests; and TERNA Energy SA, of G. Peristeris's interests. . . .

[The authors added that: Other companies and consortia that were declared out of the running include the Citizens' Union for Water, which evolved out of Initiative K136, a group that wanted to manage the city's water through cooperatives at the neighborhood level. The funding mechanisms proposed by the group are quite strange, including money from 22 "socially responsible investors" and otherwise from "people-capitalists"—local residents, including children. Among those "assisting" the initiative were John Redwood, who was privatization advisor and then chief policy advisor to British Prime Minister Margaret Thatcher in 1983; Citigate Dewe Rogerson, who was responsible during the 1980s for the communications of almost all privatizations in the UK; and Robert Apfel, the head of the Bondholder Communications Group, who told the authors that the plan "reminds me of privatization made by Thatcher, when 62% of British Gas came into the hands of consumers. . . . The privatization of EYATH in this way might be an example for all Europe. Another proposal I am making is a way for children to participate. . . . We need to bring big state enterprises closer to the people, take them from the central state administration"—ed.]

The International Experience: The Privatization of Water Is Harmful to Citizens

All this is happening in Greece, despite the fact that there is an accumulated experience of the negative impact of the privatization of water, and an established trend of

returning water supply networks to municipal or state enterprises. The rationale of nationalization is based not only on the principle that water management should be public, because it is a public good, but even on purely economic reasons, as it has been proven that public management is in the interest of citizens and the state treasury. As said to us by Mrs. Kolokytha,

Assistant Professor, Department of Civil Engineers, Aristotle University, "When it comes to supplying populations, water must be treated as a social good that either the State or the local government is obliged to supply in an appropriate quality, sufficient quantity, and at low cost. Any private company has as its primary objective the maximization of profit and obviously does not act on the basis of the general social interest."

"The international experience shows that the privatization of water endangers citizens' access to one of the most basic goods for everyday living. A typical example is that of Britain. The privatization of water by Thatcher brought about dramatic impacts on citizens by increasing the cost by 50% during the first four years, tripling outages in households that could not afford to pay, reducing quality, increasing incidents of dysentery and leading to repeated violations of environmental legislation," says MEP Kriton Arsenis.

Among the dozens of cases, an exemplary one is that of Bolivia, where the privatization of water, which came as a condition for the IMF granting a loan, brought about unbearable increases in water tariffs (200-300%). The protests of the residents ended in tragedy as seven people died, and the government finally decided to re-nationalize the network.

Water Re-Municipalization and Referenda

Typical cases of resistance or re-municipalization can now be found in Europe as well. The most important of these is that of Paris. In 2008, the City Council decided not to renew its contract with Veolia and Suez, which had had the management of the water system since 1985. The municipality created the municipal company Eau de Paris, and in 2010, it placed under its supervision the operation of the system.

We contacted Anne Le Strat, deputy mayor and chairwoman of Eau de Paris, who explained that “the choice of re-municipalization is being guided by a strong conviction that water management must obey the public interest: Water is a public good, a vital resource to be controlled and maintained by a joint and responsible management. The reform embodies the commitment of the municipality of Paris to the values of public service.”

Thanks to the reform, significant benefits arose: Profits are estimated at EU35 million per year, while in 2011, the price of drinking water, which had increased by 260% since 1985, fell for the first time by 8%.

In Italy, a referendum was held in 2011, with Italians voting by 95% against water privatization. Cynically undemocratic external pressures attempted to overturn the result, which was however ratified in July 2012 by the Constitutional Court. In Vienna, as well, citizens rejected by 87% the privatization of municipal services, among them, that of water supply.

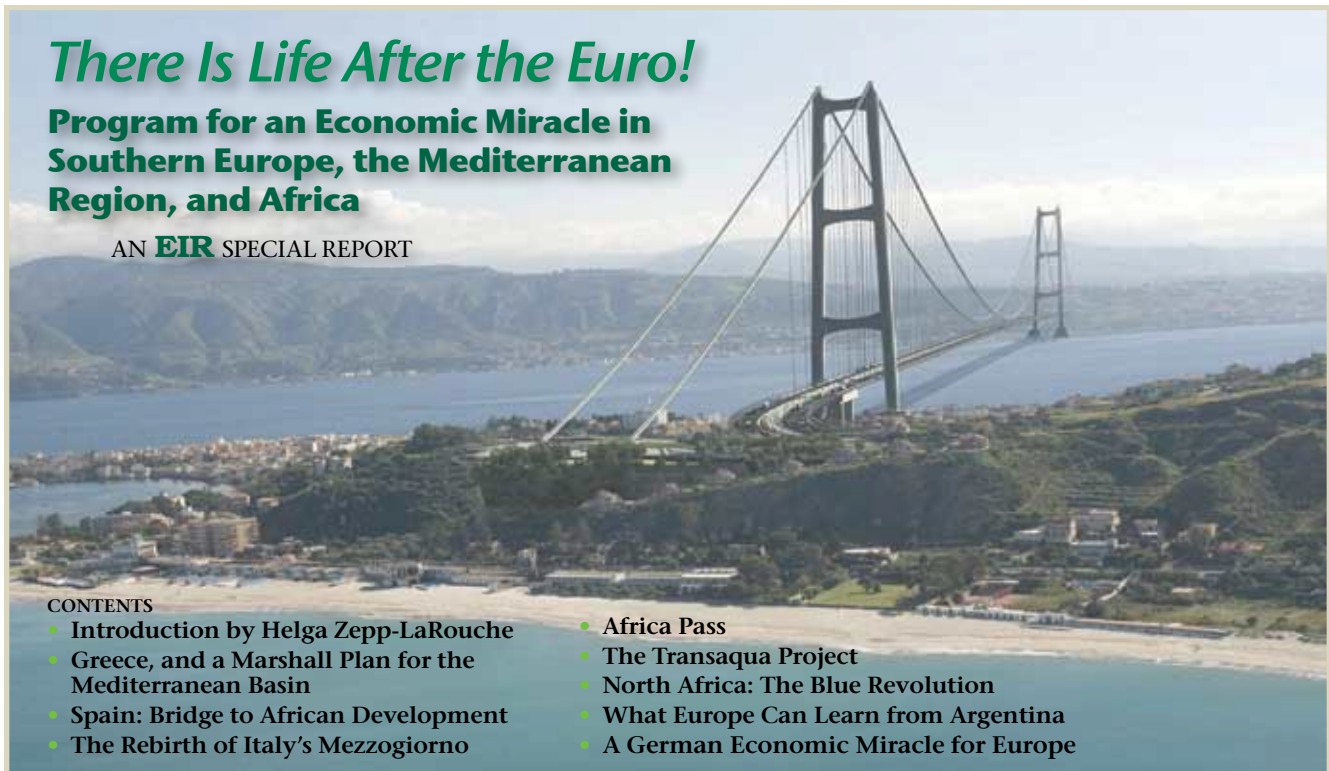
David Hall characteristically told us that “whenever submitted to a referendum, the privatization of water has been dismissed en masse.” Consequently, the proposal of the Municipality of Thessaloniki for a referendum is deemed positive, even if the outcome is not binding. The referendum gathers more and more atten-

tion, especially after the exclusion of Initiative K136, which could have constituted a second line of defense against privatization. A dominant role is now played by the initiative [SOSte to nero](#) (Save the water), which coordinates through its assemblies the efforts of agencies and organizations that disagree with the privatization.

Theoretically, the privatization of water is also opposed by all local government entities, since they have expressed, through a unanimous resolution of the Central Union of Municipalities of Greece, their complete opposition to the government’s decision to proceed with the privatization of Public and Municipal Water Supply and Sewerage Companies.

The next move belongs to the government. Will it agree to hold a referendum, with the annulment of privatization being possible? And what will be the position of the President of the Republic, who has the last word on the issue? Ultimately, who rules this country? The Suez Company and TAIPED or “the *demos*,” the people? The etymology of the form of government called “democracy”² defines the second one as the ruling force. Until today, reality has belied it.

2. Democracy: “*Demos*” (the people, the whole of citizens who have civil rights) and “*kratos*” (power, rule, sovereignty).



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