

Remunicipalisation of public services in the EU

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TABLE OF CONTENTS

INTRODUCTION	1
PART 1: THE DEVELOPMENT OF SERVICES OF GENERAL INTEREST	3
1. Definition of key terminology	3
1.1. Services of general interest	5
1.2. Privatisation	6
1.3. Remunicipalisation	8
1.4. Municipalisation	9
1.5. Inter-municipal cooperation	9
1.6. Public Private Partnership	10
2. The development of services of general interest: between private and public	12
TEIL 2: NEGATIVE EXPERIENCES OF PRIVATISATION	15
1. Motives for privatisations	15
2. Negative real life examples	16
2.1. Water: London	16
2.2. Public transport: Stockholm	19
3. Negative consequences of privatisations	20
4. Conclusions	27
TEIL 3: THEORETICAL DISCUSSION OF REMUNICIPALISATION	29
1. Arguments for remunicipalisation	29
2. Dangers of remunicipalisation	38
3. Prevention of remunicipalisation plans	40
TEIL 4: REMUNICIPALISATION IN PRACTICE	43
1. Different remunicipalisation trends in Europe	43
2. Overview: remunicipalisation in Europe	45
3. Energy supply	47
3.1. Introduction	47
3.1.1. Liberalisation and privatisation within the energy sector	47
3.1.2. Big players in the energy sector	48
3.1.3. Energy supply in Austria	48
3.1.4. Remunicipalisation within the European energy sector	52
3.2. Real life examples of remunicipalisation	56
3.2.1. Berlin	56
3.2.2. Bremen	58
3.2.3. Dresden	59
3.2.4. Hamburg	60
3.2.5. Nümbrecht	63
3.2.6. Solingen	65

3.2.7.	Springe	67
3.2.8.	Stuttgart	70
3.2.9.	Wolfhagen	72
3.2.10.	Remunicipalisation of German energy giants	77
3.2.10.1.	<i>Steag (originally: Steinkohlen Electricitys AG)</i>	77
3.2.10.2.	<i>Thüga (originally: Thüringer Gas AG)</i>	79
3.2.10.3.	<i>EnBW (Energie Baden-Württemberg)</i>	81
4.	Water supply and wastewater disposal	84
4.1.	Introduction	84
4.1.1.	Liberalisation and privatisation within the water sector	85
4.1.2.	The resource water	86
4.1.3.	Comparison: water prices and quality in European countries	86
4.1.4.	Big players in the water sector	90
4.1.5.	Water supply in Austria	91
4.1.6.	Remunicipalisation within the European water sector	94
4.2.	Real life examples of remunicipalisation	97
4.2.1.	Arenys de Munt	97
4.2.2.	Berlin	98
4.2.3.	Bordeaux	101
4.2.4.	Budapest	103
4.2.5.	Figaró-Montmany	105
4.2.6.	Grenoble	105
4.2.7.	Paris	107
4.2.8.	Potsdam	109
4.2.9.	Toulouse	112
4.2.10.	Remunicipalisation of a German water giant: Gelsenwasser AG	112
5.	Waste disposal	115
5.1.	Introduction	115
5.1.1.	Liberalisation and privatisation within the waste disposal sector	115
5.1.2.	The resource waste	117
5.1.3.	Big players in the waste disposal sector	117
5.1.4.	Waste disposal in Austria	118
5.1.5.	Remunicipalisation within the European waste disposal sector	119
5.2.	Real life examples of remunicipalisation	121
5.2.1.	Bergkamen	121
5.2.2.	Böblingen (Administrative district)	125
5.2.3.	Düren und Aachen	128
5.2.4.	North Tyneside	130
5.2.5.	Rhein-Hunsrück-Kreis	131
5.2.6.	Thurrock	134
5.2.7.	Uckermark (Administrative district)	135
6.	Public transport	136
6.1.	Introduction	136
6.1.1.	Liberalisation and privatisation within the public transport sector	137

6.1.2.	The particularities of public transport	137
6.1.3.	Big players in the public transport sector	138
6.1.4.	Public transport in Austria	139
6.1.5.	Remunicipalisation within the European public transport sector	140
6.2.	Real life examples of remunicipalisation	141
6.2.1.	British Rail	141
6.2.2.	Kieler Verkehrsgesellschaft	143
6.2.3.	London Underground	145
7.	Other service sector industries	147
7.1.	Cemetery maintenance: Göttingen	148
7.2.	Industrial cleaning	148
7.2.1.	Bremen	148
7.2.2.	Islington	149
7.3.	Green space maintenance: Nuremberg	150
7.4.	Stress test analysis: Hanover	151
7.5.	Rescue services	152
7.5.1.	Oberberg (Administrative district)	152
7.5.2.	Schleswig Holstein	154
7.6.	Street lighting: Düren	154
7.7.	Street cleaning: Gerlingen	155
TEIL 5: CURRENT DEVELOPMENTS WITHIN THE AREA OF SERVICES OF GENERAL INTEREST		157
1.	Concessions Directive	157
2.	Fourth Railway Package	160
3.	Privatisation pressure by the European Union	166
CONCLUSION		169
OVERVIEW OF EXAMPLES		173
LIST OF REFERENCES		181

LIST OF DIAGRAMS

Diagram 1: Understanding of remunicipalisation in Germany (multiple mentions).....	9
Diagram 2: Process model PPP procurement.....	11
Diagram 3: Process model PPP fulfilment of tasks	11
Diagram 4: Global revenue from privatisations 1988–2010.....	15
Diagram 5: Evaluation of public services in Austria (in %)	32
Diagram 6: Expectations of Austrians concerning privatisations (in %)	32
Diagram 7: Reasons for remunicipalisation in Germany.....	34
Diagram 8: The largest energy companies worldwide, according to turnover in billion USD, 2011	48
Diagram 9: Reasons for remunicipalisation efforts in energy supply in Germany (multiple mentions possible)	54
Diagram 10: Repurchase of DREWAG	60
Diagram 11: Share of Stadtwerke Springe.....	68
Diagram 12: Balance of tasks Stadtwerke Wolfhagen	73
Diagram 13: Development of regenerative generation in Wolfhagen	75
Diagram 14: Expected energy demand against EE generation in Wolfhagen, 2008–2015	76
Diagram 15: KOM 09 Group	80
Diagram 16: Water supply expenditure, in Euro per capita by year	87
Diagram 17: Waste water disposal expenditure, in Euro per capita by year	88
Diagram 18: Water losses in the public drinking water network, in % of the water output, 2007	89
Diagram 19: Stages of wastewater treatment (in %), 2007	90
Diagram 20: Ownership structure AQUAsisst.....	93
Diagram 21: Reasons for remunicipalisation within the German water supply sector	95
Diagram 22: Share in the water supply in France 1970 and 2010	96
Diagram 23: Development of water prices in Paris compared to inflation	108
Diagram 24: Development of drinking water and waste water charges per m ³ in Potsdam, 1994–2013.....	110
Diagram 25: Shareholders of Gelsenwasser AG.....	113
Diagram 26: Revenue of the largest private waste disposal companies in Europe, in Mio. Euro	117
Diagram 27: Development of waste collection charges in Bergkamen, residual waste 120l, 2005–2012.....	124
Diagram 28: Development of waste collection charges in Bergkamen, biodegradable waste 120l, 2005–2012.....	124
Diagram 29: Waste collection charges for an average family Böblingen	128
Diagram 30: Map RegioWaste management companies	129

LIST OF TABLES

Table 1: Overview of remunicipalisation arguments.....	29
Table 2: Major energy suppliers in Austria.....	51
Table 3: Selection: newly set up public utility companies in Germany.....	53
Table 4: Shareholders of EnBW	83
Table 5: Big players in the water industry	91
Table 6: Overview: the largest water suppliers in Austria.....	92
Table 7: Participations of Gelsenwasser in Germany	114
Table 8: Participations of Gelsenwasser abroad	115
Table 9: Municipalities of RegioEntsorgung	130
Table 10: Big players in the public transport sector	139

INTRODUCTION

The liberalisation and privatisation of public services has been an ongoing trend of the past decades. Hardly any public service sector escaped. In Europe, this development, encouraged by the European Union, started in the mid-1980ies. By adopting a large number of Directives, whose objective was to strengthen the Single Market by liberalising service sectors, the Union proved to be a key driver of the liberalisation wave.

The effects of this development were not always positive, as the privatisation boom led to a sellout of many municipalities, cities and countries. This was a tempting offer in particular for municipalities and states in difficult financial situations. And customers were also to benefit. The promise was better quality at lower prices. However, what started so promising often turned into a disaster. Overhasty and badly calculated sales were as much the consequence as were higher prices for customers and partly poor quality.

However, the course is still pursued, in spite of the disappointments, municipalities and citizens had to experience in the wake of numerous privatisations. Recently, the European Commission failed to press ahead with the liberalisation of water via the Concessions Directive. But even this sector shall be reviewed again in some years' time. Based on a new Railway Package, attempts are currently being made to further the liberalisation of public transport. However, the continued liberalisation policy at European level leads to uncertainty in the population. More and more Citizens' Initiatives react against new privatisations, a fact that was impressively demonstrated by the Europe-wide campaign *right2water*, which opposed water liberalisation. But (local) politics is also increasingly reacting to growing media and civil society pressure.

However, one can observe a rethinking process. An increasing number of municipalities dare to step backwards, assuming previously privatised services themselves. With great success! There is a trend towards remunicipalisation of public services in various European countries. This present overview shall critically review the current development and make a contribution to the discussion on the future of services of general interest.

PART 1: THE DEVELOPMENT OF SERVICES OF GENERAL INTEREST

1. Definition of key terminology

In an initial step, we shall define the main terminology, which is central to this analysis. In particular the term ‘services of general interest’ or ‘public services’ will be explained in detail, as it does not provide for a uniform, non-alterable definition. Hence, the country-specific historical background has to be taken into consideration. According to the definition of privatisation, it is important to emphasise the differences between the terms ‘remunicipalisation’, ‘municipalisation’ and ‘inter-municipal cooperation’. The mixed form of providing both public and private services, the Public Private Partnership also requires explanation.

1.1. Services of general interest

Of key significance within the context of debates on liberalisation and privatisation and thereby also of the remunicipalisation discussion is the term “services of general interest”. But what are “services of general interest”?

The idea of services of general interest is by no means new. *“France has a doctrine since the end of the 19th century that the ‘Service Publique’ pursues the aim to satisfy those needs by society, which are of general economic interest.”*¹ Fulfilling these needs shall be carried out at reasonable conditions and therefore be part of the public administration. Because the central idea of public services is based on orientation towards the common good. *“The common good contains ideas such as guaranteed supply and disposal, sustainability, transparency, affordability of a service for broad sections of the population as well as preserving quality, environmental and social standards.”*² Based on this statement, the orientation towards the common good is in contrast to a purely profit maximised business management, even though this does not exclude economic thinking and the generation of profits. However, a key characteristic of public services is that they are linked to political aims such as security of supply or services at affordable prices. *“Public enterprises are therefore concerned with generating added value for citizens (‘citizen value’) thereby making a contribution to the common good of a society.”*³

Services of general interest oriented towards the common good

Security of service

Affordable for all

However, does a market-based economic system have a need for public sector services at all? Or put it another way: Shall services in the area of services of

¹ ÖGPP (2008), 7

² Schäfer (2012), 75

³ Röber (2009), 86

	<p>general interest and securing the common good be rendered by private providers? Are their limits to privatisation?</p> <p>The development of public services in different countries clearly shows that no “objective” criteria can be determined as to what kind of public services could or should in fact be provided by municipalities. These decisions are part of democratic discourses and decision-making processes and have to be made by a politically legitimized majority.⁴ Which sectors of the services of general interest are the responsibility of general interest, remains rather vague for large parts. Relevant literature provides definitions such as: <i>“So-called services of general interest include goods and services necessary for human existence – such as transport services, gas, water and electricity supply, waste collection, wastewater disposal, educational and cultural facilities, hospitals, cemeteries etc.”</i>⁵ Others extend these necessary goods to social housing, public security and hazard defence.⁶ And some have a very limited view of what the responsibility of the public sector should be. However, it can be determined <i>“that in a civil society not all public services [...] are suitable for privatisation and that a society needs sectors without commercial interests”</i>⁷</p> <p>How strongly the understanding of services of general interest is characterised by the welfare state tradition of the respective country, is illustrated (from an Austrian perspective) by looking towards Great Britain. Great Britain is not only characterised by a liberal welfare state tradition, she has also assumed a pioneering role with regard to privatisation. Hence, Great Britain has privatised many sectors over the past decades, which would hardly be imaginable in Austria. This includes for example the privatisation of British Rail, the first police force, run by a private security firm (spring 2012) or privately run prisons, as they are also common in the USA.⁸</p> <p>Hence, the public sector also assumes the provision of public services with such frequency because <i>“policy-driven services are requested (such as short-distance public transport, cultural offers, comprehensive mail delivery five days a week), which the market simply does not provide because consumers would not pay enough to enable such a provision on the market”</i>⁹.</p> <p>The significance of national tradition in respect of services of general economic interest is also reflected in the Treaty of Lisbon: <i>“The shared values of the Union in respect of services of general economic interest within the meaning of Article 16 of the Treaty on the Functioning of the European Union include in particular:</i></p>
<p><i>Services of general interest: no objective criteria, requires political discussion</i></p>	
<p><i>Not every service should be provided by the private sector</i></p>	
<p><i>Understanding of public services characterised by different national traditions</i></p>	
<p><i>The national tradition of services of general interest has been taken into account in the Treaty of Lisbon</i></p>	

⁴ compare Röber (2009), 88

⁵ Mühlkamp (2007), 707

⁶ compare Bauer (2012), 22f

⁷ Röber (2009), 231

⁸ http://diepresse.com/home/wirtschaft/international/737144/Grossbritannien_Polizei-in-privater-Hand

⁹ Haucap (2007), 714

- *the essential role and the wide discretion of national, regional and local authorities in providing, commissioning and organising services of general economic interest as closely as possible to the needs of the users;*
- *the diversity between various services of general economic interest and the differences in the needs and preferences of users that may result from different geographical, social or cultural situations;*
- *a high level of quality, safety and affordability, equal treatment and the promotion of universal access and of user rights.*¹⁰

1.2. Privatisation

The stipulation, which responsibilities come under the public service sector and should be assumed by the state, is part of the political debate in the national states. However, the European Member States and municipalities also receive such regulations from the outside. *“Since the 1980ies, there have been strong efforts within the EU to reduce public monopolies for public services and to admit private competitors to promote competition.”*¹¹

*A first step in this direction were comprehensive liberalisations in various sectors based on European Directives. The aim was to admit private providers for public services and to weaken state monopolies. “In particular in respect of ‘network based services sectors’ such as electricity, gas, landline telephone and water resp. wastewater, the EU Commission questioned the monopoly position of the state.”*¹² Starting in the 1980ies, the liberalisation of these sectors led to comprehensive privatisations throughout Europe. *“Spreading from Great Britain under the government of Margret Thatcher the neoliberal notion of the superiority of the ‘Principle Market’ over the ‘Principle Politics’ began to assert itself.”*¹³

*From the 1980ies:
Directives on
liberalisation at
European level*

What exactly comes under the term “privatisation” cannot be explained absolutely certain by the relevant literature. Basically, privatisation is understood as the transfer of public ownership into private ownership.

However, apart from that, one can differentiate various types of privatisation, whose main difference is the scope of the privatisation undertaken.

- **Material privatisation:**
One refers to a material privatisation, when the performance of tasks is fully referred from the state to the private sector and whereby the property/assets of the state resp. the municipality is – fully or in parts –

*Types of
privatisation are
distinguished by
their various
degrees of scope*

¹⁰ http://bookshop.europa.eu/is-bin/INTERSHOP.enfinity/WFS/EU-Bookshop-Site/de_DE/-/EUR/ViewPublication-Start?PublicationKey=FXAC07306

¹¹ ÖGPP (2008), 5

¹² ÖGPP (2008), 5

¹³ ÖGPP (2008), 5

assigned to private entities. In doing so the material privatisation describes privatisations in the narrower sense, which for some is the “actual” form of privatisation.

The amount realised is rarely for the creation of reserves but mainly to cover an existing budget deficit. *“Revenue from selling the ‘family silver’ is exceptional and unique, because it cannot be repeated.”*¹⁴ Material privatisations entail a loss of ongoing revenue and reduce the municipal planning and development opportunities in the long-term.

- Functional privatisation:
One refers to a functional privatisation, when the performance of tasks – mainly restricted to a contractually agreed period (concession) – is transferred to the public sector (privatisation of a state function). At the end of the contract period, any services, which have been privatised that way, can be reversed. With this form of privatisation one has to consider in particular any tender and control costs, which are required to guarantee quality standards. The alternative performance of the services is often accompanied by the problem that specialised knowledge for control and/or subsequent own performance of the tasks is lost.
- Formal privatisation:
The formal privatisation also referred to as organisational privatisation, concerns first and foremost the organisation of the enterprise. By outsourcing, more independence and economic flexibility shall be transferred to public organisations.¹⁵ *“Therefore, this form of privatisation is only formal, because the external legal framework changes; i.e. only the ‘outward appearance’ and not the ownership structure.”*¹⁶ However, it has real consequences for the employees of the enterprise, for whom formal privatisation might sometimes result in significant changes.

The liberalisation and privatisation of municipal services of general interest over the past decades developed at different speeds and to varying extents in the different countries and sectors. The telecommunication sector had been fully liberalised at an early stage and there are no signs of remunicipalisation to this day. The privatisation of the telephone network – as one of the few sectors – has indeed lived up to its promises: making phone calls cheaper and improving the supply situation. This was obviously to a large extent down to technical progress. Nevertheless, in particular in the telephone sector we are seeing the huge dominance of a few large providers. And here too, customers were only able to benefit from it after several attempts to regulate the sector had been made.

Privatisation & liberalisation covers different sectors

¹⁴ Klug (2011), 33

¹⁵ compare Klug (2011), 30

¹⁶ Klug (2011), 30

Hence, with regard to international rates, the requirement for the EU to introduce new regulations still exists.

Shortly after the telecommunication sector, air traffic, the energy sector and postal services were gradually liberalised, whereby the implementation in the Member States occurred at different speeds and to varying extents.¹⁷ Following the privatisation of the large infrastructure areas, “more and more focus has been placed on *regional and municipal services since the 2000ies. There is hardly any sector of public services today, which has not been affected by privatisation policies.*”¹⁸

2000ies: after large infrastructure areas more and more attempts to liberalise municipal services

Privatisation was seen “for a long time as an *ideal solution not only to relieve strained municipal budgets, but also to provide an efficient performance of tasks*”¹⁹. However, following experiences made with the first waves of privatisation, disillusionment soon followed: “*Important and promised objectives [...] were not fulfilled. Hundreds of thousands of jobs had been lost in liberalised and privatised service companies and areas; working conditions deteriorated. Not always did the market work for the benefit of consumers; prices and quality of the services did not keep the promises which had been made by politicians, new management or owners. New private oligopolies were formed, which divided the markets among themselves. More and more cases became known where safety and security of supply were no longer guaranteed.*”²⁰ In order to prevent abuse of power and loss of efficiency, one needs a structure, where private and public enterprises can act for the benefit of society and citizens, which is more decisive than the actual ownership structure. “*Particular problems are posed by privatisations without competitive structures being introduced at the same time, because private monopolies arising from this can neither be controlled effectively by the market nor by policies.*”²¹ Hence, the privatisation of municipal tasks of services of general interest must not be accompanied by a weakening or reduction of the state, but must be publicly controlled and regulated. To achieve this, the state must be able to lay down rules and to enforce and control them. It is exactly this aspect, which states failed to take into consideration in the course of the then privatisation euphoria.

Disadvantages of privatisations soon became clear

A lack of state regulations lead to the creation of private monopolies

Further Directives by the World Trade Organisation (“General Agreement on Trade in Services”) and EU (“Bolkestein Directive”), which would have promoted liberalisation and privatisation were therefore looked at by the civil society with growing mistrust. Due to the continued protests, further measures aimed at liberalisation could not be implemented or only in very weakened form. The population also became increasingly opposed to any planned privatisations.

The growing mistrust of the civil population hampered further privatisations

¹⁷ compare ÖGPP (2008), 5f.

¹⁸ Matecki, Schulten (2013), 9

¹⁹ Bauer (2012), 12

²⁰ ÖGPP (2008), 6

²¹ Röber (2012), 89

1.3. Remunicipalisation

*Remunicipalisation
„Away from
material
privatisation
towards services
provided by public
bodies“*

The experiences with privatisations have made municipalities and population rethink and resulted in an opposite trend – remunicipalisation. But what exactly is meant by the term ‘remunicipalisation’?

Remunicipalisation refers to a *“flowing trend away from material privatisation towards services provided by public bodies”*²². In general, this term *“subsumes measures whose objective it is to return previously public and subsequently privatised tasks to municipal activities.”*²³ Remunicipalisation can be achieved in different ways:

- *“Reassuming of tasks by an administrative body (as competitor or monopolist)*
- *Start-up of municipal enterprises to assume tasks (as competitor or monopolist)*
- *Return of operative services to owner-operated municipal enterprises as part of the administration*
- *Conveying capital companies into public forms of organisation*
- *Increasing the share in public-private entities”*²⁴

However, not all conceivable forms of remunicipalisation are of practical relevance. *“Hence conveying capital companies into public forms of organisation is probably more of a theoretical model.”*²⁵

Most cases of remunicipalisation refer to reversing previous *“functional privatisation(s) of the operative service”*. Even though the responsibility for the execution had been surrendered, the overall responsibility for the services of general interest continued to be with the democratically legitimised political representatives.²⁶ In the end, both remunicipalisation and privatisation are concerned with distribution processes: *“Whilst privatisation is concerned with redistribution processes ‘towards private entities’, (re)municipalisation stands for redistribution processes (back) ‘towards public services’ at municipal level”*²⁷

*remunicipalisation:
reversing
privatised,
previously public
services*

But what do municipalities themselves understand under remunicipalisation? Clarification can be provided by a survey²⁸ among German municipalities, according to which municipalities first and foremost refer to remunicipalisation (92 percent) as the reversal of already privatised, previously public services. All the same, 28 percent think of start-ups of public entities; almost as many who have granting concessions to public entities in mind.

²² Difu-Papers (2011), 4

²³ HypoVereinsbank, Kompetenzzentrum für Öffentliche Wirtschaft und Daseinsvorsorge der Leipzig University (2011), 13

²⁴ Difu Reports 3/2011 – Remunicipalisation as trend and opportunity for municipalities?

²⁵ Libbe (2013), 19

²⁶ compare Röber (2012), 97f

²⁷ Bauer (2012), 22

²⁸ compare public governance (2011), 7

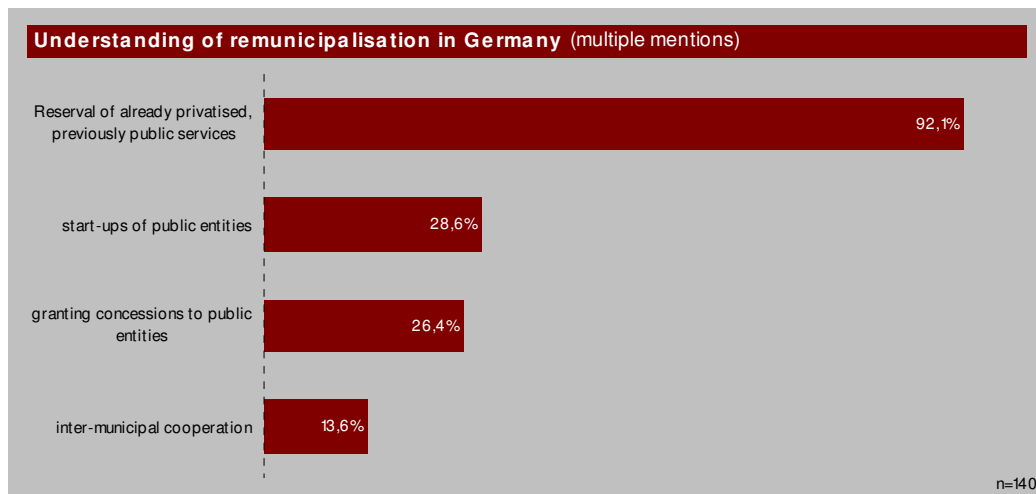


Diagram 1: Understanding of remunicipalisation in Germany (multiple mentions)²⁹

1.4. Municipalisation

Municipalisation has to be distinguished from remunicipalisation. In contrast to remunicipalisation, it concerns services, which previously were not provided by the municipality. These services were rendered by other public authorities and due to certain circumstances resp. new regulations are now transferred to municipal administrative bodies. Here too a (re)municipalisation debate brings up some examples, as the practical part will show.

1.5. Inter-municipal cooperation

In case of inter-municipal cooperation several municipalities unite with the aim of jointly providing a service to secure public services. This is frequently done by establishing inter-municipal companies. Inter-municipal cooperation is an *“instrument, which has been proven for decades”,* which gives *‘municipalities the opportunity to get together to exploit economic efficiency potentials.’*³⁰ This opens up opportunities in particular for smaller municipalities as these are often not in a position to *“deal with more cost intensive tasks such as water supply and/or wastewater disposal on their own.”*³¹ In particular in view of future challenges such as demographic changes or climate change, but also the simple wish for tasks to be carried out efficiently, are reasons for many municipalities to deal with infrastructure tasks together. The advantages of inter-municipal cooperation lie in the reduction of dual work, a bundling of competence and resources, the release of capacities and the increased efficiency potentials resulting from it, which lead to improved services and cost savings.³² A study³³

Inter-municipal cooperation: combining several municipalities to provide services

²⁹ public governance (2011), 7

³⁰ Difu-Papers (2011), 9

³¹ VKU (2011), 5

³² compare Röber (2009), 94f

*Advantage:
use of efficiency
potentials*

confirms (at least for Germany) that behind the efforts of inter-municipal cooperation are first and foremost efficiency advantages, as for almost a third of the municipalities taking part in the survey, these represented an incentive. Also relevant are fiscal considerations: 18 percent of municipalities questioned, consider the reduction of capital inclusion and another 14 percent risk sharing resp. the retransfer of investments reasons for inter-municipal cooperation. 16 percent also mentioned the demographic development.

1.6. Public Private Partnership

*1940ies:
origin of PPP
models*

A slightly weaker form of private task allocation has developed away from the already mentioned forms of privatisation: the Public Private Partnership. Public Private Partnership (PPP, German: ÖPP) describes in short the cooperation between the public sector and private enterprises. In this case, the focus lies on distribution competences and risks and not only on pure financial transactions.

*Problem:
Profit orientation
of private entities
is in contrast to
public interest*

The idea of Public Private Partnerships is not new. As early as the 1940ies, formal and informal cooperations of private and public partners existed in the American City of Pittsburgh to deal with municipal problem areas. The motive for such cooperation is obvious because the infrastructure of a region has a significant influence on local business.³⁴ The model of Public Private Partnerships was advocated under the British governments of Margret Thatcher and Tony Blair. However, what does cause problems in such partnerships are the different interests and objectives of the stakeholders involved. The profit-orientation of private enterprises finds itself opposite the quality requirements and the wish to preserve the infrastructure of the public sector.

According to their definition, PPPs can be defined as the mobilisation of private capital to fulfil governmental tasks, in particular in the area of public infrastructure. Due to the wide range of industry-specific characteristics and country-specific differences, a general definition of PPP does not exist.³⁵

The practice roughly distinguishes two forms of PPP: PPP procurement and PPP fulfilment of tasks. In respect of PPP procurement (also infrastructure PPP), the municipality outsources the entire creation process (construction, planning, finance) and *“the private enterprise functions as creator and operator of an infrastructure or as the provider of a long-term service.”*³⁶ Hence, the private operator provides the entire service.

³³ HypoVereinsbank, Kompetenzzentrum für Öffentliche Wirtschaft und Daseinsvorsorge der Leipzig University (2011),

³⁴ compare Springer Gabler Verlag (Herausgeber), Gabler Wirtschaftslexikon, [http://wirtschaftslexikon.gabler.de/Archiv/6046/Public Private Partnership-v9.html](http://wirtschaftslexikon.gabler.de/Archiv/6046/Public%20Private%20Partnership-v9.html)

³⁵ compare http://wien.arbeiterkammer.at/interestsvertretung/umweltundverkehr/verkehr/infrastructure/Oeffentlich_private_Partnerships.html

³⁶ http://www.sgww.ch/d/dossiers/Seiten/dossier_18_erklaerung_ppp.aspx

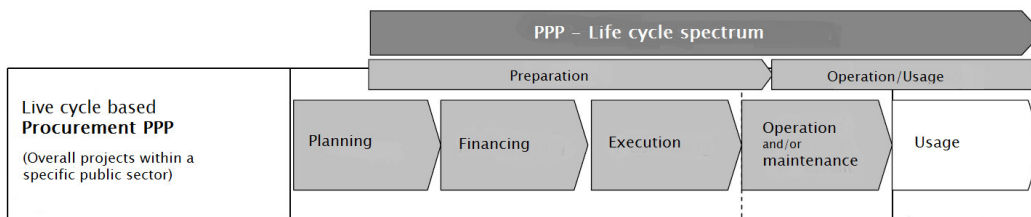


Diagram 2: Process model PPP procurement³⁷

In respect of the PPP fulfilment of tasks, the public operator outsources certain tasks, which it no longer can or wants to fulfil, to the private sector. *“This form of PPP is not characterised by a procurement process, but by the cooperation of two equal partners in respect of jointly performing a task, which is in the public interest.”*³⁸

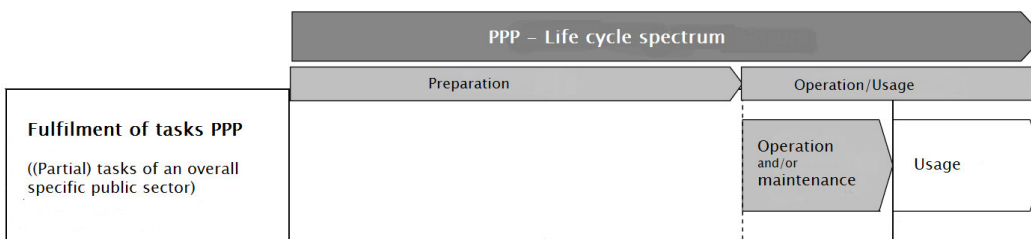


Diagram 3: Process model PPP fulfilment of tasks³⁹

The difference between the two PPP models can be summarised as follows: *“Whilst in general the PPP fulfilment of tasks in respect of existing infrastructural facilities mainly focusses on operations by the private partner, infrastructural facilities within the scope of PPP procurements are regenerated by the private partner resp. existing facilities are completely renovated and only subsequently operated.”*⁴⁰ In addition, a distinction is made between different contract models⁴¹, where the main focus is on the type of financing.

Public Private Partnerships are a means to create an additional financing option/source for the public sector in difficult economic times. *“The financial ‘advantage’ for the overindebted municipality is that initially it does not need to borrow to build or renovate schools, pools, hospitals, roads, town halls, exhibition halls etc.”*⁴² The private investor advances the funding, which is then reimbursed by the public sector over several decades in form of rental revenues. *“Hence further indebtedness by the public sector only changes its name and is deferred to the future.”*⁴³

PPPs as financial source for public investments

Criticism: PPPs as hidden privatisation

Even if in some cases Public Private Partnerships have proven to be successful they have to be viewed with a critical eye. In many cases they are nothing else

³⁷ <http://www.ppp.ethz.ch/documents/publications/essay/prozessablaufmodelle>

³⁸ http://www.sgww.ch/d/dossiers/Seiten/dossier_18_erklaerung_ppp.aspx

³⁹ <http://www.ppp.ethz.ch/documents/publications/essay/prozessablaufmodelle>

⁴⁰ <http://www.ppp.ethz.ch/documents/publications/essay/prozessablaufmodelle>

⁴¹ compare http://www.ppp-projektdatenbank.de/fileadmin/user_upload/Downloads/PPP_models.pdf

⁴² Rügemer

⁴³ Rügemer

but a hidden privatisation of public services. Hence, the criticism of PPP models is huge. The influence of municipalities is reduced, PPP models cause high transaction costs (such as contract creation and external consultancy costs) and endanger the continuation of services of general interest in the same way as the orientation towards the common good: loss of quality, reduction of social benefits and wages are frequently observed consequences of public-private cooperation. Instead of the often advertised win-win situation, PPP models may have political and economic consequences, which cannot be anticipated in advance, due to the intransparent procurement contracts and the long-term commitment to the partner.

2. The development of services of general interest: between private and public enterprises

A historical view of the services of general interest shows that this area has “gone through several phases since the 19th century – between municipalities, state and private sector, which, regardless of country and sector-specific differences, show characteristic similarities and common features.”⁴⁴

End of the 19th
century:
Market failure of
private companies
leads to boom of
public enterprises

The beginnings of public services in the 19th century were characterised by a wide range of organisations, where private enterprises played a significant role. *“The infrastructure sectors were not always state property. Originally, many enterprises were created by the private sector.”*⁴⁵ However, due to the rising demand, it was not possible to maintain the qualitative and quantitative supply of the population with public services: *“The main causes of this market failure are considered the negligence of external effects, the limits of the decentralised allocation of public goods, the discrimination against weak market participants [...] and the failure of markets to adjust, which resulted in the formation of monopolies.”*⁴⁶ The lack resp. the inadequate offer (and competition) by private enterprises resulted in the growing significance of municipal and state-owned enterprises at the end of the 19th century.⁴⁷ Public enterprises increasingly assumed the task of public services and enabled *“by constructing and operating water mains, sewer systems and energy companies the infrastructural security and supply of both local population and businesses.”*⁴⁸ In doing so, the municipalities also contributed to advancing social progress. However, Conservatives rejected this approach as “municipal socialism”.

The welfare state, which was driven forward after the Second World War, was based on the Social Democrat *“conviction that the public [...] sector and its*

⁴⁴ Wollmann 2013, 37

⁴⁵ Wieser (2007), 43

⁴⁶ Röber (2009), 76

⁴⁷ compare Röber (2012), 82

⁴⁸ Wollmann (2013), 37

*workforce were best suited to realise the expanded infrastructural services and their welfare state objectives.*⁴⁹ This led to a number of nationalisations and increased municipal commitment – not only in Austria. *“In spite of all national differences and particularities, public services became a significant part of the modern welfare state throughout Europe, whereby their services were not organised in accordance with market principles but along the lines of social targets.”*⁵⁰ Thereby over the years public undertakings became an integral part of a comprehensive welfare state system.⁵¹ However, this did not happen without increasing public criticism, as public enterprises were frequently instrumentalised in favour of respective party interests. In addition, the monopoly position of these public enterprises, their alleged economic inefficiency as well as the privileges enjoyed by employees of such companies were open to debate. *“In the end the tag ‘government failure’ was used to place inefficiency in respect of providing public services under general suspicion.”*⁵²

*“Since the late 1970ies, the conceptual, political and institutional precedence of the public sector [...] has been replaced by a priority of the private sector.”*⁵³ This development has two reasons. Firstly, the victory of the Conservative Party in Great Britain under Margaret Thatcher heralded the start of the neoliberal era, which soon spread to other countries. Great Britain began to privatise parts of the infrastructure, such as the telecommunication sector, gas and power supply, railways and water supply. *“In doing so, sectors were privatised for the first time, which for decades – with the exception of the USA – had been considered basic responsibilities of the state. [...] However, no other European country was so consequent in privatising her infrastructure industry as Great Britain.”*⁵⁴ Hence, with Margaret Thatcher began the ideological concept of the slender state, which was to be restricted to its core function, to be effective. Secondly, some years later, this development was driven forward by the liberalisation policy of the EU *“with the aim and postulate to create a common market [...] Europe-wide.”*⁵⁵ Based on the neoliberal concept to provide as many services as possible through public invitation to tender, more and more public task fields were liberalised and finally privatised. *“Based on an increasingly broader interpretation of the so-called fundamental economic freedoms [...] in the European Single Market, those areas of public services, which are not subject to European Competition law, have become increasingly smaller.”*⁵⁶ This development is reflected by the share of

After World War II: services of general interest become part of the modern welfare state

Reproach directed towards public enterprises: Inefficiency through monopoly position

From 1970 onwards: boom for private enterprises (because of M. Thatcher and liberalisation policy of the EU)

Liberalisation to strengthen the Single Market

⁴⁹ Wollmann (2013), 38

⁵⁰ Matecki, Schulten (2013), 8

⁵¹ compare Röber (2012), 82

⁵² Röber (2012), 82

⁵³ Wollmann (2013), 38

⁵⁴ Wieser (2007), 43

⁵⁵ Wollmann (2013), 38

⁵⁶ Matecki, Schulten (2013), 10

21st century:
change of direction
– public sector
repurchases

Financial crisis
increases trend
towards
remunicipalisation

public enterprises in the global economic output: if this share was still over ten percent in 1979, by 2005 it had fallen under six percent.⁵⁷

However, since the beginning of the 21st century, Europe has seen a change of direction. The public sector has started some years ago – with differences between countries and service sectors – to repurchase sold property and is once again resuming public services. Most cases of remunicipalisation can be traced back to promises made in respect of privatisation, which were unable to keep up with reality. Whilst during the peak of deregulation it was the widespread belief that private enterprises would work better, cheaper and faster, it has now emerged that this was no more than wishful thinking based on ideology and interests. This realisation also led to new self-confidence of regional administrative bodies knowing that they would be able to stand their ground whilst competing with private enterprises. Finally, the global financial and economic crisis of the past years has shaken the confidence in the market and thereby also quickened the trend towards remunicipalisation. It definitely became clear “that the ‘market’ does not automatically work properly and that the private sector is not always superior to economic activities of the public sector.”⁵⁸ These developments also led to a swing in opinion by the population: the unfulfilled expectations in privatisations in combination with the financial and economic crisis finally resulted in the fact that people today have a stronger need for government security – also within the scope of services of general interest.

⁵⁷ compare Wieser (2007), 42

⁵⁸ Schäfer (2012), 75

PART 2: NEGATIVE EXPERIENCES OF PRIVATISATION

In the short term, privatisations are making a killing for public households. The revenue generated by spin-offs over the past decades has proven to be a huge source of income. Some figures for the purpose of illustration: during the period between 1985 and 1993, 100 states (among them Japan, Australia and all major West-European countries) generated privatisation revenues of USD 328 billion.⁵⁹ The following graphic provides a more detailed overview.

Privatisations as source of income for the public sector

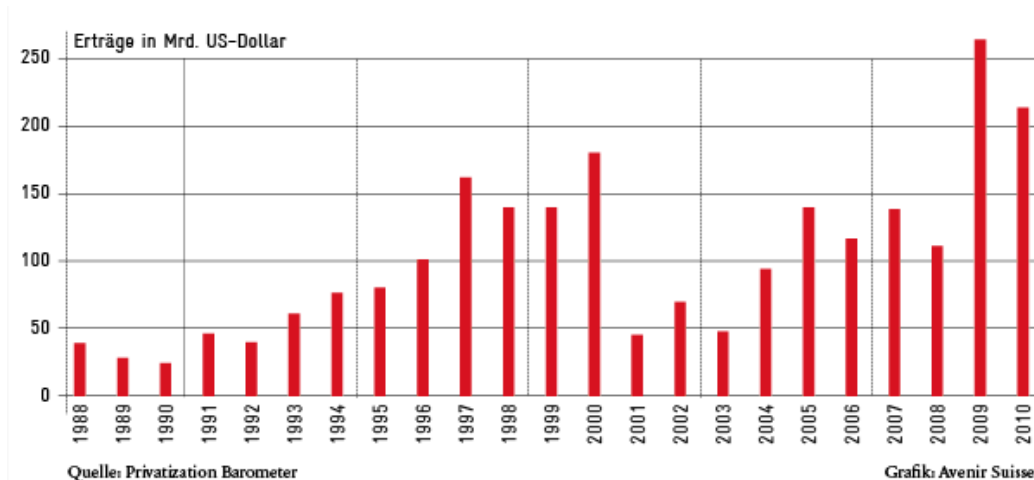


Diagram 4: Global revenue from privatisations 1988–2010⁶⁰

An impressive example of the privatisation boom is the mother country of privatisations: in Great Britain, the share of public enterprises in GDP fell “from 11.5 percent in 1979 to one percent in 1990 [...]. Between 1979 and 2001, the privatisation revenues accounted for a total of £ 68 billion resp. eight percent of the British GDP (based on prices in 1995).”⁶¹ However, neither Great Britain nor other municipalities and countries emerged as victor from these financially impressive looking deals. Even if the motives for privatisations had been promising, their results were often disastrous.

1. Motives for privatisations

Overall, the motives for the large number of privatisations (since the 1980ies) were the same everywhere. Inspired by the developments in Great Britain, a neoliberal way of thinking prevailed in Europe, which considered privatisation the most efficient solution for providing quality services of general interest and reducing public debt.

⁵⁹ compare Wieser (2007), 42

⁶⁰ <http://www.avenir-suisse.ch/16523/privatisierung-braucht-competition/#!prettyPhoto>

⁶¹ Wieser (2007), 42

better quality at lower prices

- ***Customers benefit from competition between providers***

Supporters of privatisation promise customers that they would benefit from the spin-off not once, but twice. In future, not a government resp. public provider would render the service, but several private providers would compete for customers. Customers would benefit from more competition – enjoying lower prices and/or a better quality of services.

Budget rehabilitation

- ***Filling budget holes***

Many privatisations take place against the background of empty public coffers. The objective is to reduce “budget deficits by selling *public enterprises*”⁶² to “*create once again political scope at municipal level.*”⁶³ However, municipalities often forget that even though one can achieve a one-off effect, there will be no future revenue from lucrative sectors.

Funding of necessary investments

- ***Funding via private investors***

Some of these privatisations are based on the idea to finance investments in developing and restructuring as well as maintaining the infrastructure not (exclusively) by public funds but to transfer them to private enterprises so that these “*contribute to reducing public investment arrears*”⁶⁴. Private enterprises are committed, for example via concession contracts to spend a certain amount for this purpose.

know-how

- ***Private know-how for outdated public structures***

Public structures are outdated and wasteful, private enterprises have a better economic know-how is the opinion, which is shared by many politicians. This too is a reason why privatisations are driven forward.

2. Negative real life examples

There are a number of negative examples of privatised services of general interest. The expectations, which were associated with privatisation rarely managed to keep up with reality. This is well demonstrated by two known examples: London’s water supply and Stockholm’s public transport.

2.1. Water: London

*1980ies:
Great Britain
replaces public
with private
monopolies*

Great Britain is the prime example in respect of privatising water supply and wastewater disposal. In the 1980ies, this sector was privatised on a large scale under Margaret Thatcher. Back then, England and Wales had 10 regional water companies. These were sold, and 10 state-owned monopoly companies became

⁶² Matecki, Schulten (2013), 11

⁶³ Matecki, Schulten (2013), 11

⁶⁴ Matecki, Schulten (2013), 11

10 private monopoly companies. These had favourable starting conditions as the companies were deleveraged, provided with operating capital and any *“unprofitable activities such as environmental control outsourced.”*⁶⁵ In addition, they were exempt from all gains taxes.

In 1989, the state-owned *Thames Water Authority* in London became *Thames Water Utilities Limited*. The main equity owners were US-American pension funds and London banks. The motive behind the privatisation was to pass the renovation of the ailing mains system to private companies in order to relieve the public sector. The London mains system as well as the sewer tunnels originate from the 19th century and were in urgent need of renovation. However, the necessary investments did not materialise, whilst companies made substantial profits, manager salaries and shareholder profits rose to a record high within a short period of time and water prices continued to rise. A specially set up authority to deal with the price control of monopoly companies was to make pricing more transparent. Hence, calculations of expected costs (including investment costs) had to be submitted to the authority. But the companies cheated. They stated high investment costs, which justified the rising cost of water. But these investments were actually never made. As all 10 companies acted in the same way, fraudulent activities remained initially undetected.

Reason for privatisation: renovation of the mains system

Investments did not materialise, water prices increased

In 2001, Thames Water was sold to RWE for EUR 7.1 billion. The German Energy company wanted to use Thames Water to enter the water market and to snatch a piece of the cake from leading companies Veolia and Suez. On the other hand, RWE wanted to conquer the global market based on the starting point that was Thames Water. The company expanded towards Asia, Australia, Africa, USA, Canada and South America. *“At eight million euros, the largest US water company American Water Works was the most expensive piece in the jigsaw. Based on interests in the Waterworks of Mülheim an der Ruhr, Djakarta, Concepción in Chile and Budapest, RWE/Thames Water had about 70 million customers.”*⁶⁶

2001: RWE buys Thames Water to enter the water market

RWE was able to finance this by charging high water prices in London and its continued lack of investment in London's mains system. These developments increasingly resulted in protests by the population and in disgruntled politicians. The then Mayor of London, Ken Livingstone made the half serious suggestion: *“Refraining from flushing the toilet each time you pee! Save the water for making your tea.”* The government began to put pressure on the private companies. One way was the change of the “Office of Water Services” (Ofwat) into the “Water Services Regulation Authority” by the then Prime Minister Tony Blair, which was now responsible for regulating the privatised water market. This had lasting consequences. The authority demanded that RWE would make investments of almost EUR 1.2 billion (EUR 714 million for drinking water services and EUR 470

political pressure on Thames Water due to high prices

Authority for price regulation in set up

⁶⁵ ÖGPP (2013): 20

⁶⁶ http://www.water-in-buergerhand.de/nachrichten/2006/rwe_thames_water.htm

million for sewer tunnels) between 2005 and 2010. At the same time, private companies were banned from adding investment costs to water prices.

*2006: RWE sells
Thames Water*

This led to the sale of Thames Water to Kemble Water, a consortium around the Australian Investment Bank Macquarie in 2006. Kemble Water paid about EUR 11.9 billion including the assumption of debt to RWE. But other parts of the world are also interested in London's water. Hence, in December 2011 the sovereign wealth fund "Abu Dhabi Investment Authority" bought just under ten percent of Kemble's shares. And in January 2012, the Chinese sovereign wealth fund "China Investment Corporation" purchased 8.7 percent in Thames Water via an affiliate company.⁶⁷

*Daily water loss:
3.3 billion litre*

The privatisation of the water supply in London is in many respects a prime example for the negative consequences of privatisation. The plan of the British government to shift investment and repair costs for the ailing mains system to private companies has failed. Due to leakage, 3.3 billion litres of water are currently lost each day⁶⁸. This is equivalent to the daily water consumption of the citizens in and around London. Customers have to cope with poor water pressure and in some cases the rotten pipes only produce brown rusty water. Given the fact that water prices in London have been continuously rising since privatisation, this is of course particularly annoying. However, this increase did not only lead to protests in the population, but it also generated huge problems for people on low income. Being unable to pay their bills, their water supply was cut off.⁶⁹ This only stopped after protests and the warning of health experts that this might lead to diseases. Instead, people who were unable to pay their bills had a new water meter installed at their expense, where coins have to be inserted to provide water for a certain time.

*Poor people are cut
off from the water
supply*

London's water quality has also suffered since it has been in the hands of private operators. London demonstrates that the requirement for quality water supply cannot be reconciled with the profit mongering of private companies. In order to compensate for the losses caused by leakages, Thames Water, under the leadership of RWE, built new water reservoirs. These are located at the *"lower course of the Thames, between London and the sea. Here, the Thames consists to about a quarter of London wastewater and the wastewater of cities, which are situated before London. Not all modern pollutants such as X-ray contrast agents and other waste from hospitals, chemical laboratories and industrial firms [...] can be completely filtered out."*⁷⁰ This is added by the fact that during rainy periods, sewage plants find it difficult to cope and wastewater is directly channelled into the Thames. *"In particular in the lower course of the Thames,*

⁶⁷ <http://www.spiegel.de/wirtschaft/soziales/staatsfonds-cic-china-kauft-sich-in-britische-wasserversorgung-ein-a-810364.html>

⁶⁸ Falter 6/13

⁶⁹ In Austria, it is not permitted by law to cut off the water supply. Even if a water bill cannot be paid for a longer period, access to the vital commodity water must be guaranteed.

⁷⁰ http://www.wasser-in-buergerhand.de/nachrichten/2006/rwe_thames_water.htm

*scientists have established in repeated tests, that male fish are feminised. And a lot of time and effort is spent to generate additional drinking water from this slush [...].*⁷¹ Within only 4 years (between 1999 and 2002), Thames Water was convicted for water pollution in over 20 cases. This once again demonstrates that private companies do not provide services of general interest with quality or customer satisfaction in mind, but that profit is their top priority. Hence, they accept damages to the environment and health as much as the inadequate supply of the population with water or the waste of resources.

*1999–2002:
Thames Water is
sued in over 20
cases because of
water pollution*

2.2. Public transport: Stockholm

Stockholm already began to outsource public transport services at the beginning of the 1990ies. The Stockholm Metro is owned by the Stockholm County Council through *Storstockholms Lokaltrafik (SL)*, which in turn is owned by the municipality. However, providing the service itself was outsourced to private companies via franchise.⁷² Until 2009, *Veolia* was the franchisee for the Stockholm Metro. Even though Stockholm's citizens were not happy with *Veolia*, they *“did not question the system of privatisation as such.”*⁷³ In 2009, the contract, worth EUR 3.5 billion, was re-tendered. The contract was awarded to Hong Kong based company *MTR*, which, from 2 November 2009 assumed operations for eight years, with the option to extend the contract for another six.⁷⁴ However, not only the Metro, but Stockholm's entire public transport has been outsourced to private companies following this principle.

*1990ies
Outsourcing of
Stockholm's Metro*

Stockholm is time and again referred to as an example for negative privatisation consequences, as a number of adverse developments could be detected at a very early stage.

Stockholm Metro operations have already been outsourced to private companies for over 20 years. This is associated with an exodus of know-how in respect of the municipality. Should Stockholm want to resume running the Metro itself, it would have to invest considerably in knowledge management.⁷⁵

*Outsourcing leads
to loss of know-
how*

At political level, privatisations also mean a loss of control by the public sector as well as losing the opportunity to design living spaces. This is clearly demonstrated by the example of Stockholm: even though planning decisions are the responsibility of the public sector, operating the lines is the domain of private companies and therefore difficult to control strategically. At the same time, outsourcing the Metro brings only limited financial relief for Stockholm's municipality. The invitation to tender causes as many administrative costs as the

*Operating lines the
domain of private
companies,
therefore difficult
to control
strategically*

⁷¹ http://www.wasser-in-buergerhand.de/nachrichten/2006/rwe_thames_water.htm

⁷² compare <http://www.bahn-fuer-alle.de/pages/hintergrund/erfahrungen-in-anderen-laendern.php>

⁷³ <http://www.bahn-fuer-alle.de/pages/hintergrund/erfahrungen-in-anderen-laendern.php>

⁷⁴ <http://www.thelocal.se/17274/20090130/#.UR0wavK2vld>

⁷⁵ compare AK Vienna (2013): 15

Costs for control

negotiations and controls in respect of adhering to the contracts. However, Stockholm can only guarantee the quality of public transport by implementing complex controls. Currently (2012), the City of Stockholm employs 756 staff alone for the administration of tenders and for the control and quality assurance of public means of transport (“mystery shopper”, public procurement law experts).⁷⁶

ÖPNV continues to receive public subsidies

In spite of the strong private involvement in providing public transport, the city is still required to subsidise this sector. In Stockholm, the share of subsidies is 51 percent. To compare: in Vienna and Helsinki, where public transport is in municipal hands, the share of subsidies is 59 and 50 percent respectively. These costs are borne by the municipality (and ultimately by the population); however, their room for manoeuvre has been lost.

This shows that even an experienced operator such as *MTR*, which apart from Stockholm also runs the underground services in London, Sydney and Melbourne, has difficulties to generate profits. In 2010, Stockholm generated revenue of HK\$ 2,858 million, whilst its expenditure amounted to HK\$ 2,864 million. This means a loss of about HK\$ 6 million. In 2011, the company was more successful and was able, based on revenue of HK\$ 3,166 million and expenditure amounting to HK\$ 3,111 million, to generate a profit of HK\$ 55 million (about EUR 5.5 million).⁷⁷ However, in case of an operator, which is based in another country, in this case even outside Europe, rewarding the contract always throws up the question: where are profits taxed? If taxes are paid in another country the state might lose considerable tax revenue.

3. Negative consequences of privatisations

These examples show that the privatisation of public services has in many cases not resulted in the promised and/or desired success. As regards consequences of privatisations one can, similar to the motives for privatisations, detect resemblances beyond national borders and service sectors.

▪ *Creation of private monopolies*

Higher costs through private monopolies

*“The markets of services of general interest are characterised by a natural creation of monopolies.”*⁷⁸ Privatisation changes a state/municipal into a private monopoly. The lack of competition in case of private monopolies often results in higher prices and a deterioration of the service quality for customers. The frequently used argument, according to which private companies are more efficient, cannot be confirmed in respect of monopolies: *“Empirical studies show*

⁷⁶ Compare AK Wien (2013): 15

⁷⁷ MTR Corporation Limited: Annual Report 2011: 165

⁷⁸ Streissler (2012), 20

that these are only created based on the rising intensity of the competition.”⁷⁹

The private monopolist is able to orientate itself on minimum standards, when consumers have no possibility to change to another provider. That is why privatisations often lead to poorer quality. The frequently increased prices result from the so-called monopoly profit: *“The (additional) revenue from the sale generated by the state will subsequently be paid by consumers via a surcharge, which is equivalent to the monopoly profit.”⁸⁰* In particular in areas, which require large investments (networks) it is difficult for new, small providers to gain a foothold. This has been clearly demonstrated with regard to the liberalisation of the energy sector, where almost exclusively globally acting companies were able to benefit from the new competition rules.

The dominance of private monopolies throws up yet another problem: they are difficult to control by the responsible national authorities. Hence, it is difficult to implement the often necessary governmental regulations.

Controlling private monopolies is difficult

▪ **Price increases and plummeting quality**

Private is better and cheaper! Based on this argument, many privatisations were driven forward and justified. The expectations even went further: price reductions with simultaneously improved quality.⁸¹ Measured against the promises, the reality was sobering. *“Price increases [...] and plummeting quality were a frequent occurrence.”⁸²* In most cases, the loss of quality is a lack of investments. This approach by private companies can be explained as follows: The *“private service provider is forced to act in such a way that it is able to distribute high dividends among its shareholders. Hence, its orientation is not first and foremost geared towards high quality of the service and long-term investment strategies, but towards short-term profit opportunities, even if they might be at the expense of the population.”⁸³*

Profit is the top priority of private actors

In the meantime, the experiences with regard to price development have manifested themselves also in the consciousness of the citizens. Many surveys confirm that the greatest fear in respect of privatisation concerns price increases. As previous experiences have shown, these fears are not unjustified. In Great Britain, for example electricity prices shot up after privatisation and the suppliers had to be forced to introduce social tariffs.

How serious price increases are for the population becomes above all apparent in low-income countries. In 1995, the Budapest energy supplier *ELMÜ* was partly privatised. Currently 82.50 percent of the company are in private hands (55.25 percent *RWE*, 27.25 percent *EnBW*). In the first two years after privatisation the

*Price increase:
Budapest +30% in
2 years*

⁷⁹ <http://www.avenir-suisse.ch/16523/privatisierung-braucht-wettbewerb/#!prettyPhoto>

⁸⁰ <http://www.avenir-suisse.ch/16523/privatisierung-braucht-wettbewerb/#!prettyPhoto>

⁸¹ compare Difu-Papers (2011), 5

⁸² Röber (2009), 81

⁸³ Streissler (2012), 20

energy price rose by 30 and 32 percent respectively. Today, the price for electricity lies at EUR 0.16/kWh.

A similar development can be observed for the local energy supplier in Bucharest, where in 2008 50 percent of the shares of the electricity provider *Electrica Muntenia Sud* were sold to *ENEL*. In the meantime, 62.5 percent of shares are owned by the Italian company. A tariff was determined in accordance with planned investments. However, in the following years, investments accounted only for about half the agreed amount. However, there were no tariff reductions. The price for electricity is 0.12 Euro/kWh.

▪ ***Lack of investments in the infrastructure***

“Even in case of privatisations, which had been planned as model projects, the results in respect of productivity and quality are anything but convincing.”⁸⁴ This is due to a lack of investments by private enterprises in maintaining and developing the infrastructure. This has far-reaching consequences for the public sector and the population and in some cases also for the environmental balance of the region. The consequences cover a wide range, from wasting resources via high costs in case of retransfer up to health risks for consumers.

In Great Britain, the necessary investments in the infrastructure were a motive for the large number of privatisations. These investments were to be outsourced by privatisations to private companies with the population as beneficiary. However, these expectations were not fulfilled. The new private owners held back their investments in order not to put their profits at risk. In many cases, the top priority for private enterprises is short-term profits and not long-term possibly cost-intensive investments in the infrastructure. The particular inglorious example of British Rail shows that a lack of maintenance can even result in death. In the 1990ies, a number of serious rail accidents occurred in Great Britain, claiming 42 deaths and over 700 injured.

For the state, such privatisations sometimes end in financial disaster. Because: if services due to lack of maintenance are returned to the public sector, the costs of investment will be higher than before.

In respect of water supply, a lack of investments in the infrastructure results in leaking pipes, which leads to an enormous loss of water and with that to the waste of an important resource, i.e. water. It has been confirmed that the loss of water in networks run by private companies is higher than those where municipalities are in charge. This is not also demonstrated by the example of the water supply in London, but also by many others. In the water sector, investments bring a return after thirty to sixty years at the earliest; however, franchises cover a period of maximum thirty years. Hence, investments are not profitable enough for private franchisees, which is a reason that they are not forthcoming. The approach by public companies is based on a different logic,

*Far-reaching
consequences due
to lack of
investments*

*Example Great
Britain:
42 deaths and over
700 injured in rail
accidents*

*Water loss higher
in case of networks
run by private
companies*

⁸⁴ Schneider (2013), 151

because they are responsible for providing a service for decades. In the long-term they are the ones to suffer from a lack of investment.

A particular striking example of the approach of private companies: in France, the water supplier *Veolia* on average only spends a third of the budget financed by water customers on pipe maintenance. However, a burst pipe is regarded as renewal of the infrastructure, for which the water customer pays extra. In the end, customers pay twice for the service.⁸⁵

Other activities by *Veolia* also show the corporate culture in a bad light. In 2000 for example, the water supply in Sofia was transferred as a 25-year franchise to *International Water*, a British company. The British company held the majority shares in the especially set up franchise company *Sofia Water*. In the meantime, *International Water* has sold its interest in *United Utilities*, which in turn sold it to *Veolia*, which thereby holds a share of 77 percent. The modernisation of the network, a reason why foreign investors were invited into the country, never took place. That is why to this day 60 percent of the water is still leaking and 30 percent of households are still not connected to the wastewater network. In some parts of the city, the pressure in the pipes is so low that any water supply is impossible. If *Sofia Water* receives a complaint, it sends an engineer, whose services, however, have to be paid by the customer himself. In the meantime, some politicians campaign for the remunicipalisation of the water supply. However, the payments necessary to achieve this exceed the financial possibilities of the city.⁸⁶

The lack of investment in the maintenance and development of the infrastructure also poses a health risk. In order to supply water in spite of the poor infrastructure, companies add chlorite and other water disinfectants to the water or feed water from “polluted” sources, which were not meant for this purpose. The permanent intake of chlorite is a health hazard for consumers.

Poor maintenance means health risk

These and other examples show that in most cases the plan of municipalities to transfer infrastructure investments to private companies has failed. What adds insult to injury: the municipalities remain responsible for the supply! If private companies do not make the necessary investments, they have to be paid for by the municipality and thereby by the population.

▪ ***Loss of jobs, poorer working conditions***

The privatisation of public services had serious consequences for the employees of previously public enterprises. *“In general, they were accompanied by substantial job cuts, (partial) abandoning of collective agreements, significant increase of work at lower pay and poorer working conditions etc.”*⁸⁷ Added to this is the break-up of the workforce into permanent and temporary staff. This leads to an increase of precarious forms of employment and contract work. The reason for this becomes quickly apparent: the top priority for private enterprises is

Employees suffer from the consequences of privatisation

More precarious employment and contract work

⁸⁵ compare Water makes money

⁸⁶ compare ORF, Weltjournal 5.6.2013

⁸⁷ Matecki, Schulten (2013), 14

Lower wages must be supplemented by social benefits

always profit maximisation. For them, reducing personnel costs is one option to cut current costs, for example by cutting salaries or increasing the workload of individuals. As demonstrated by many examples, this strategy is quite common for privatisations. In Germany alone, about 600,000 jobs were lost due to privatisation since the beginning of the 1990ies.⁸⁸

The situation in some service sectors is particularly dramatic: *“the wages paid in privatised task fields relating to waste disposal, municipal industrial cleaning and the maintenance of green spaces, make it hard for employees to make ends meet [...] In many cases, they are paid additional state transfer benefits to fund their livelihood.”*⁸⁹ Payments, which for the municipality were personnel costs before, it must now supplement indirectly by paying higher social benefits. In other words: whilst private companies increase their profits by paying low wages, the tax payer has to ensure that employees are paid a living wage.

Imbalance of municipal budgets:

Public facilities (e.g. swimming pools) can no longer be financed

▪ ***Municipalities prefer one-off effect to permanent revenue***

Municipalities often grant concessions for services of general interest because they want to fill holes in their budget. However, this one-off effect means that municipalities miss out on permanent revenue from lucrative business sectors, in which particular private enterprises are interested. Sometimes the loss of this revenue results in a permanent imbalance of municipal budgets with the effect that little profitable public facilities or services of general interest can no longer be financed. There are countless practical examples, which show that public utility companies support municipal swimming pools, city festivals, sport clubs etc. thereby contributing to a better living standard in the community.

Privatisations in the public transport sector have proven to be particular unprofitable. It doesn't matter whether these services are provided by public or private companies, municipalities have no choice but to subsidise these sectors with public funds. This has been demonstrated for example in the case of the privately operated public means of transport in Stockholm, London and British Rail. An interesting related fact: if the subsidised private operator distributes dividends they are fully absorbed by the private operator. This can be interpreted as redistribution of taxpayers' money to add to the wealth of private companies and their shareholders respectively!

In the long-term, privatisations are a loss-making business for the public sector

However, municipalities permanently lose a substantial amount of continuous revenue. Meanwhile, long-term studies have shown that privatisations fill budget holes only in the short-term, but that they become a loss-making business for municipalities in the long-run. In Austria alone, the privatisation of OMV, Telecom and Mail *“according to estimation method [...] a total loss so far of EUR 1.25 and 1.78 billion respectively.”*⁹⁰

⁸⁸ http://www.boeckler.de/pdf/v_2008_11_27_brandt_schulten.pdf

⁸⁹ Sternatz (2013), 62f

⁹⁰ AK (2013), What is the cost of privatisations?, 32

Apart from that, municipalities often incur additional costs, which are frequently overlooked when services are privatised initially. Even if the municipality no longer provides a service itself it still does not shed its full responsibility. Costs for example are incurred for supervisory and/or regulative authorities plus costs for invitations to tender and the tender management respectively.

▪ *Cherry picking*

A significant difference between private and public provision of services lies in the fact that private enterprises can choose the tasks they want to take over. In contrast, municipalities have to ensure that the various services of general interest, from waste collection to childcare, are guaranteed. Private companies are first and foremost obliged to maximise profits, this also applies when they assume services of general interest. Hence, not all are equally interested in all areas, but try above all to obtain the most profitable segments of public services, which means they pick the best of the bunch. This approach confronts the municipality with serious problems as it is committed to ensure the provision of all services of general interest. If they can no longer rely on the revenue from profitable segments, the provision of non-profitable segments can only be financed by borrowing.

Private companies interested in profitable segments

In rail transport for example, private companies prefer highly frequented lines. In Austria for example the private rail line *Westbahn* of the industrialist Hans Peter Haselsteiner exclusively covers the line Vienna–Salzburg, one of the most attractive railway lines in Austria. The liberalisation of rail transport has made this option possible; and it has been used since December 2011. Whilst the public transport carrier *ÖBB* is obliged to ensure the operation of unprofitable lines, private operators are only interested in profitable rail services.

Depending on the sector, private enterprises decide “*based on their own portfolio and the refinancing rate for the execution of tasks*”.⁹¹ Of particular concern is the understanding of public services by private companies in respect of water supply, especially in developing countries. Here the commitment of private water suppliers is limited to supplying major cities, sometimes even to individual (affluent) districts, whilst rural areas are often disregarded and remain without water supply.⁹²

Extreme case: developing countries: water only for affluent parts of the city

“With regard to maintaining green spaces it has been demonstrated that private companies are mainly interested in jobs, for which no special knowledge, no special tools and only limited maintenance effort is required.”⁹³

The interest of private companies in healthcare is oriented towards “*lucrative special care such as heart clinics*”⁹⁴, which generate more revenue than general

Privatisation in the health sector puts supply at risk

⁹¹ Sternatz (2013), 62

⁹² ÖGPP (2008), 14

⁹³ Sternatz (2013), 61f

⁹⁴ Sternatz (2013), 61

hospitals. However, here the security of supply is at risk; whilst lucrative operations are carried out, serious or difficult cases end up in municipal hospitals. *“At the same time the incentive for clinic grows to carry out a greater number of pointless but highly paid therapies, even if they do more harm than good.”*⁹⁵ An extreme example is intensive care units, where patients are kept alive to generate revenue – *“after all payments are only made for living patients.”*⁹⁶

The healthcare systems in EU countries are differently organised; hence in some countries, two-tier healthcare has already become reality. Austria and Germany still provide a high level of universal healthcare. However, the privatisations of hospitals in Germany already put this into question: *“The danger is that in the long-term, patients without private or additional insurance will no longer receive first class treatment. This dangerous trend has already emerged in some private clinics: they withdraw from rescue services – because they are not profitable.”*⁹⁷ The cherry picking by private enterprises also becomes critical in case of large hospitals, when these are responsible to provide healthcare for an entire region. For example, *Uni-Klinikum Gießen und Marburg (UKGM)* was privatised in 2006 and merged with *Rhön-Klinikum AG*. The first privatisation of a University Clinic *“was supposed to provide groundbreaking hospital care [...] and [...] relieve the cash-strapped regional budget. The investment bottleneck seemed to be a thing of the past, new equipment was purchased and a paediatric clinic was built in Gießen in only eleven months.”*⁹⁸ However, within a few years the situation had dramatically changed: many job losses, outsourcings, price reductions, poor payment and a minimum number of operations to be performed by head physicians led to falling patient numbers, dissatisfied employees and an increasingly larger deficit. In 2012, a report by consulting firm McKinsey confirmed a *“‘structural’ deficit of 20 million euros and further investments of more than 200 million euros to be made by 2020.”*⁹⁹ Meanwhile, a Physician Initiative (Emergency call 113) vehemently demands the remunicipalisation of the University Clinic.

⁹⁵ <http://www.spiegel.de/gesundheit/diagnose/privatisierung-von-kliniken-auf-kosten-der-patienten-a-909728.html>

⁹⁶ <http://www.spiegel.de/gesundheit/diagnose/privatisierung-von-kliniken-auf-kosten-der-patienten-a-909728.html>

⁹⁷ <http://www.spiegel.de/gesundheit/diagnose/privatisierung-von-kliniken-auf-kosten-der-patienten-a-909728.html>

⁹⁸ <http://www.spiegel.de/gesundheit/diagnose/privatisierung-von-kliniken-auf-kosten-der-patienten-a-909728.html>

⁹⁹ <http://www.spiegel.de/gesundheit/diagnose/privatisierung-von-kliniken-auf-kosten-der-patienten-a-909728.html>

4. Conclusions

The main consequences of privatisation were and still are *“prices and poor quality, deterioration of working conditions of employees and high transaction costs by additional drafting of contracts and tender procedure as well as setting up a controlling system for privatised services and tasks [...]”*¹⁰⁰ If in the past, promises made by liberalisation supporters were blindly trusted, today planned privatisations are looked at far more critically. Over the past decades many privatisations were accompanied by negative experiences and left their mark both on the policy makers in the municipalities and on the population. Hence, the opposition of the population against planned privatisations has constantly grown over the past years. Too often promises and hopes, which went before privatisation, were followed by disappointment. What remained was the realisation: private does not necessarily mean better. Private does not necessarily mean cheaper. And private does by no means stand for more social. In the end, these developments have not only ensured that privatisation tendencies gradually decreased. They even had the opposite effect. Because they contributed to encourage the debate on whether to return privatised sectors into the public domain.

*Negative
consequences of
privatisations have
led to
remunicipalisation*

¹⁰⁰ Sternatz (2013), 62



PART 3: THEORETICAL DISCUSSION OF REMUNICIPALISATION

1. Arguments for remunicipalisation

The weaknesses of public services being provided by private companies have become apparent due to negative experiences made with privatisation. In return, it has been shown that providing services by public enterprises has advantages over those in private hands, as there are a number of political, social, environmental and economic arguments, which speak for public provision of services resp. remunicipalisation.

Overview of remunicipalisation arguments	
Ensuring services of general interest	<ul style="list-style-type: none"> – Prevention of "cherry picking" by private actors – No orientation towards profit, but towards the common good
Orientation towards the common good	<ul style="list-style-type: none"> – Guaranteed for all at the same prices – Maintaining quality, environmental and social standards
Responsibility towards citizens	<ul style="list-style-type: none"> – Reliable contact partner – Greater closeness to citizens
Approval by the population	<ul style="list-style-type: none"> – More trust in the public sector – Citizens' initiatives
Improved commercial know-how	<ul style="list-style-type: none"> – Stronger economic orientation – Ability to compete with private enterprises
Political scope	<ul style="list-style-type: none"> – Control as basis for orientation towards the common good – Maintaining standards – Urban development
Employer and economic factor	<ul style="list-style-type: none"> – Job opportunities within the municipality – Fair wages and working conditions – Strengthening the purchasing power within the community

Table 1: Overview of remunicipalisation arguments

▪ *Ensuring services of general interest*

Private companies are in the enviable situation to decide themselves which public services they want to assume. In contrast to municipalities, they do not have an overall responsibility for society and common good. Their selection is primarily based on the profits they can expect. In many cases, municipalities are left with the unprofitable resp. loss-making segments of public services. In combination with a lack of revenue from profitable areas, this results in a huge budgetary imbalance for municipalities in the long-term. However, this development does not only present a problem for a balanced budget, but also a danger for the future. If private companies primarily assume the profitable tasks of services of general interest and the municipalities are increasingly unable to meet their obligation because of budgetary reasons themselves, public services as such are in danger. What can no longer be financed, can one day no longer be provided by the municipalities.

Municipalities have social responsibility for public services

For private enterprises, their obligation towards shareholders is more important than ensuring a continuous supply for all. Even during the economic crisis, the

Private companies are primarily obliged to act in the interest of their shareholders

big players did not lose sight of their target, as a statement by the chief executive of *E.ON AG* in 2010 confirms: *"This means that we're also staying the course with our dividend policy, which is to pay out 50 to 60 percent of our adjusted net income."*¹⁰¹ *E.ON* is not an individual case but an example for other major providers, whose financial statements are not dissimilar.

Financial crisis boosted reputation of municipalities

However, in particular during the economic crisis, which showed all too clearly the sensitivity of the market, the reputation of municipal performances was boosted, in particular by the population. At worst, privatisations resulted in the fact that the supply of the population can no longer be provided in the quality required or only at such high costs, that whole sections of the population are excluded from receiving them. In contrast, the municipality is obliged to provide services of general interest for the entire population. Municipal services are oriented towards the common good, not towards profit.

▪ ***Orientation towards the common good***

The term 'common good' has already been explained in detail, but here is a brief reminder: orientation towards the common good means affordable supply and disposal services for the population, whilst adhering to and maintaining quality, social and environmental standards. Profit (possibly at the expense of others) is not the priority. This is in complete contrast to municipal provision, where the priority is placed on the supply for all: *"Private enterprises oriented towards profit, demand higher charges than public utility companies [...]. In contrast, municipally-owned companies enable districts and cities to determine charges considering their citizens [...]."*¹⁰²

Municipal means supply for all

The orientation towards the common good is in contrast to profit-oriented management. This is in simple words one of the most significant differences between a public and a private enterprise. Whilst municipal companies are responsible for ensuring added value for the population, the so-called citizen value, private companies are geared towards profits and committed to their shareholders. In many cases, not enough emphasis is placed on other criteria, in particular if they are concerned with non-monetary aspects.

Common goods is inconsistent with profit maximisation

The example of industrial cleaning in Islington shows how the municipal provision of a service can meet all requirements. From environmental regulations up to employees on collective agreement-based pay and a programme for disadvantaged employees, it has been possible to meet all requirements without making the service more expensive.

¹⁰¹ http://www.eon.com/content/dam/eon-com/de/downloads/e/E.ON_Rede_Bernotat_BPK_DE.pdf

¹⁰² <http://www.heise.de/tp/artikel/32/32172/1.html>

▪ *Responsibility towards citizens*

From the point of view of the population, the municipality remains responsible even if the service concerned has been (partially) privatised. It is the first point of contact for the population as multinational companies cannot be contacted locally. This has also been confirmed by surveys, as the *German Institute of Urban Affairs* was able to establish with regard to the waste industry. Citizens stated in the survey that in their opinion the disposal obligation remains with the municipality, even if it no longer carries out the service. This is confirmed by municipal experts. People in the community first approach the municipality to complain about inadequate waste disposal.¹⁰³ In doing so, they hold the municipality responsible for a poor service, which is longer in its control. At the same time, such action means additional time and effort to be spent by the municipality.

*Municipalities
remain responsible*

Rendering the service themselves, municipal providers may benefit from being part of the community. One example is the energy sector: *"Citizens regard public utility companies (Stadtwerke) [...] as providers, which in general guarantee the security of supply and which are in easy reach should problems arise."*¹⁰⁴ Better availability and an insight in local requirements, provides municipal operators with the opportunity to react to the wishes of citizens at short notice and to act flexibly. In this sense, a remunicipalisation of services of general interest can represent an instrument for more closeness to citizens.

*Municipality is the
local contact
partner*

▪ *Pressure by the population*

When it comes to public services, citizens now have more trust in public than in private enterprises. A big contributor to the sentiment that people have lost trust in the efficiency of the market and its economic actors is not least the financial and economic crisis.¹⁰⁵ This has also been confirmed by surveys. In Austria, privatisations are above all associated with poorer quality of employment: almost two thirds assume lower job security and every second person fears a deterioration of working conditions. People also expect a rise in prices. Three quarters of Austrians are happy with the costs of services provided by public companies; however, almost half fear that privatisation will entail price rises.¹⁰⁶ However, large a part of Austrians is satisfied with the public services provided. The quality of employment with public service providers is rated as particularly positive: nine out of ten interviewees think that publically provided services secure jobs; four out of five interviewees regard working conditions in public companies as fair.

*People fear poorer
working conditions*

¹⁰³ compare Difu-Papers. (2009), 15

¹⁰⁴ Friedrich Ebert Stiftung (2009), 2

¹⁰⁵ compare Röber (2012), 84

¹⁰⁶ compare AK. Die Angebote der Daseinsvorsorge im Bewusstsein der österreichischen Bevölkerung – Teilergebnisse Öffentlicher Verkehr (2012)

Survey – positive
rating for public
service providers

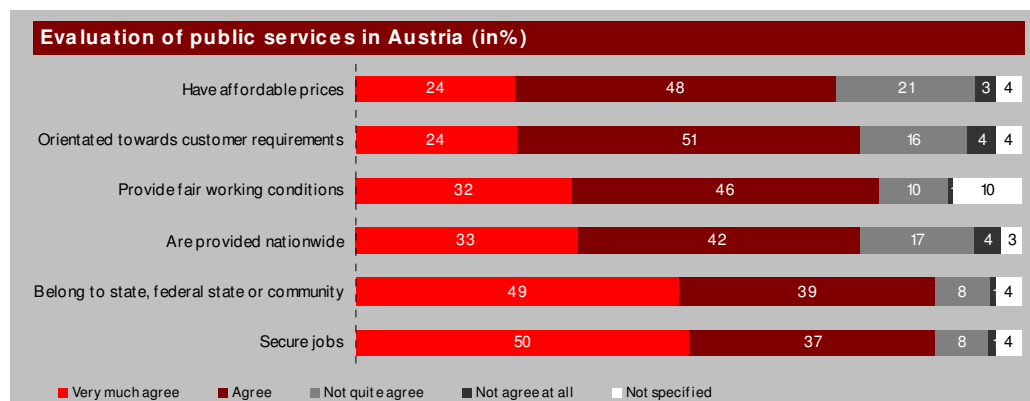


Diagram 5: Evaluation of public services in Austria (in %)¹⁰⁷

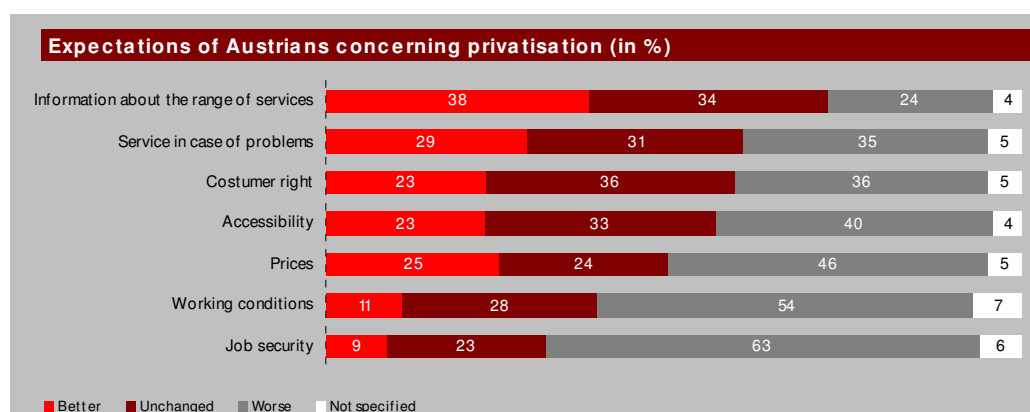


Diagram 6: Expectations of Austrians concerning privatisations (in %) ¹⁰⁸

Apart from that, the population also expects added value from supplies provided by municipal companies: In Germany, *“75 percent of all citizens prefer supplies from municipal companies [...] to those of purely private owners. Citizen expect from municipal companies fewer price fluctuations, more security of supply and that any profits – provided they exist – benefit local transport, child nurseries and swimming pools.”*¹⁰⁹

Hence, it is little surprising that more and more citizens join forces in initiatives and local alliances to protest against the sale of public property. *“Behind this broad support for the public sector is above all the request for public services, which are organised in accordance with criteria based on social issues and common good, which are not primarily focussed on generating a profit.”*¹¹⁰

Due to decisions based on direct democracy, which has been expanded since the 1990ies, citizens in Germany now increasingly have the option *“to express their concerns with the help of people initiatives, referenda and petitions.”*¹¹¹ Based on

Direct democracy
against
privatisations

¹⁰⁷ compare AK. Die Angebote der Daseinsvorsorge im Bewusstsein der österreichischen Bevölkerung – Teilergebnisse Öffentlicher Verkehr (2012)

¹⁰⁸ compare AK. Die Angebote der Daseinsvorsorge im Bewusstsein der österreichischen Bevölkerung – Teilergebnisse Öffentlicher Verkehr (2012)

¹⁰⁹ <http://www.tagesspiegel.de/wirtschaft/kommunen-die-renaissance-des-staates/1504000.html>

¹¹⁰ Matecki, Schulten (2013), 15

¹¹¹ Röber (2009), 83

these decisions, many planned (partial) privatisations were already rejected by the citizens in the run-up. This happened for example in Freiburg, Heidelberg, Hamburg, Leipzig and Rostock, where *“massive citizens’ protest, citizens’ initiatives and referenda prevented privatisation measures”*¹¹².

This engagement by the population can also be observed in respect of remunicipalisation efforts. It is due to citizens’ initiatives that the retransfer has been put on the political agenda in the first place, whereby they also support respective efforts by politicians. Prominent examples are the citizens’ initiatives in Berlin and Stuttgart. But also in France, for example in Grenoble, the population provided massive support for a retransfer of public services.

*Citizens’ initiatives
for
remunicipalisation*

▪ **Improved commercial know-how**

In the past, public enterprises were often accused of a lack of economic efficiency. Even though the *“orientation towards the common good is in contrast to the aim purely to maximise profits, it is not alien to commercial thinking or generating a profit.”*¹¹³ For that reason, municipalities have over the past years invested in obtaining and improving commercial know-how. *“By applying the concept of New Public Management, large parts of the public sector were restructured in accordance with management methods. This has helped [...] to overcome some inefficient and bureaucratic practices in public enterprises and authorities.”*¹¹⁴ The objective of a *“greater orientation towards economic principles”*¹¹⁵ has resulted in municipal successes. In Germany, it has been established that municipalities *“meanwhile are in a position to show with the help of information from their cost management that their services are in general not more expensive than those of private providers and [...] the claim that private companies do everything better, cheaper and faster is nothing else as pure ideology.”*¹¹⁶

*Public companies
too are working
economically*

The greater orientation towards performing municipal tasks in accordance with economic principles made, based on optimising individual work stages, savings possible. *“Based on modifications and the use of synergy effects, municipalities EU-wide can succeed in winning contracts against private competitors.”*¹¹⁷ These successes and the knowledge to be able to succeed in competition with private enterprises increased the confidence of municipal providers. They are for more confident in dealing with private providers than they were in the past. This has also resulted in a change in the awareness level of the public, so that municipal providers are increasingly perceived as efficient service providers.

*Public providers
can stand their
ground against
competitors*

¹¹² Bauer (2012), 19

¹¹³ Schäfer (2012), 75

¹¹⁴ Matecki, Schulten (2013), 14

¹¹⁵ Difu-Papers (2009), 17

¹¹⁶ Röber (2009), 82

¹¹⁷ Difu-Papers (2009), 16

Privatisation is responsible for the loss of municipal scope

Increasing municipal influence is an important motive for remunicipalisation

▪ *Political scope*

Municipalities have made the experience *“that municipal self-administration in spite of fundamental guarantee is undermined by the fact that more and more public tasks are gradually taken out of the core administration.”*¹¹⁸ That means that the growing number of privatisations increasingly limits the scope of municipal decision-makers. Privatisations make *“coordination and control of the service to be provided [...] increasingly more complex and complicated, which is a problem in particular for smaller municipalities. The complexity of public procurement laws also increases the anyhow existing asymmetries of information and competence between council and administration; municipalities become more dependent on external advice and local democracy becomes weaker.”*¹¹⁹

According to this, the increase of municipal influence for municipalities is regarded as one of the most important reasons for remunicipalisation. This is also confirmed by studies, such as a survey¹²⁰, which was conducted in Germany in 2011.¹²¹ Almost a third of the interviewees named retaining municipal influence as the main reason for remunicipalisation considerations; another fifth mentioned the closely associated lack of control as a main motive. As of course, municipal *“influence, management and control options [...] are easier to implement when the operative activity lies in the municipal sector.”*¹²²



Diagram 7: Reasons for remunicipalisation in Germany¹²³

The loss of influence and control options affects several levels and starts with the company itself. Public companies are subject to greater controls than private

¹¹⁸ Röber (2012), 86

¹¹⁹ Libbe (2013), 20

¹²⁰ Overall 102 municipalities took part in the survey. The study was published by Hypo Vereinsbank in cooperation with the Competence Centre for Public Economics at the University of Leipzig. Only single answers were possible. Compare HypoVereinsbank, Competence Centre for Public Economics at the University of Leipzig

¹²¹ Mainly municipalities with a population of more than 20,000, which had (partly) privatised public services in the past, took part in the survey.

¹²² Difu-Papers (2009), 13

¹²³ HypoVereinsbank, Competence Centre for Public Economics at the University of Leipzig (2011), 13

enterprises. *“The control by the market replaces the distinctive public management audit, i.e.:*

- *The political control by democratically legitimised bodies of public administration,*
- *The administrative control based on elaborate budget/cash/accounting system, public procurement as well based on external bodies of public control (Court of Auditors, audit offices, supervisory bodies).“¹²⁴*

Public companies are subject to greater controls than private enterprises

Hence, for services provided by public companies, bureaucratic regulatory agencies, as they were required for example in case of the London water supply, are not necessary. Thus, public companies can be controlled directly by democratic bodies, which means that the number of regulatory provisions can be significantly reduced. The democratic bodies of a city can directly influence urban development via municipal enterprises. However, in case of privatisation, the municipality is forced to cooperate with private enterprises to be able to meet and guarantee political requirements, as in political terms, municipalities remain responsible even in case of privatisation.

Control by democratic bodies easier in case of public enterprises

In general: public control is the basis for services provided to be oriented towards the common good. This is not only reflected in respect of jobs or social tariffs, but also in the will to support the provision of environmentally friendly services. In contrast to private providers, municipalities are more likely to adhere to environmental regulations *“and in many cases exceed those because of political requirements.”¹²⁵* Synergy effects are created when municipalities are responsible for several sectors of services of general interest, so that it is easier to realise environmental objectives. In addition, necessary decisions in favour of environmental protection, even in cases where municipalities provided these themselves, can be implemented much more directly, as they are not dependent on the good will of private providers.

Municipality as guarantor for environmental protection

In the German energy sector, the refusal of private providers to drive forward the energy turnaround has contributed to efforts to re-municipalise this sector. Here, within the sense of sustainable climate policy, there is every indication that municipalities *“have a production and network infrastructure, which they plan themselves. The involvement of private enterprises is not generally an obstacle. However, if one brings to mind, which private investors would be suitable as public utility companies, one realises that conflicts between commercial and environmental targets have already been pre-programmed.”¹²⁶* Energy supply under municipal management, oriented towards current environmental standards, can make an important contribution to urban development: *“Re-municipalised energy supply structures give municipalities [...] the opportunity of managing the development of economically relevant infrastructures locally and thereby wield more influence on their urban development. Within this scope, the*

Energy turnaround encourages remunicipalisation

¹²⁴ Klug (2011), 35

¹²⁵ Difu-Papers (2009), 19

¹²⁶ Friedrich Ebert Stiftung (2009), 4

Communities focus on renewable energy

*implementation of integrated climate protection concepts, the realisation of sustainable energy supply or the designation of priority areas for district heating, play an important role.*¹²⁷ In particular municipalities, which already have re-municipalised the energy supply, strongly focus on renewable energy, having a wide choice from water to wind power via solar systems up to biomass.

Ecology as an important part of municipal service provision

In respect of the waste industry, the advantages of providing this service by the public sector are shown on the one hand by the more resource-conserving use of their vehicles, which normally are closer to the waste containers to be collected, than those of private, possible nationwide acting providers.¹²⁸ On the other hand, municipal providers score with environmental waste treatment. Even though current experiences (at least in Germany) show that this task can be as efficiently carried out by private providers as by municipal enterprises, they only show commitment if a market already exists or is being created, where profits can be generated. This is demonstrated for example with regard to processing biogenic waste in biogas plants to generate electricity and heat.¹²⁹

Influencing the framework conditions e.g. modal split

In the transport sector, the reduction of CO₂ emissions is the top environmental objective. This can be achieved by an increased use of public or alternative transport. The public sector can encourage the use of public transport via municipal transport services and positively influence the modal split. An example for this is the reduction in price of the annual season-ticket in Vienna in May 2012 from EUR 449 to EUR 365 p.a. Within only one year the number of annual season-ticket holders increased from 125,000 to 500.000.¹³⁰ Another idea to achieve a more environmental sustainable form of transport was implemented in the German town of Bergkamen, where the local Stadtwerke initiated a promotion programme for natural gas vehicles and set up a separate natural gas station.

The more sectors are under the control of the community, the easier is cooperation

The more public services sectors are under the control of the municipality, the easier exchange and cooperation of the various sectors become, which at the same time brings monetary advantages. In case of a commercially successful activity (e.g. in the energy supply sector) profits made are benefitting the municipality and its citizens and not a large company and its shareholders. This may also be significant for loss-making segments of public services, which may be cross-financed by the revenue generated.¹³¹

▪ ***Municipality as employer and economic factor***

The strategy adopted by private companies in respect of the personnel sector goes clearly in the direction of cutting personnel costs by job cuts and low pay.

¹²⁷ Aden, Martin (2013), 84f.

¹²⁸ compare Difu-Papers. (2009), 19

¹²⁹ compare Difu-Papers (2009), 18

¹³⁰ compare

<http://www.wienerlinien.at/eportal/ep/contentView.do/pageTypeld/9320/programId/9419/contentTypeld/1001/channelId/-26075/contentId/30609>

¹³¹ compare Bauer (2012), 23

Ideally, public companies take labour market policy conditions into account. Public enterprises focus more on job security, whilst trying in times of crises to prevent job cuts. As a result, fewer jobs were lost in public enterprises during the last crisis-ridden years than in private enterprises. The situation is similar in respect of personnel costs. In contrast to private enterprises, municipalities have a greater interest in paying fair wages. The private sector often pays wages, which are not based on collective agreements or tariffs and/or push people into precarious forms of employment. In doing so, they overlook that fair wages are a significant factor to enable people to have an active social life whilst at the same time they are an important indicator of the business location. The list of examples in this segment is long. In Germany, the private waste industry cut wages below BDE tariffs¹³². In Saxon Muldentalkreis, the remaining waste collection employees, who had survived personnel costs, were paid so poorly that the state had to supplement their income with housing benefits and Hartz IV.¹³³ This approach means that municipalities have to carry a double burden: even though there is no revenue, the state has to pay social benefits. In the energy sector, the privatisations of German utility companies, which took place in the 1990ies, resulted *“in various cases verifiably to a deterioration of collective agreement based remuneration, working time and other employment conditions.”*¹³⁴ In contrast, municipally-managed utility companies provide their employees with *“secure jobs with good remuneration structures and working conditions.”*¹³⁵

*Public companies
secure jobs*

Fair wages

Fair wages (based on collective agreements) represent an important social factor in particular with low qualified citizens on low wages. This also applies to the labour market integration of disadvantaged groups (e.g. persons with only a few or no qualifications, migrants or disabled people). Municipal companies should have a greater interest than private enterprises to employ also people who have limited opportunities in the “primary labour market”. *“Thus, the municipality in its capacity as an employer has an important social role [...]. This aspect should be considered in particular with view to the current discussions concerning the increasingly widening gap between rich and poor and the integration of migrants [...]. In these areas, municipalities are able to become an important social role model.”*¹³⁶ Hence, public services were regarded as model employers for a long time. However, their reputation has changed over the past years. Being forced to adopt economic efficiency, here too working conditions are increasingly

*Labour market
integration for
disadvantaged
groups*

¹³² BDE = Bundesverband der German Entsorgungswirtschaft e.V. [Federal Association of the German Waste Management Industry]

¹³³ <http://www.who-owns-the-world.org/2008/09/30/trend-zur-rekommunalisierung-vorwaert-in-die-vergangenheit/>

¹³⁴ Friedrich Ebert Stiftung (2009), 3

¹³⁵ Friedrich Ebert Stiftung (2009), 2

¹³⁶ Difu-Papers (2009), 18

Municipality as employer increases local economic power

characterised by job cuts and work intensification, whilst fixed-term contracts are more and more the norm.¹³⁷

In its capacity as employer and contracting authority, the municipality can also contribute to increasing local economic power. *“In regions with a weak economic structure, public companies are increasingly seen as an instrument, which can strengthen the regional labour market and the local economy by avoiding wage dumping.”*¹³⁸ However, there are further options for municipal companies to strengthen the municipal economic power. The targeted awarding of contracts *“to local craft and medium-sized companies as local economic promotion”* is a major concern for municipal companies. An example for this is the construction of a solar park in the German town of Wolfhagen, which will generate about EUR 25 million in regional value added over the next twenty years. *“Hence, remunicipalisation can become an engine for economic growth (in particular in rural areas), if local actors create the right framework conditions.”*¹³⁹

2. Dangers of remunicipalisation

Remunicipalisation comes with risks

The illustrated advantages of remunicipalisation for the population and the municipality do not happen by themselves. They might become reality at the end of a remunicipalisation process, but there is a long way to go until then. Hence, one has to warn against blind remunicipalisation euphoria. *“Re-municipalised infrastructures [are] not per se more in touch with the people, more efficient and more economic.”*¹⁴⁰ The level potential remunicipalisation might have, depends on the actions of the people in charge, whether they use existing opportunities and realise the tasks they were assigned. The risks of remunicipalisation should not be overlooked.

financial means of the community

Some significant issues have to be considered prior to remunicipalisation. These include costs, a suitable time frame for preparation and taking possible alternatives into consideration. Hence, re-municipalising a task can only be one of several courses of action. In some cases, mixed forms of task allocation present a practicable alternative. However, this path should be well thought out as it leads to restrictions for the municipality and is not beyond dispute: *“Public tasks should [...] in general be carried out by the public sector [...] – any mix based on hybrid forms of guarantee by granting concessions, leasing, PPP models, sale and lease back, contracting out, etc. carries the risk of misunderstanding, legal confusion and the divergence of interests, which has to be avoided at all cost.”*¹⁴¹ The legal form, which the municipality finally adopts,

¹³⁷ compare Schneider (2013), 158

¹³⁸ Libbe (2013), 19

¹³⁹ Aden, Martin (2013), 92

¹⁴⁰ <http://www.demo-online.de/content/rekommunalisierung-der-energieversorgung-ae-chancen-und-risiken>

¹⁴¹ Klug (2011), 29

must depend on the economic meaningfulness and the effectiveness of the fulfilment of task. Hence, it is not possible to make a general statement as *“there is no optimal legal form and any decision in respect of a legal form will always be taken upon consideration of its specific advantages and disadvantages.”*¹⁴²

The know-how, which has been lost through privatisation, is a potential risk for municipalities. *“Not least because they often lack the necessary experience with regard to market conditions and being exposed to commercial risks associated with their commitment.”*¹⁴³ This vital knowledge has to be redeveloped *“during the course of remunicipalisation and procured from ‘outside’”*¹⁴⁴ Looking forward to the future, investments in this area are paying off; if there is a lack of special know-how and a will to make decisions and if any existing doubts and insecurities cannot be eliminated, one has to expect resistance from both public and press. Little helpful to remedy this situation are diffuse responsibility and decision-making structures in administration and politics, which result in overlong decision-making processes. Thus, prior to taking steps towards remunicipalisation, *“a multidimensional feasibility study with relevant evaluation criteria”*¹⁴⁵ is definitely required.

Risk: lack of know-how

A warning must also be issued with regard to great expectations coming from outside. *“In contrast to claims by some, re-municipalised sectors do not create any ‘exclaves in capitalism’.”*¹⁴⁶ Returning a utility company to the public sector does not automatically mean the return to activities, which are exclusively concerned with fulfilling services of general interest. Deregulation and flexibilisation of the respective spheres of action cannot be cancelled by remunicipalisation, as ideologised presentations want to make us believe. Re-municipalised companies too have to be active on liberalised markets and generate profits. Public enterprises are – also due to the tight budgetary situation of many municipalities – required to use the returned companies to generate additional revenue in order to be able to cross-subsidise loss-making segments.

Municipal companies too must be active in the free market

On the other hand, the economic orientation of a municipal enterprise may become the problem itself. Municipal companies, which operate on a federal or even international basis (such as the German energy giants *EnBW* or *Gelsenwasser AG*), virtually challenge themselves, as on international markets they have to act like any other private enterprise. Outside expectations also apply to the job situation. It is *“by now means automatically guaranteed that employees in re-municipalised companies are automatically returned in to the scope of collective agreements for public services.”*¹⁴⁷ This should be

Internationally active municipal companies – a contradiction?

¹⁴² Libbe (2013), 32

¹⁴³ Libbe (2013), 32

¹⁴⁴ Stieger (2011), 97

¹⁴⁵ Libbe (2013), 32

¹⁴⁶ Matecki, Schulten (2013), 14

¹⁴⁷ Matecki, Schulten (2013), 15

communicated and explained well in advance; otherwise remunicipalisation may also result in the population rejecting the policy-makers.

The decision for or against remunicipalisation of previously privatised tasks can only be taken by considering all relevant factors. *“Remunicipalisation is not ‘in principle’ good or ‘in principle’ bad. [...] The yardstick for the right balance between privatisation and municipalisation will be in which form basic needs, which we describe with the term ‘services of general interest’, will best succeed.”*¹⁴⁸ Decisions have to be taken with regard to the common good and not as ideological decisions. A polarised comparison of privatisation and remunicipalisation would be misguided. They rather have to be seen as *“complementary strategies to modernise the local community”*¹⁴⁹, even though they depict *“the endpoints of a scale with many hybrid transmissions”*¹⁵⁰.

3. Prevention of remunicipalisation plans

*Private companies
fear to lose
contract*

Many private providers do not welcome the frequent remunicipalisation ambitions. They fear losing their contracts and try to prevent any planned remunicipalisation. However, the expiry of concession contracts provides municipalities, very much to the chagrin of private companies, with the option to return the respective service to the public sector. This step might cause considerable difficulties for municipalities as private actors try to retain their contracts. However, the latter’s approach is not without sophistication as a current study of the *Wuppertal Institute for Climate, Environment and Energy* shows.

*Strategy:
overcharged
repurchase price*

The most effective strategy to prevent remunicipalisation is to demand a significantly overcharged repurchase price for the infrastructure. There is currently no clear legal provision for pricing with regard to the repurchase of networks. Instead of basing their prices on the earning-capacity value, they frequently apply the far higher fair value, which makes repurchasing difficult for municipalities.

Strategy: delay

A frequent approach adopted by companies is the delaying tactic. Documents are not provided or superfluous negotiation rounds are added to negotiations with the municipality on retransferring the service. *“According to current provisions, the previous concessionaire is not required to pay a concession charge a year after the concession contract has expired.”*¹⁵¹ This means a loss of revenue for communities whilst private companies benefit twice.

*Strategy:
premature
extension of
concession
contract*

Another popular method is the premature renewal of the concession contract. Exerting financial pressure, contracts are mutually terminated and newly

¹⁴⁸ Becker (2012), 58

¹⁴⁹ Bauer (2012), 31

¹⁵⁰ Bauer et al. (2012), 8

¹⁵¹ Wuppertal Institute (2013), 5

concluded for say twenty additional years. In doing so, previous franchisees can comfortably bypass competition through tenders.

In some cases, large companies also try to increase pressure by adopting scare tactics, for example by suing the community of the new franchisee. The most frequently used allegation is the exploitation of a market-dominating position, in particular when the communities have outsourced the concession to their own utility companies.

Strategy:
intimidation

Sponsoring the franchisee within the communities is often used as a means of exerting pressure. Many electricity companies for example sponsor local festivals or sports clubs. However, they always point out that this sponsoring has nothing to do with the franchise itself. However, various examples shed a more doubtful and not very flattering light on this involvement. For example prior to the new award of concessions, sponsoring efforts were doubled in the short-term; new fire engines were provided or donations were directly made for city festivals or similar.¹⁵² *"In doing so (N.B. sponsoring), energy companies take advantage of the fact that most cities and communities have to cope with a structural budget deficit. These municipalities often do not even have the required financial resources to fulfil ongoing compulsory tasks."*¹⁵³ In many cases, municipalities are almost dependent on this sponsoring. Similarly, the large companies also use the jobs they created as a means of exerting pressure. Should the concession be granted to another enterprise, they threaten to close their branches and to make the workforce redundant.

Strategy:
sponsoring

Finally, a particular cause for concern is the tactic to involve local councillors in the company's group of shareholders and advisory boards. These meetings are not only well paid; they are also aimed at influencing municipal representatives and make them favourably disposed towards company policy.¹⁵⁴ RWE for example pays its board members an annual basic compensation of EUR 3,000, an attendance fee of EUR 1,000 for each meeting and an expenses flat-rate of EUR 100 per meeting.¹⁵⁵ At the same time, companies expressly encourage their employees to engage in local politics and, if they are successfully politically positioned, release them to a large extent from their work in the company. *"Süddeutsche Zeitung learned that in 2005 more than 200 town councillors and members of the country assembly were on the RWE payroll, without having to work for the company. Cases are known where local politicians in their capacity as chief executive of the electricity companies were in charge of concession contract negotiations and/or supported the argument in the local councils that the concession contract was once gain awarded to their employer."*¹⁵⁶

Strategy:
integration of
representatives in
companies

In view of the already existing risks and problems, which face municipalities in case of retransfer, these prevention strategies by private enterprises present yet

Retransfer is
taking the difficult
route back

¹⁵² Compare Wuppertal Institute (2013), 7

¹⁵³ Wuppertal Institute (2013), 12

¹⁵⁴ Compare Wuppertal Institute (2013), 8

¹⁵⁵ Compare Wuppertal Institute (2013), 8; www.rwe.com

¹⁵⁶ Wuppertal Institute (2013), 8

another obstacle. Hence, remunicipalisation is rarely easy. Retransfer is much more difficult than the path towards privatisation. In spite of this, a large number of municipalities were not discouraged and successfully pursued this path. The practical part of the study will deal with these examples.

PART 4: REMUNICIPALISATION IN PRACTICE

1. Different remunicipalisation trends in Europe

Over the past years, the number of already executed or aimed at remunicipalisation has increased, even though “*European competition and open market policies [...] still have the tendency to support more private than public structures*”¹⁵⁷, as was recently shown by the discussion on the Concessions Directive. However, the Treaty of Lisbon adopted by the European Council, which came into force on 1 December 2009, has not only revalued public services, but in particular expressly recognised the right of communities to manage their own affairs, thereby strengthening the municipalities. “*For the first time, the right of communities to manage their own affairs – which until then had not been enshrined in European treaties – was integrated in to primary law as integral part of the national identity of the Member States.*”¹⁵⁸ What is particular important for municipalities is the fact “*that the European primary law enshrines the important role and the wide scope of national, regional and local authorities with regard to services of general economic interest.*”¹⁵⁹

Right of communities to manage their own affairs

But not all European Countries have engaged in retransfers over the past years. However, this is also down to the administrative traditions of individual European countries. Whilst in some European countries the public provision of services by municipalities dominates, the competencies of the municipalities are very restricted in others. Only where systems of joint provision of services by regional administrative bodies existed, is remunicipalisation taking place now.

Different traditions in European countries

European prime examples for countries with a strong Länder and municipal level are Germany and Austria, both federal republics. Here, public services are often provided by the municipality. In Germany, so-called administrative districts, the coalition of individual municipalities or independent cities, are also playing an important role in providing social services (e.g. hospitals). The situation is similar in Scandinavian states such as Sweden or Norway, which have strong municipal structures. Here for example the *Landsting* (county councils)¹⁶⁰, the merger of individual municipalities, are the central bodies of (public) healthcare in Sweden.

*Strong communities
Austria + Germany*

In contrast, France or Spain have a strong preference for centralised solutions for the provision of public services. Due to this, municipalities, but also regions have very limited powers and financial resources, which entails a significantly reduced range of direct municipal services.¹⁶¹

*Weak municipalities:
France + Spain*

¹⁵⁷ Difu-Papers (2011), 13

¹⁵⁸ VKU (2011), 9

¹⁵⁹ VKU (2011), 9

¹⁶⁰ compare Crevel, Wagner (2003)

¹⁶¹ compare Crevel, Wagner (2003)

Hybrid: Italy

Italy is regarded as a hybrid of both paths; here a strong central level is vis-à-vis strong regions, but weak municipalities. The United Kingdom presents a separate form as her individual states (Great Britain, Wales, Scotland and Northern Ireland) are structured differently, whereby municipalities and counties have a certain degree of influence (e.g. in the area of social housing).¹⁶²

Different
privatisation
tendencies in
accordance with
service sectors

However, the existence of similar municipal structures does not necessarily mean the same development. Hence, with the trend towards privatisation, country-specific differences, also in respect of service sectors, are even greater. In some countries certain public sector services are traditionally organised by the community and were therefore never privatised; hence remunicipalisation does not apply to them. However, in other countries the provision of services by private companies has been dominating some sectors for a long time. Based on the example of energy and water supply and wastewater disposal, we briefly outline these different processes in Europe.

Since the end of
the 1980ies:
Liberalisation of
the energy sector

▪ **Energy supply:**

Since the end of the 1980ies at the latest, the energy sector has been experiencing an ongoing phase of privatisation and liberalisation. *“The municipal opportunities to influence the supply, transmission and distribution of energy have been and still are very different in the individual EU Member States.”*¹⁶³ In Great Britain or Hungary for example *“municipalities have lost their direct opportunities to influence.”*¹⁶⁴ The situation is different in the Scandinavian countries (Sweden, Norway) or Germany, where the municipalities still have great powers with regard to ownership or to influence business operations. Germany is also the country, which is most keen to re-municipalise the energy sector. Eager privatisations over the past years are now followed by a number of retransfers, which are a result of the dissatisfaction of municipalities and population with private services. This is favoured by a number of concession contracts, which will expire in the coming years, thereby offering municipalities the chance to provide the respective services themselves.

Remunicipalisation
in particular in
Germany

Very different
structures in the
water sector

▪ **Water and sewerage supply:**

It is also not possible to make general statements concerning developments in the European water and sewerage sectors, as the structures in individual countries strongly differ. *“Whilst in Denmark, Germany or Italy they are more compartmentalized with a corresponding large number of utility companies, the provider structure in Great Britain/Wales, France or the Netherlands is more centralised.”*¹⁶⁵

¹⁶² compare Trewartha (2004) und Benner (1997)

¹⁶³ Difu-Papers (2011), 13

¹⁶⁴ Difu-Papers (2011), 13

¹⁶⁵ Difu-Papers (2011), 13

There are also differences with regard to the competencies of the municipalities. Sweden for example, has strong municipal structures, due to which water and sewerage supply is traditionally in municipal hands. *“Formal privatisations of the operative business are common; however, the physical sale is the exception.”*¹⁶⁶

Strong municipal supply: Sweden

In contrast, private ownership of water supply is dominant in Great Britain, Wales and also in France. In Great Britain, municipalities have completely lost any influence; the (waste) water supply was *“transferred to the Regional Water Authorities, which are regulated centrally.”*¹⁶⁷ Even though France also had her fair share of privatisations, her situation is completely different from that of Great Britain; in France the (waste) water supply is regarded as a compulsory task of the municipalities. That in spite of this, the (waste) water supply is managed by national or international companies is due to the fact that there is a large number of small municipalities, which *“in the past delegated their operative tasks to private companies”*¹⁶⁸. *“This formed the basis for the creation of large water companies”*, such as Veolia or Suez in France. The criticism of the oligopolistic structures has forced the French state to intervene in a regulatory capacity (for example by reducing contract terms and introducing the compulsory tender process). As with the energy supply in Germany, expiring contracts open up the option to retransfer the service. As described in the following, many municipalities have already made use of this option.

Many private suppliers: Great Britain + France

The administrative structures and traditions show that in view of the different (historical) situation and structures it is impossible to talk of a unified Europe-wide trend towards remunicipalisation. However, a glance towards those countries, where the conditions for retransfers are in place and where remunicipalisation has already taken place, is all the more interesting.

2. Overview: remunicipalisation in Europe

Over the past years, it has transpired that in many cases municipalities and population were not satisfied with services provided by the private sector. This has led many policy-makers to re-think the situation, and many municipalities have used the chance of expiring concession contracts to provide the services themselves again. In some municipalities, the pressure of the population even resulted in the fact that contracts were terminated prematurely, which in most cases entails enormous costs for the municipality. It is quite clear that remunicipalisation has increased over the past years. However, one can only re-municipalise where privatisations had taken place before; thus, there are industry and country-specific differences.

Remunicipalisation on the increase

¹⁶⁶ Difu-Papers (2011), 13

¹⁶⁷ Difu-Papers (2011), 13

¹⁶⁸ Difu-Papers (2011), 13

*Energy sector:
Germany*

Currently, the greatest wave of remunicipalisation in the energy sector is taking place in Germany. Here, a number of concession contracts expire by 2015/2016 and the municipalities are using the opportunity of re-assuming this sector themselves.

*Water sector:
France*

Many examples of remunicipalisation can currently be found in France. In contrast to other European countries, France has been transferring her water to private companies for years. That is why companies like Veolia and Suez, both of which are now global players, were able to develop the way they have. However, for some years now there has also been a flow towards the remunicipalisation of the water supply in France. High water prices, corruption scandals and poor water quality have led to protests by the population and motivated municipalities to rethink. In the meantime, over 40 municipalities have by now retransferred their water supply and wastewater disposal. Many are currently working on leaving the concession contracts prematurely or taking over the water supply again upon expiry of the contracts.

*Waste sector:
Germany, France,
GB*

Things are moving more slowly in the waste industry. The coming years will show whether a more widespread trend towards remunicipalisation will develop. Even though in Germany, a large part of waste disposal services is still provided by private companies, there has been an increase of insourcing decisions. Isolated cases of insourcing in this sector have also taken place in France and the United Kingdom.

*Public transport:
Currently on a few
examples*

Public transport has so far escaped a broad remunicipalisation wave. However, in particular examples in the United Kingdom, the motherland of privatisation, have shown that the public sector has assumed responsibility again where private providers have failed. Isolated examples can also be found in other countries such as France or Germany.

So far, no broad remunicipalisation trend has been looming in other sectors of services of general interest, such as housing or healthcare.

Apart from remunicipalisation, there are also isolated examples of municipalisation, hence, tasks, which previously were not in the public sector and are now carried out by municipalities. Even though one cannot talk of a comprehensive trend; in connection with the present topic, these changes too are worth a look.

The following practical part deals with case examples of remunicipalisation in different public service sectors. It is the objective to present the underlying considerations and causes and to describe the path towards remunicipalisation and the consequences deriving from it.

3. Energy supply

3.1. Introduction

The massive changes in the organisation of the energy sector due to liberalisation and privatisation are depicted in a short introduction. During the course of this development, large globally acting companies have emerged, which are looked at in more detail. An overview of the Austrian energy sector is followed by a practical part, which shows where private suppliers had to make way again for the municipal fulfilment of tasks.

3.1.1. Liberalisation and privatisation within the energy sector

From the mid-nineties, Europe's energy sector had been characterised by a setting in liberalisation and privatisation wave. These efforts were supported by the EU, which in 1996 adopted the first Internal Market in Electricity Directive followed two years later by the first Internal Market in Natural Gas Directive. The second Internal Market in Electricity and Natural Gas Directive was adopted in 2003. *"It was the objective of the EU Commission to achieve a complete opening of the markets whilst at the same time guaranteeing high public service standards and maintaining universal service obligations."*¹⁶⁹

*1996:
EU – First Internal
Market Directive on
Opening the
Markets*

However, the advantages, which one had expected from the liberalisation of the European energy markets, did not materialise. Only the large companies were able to benefit. In contrast, new providers could hardly get a foothold as the established providers prevented, based on high network charges, new companies from entering the market. Electricity prices were increasingly controlled by a small number of energy providers. Hence, the expected competition, which would have reduced costs and increased quality, never materialised. The prices for consumers did not fall and the wide range of offers led to confusion, resulting in the fact that most consumers remained with their existing provider.

*Large companies
benefit from the
liberalisation of the
energy markets*

In particular the aspect of security of supply has deteriorated. Based on the premise of profitability and cost efficiency, investments in infrastructure and energy storage fell. In November 2006, this led to a grid overload and power cuts caused by *E.ON* in large parts of Europe.

*Security of supply
has declined –
power cuts*

With increasing liberalisation and privatisation, the political side also lost its influence in the energy sector. In addition, the financial gains through selling municipal companies were lower than expected: *"Often contracts were not transparent and the financial relief for the communities rarely as large as expected."*¹⁷⁰ Apart from that, municipalities are losing continuous revenue from the energy sector.

*Privatisation:
hardly any financial
gains for
municipalities*

¹⁶⁹ ÖGPP (2008), 8

¹⁷⁰ <http://www.geo.de/GEO/natur/green-living/hessen-rekommunalisierung-mehrwert-fuer-die-buerger-69863.html?p=1&eid=68119>

Market
concentration

Largest energy
companies in
Europe:
*E.ON, GDF Suez,
ENEL*

3.1.2. Big players in the energy sector

Large Groups emerged from the liberalisations and privatisation wave in the energy sector, which operate globally and generate turnover worth billions. *“A global study shows that Western Europe has the highest the corporate concentration in the energy sector and the fixed telecommunications network worldwide. This concentration is also rising in the mobile telephony and in the wastewater disposal sector.”*¹⁷¹ The dominance of individual providers results almost inevitably in a problem for the competition.

The best-performing energy supply company (electricity, gas and district heating) is currently the German *E.ON* Group, which in 2011 generated revenue of USD 157 billion. In second place is the French energy supply group *GDF Suez* with a turnover of USD 117 billion. *GDF Suez* emerged from a merger of *Gaz de France (GDF)*, in which the state has a majority holding, and *Suez*, one of the global Big Players in the public service sector from water supply up to waste disposal. With a turnover of USD 84.6 billion, *EdF*¹⁷², one of the largest electricity producers in the world, is another French company that made it into the top five.¹⁷³

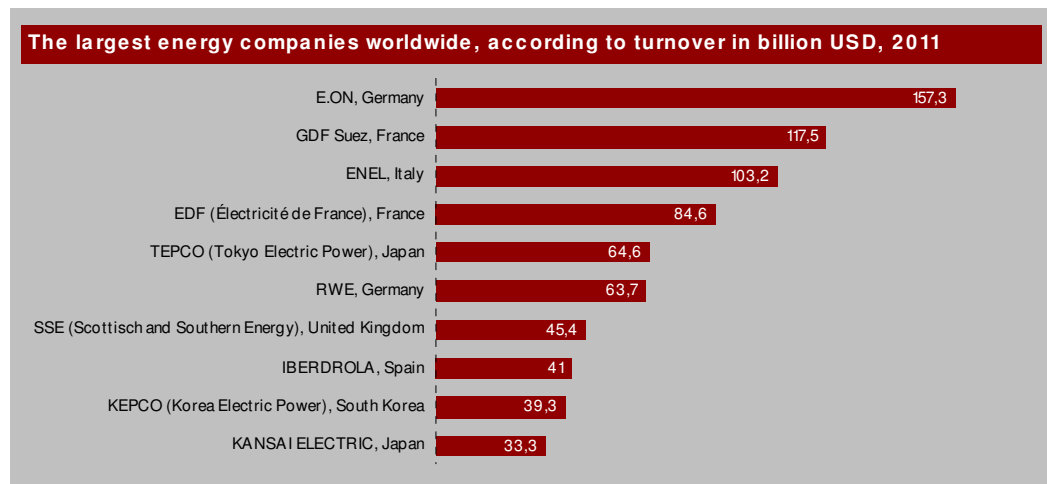


Diagram 8: The largest energy companies worldwide, according to turnover in billion USD, 2011¹⁷⁴

3.1.3. Energy supply in Austria

From 1999, the Austrian energy market underwent a significant change. The first EU single market package brought about a gradual opening of the energy

¹⁷¹ Wieser (2007), 47

¹⁷² *EdF* emerged in 1946 from the nationalisation of the energy sector in France. *“In 2004, EdF was transformed into a listed joint stock company (formal privatisation); however, 80% of its shares are still owned by the government.”* (Wollmann (2013), 41)

¹⁷³ compare <http://www.handelsblatt.com/unternehmen/industrie/das-sind-die-groessten-energieversorger-der-welt/6994024.html>

¹⁷⁴ compare <http://www.handelsblatt.com/unternehmen/industrie/das-sind-die-groessten-energieversorger-der-welt/6994024.html>

market, which Austria implemented at greater speed than originally requested by the European Regulation. The liberalisation was to provide customers with more competition and as a result with lower prices. The regulatory authority E-Control reaches the conclusion: *“Since liberalisation there have been hefty overall reductions in the electricity and gas system charges without compromising Austria’s high supply security standards. In all, these savings have cut network users’ bills by about € 640 million.”*¹⁷⁵

From the end of the 1990ies: gradual opening of the Austrian energy market

In spite of the structural changes during the course of the liberalisation, there has been little change with regard to the market participants in Austria’s energy industry. Old established market participants, which originally almost all had been suppliers of the individual states, continue to dominate the energy market. *“The Austrian electricity and gas industries are hallmarked by high levels of public ownership. Most of the energy companies hold direct or indirect interests in other market participants.”*¹⁷⁶ The small number of new providers in the energy market has additionally weakened the competition within Austria.

Hardly any change in market participants

At the same time, Austrian customers are rarely inclined to change their energy and gas providers. According to E-Control, in 2012 only about 64,500 customers changed their provider (change rate: 1.1 percent), slightly fewer than 2011 (88,000 customers).¹⁷⁷ The situation is not very different from the natural gas sector. In this segment, only 23,000 customers changed their provider in 2012, which is equivalent to a change rate of 1.7 percent. The population in other European countries is far more prepared to change their energy suppliers.¹⁷⁸

Austrians hardly change electricity provider

Since the liberalisation, there has hardly been any fluctuation with regard to market participants; however the ownership structure of the Land suppliers has change over the past years. As shown by the overview, the public sector has in many cases sold important shares.

Shares in Land suppliers were sold

KELAG was established in 1923 under the name of *Kärntner Wasserkraftwerke AG (KÄWAG)* as state-owned energy supplier. In the meantime, the German Group *RWE* has secured an interest in *KELAG*. Almost 18 percent belong to *RWE* directly; via the interest in *Kärntner Energieholding* it has an influence of 51 percent.

KELAG

Lower Austria has been supplied with energy by the predecessor of *EVN* since 1907. *EVN*, then still *NEWAG (Niederösterreichische Elektrizitätswirtschaftsaktiengesellschaft)*, had become a listed company as early as 1922. To this day, *EVN* is trading on the Vienna stock market; after all, 16.50 percent of shares are widely spread shareholdings. The majority holder with 51 percent is *NÖ Landesbeteiligungsholding*; almost a third is owned by *Energie Baden-Württemberg (EnBW)*. Through the interest in *EVN*, *EnBW* also holds an indirect interest *BEWAG*.

EVN

¹⁷⁵ E-Control, 2011: 10 Years Energy Market Liberalisation, 6

¹⁷⁶ E-Control, 2011: 10 Years Energy Market Liberalisation, 6

¹⁷⁷ E-Control: Annual Report 2012, 25

¹⁷⁸ E-Control, 2011: 10 Years Energy Market Liberalisation, 136

Energie Steiermark

But not only German Groups have an interest in Austrian energy suppliers. After all, the French Group *Électricité de France* holds 25 percent plus one share in *Energie Steiermark*.

Energie Klagenfurt

Only in Klagenfurt, the influence of the public sector on the energy supply has increased in the last year. In December 2012, the town of Klagenfurt repurchased the shares in *Energie Klagenfurt GmbH*, which it had sold to the *Verbund* via *Stadtwerke AG* in 2006. The repurchase price of the shares (49 percent were owned by the *Verbund*) was about EUR 70 million; almost half the then purchase price of EUR 130 in 2006. In doing so, the town of Stadt Klagenfurt is once again the sole owner of *Energie Klagenfurt GmbH*.¹⁷⁹

¹⁷⁹ <http://derstandard.at/1353206971768/BWB-segnete-Energie-Klagenfurt-Rueckkauf-ab>

Major energy suppliers in Austria		
Energy supplier	Ownership	Ownership structure
BEWAG	51% Burgenländische Landesholding GmbH	73,63% EVN AG
	49% Burgenland Holding AG	> 10% Verbund AG 5–10% Wien Energie <5% Streubesitz
Energie Steiermark	75% (–1 Aktie) Land Steiermark	84,44% Französischer Staat
	25% (+1 Aktie) Électricité de France (EdF)	15,56% Anteilsnehmer jeweils unter 5%
Vorarlberger Kraftwerke AG	98,05% Illwerke	95,50% Land Vorarlberg
	~2% Streubesitz	4,50% Wertpapiererwerbsgesellschaft mbH
EVN AG	51% NÖ Landesbeteiligungsholding GmbH	46,75% Neckarpri-Beteiligungsgesellschaft mbH (100% Baden Württemberg)
	32,50% Energie Baden-Württemberg AG	46,75% OEW Energie-Beteiligungs GmbH
	16,50% Streubesitz	6,52% Streubesitz und kleine Anteile
Salzburg AG	42,56% Land Salzburg	
	31,31% Stadt Salzburg	
	26,13% Energie AG Oberösterreich	overview
Energie AG Oberösterreich	52,50% OÖ Landesholding GmbH	
	13,92% Raiffeisenlandesbank OÖ AG	
	10,31% Linz AG	Stadt Linz
	8,25% TIWAG	Land Tirol
	5,18% Verbund AG	siehe Übersicht
KELAG	51% Kärntner Energieholding	51% Land Kärnten
	35,17% Verbund AG	49% RWE
	12,85% RWE	overview
	0,98% Streubesitz	86% Institutionelle Aktionäre
Verbund AG	51% Republik Österreich	
	25% EVN und Wiener Stadtwerke	overview
	5% TIWAG	Land Tirol
	20% Streubesitz	
Linz AG	100% Stadt Linz	
Wien Energie	100% Wiener Stadtwerke Holding	Stadt Wien
TIWAG	100% Land Tirol	
Energie Graz	49% Energie Graz Holding	
	49% Energie Steiermark AG	overview
	2% Stadt Graz	

Table 2: major energy suppliers in Austria

The influence of private companies in the Austrian energy market has increased since the start of the liberalisation of the sector. However, there are still energy suppliers such as *Wien Energie*, *Linz AG* or *TIWAG*, which are exclusively in the hand of the public sector. Due to the fact that Austria depends on imports to cover her energy requirement, private companies will continue to try to secure their influence in the Austrian energy market.

3.1.4. Remunicipalisation within the European energy sector

*Expiring
concession
contracts*

Whilst privatisations in the energy sector have taken place in all countries of the European Union or are about to take place, remunicipalisation is a phenomenon, which to date can almost exclusively be found in Germany. Even though there are isolated examples in other European countries, there does not seem to be a tendency towards comprehensive remunicipalisation. It remains to be seen whether Germany will act as a role model for other European countries.

▪ *Germany*

*Large number of
privatisations in
the German energy
sector*

Currently, remunicipalisation in the energy sector in the European area, especially in Germany, represents a counter-development to the prevalent privatisation euphoria. Following the amendment of the Energy Economy Law (EnWG) in 1998, which entailed the abolition of regional monopolies, a large number of German municipalities (partly) privatised their energy suppliers. In 2001, every second town in Germany with a population of more than 50,000 had at least parts of their utility companies privatised.¹⁸⁰ However, this hardly brought any benefits. Consumer prices rose and only the large private actors benefitted. The developments in the German energy sector are a striking example: *“Consumer prices in Germany doubled between 2002 and 2008; in the same period, the energy companies Eon, Vattenfall, RWE and EnBW trebled their profits.”*¹⁸¹ In spite of more than 1,000 electricity providers in Germany, these four Groups claim 80 percent of German electricity market.¹⁸² In respect of the energy supply in Germany, the three large companies *E.ON*, *RWE* and *EnBW* hold a combined market share of about 45 percent.¹⁸³ Germany currently experiences a special constellation, which favours remunicipalisation or makes it possible in the first place. This is based on three causes:

*Consequence of
privatisations:
Increase in prices*

*80% of the energy
market are claimed
by 4 Groups*

*Expiring
concession
contracts*

1. Expiring concession contracts. The background for the remunicipalisation efforts in Germany are first and foremost the many concession contracts with private providers, which expire by 2016 and subsequently require re-tendering. Although there are no exact figures as to how many concessions will expire, VKU expects at least 20,000 expiring contracts.¹⁸⁴ About 7,800 electricity concessions alone expire between 2009 and 2015.¹⁸⁵ And: *“by the end of 2016 almost all existing contracts in the energy sector are up for renewal.”*¹⁸⁶ Companies active in the energy sector want to renew their contracts, put competitors out of contention and prevent any

¹⁸⁰ compare Tesche, Otto (2011)

¹⁸¹ <http://www.geo.de/GEO/natur/green-living/hessen-rekommunalisierung-mehrwert-fuer-die-buerger-69863.html?p=1&eid=68119>

¹⁸² compare <http://www.stromauskunft.de/stromanbieter/stromerzeuger/>

¹⁸³ <http://www.stromversorger-energieversorger.de/energieversorger.php>

¹⁸⁴ compare Libbe (2013), 21

¹⁸⁵ compare Wuppertal Institute (2013), 3

¹⁸⁶ Hall, Terhorst (2011)

remunicipalisation plans by the communities. *“This is a fiercely competitive business worth billions, which can be additionally safeguarded by renewing concession contracts.”*¹⁸⁷ However, the expiry of concession contracts presents municipalities with new courses of action. Many communities made the decision to reclaim the energy supply. *“According to municipal head associations, over 60 utility company have been set up since 2007 and over 170 electricity and gas supply concessions were no longer granted to private providers, but to municipalities or municipal companies.”*¹⁸⁸

*Since 2007:
60 new utility
companies + 170
concessions in the
public sector*

Selection: newly set up public utility companies in Germany			
Stadtwerke Korschenbroich	2013	Gemeindewerke Umkirch GmbH	2009
Stadtwerke Pfaffenhofen AÖR	2013	Stadtwerke Müllheim-Sstaufen GmbH	2009
Stadtwerke Lohmar GmbH & Co. KG	2012	Stadtwerke Pulheim GmbH	2009
Stadtwerke Gifhorn GmbH & Co. KG	2012	Energieversorgung Denzlingen GmbH	2009
Stadtwerke Stuttgart	2011	Stadtwerke Emmendingen GmbH	2009
Stadtwerke Ditzingen GmbH	2011	Energie Rellingen GmbH & Co. KG	2009
Stadtwerke Elm-Lappwald	2011	See-Region GmbH	2009
Stadtwerke Waldbröl GmbH	2011	Stadtwerke Weserbergland	2009
Grimmener Stadtwerke	2011	Stadtwerke Uetersen GmbH	2008
Friesen Energie GmbH	2010	Stadtwerke Schmalkalden GmbH	2008
Energie Horb am Neckar GmbH	2010	Stadtwerke Springe GmbH	2008
Stadtwerke Landsberg (Sparte Strom)	2010	Regionalwerk Bodensee GmbH & Co. KG	2008
Ahrtal-Werke GmbH	2010	Stadtwerke Plön Versogungs GmbH	2008
Stadtwerke Großalmerode GmbH	2010	Stadtwerke Brunsbüttel GmbH	2008
Stadtwerke Heiligenhafen	2010	Gemeindewerke Hagenau GmbH	2007
Hamburg Energie GmbH	2009	Energieversorgung Ottobrunn	2006
Energieversorgung Olching GmbH	2009	Hochsauerland Energie GmbH	2005

Table 3: Selection: newly set up public utility companies in Germany¹⁸⁹

- Initiative of government and citizens. *“A growing number of public authorities want to [...] strengthen their influence in the energy sector, and at the same time increase public revenues through the provision of energy and the management of grid.”*¹⁹⁰ The financial as well as the political loss of influence appear as the drive for remunicipalisation efforts, which have the political backing in particular of the SPD, the Greens, the Left, and to a certain extent of municipal groups of the CDU. This development and the actions by the political leadership are among other also influenced by the experiences of the economic crisis and the currently comparatively low Interest level, the scope in terms of energy policy (reduction of CO₂, increasing the share of renewable

*Initiative of
government and
citizens*

¹⁸⁷ Wuppertal Institute (2013), 3

¹⁸⁸ Matecki, Schulten (2013), 12

¹⁸⁹ compare Libbe (2013), 24

¹⁹⁰ Hall, Terhorst (2011)

energy, etc.) and the wish deriving from it, to control this politically. This conclusion has also been reached by a survey of Leipzig University.¹⁹¹

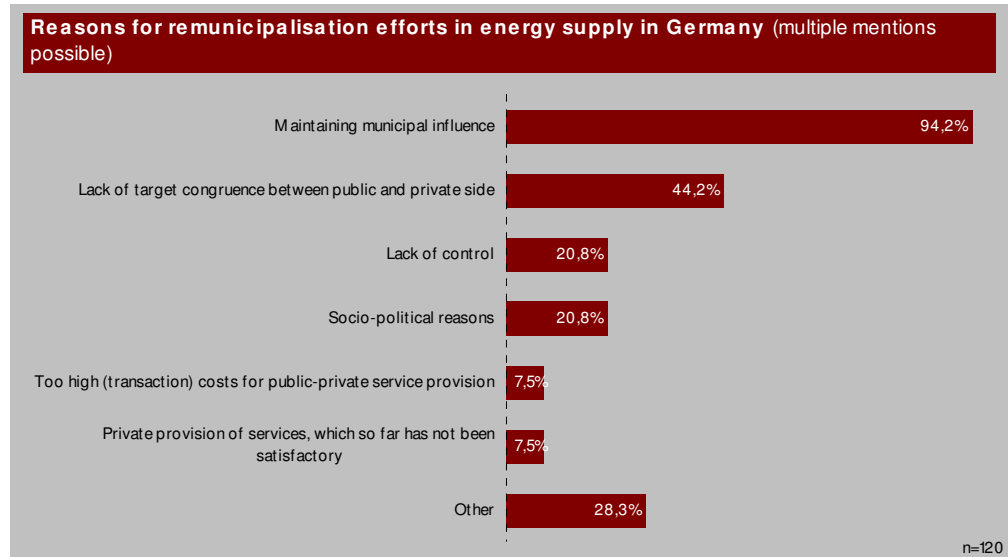


Diagram 9: Reasons for remunicipalisation efforts in energy supply in Germany (multiple mentions possible)¹⁹²

*Motive
remunicipalisation
plan: protecting
communal
influence*

Municipalities mainly justify a possible remunicipalisation plan by claiming they have to protect or control municipal influence. The lack of goal congruence between the private and public side is playing a far smaller role. However, performance failure by private energy suppliers is not cited by municipalities.¹⁹³ This result has been confirmed by another survey¹⁹⁴ (HypoVereinsbank). Here too, protecting municipal influence (34.5 percent) was the most important reason for efforts to re-municipalise the energy supply. The effective provision of public services was mentioned by about a fifth (20.7 percent) of municipalities. However, socio-political reasons (6.9 percent) hardly played a role at all.¹⁹⁵ The trend towards re-municipalising the energy supply in Germany is clear: *“around two thirds of all German communes are considering buying back both electricity suppliers and the distribution network.”*¹⁹⁶

*Important
influence by
Citizens' Initiatives*

A not to be underestimated influence in the present development of the German energy sector is coming from Citizens' Initiatives. They were indeed often the decisive factor to push through remunicipalisation or to prevent planned privatisations: *“many citizen campaigns and public referenda*

¹⁹¹ Deutsche Institut für den öffentlichen Sektor e.V., in cooperation with Competence Centre for Public Economics at the University of Leipzig has conducted a survey on the remunicipalisation of energy supply in German towns with a population of over 20,000. compare public governance (2011)

¹⁹² Public governance (2011) 8

¹⁹³ compare public governance (2011), 8

¹⁹⁴ No multiple mentions possible

¹⁹⁵ HypoVereinsbank, Competence Centre for Public Economics at the University of Leipzig (2011), 17

¹⁹⁶ Hall, Terhorst (2011)

initiatives are taking place in major cities like Hamburg, Stuttgart, Bielefeld, Bremen, Frankfurt and Berlin. This builds on the campaigns and referenda which successfully defended Stadtwerke from privatisation in previous years, for example in Leipzig.”¹⁹⁷

3. Competition law based concerns against large companies. Over the past years, large private energy companies, due to competition law based concerns in particular by the EU, came increasingly under pressure to resell some of their acquisitions. *“German and EU regulators have insisted that the companies sell some of their operations after takeovers of other large companies.”* However, municipalities were often the only viable buyers.

*Competition law
regulation*

However, in a liberalised energy market any remunicipalisation undertaken by German energy companies is also harbouring a danger: *“The danger is that the new Stadtwerke turn into corporatized public utilities that compete with private corporations for a piece of the energy sector, as the VKU proclaims is the case. [...] Four large public players are gaining more weight in the energy sector as energy producers as well as service providers; these are the Stadtwerke conglomerates of Thüga (based in Munich), Trianle (based in Aachen), the MVV from Mannheim and Pfalzenergie.”¹⁹⁸*

▪ Europe

Apart from Germany, there are only isolated examples in other European countries for remunicipalisation resp. renationalisation in the energy sector.

Since the privatisation boom under Margaret Thatcher at the beginning of the 1990ies, the energy supply in Great Britain has been dominated by private enterprises. International big players in the British energy market such as *EdF, Iberdrola, RWE* and *E.ON* play a significant role. At the same time, the influence of municipalities has been significantly decreased. However, over the past years their engagement has once again become stronger after they were requested by the 2000 Local Government Act to ensure the wellbeing of their citizens. Since then, some energy policy projects of municipalities have emerged *“in particular in connection with power-heat coupling and district heating [...] for example in Kirklees, Peterborough, Leicester, Aberdeen and Woking.”¹⁹⁹* However, there has been no actual remunicipalisation in the British energy sector.

*Great Britain:
dominance of big
players*

Energy supply in France is dominated by international mega-providers *EdF* and *GDF Suez*. Municipalities only play a secondary role; however, since the 1980ies they have *“expanded their energy policy potential for example to increase the use of waterfalls for generating energy”²⁰⁰*. In general, municipal energy companies are required by law to manage their regional coverage area. In

*France:
EdF, GDF Suez*

¹⁹⁷ Hall, Terhorst (2011)

¹⁹⁸ Hall, Terhorst (2011)

¹⁹⁹ Wollman (2013), 40

²⁰⁰ Wollman (2013), 41

contrast to water supply, remunicipalisation in the French energy sector is not high on the agenda.

Renationalisation in the North (Finland, Lithuania) Isolated examples of renationalisation can be found in Northern Europe. In Finland for example the grid is owned by *Fingrid*, in which the public sector meanwhile has an interest of 58 percent.²⁰¹ In Lithuania too, the national grid providers *Lietuvos energija* – after far-reaching privatisations since 1999 – is since the end of 2011, once again fully under state control.²⁰²

3.2. Real life examples of remunicipalisation

3.2.1. Berlin

Asset activation after reunification Germany's capital Berlin currently has a population of 3.4 million. After reunification in 1990, the budgetary situation of the city could only be described as disastrous. That is why the then black-red coalition of Eberhard Diepgen initiated a large-scale privatisation offensive under the title "Vermögensaktivierung" [asset activation]²⁰³. Debt and a high interest level made privatisations appear as a necessary and reasonable alternative to in-house provision. Thus, the city sold its shares in municipal water supply as well as its shares in housing.

Privatisation of electricity and gas The privatisation euphoria also affected the energy supply. In 1997, the municipal energy supplier *BEWAG* was sold to *Vattenfall* in several stages; only a year later the municipal gas supplier *GASAG* was fully privatised. Shareholders in *GASAG* are *Suez* und *Vattenfall*, each of which hold 31.6 percent and *E.ON* 36.9 percent.

Concession contracts in respect of electricity and gas grid Parallel to the privatisation of municipal suppliers, concession contracts were concluded for the electricity and gas distribution grids. *Grid Berlin GmbH*, an affiliate of *Vattenfall* is in charge of operating, developing and expanding the Berlin grid until the end of 2013. The gas grid is maintained by *Netzgesellschaft Berlin-Brandenburg (NBB)*, which in turn is an affiliate of *GASAG*. This concession expires in 2014.

Criticism of private operator Vattenfall Over the past years, a debate has been sparked in Berlin whether the city should retake control of the power supply. The current grid owner and basic supplier *Vattenfall* has above all been criticised for its lack of commitment in respect of implementing the energy turnaround. Due to the fact that it still relies on brown coal and nuclear reactors to generate energy, *Vattenfall* makes its profits at the expense of the environment.

²⁰¹ <http://www.fingrid.fi/en/investors/shares/Pages/default.aspx>

²⁰² EPSU (2012), 6

²⁰³ compare Wolf, Harald (2013): Zähes Ringen um den Rückkauf der Berliner Wasserbetriebe, 96

At its regional party conference in 2011, the governing SPD named the remunicipalisation of electricity and gas grids as a political goal.²⁰⁴ However, the coalition partner CDU firmly rejected these intentions. It fears that repurchasing the grid would entail a high financial risk.

However, the Citizens' Initiative "Berlin Energy Referendum" adopts a similar stance. Since 2011, it has been supporting a complete remunicipalisation of the grid infrastructure and the establishment of a separate utility company to guarantee a democratic, environmental and social supply of energy.²⁰⁵

*Citizens' Initiative
"Berlin Energy
Referendum"*

Under the pressure of the Citizens' Initiative and the developments in Hamburg, where a new utility company had already been set up and the grids had been re-municipalised, coalition parties in Berlin contemplated setting up a new utility company.²⁰⁶ Members of the Berlin House of Representatives voted on this issue on 24 October 2013. This took place shortly before a referendum on 3 November 2013, which had been initiated by the Citizens' Initiative "Berlin Energy Referendum" and which was to decide both the repurchase of the Berlin grid as well as the establishment of a new utility company. However, in this context the establishment of a new utility company shortly before the referendum could also be regarded as a concession towards remunicipalisation supporters; the intention might have been to take the wind out of the sails of the referendum. After all, both coalition parties had come out against re-municipalising the grids. Other political actors were also sceptical of repurchasing the grids; they considered the difficult to forecast investment needs of the grids as a too high risk. In contrast, supporters of the grid remunicipalisation argued that the Berlin grids had presented *Vattenfall* (2012) with profits of EUR 70–80 million before tax. Average profits in the past six years amounted to EUR 55 million.

*New utility
company set up*

The mood before the vote in the population seemed clear: three out of four Berliners had been in favour of remunicipalisation.²⁰⁷ However, the referendum in November 2013 did not result in the repurchase of the Berlin grids. Only 24.1 percent of eligible voters supported remunicipalisation. The referendum just missed the necessary quorum of 25 percent of eligible voters.

*Referendum: not
enough
participants*

However, the newly established Berlin Stadtwerke already applied for the concession of the grid operation. But other market participants are also interested in the supply grids. Apart from *Vattenfall*, the cooperative *Bürgerenergie Berlin*, the Stadtwerke association *Thüga*, a Chinese and a Dutch

*Grid operation put
out to tender*

²⁰⁴ <http://www.klimaretter.info/politik/nachricht/11320-berlin-spd-unterstuetzt-energiatisch>

²⁰⁵ <http://www.berliner-energiatisch.net/images/eckpunkt Papier%20ge.pdf>

²⁰⁶ <http://www.morgenpost.de/kolumne/meine-woche/article120490679/Ein-Berliner-Stadtwerk-wird-zum-Risiko-fuer-den-Steuerzahler.html>

²⁰⁷ <http://www.berliner-zeitung.de/berlin/rekommunalisierung-berliner-bevorzugen-staatsstrom,10809148,23973740.html>

as well as *Energie AG* and the state-owned *Berlin Energie* have declared their interest in the concession.²⁰⁸

3.2.2. Bremen

*1999: energy
supply privatised*

Until 1998, the energy supply in the German City of Bremen with a population of about 550,000 was provided by *Stadtwerke Bremen*. The company, which was fully privatised in 1999, has been operating since then under the name *swb AG*. Apart from Bremen, *swb* also supplies Bremerhaven with electricity, gas, district heating and water; it has also taken over the disposal services for both cities. Meanwhile *swb* is fully owned by *EWE AG* (previously *Energieversorgung Weser-Ems AG*), which is considered one of Germany's largest energy companies.

*2014:
concession expires*

The concession contract of the City of Bremen with *swb* expires in 2014. The tender for the user contracts for the next 20 years has already taken place. According to the city, a number of companies, among them *swb*, have submitted their bids. It had been planned to announce in spring 2013, who will be awarded the new concession.²⁰⁹ However, negotiations are still ongoing and an exact final date is not yet known.

Wish to repurchase

The City of Bremen intends to re-municipalise a share of 25.1 percent of the grid during the renewed concession tender. The main considerations are stable prices or the energy turnaround. This will be expensive for Bremen in any case. Should the concession go to *swb* again, the city would have to buy into the company. There is a strong indication that *swb* will be chosen again as it has infrastructure and materials. Another franchisee would have to buy the grids of *swb*. Should the decision nevertheless be taken in favour of another franchisee, any "*participation by Bremen [...] would probably result in the start-up of a joint grid company.*"²¹⁰

*Difficulties with
remunicipalisation*

In both cases, a partial remunicipalisation would cost the city "*a three-digit million figure*"²¹¹. The example shows how difficult the remunicipalisation of previously privatised public sectors can be. However, Bremen is not the only one with this problem: "*Quite often, contractual rules were agreed within the scope of privatisation, which definitely do not make remunicipalisation easy.*"²¹²

An interesting detail: even if *swb* has the best hand for a renewed franchise, not everybody in Bremen is happy with the energy provider. In 2005, as a result of the growing dissatisfaction with the electricity and gas provider, a Citizens'

²⁰⁸ <http://www.tagesspiegel.de/berlin/referendum-berliner-grid-der-stille-kampf-von-vattenfall/8864438.html>

²⁰⁹ compare http://www.weser-kurier.de/bremen/wirtschaft2_artikel,-Neuer-Netzoperator-gesucht-_arid,347131.html

²¹⁰ http://www.weser-kurier.de/bremen/wirtschaft2_artikel,-Neuer-Netzoperator-gesucht-_arid,347131.html

²¹¹ http://www.weser-kurier.de/bremen/wirtschaft2_artikel,-Neuer-Netzoperator-gesucht-_arid,347131.html

²¹² Becker (2012), 51

Initiative against gas price increases was set up. *sbw* refused to provide information as to their price calculation. Only a lawsuit forced the company to comply. *“Against this background, some initiators of the Citizens’ Initiative founded the Bremer Energiehaus-Genossenschaft eG. in 2006”*²¹³ This was to create more transparency. Since then, the Genossenschaft supplies if required Bremen and its Lower Saxony surroundings with gas and hundred percent green electricity from South German hydro power stations. The target of the association is to supply affordable electricity under the postulate of resource-conserving electricity generation: *„Our objective is to supply our members with low-cost energy. We do not find it acceptable that large companies and others get rich at our expense. However, if we want to act responsibly we have to consider that energy resources do not last forever. We have to use energy economically and save it wherever we can.”*²¹⁴ The growing clientele vindicates the model of the association. At the beginning of 2011, it already had 4,500 customers; since then the number has been on the increase.²¹⁵

*Energie-
Genossenschaft
established*

3.2.3. Dresden

At the end of the 1990ies, the German City of Dresden with a population of about 530,000 population privatised large parts of the municipal energy supplier *Drewag*. 45 percent of the company were then sold to private companies for EUR 82 million. The largest share, namely 35 percent der *Drewag* were obtained by *Energie Baden-Württemberg (EnBW)* via its affiliate *Geso*.

*At the end of the
1990ies:
(Partial)
privatisation of
energy supplier
Drewag (to EnBW)*

In 2010, these shares were repurchased – via the detour of purchasing another energy supplier. But one thing at a time. Just before (in 2007), *EnBW* had purchased significant shares in the Oldenburg energy company *EWE*. As a condition for this deal, the German Federal Cartel Office ordered that *EnBW* would sell the South German energy supplier *Geso*. *Geso* did not only hold 35 percent shares in *DREWAG*, but also 50.11 percent in *Energie Sachsen Ost AG (ENSO)* as well as other interests in various utility companies.²¹⁶ During the subsequent bidding process, the City of Dresden used the chance of increasing its shares in energy suppliers again. For this purpose it purchased the energy supplier *Geso* for EUR 836 million.²¹⁷ Even if the purchase price for *Geso* was 10 times as high as the selling price of the *DREWAG* shares, Dresden, based on this deal, also became shareholder in other Stadtwerke and utility companies. Based

2010: re-purchase

*EnBW had to sell
due to a
requirement of the
cartel office*

City buys Geso

²¹³ <http://www.benergie.de/genossenschaft/unsere-geschichte/>

²¹⁴ <http://www.benergie.de/genossenschaft/unsere-ziele-und-der-markt/>

²¹⁵

<http://www.taz.de/1/archiv/digitaz/artikel/?ressort=ra&dig=2011%2F01%2F12%2Fa0030&cHash=fcf1c6792c>

²¹⁶ *Meißener Stadtwerke*: 49 Prozent; *Stadtwerke Elbtal*: 30 Prozent; *Freitaler Strom + Gas*: 30 Prozent; *Stromversorgung Pirna*: 49 Prozent; *Gasversorgung Pirna*: 10,6 Prozent; *Stadtwerke Zittau*: 25,1 Prozent; *Energie- und Wasserwerke Bautzen*: 49 Prozent.

²¹⁷ <http://www.n24.de/n24/Nachrichten/Wirtschaft/d/939848/stadt-dresden-kauft-enbw-tochter-geso.html>

on the purchase of *Geso*, which will be integrated in the Stadtwerke holding *Technische Werke Dresden (TWD)*, the City of Dresden once again holds 90 percent in the energy supplier *Drewag*. The remaining 10 percent of shares in *Drewag* are still hold by *Thüga*.²¹⁸ However, there are considerations to also repurchase these shares.²¹⁹

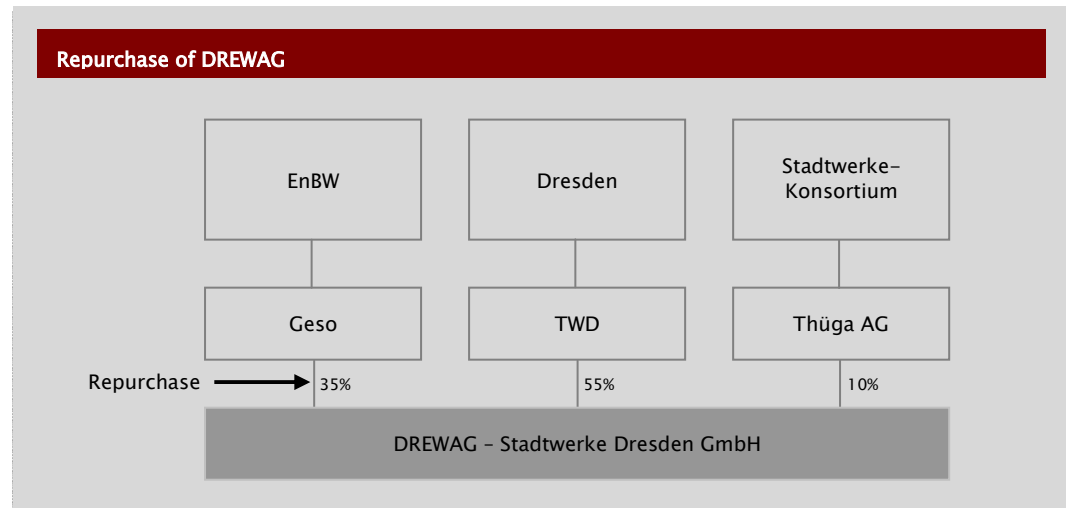


Diagram 10: Repurchase of DREWAG

The city and the citizens should equally benefit from the purchase of *Geso* and the remunicipalisation der *Drewag* associated with it. Services shall be offered to citizens at reasonable prices and any profits flow into the city. During the 12 years of privatisation, the co-owners have been able to make a profit of about EUR 203 million. These profits shall now flow into the city, for example to subsidise public transport.

Profits shall flow into the city

3.2.4. Hamburg

2002: Sale of Elektrizitäts-Werke to Vattenfall

Hamburg, with a population of 1.7 million, Germany's second largest city, was like many other cities, gripped by the privatisation wave at the end of the 1990ies. This also affected *Hamburgische Elektrizitäts-Werke (HEW)*, whose shares still owned by the city, were sold to the private company *Vattenfall* in 2002.²²⁰

Privatisation quickly realised as a mistake

The consequence for consumers was rising energy prices. Thus, Mayor Ole von Beust (CDU) criticised the then taken decision only a few years later: "*Privatisation was a mistake and we would like to turn back the clock.*"²²¹ At the

²¹⁸ <http://www.solar-und-wind-energy.de/blog/?p=608>

²¹⁹ compare http://ratsinfo.dresden.de/vo0050.php?__kvonr=6742, öffentliche Niederschrift der Stadtratsitzung vom 28.2.2013

²²⁰ <http://www.welt.de/regionales/hamburg/article106153496/Hamburg-kehrt-zur-Staatswirtschaft-zurueck.html>

²²¹ <http://www.dradio.de/dlf/sendungen/firmen/1317410/>

end of 2008, this dissatisfaction resulted in a senate resolution to set up a new municipal energy supplier. The municipal company *Hamburg Wasser* was instructed to launch a concept for generating and marketing environmentally friendly energy (electricity and gas) on the market. This resulted in 2009 in *Hamburg Energie*, an affiliate of *Hamburger Wasserwerke*. In the “foundation manifesto” of *Hamburg Energie*, the City of Hamburg commits itself to re-municipalising energy generation under the special aspect of environmental protection and social pricing and und environmental sustainability. The generation of energy is thereby subject to the sovereignty of the city.²²² In order to secure the generation of energy, *Hamburg Energie* has over the past years invested in renewable and efficient technologies and will continue its commitment over the coming years. The scheduled investment volume until 2016 is over EUR 100 million. The main emphasis of sustainable energy generation lies in wind energy; however, investments are also made in biomass, thermal power stations and photovoltaic systems.

2009:
Hamburg Energie
established (as
affiliate of
Hamburg Wasser)

*Investments in
renewable energy*

By focussing on renewable energy, the City of Hamburg is very much in line with the current trend. Many examples show “*that Stadtwerke can be the pioneers of a climate protection-oriented energy supply [...]*”²²³ Hamburg and other municipalities are using the opportunity of being actively involved in the energy turnaround. “*The scope of local politics to implement local climate protection measures increases enormously due to city-owned Stadtwerke and are used in many places to realise local and regional value added potential.*”²²⁴ *Hamburg Energie* has started various innovative projects in the area of renewable energy, which also take aspects of citizens’ and corporate interests into account. An example is *Energieberg Georgswerder*. The hill had previously been used as a landfill and was no longer suitable for the public (problems with dioxide discharge, etc.). *Hamburg Energie* used the site to install wind turbines und photovoltaic systems to generate energy, which are now supplying 4,000 households with electricity. At the same time, the hill has developed into a popular tourist attraction as it provides panoramic views over the City of Hamburg. Based on such projects, the company tries to adopt a role model function in respect of using renewable energies; at the same time, however, it depends on a wide range of energy supply options. Only then, an exclusive supply based on renewable energy can be ensured. Currently, *Hamburg Energie* is not able to meet the requirements from own sources in either of the business fields. The company tries to compensate this shortcoming by large-scale purchases of electricity and natural gas from sustainable sources.²²⁵

*Stadtwerke as
pioneers for
climate protection*

²²² <http://www.hamburgenergie.de/ueber-uns/energieerzeugung.html>

²²³ Wuppertal Institute (2013), 1

²²⁴ Wuppertal Institute (2013), 4

²²⁵ http://www.welt.de/print/die_welt/hamburg/article108278458/Nicht-alle-finden-den-Erfolg-von-Hamburg-Energie-gut.html

Hamburg Energie established as employer – growing number of staff

Growing number of consumers

Referendum: Repurchase of grids

Energy supply completely back in the public sector

In the meantime, *Hamburg Energie* has not only established itself as a sustainable energy supplier but also as an employer. The company currently employs 40 internal and 57 external employees and the figure is expected to rise. The reason for this development is a growing number of customers. In 2010, shortly after being established, *Hamburg Energie* supplied 20,000 households with electricity and 3,500 with gas. Only two years later in 2012, 74,600 households were supplied with electricity and 9,700 with gas. This growth is expected to continue over the coming years, especially as *Hamburg Energie* is able to compete with large providers. Only this year, the company has won a Europe-wide tender for supplying all public buildings of the city with electricity. Apart from that, the price of private customers is currently slightly below that of its competitor *Vattenfall*. Based on this, *Hamburg Energie* has only within a short time, become the third largest energy provider of the Hanseatic City.

In contrast to many other cases of remunicipalisation in the energy sector, in case of *Hamburg Energie* this is a rather rare form of setting up a utility company without a supply grid of its own, as this was owned by Swedish *Vattenfall* (electricity) and *E.ON* (gas). The initiative “Our Hamburg – Our Network”, which was launched in 2010, has for years supported the remunicipalisation of Hamburg grids. In 2012, the Hamburg Senate finally decided to repurchase 25.1 percent of the grids. However, the Citizens’ Initiative supported a complete repurchase of the grids and was able to collect sufficient signatures to obtain a referendum. On 22 September 2013, 50.9 percent of Hamburg’s citizens voted in favour of repurchasing the energy grids.

Critics fear that the costs of repurchasing the grids might be a too great financial burden for the City of Hamburg. The negotiations on taking over the grids have already started; however, the repurchase price is still unknown. Even if the costs for the repurchase are a burden for the municipal budget, the long-term prospect is positive. After all, the current grid operator *Vattenfall* was able to generate a profit of EUR 48 million (before tax) in 2012.²²⁶

Thus, the City of Hamburg has brought the energy supply back under its own control. After establishing a new municipal energy company it will soon also be owner of the grids. Based on this, the city is not only a guarantor for the municipal services of general interest, but it can reap long-term benefits from the course taken. Already in the third year after its foundation, “*Hamburg Energie was in the black and generates medium-term amounts covered for the public household.*”²²⁷

²²⁶ <http://www.finanznachrichten.de/nachrichten-2013-09/28123191-vattenfall-berliner-grid-wirft-gewinn-von-80-millionen-euro-ab-003.htm>

²²⁷ http://www.vku.de/fileadmin/get/?21841/2012_HamburgEnergie-Neugr%C3%BCndung.pdf

3.2.5. Nümbrecht

Over the past years, not only major cities have returned to the fold of the public sector, small communities too are starting to follow this trend. Hence, Bad Vilbel, Ahrenburg, Rüsselsheim, several communities by Lake Constance and likewise Nümbrecht have re-municipalised their energy supply.²²⁸

Small communities too are re-municipalising

Nümbrecht is a town with a population of about 17,000 in the German Federal state of North Rhine Westphalia, ca. 40 km away from Cologne. Until the mid-1990ies, the private operator *RWE* supplied energy in Nümbrecht. However, the idea to repurchase the grid, which had time and again been advocated by the local councillors, existed since the 1980ies. The old contracts, which hardly benefitted the community financially, were the main reason for the dissatisfaction with the private operator. The remunicipalisation of the grid was driven forward in the 1990ies, as the concession contract with *RWE* was soon to expire. This sparked a long-term legal dispute between the municipality and *RWE*, as the latter did not want to part with the grid and demanded of Nümbrecht a purchase price of DM 13.8 million, which was too high for the community. However, Higher Regional Court Düsseldorf as the second instance ruled in 1995 *“by interim injunction that RWE had to relinquish the grid to the community for DM 13.8 million as requested. The parties were also ordered to agree a new purchase price within ten years”*²²⁹ Finally in 1996 the parties agreed on a purchase price of DM 11 million. However, the infrastructure was in a desolate state. Hence, the municipality had to invest EUR 2.5 million in modernising the grid. The technical takeover of the grid was straightforward. *“Old cables, which led to other communities, were cut with a diagonal cutter and new cables were laid in a different location. The result was a closed circuit, which only shared a single point of contact to the current feed with the RWE grid.”*²³⁰

Old contracts hardly yield any profits for communities

Dispute with RWE about repurchase ended up in court

Initiative of government and citizens

Investments in infrastructure

Since 1 May 1998, the grid has been operated by *Gemeindewerke Nümbrecht (GWN)*, which was founded in 1994.²³¹ This *“is a local company, which is owned by the community of Nümbrecht.”*²³² This means that all financial gains and the trade tax flow back into the community. *“Profits, which otherwise were generated for a large company, could now be sensibly used for the community of Nümbrecht.”*²³³ Apart from that, *“due to Gemeindewerke, the local government is*

Profits go back to municipality

²²⁸ compare Engartner (2010)

²²⁹ <http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/energie-eine-kommune-kauft-ihr-stromnetz-1464483.html>

²³⁰ <http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/energie-eine-kommune-kauft-ihr-stromnetz-1464483.html>

²³¹ http://www.g-w-n.de/3_g_geschichte.htm

²³² http://www.g-w-n.de/2_gwn.htm

²³³ http://www.g-w-n.de/2_gwn.htm

	<i>regaining the decision-making power for the local energy supply</i> ²³⁴ , which plays a particular role, especially in times of energy turnaround.
<i>Gemeindewerke deep rootedness in the region</i>	The concept of Gemeindewerke Nümbrecht is <i>“the deep rootedness in the region, the personal service, the creation of jobs and traineeships [...] locally and the consequent efforts to develop alternative and long-term secure energy concepts.”</i> ²³⁵ The corporate philosophy of <i>GWN</i> focusses in particular on customer proximity. <i>GWN</i> sees itself as <i>“municipal service centre for the citizen and the community.”</i> ²³⁶ The personal service (in contract to a <i>RWE</i> call centre) shall compensate for other weaknesses. The municipal provider is not the cheapest option in the liberalised electricity market, which would be impossible given the competition by low-cost providers. However, the chief executive of <i>GWN</i> does regard this as the primary task: <i>“We can become a partner of the citizens. This has to do with the common good and not with the price of electricity.”</i> ²³⁷ <i>GWN</i> for example offer tariffs such as the ‘baby year’ ²³⁸ or the family tariff ^{239, 240}
<i>Customer proximity as recipe for success</i>	
<i>Since 2008: Green electricity</i>	
	<i>GWN</i> has been committed for years to expand renewable energies (EEG). <i>“Since 2008 already, all households in Nümbrecht are exclusively supplied (and without special tariff) with TÜV-certified green electricity.”</i> ²⁴¹ Since 2011, this has been extended to commercial customers. <i>“The electricity for all household customers in 2011 is 100% EEG electricity which comes from new German hydro power stations.”</i> ²⁴² However, for the future, <i>GWN</i> aim at <i>“generating as much environmental electricity as possible locally [...] on site to further scale back its dependence on large energy providers.”</i> ²⁴³ In 2011, 2.1 million kWh electricity in Nümbrecht were already generated by photovoltaic, wind energy, hydropower and thermal power stations. This is sufficient for 600 households to cover their energy requirement.
<i>Territorial expansion</i>	On 1.1.2013, <i>GWN</i> took over the grid in the area of Elektrizitätsgenossenschaft <i>Bierenbachtal eG</i> , which supplied Nümbrecht’s districts Bierenbachtal and

²³⁴ <http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/energie-eine-kommune-kauft-ihr-stromnetz-1464483.html>

²³⁵ http://www.gwn24.de/2_aktuell.htm

²³⁶ <http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/energie-eine-kommune-kauft-ihr-stromnetz-1464483.html>

²³⁷ <http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/energie-eine-kommune-kauft-ihr-stromnetz-1464483.html>

²³⁸ Parents of newborn babies have their bills reduced by EUR 50; this is equivalent to the costs of the average increased consumption arising in a baby’s first year.

²³⁹ A household consumes on average about 3.500 kWh energy p.a. *GWN* has introduced a special family tariff for households whose energy consumption exceeds 5,000 kWh p.a.

²⁴⁰ compare http://www.gwn24.de/2_aktuell.htm; compare http://www.gwn24.de/3_t_familie.htm

²⁴¹ http://www.gwn24.de/2_aktuell.htm

²⁴² http://www.gwn24.de/2_aktuell.htm

²⁴³ http://www.gwn24.de/2_aktuell.htm

Stockheim with energy. In doing so, *GWN* expanded its customer base by further 1,000 consumers.²⁴⁴

Meanwhile, *Gemeindewerke Nümbrecht* has developed into a multi-branch enterprise. Since 1 October 2011, *GWN* has been supplying its customers not only with water, but also with gas, which had previously been undertaken by a private operator.²⁴⁵ *GWN* now has 20 employees and two apprentices. A success, many thought they would not achieve. In doing so, *Gemeindewerke* make a vital contribution to the community: *“Meanwhile Gemeindewerke [...] are able to assume projects, for which the municipality cannot find the resources.”*²⁴⁶ For example, they provide part of the Christmas lighting *“donate to clubs, fire and rescue services and schools in Nümbrecht, give advice to clubs in respect of village festivals or similar and have a [...] share in the Nümbrecht Light and Music Festival.”*²⁴⁷

Expansion to multi-branch enterprise

Supports local clubs and schools

Gemeindewerke Nümbrecht is a good example to show that small municipalities too can retake charge of their energy supply. This benefits the entire community. *GWN* make a contribution to *“maintain the quality of life in Nümbrecht”*²⁴⁸. They promote employment in the community as *“many services are outsourced to independent third companies. This outsourcing benefits local company and creates additional jobs.”*²⁴⁹ *GWN* has now followed a successful path for 15 years, but they still have not reached their target. *“Their final expansion project will be developing Gemeindewerke into a high-quality citizen’s service centre. Apart from that, additional financial benefits could arise if loss-making segments of other municipal facilities – for example the public swimming pool – would be integrated into the energy supply company.”*²⁵⁰

Contracts granted to local companies

3.2.6. Solingen

Solingen is an independent city in North-Rhine Westphalia with a population of almost 160,000. In 2001, the city decided to sell 49.9 percent of *Stadtwerke Solingen (SWS)* for EUR 125 million to *MVV Energie AG*.

2001: Partial privatisation

MVV Energie AG, formerly *Mannheimer Versorgungs- und Verkehrsgesellschaft mbH*, is one of Germany’s leading energy companies. In March 1999, it was the first municipal utility company to be partly privatised by being listed on the stock market. Holding an interest of 50.1 percent, the City of Mannheim is still the majority shareholder; however, further shares in *MVV Energie AG* are held by energy giants such as *EnBW*, *Rheinenergie* and *Suez*.

²⁴⁴ compare http://www.gwn24.de/2_aktuell.htm

²⁴⁵ compare http://www.gwn24.de/pdf/gwn-aktuell_03_2011.pdf

²⁴⁶ http://www.g-w-n.de/2_gwn.htm

²⁴⁷ http://www.g-w-n.de/2_gwn.htm

²⁴⁸ http://www.gwn24.de/3_g_geschichte.htm

²⁴⁹ http://www.gwn24.de/3_g_geschichte.htm

²⁵⁰ http://www.gwn24.de/3_g_geschichte.htm

Expectations on privatisation were high; instead job losses

The expectations on this privatisation were high: Solingen was to become the “bridgehead” of energy supply in North-Rhine Westphalia.²⁵¹

However, these promises were quickly forgotten. *“Instead, jobs were cut [note: during privatisation 200 of 750 jobs were lost]²⁵², MVV AG demanded increasingly higher yields, tried to outsource various business segments from Solingen to Mannheim and to gain power over the grid. Investments for generating local sustainable energy were always blocked by MVV AG.”²⁵³*

2010: examination of the cooperation with private providers

On 25 March 2010, the dissatisfaction with this development and the rapidly changing energy market as well as progressive regulation (Concessions Directive) led to the decision by the city council *“to scrutinise the sales decision of 2001 without prejudging the outcome.”²⁵⁴* The investigation process lasted about a year and resulted in the decision to restructure the cooperation with MVV. The Governing Mayor was instructed with conducting the negotiation and should, in case there would be no agreement on renewal and further development, look for a new partner. At the end of 2011, the Governing Mayor presented the city council with the negotiation result and suggested to continue the cooperation.

Decision by the city council: Remunicipalisation instead of new

“The majority in the city council voted to reject the proposal and instructed the administration to examine alternatives, in particular the ‘(partial) repurchase of the shares acquired by MVV and possible alternative cooperation/partnerships resp. a remunicipalisation of SWS.’²⁵⁵

Support by Citizens’ Initiative “Solingen belongs to us”

Following intensive discussions, the city council decided in September 2012 to repurchase shares in the value of EUR 115 million. *“Solingen’s weak negotiation situation given the one-sided purchase initiative in an ongoing contract without termination option had without a doubt a bullish effect.”²⁵⁶* The approach of the city council was supported by the Citizens’ Initiative “Solingen belongs to us”, which was also in favour of repurchasing shares.

In contrast to many other cities, Solingen did not use the profits from the then sale to repay debts, but, even if they were moderate, invested them profitably. Hence, there was no need to borrow to finance the unscheduled repurchase. The remunicipalisation also provides Stadtwerke Solingen with new opportunities. For

²⁵¹ <http://berliner-watertisch.info/stadtwerke-solingen-erst-teilprivateisiert-jetzt-wieder-vollstaendig-re-municipalise/>

²⁵² <http://www.annotazioni.de/post/911>

²⁵³ <http://berliner-watertisch.info/stadtwerke-solingen-erst-teilprivateisiert-jetzt-wieder-vollstaendig-rekommunalisiert/>

²⁵⁴

<http://www2.solingen.de/C12572F80037DB19/0/A13065A83B4F9749C1257A67002A6D55?OpenDocument>

²⁵⁵

<http://www2.solingen.de/C12572F80037DB19/0/A13065A83B4F9749C1257A67002A6D55?OpenDocument>

²⁵⁶

<http://www2.solingen.de/C12577D50055FA64/html/5329AE85F103FBB7C1257A7E0066721A?open-document>

example, investments in renewable energies shall be increased; this aspect had been neglected in over ten years of private energy supply.

3.2.7. Springe

Springe, a German town with a population of about 30,000, is situated in the region of Hanover. Over decades, electricity had been supplied by *E.ON Avacon*, a regional energy supplier in Lower Saxony and Saxony-Anhalt, which arose from various mergers and which since 2005 has been part of the *E.ON Group*. The last concession contract of the town of Springe with *E.ON Avacon* expired in 2006.²⁵⁷

*Electricity supply
by E.ON*

In 2004, Springe began to consider alternatives to extending the contract. One included transferring the electricity supply to the town's own *Stadtwerke*. Since its foundation in 1901, *Stadtwerke Springe* had for a long time been in charge of supplying the town with electricity, gas and water. However, after the privatisation of the electricity supply, in 1988 the water and gas supply also fell into private hands. From then on *Stadtwerke* focussed on social housing as the only remaining responsibility.²⁵⁸ A law firm and an Energy Economy & Environmental Consultancy were asked to review whether taking over the electricity supply by *Stadtwerke* would represent an economically feasible option. The result was an expert opinion in 2007: "*A takeover of the electricity concession by Stadtwerke Springe is also economically feasible.*"²⁵⁹ However, with the addition "*that a grid takeover would only be economical in cooperation with a strategic partner.*"²⁶⁰ Apart from *E.ON Avacon*, a bidding consortium made up of *Stadtwerke Braunschweig (BS/ENERGIE)* and *Veolia Wasser* and *Stadtwerke Hameln*, which later joined the bidding consortium, participated in the subsequent selection. *E.ON Avacon* submitted one offer regarding lease and another regarding operations management; the bidding consortium focussed on operations management. Having reviewed the various offers, the consultancy recommended the operations management solution of the bidding consortium, which was adopted in July 2008 by the city council. The criteria, which had been especially considered in the decision-making process, were "*the municipal influence in investments, the commitment to climate protection, local commitment and the direct (price) advantages for citizens.*"²⁶¹ The bidding consortium received a 49.5 percent share in *Stadtwerke Springe GmbH*, the remaining 50.5 remained in the ownership of the municipality. The newly positioned *Stadtwerke* were now receiving the concession for the electricity supply. The development of the technical infrastructure was started immediately

*2004:
Alternatives are
being considered*

*Expert opinion
2007:
remunicipalisation
possible*

*Consortium as
strategic partner*

*Municipality holds
majority in
Stadtwerke*

²⁵⁷ compare <http://www.eon-avacon.com/CMS/Default.aspx?id=196&ch=1>; compare Aden, Martin (2013), 85

²⁵⁸ compare <http://www.stadtwerke-springe.de>

²⁵⁹ Aden, Martin (2013), 86

²⁶⁰ Aden, Martin (2013), 86

²⁶¹ Aden, Martin (2013), 87

and a customer office set up in the town centre. The sale of electricity and gas began on 1 October 2008.

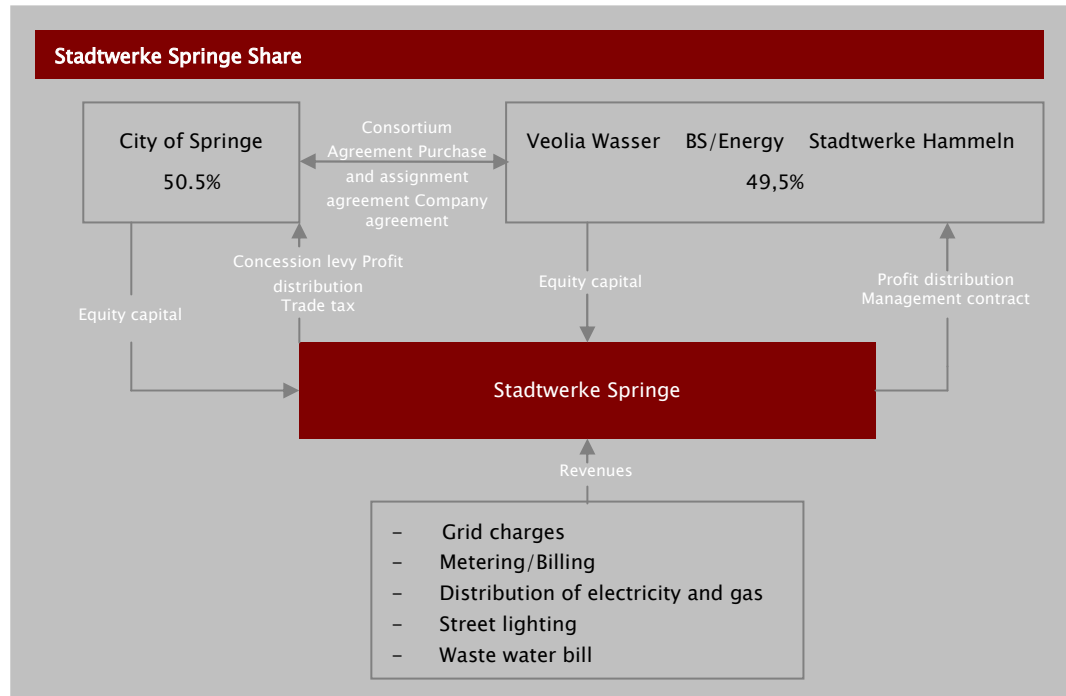


Diagram 11: Share of Stadtwerke Springe²⁶²

Grid takeover not yet complete

However, the grid takeover is still not complete. The negotiations with *E.ON* Avacon proved to be difficult right from the start as the company itself had submitted an offer in respect of operative management. Due to this defeat, the company refuses to transfer the grid to Stadtwerke to this day. *“The current contractual basis is a lease agreement for the grid based on the fair value specified by Eon, which was accepted with reservations.”*²⁶³ The case is currently before the court; a completion before 2014 is not expected. The excessive lease payments are currently burdening the financial situation of Stadtwerke, *“even if the impact is smaller than feared: if last year’s plans still provided a minus of EUR 538.000 [...] for 2012, at EUR 135.000, the actual shortfall is significantly lower.”*²⁶⁴ After the judicial clarification, *Stadtwerke Springe* expects even higher profits.

renewable energy instead of nuclear energy

*“Stadtwerke Springe attaches great importance to obtaining sustainably produced energy, which will be resource-conserving and generated with a high degree of efficiency.”*²⁶⁵ Until remunicipalisation, the share of nuclear energy was up to 18 percent. Meanwhile, this share has been replaced by electricity from renewable energy, so that since April 2011 only one nuclear power free fuel mix is on offer

²⁶² compare Aden, Martin (2013), 88

²⁶³ Aden, Martin (2013), 88f.

²⁶⁴ <http://www.stadtwerke-springe.de/unternehmen/presse-und-aktuelles/details/stadtwerke-springe-bilanz-und-optimistischer-ausblick/>

²⁶⁵ Aden, Martin (2013), 90

– and that without increasing electricity prices.²⁶⁶ Projects initiated by Stadtwerke shall continue to drive forward environmentally friendly electricity production. Installing a photovoltaic system at the school centre was one of the projects of Stadtwerke, which was completed in 2009. The system produces electricity for 50 two-person households.²⁶⁷ Springe also focussed on producing electricity production with biomass. *“Biomass plays an important role in the future energy supply based on renewable energies as it can be flexibly used, it is local and it is available around the clock.”*²⁶⁸ Two biogas thermal power stations were completed in 2011. *“These shall produce bioelectricity for about 3,000 households. The bioheat would be sufficient to supply about 500 households.”*²⁶⁹ Stadtwerke Springe also invests in future technologies such as electromobility. Since May 2011 drivers can fill their tank at the first electro filling station outside the customer office free of charge. This electricity is exclusively produced from renewable energy. Also promoted is the used of electric bicycles. When purchasing an electric bicycle from a cooperation dealer of Stadtwerke, existing customers receive a voucher worth EUR 200.²⁷⁰

Stadtwerke initiate projects for environmentally friendly electricity production

The environmental commitment of Stadtwerke since its repositioning has already paid off. More and more customers could be gained; since the end of 2012, Stadtwerke is the default supplier of electricity and gas, supplying the majority of households in the town.²⁷¹ The remunicipalisation for citizens means a saving of *“about EUR 90 p.a. [...] for electricity and over EUR 60 for gas respectively. This amounts to a value added of over EUR 870,000, which benefits the local net product (prices as at 6/2012).”*²⁷² Since October 2010, 57 municipal buildings have also joined the electricity customers of Stadtwerke. Apart from increasing the customer base, the business field of *Stadtwerke Springe* has also expanded. Meanwhile, it has taken over wastewater metering and the operative management of street lighting.²⁷³

*Since 2012:
Default supplier*

*Prices fallen since
remunicipalisation*

Stadtwerke is also active beyond its actual scope and is regularly involved in the community. *“In our capacity as Stadtwerke we regard ourselves as a part of the town and want to support the community in Springe and the region. That is why we engage ourselves across the entire social spectrum both as a sponsor and by making donations [...] to make an important contribution to the life of the town.”*²⁷⁴ *Stadtwerke Springe* supports institutions and clubs from the areas of sport (e.g. Handballfreunde Springe, Football Museum Springe) and culture (e.g. Musikschule Springe); it donates to social purposes (e.g. insect hotel for Nature

*Stadtwerke as
sponsor*

²⁶⁶ compare Aden, Martin (2013), 90

²⁶⁷ compare <http://www.stadtwerke-springe.de/photovoltaik-anlage/>

²⁶⁸ <http://www.stadtwerke-springe.de/biogasprojekt/bhkw-springe-sued/>

²⁶⁹ <http://www.stadtwerke-springe.de/biogasprojekt/bhkw-springe-sued/>

²⁷⁰ compare <http://www.stadtwerke-springe.de>

²⁷¹ compare <http://www.stadtwerke-springe.de>

²⁷² Aden, Martin (2013), 92

²⁷³ compare Aden, Martin (2013), 89

²⁷⁴ <http://www.stadtwerke-springe.de/engagement-in-springe/>

Successful
remunicipalisation
through
PPP model

Conservation Union Springe, makes donations for Kinderschutzbund Springe) and offers free environmental education to schools and kindergartens.²⁷⁵

Stadtwerke Springe is an example for a functioning PPP model. “Experiences show that remunicipalisation can be economically efficient by involving an experienced partner and works manager to execute operative activities. Partnership-based cooperation between municipal service providers can achieve synergy effects, whereby control and support based of local politics is maintained.”²⁷⁶ However, other examples show the dangers of PPP models. Hence, it has to be examined in advance whether this model will indeed benefit the municipality. Experiences show that by far not every PPP model is an advantage for town and citizens.

3.2.8. Stuttgart

Until the end of
the 1990ies:
Energy and water
supply municipal

Stuttgart is the capital of the German Federal State Baden-Württemberg and has a population of about 605,000. Until the end of 1996, the city was in charge of energy and water supply. *Technische Werke der Stadt Stuttgart (TWS)* fulfilled this responsibility as an affiliate of the city. Apart from that, *TWS* had a third share each in *Zweckverband Landeswasserversorgung (LWW)* and in *Zweckverband Bodensee-Wasserversorgung (BWV)*.²⁷⁷ Hence, the city was able to indirectly insure its influence on the water supply of the state.

1997:
Merger of two
Stadtwerke (with
private
participation)

In 1997, *Technische Werke der Stadt Stuttgart* and *Neckarwerke Esslingen (NW)* merged and became *Neckarwerke Stuttgart (NWS)*. The newly founded *Neckarwerke Stuttgart* was to 42.5 percent owned by the City of Stuttgart, to 30 percent the *Neckar-Elektrizitätsverband* and 25.5 percent of shares were held by *Energie Baden-Württemberg (EnBW)*. The remaining two percent were widely held shareholdings. They took over the supply of the region of Stuttgart with electricity, gas, district heating and drinking water.

Town sells shares
in regional supplier
to EnBW

In 1999, the City of Stuttgart sold 17.5 percent of its interest in the regional utility company *Neckarwerke Stuttgart* to *EnBW*. In 2002, one transferred” [...] also the remaining 25-percent share in *NWS* [...] to *EnBW*”²⁷⁸ By selling *Neckarwerke Stuttgart*, the “voting right in the *Zweckverbände* of *Landes- und der Bodensee-Wasserversorgung* were also sold.”²⁷⁹ The City had sold its shares

²⁷⁵ compare <http://www.stadtwerke-springe.de>

²⁷⁶ Aden, Martin (2013), 85

²⁷⁷ The two sources Danube valleys near Ulm (*Landeswasserversorgung*) and Lake Constance (*Bodensee-Wasserversorgung*) ensure the supply of Baden-Württemberg's capital.

²⁷⁸ [http://www.stuttgarter-zeitung.de/inhalt.energy supply-ein-historischer-fehler-wird-korrigiert-page3.70c4fa89-335c-4543-b07a-5022a7524eb9.html](http://www.stuttgarter-zeitung.de/inhalt.energy%20supply-ein-historischer-fehler-wird-korrigiert-page3.70c4fa89-335c-4543-b07a-5022a7524eb9.html)

²⁷⁹ [http://www.stuttgarter-zeitung.de/inhalt.energy supply-ein-historischer-fehler-wird-korrigiert-page3.70c4fa89-335c-4543-b07a-5022a7524eb9.html](http://www.stuttgarter-zeitung.de/inhalt.energy%20supply-ein-historischer-fehler-wird-korrigiert-page3.70c4fa89-335c-4543-b07a-5022a7524eb9.html)

of a third each in both Zweckverbände²⁸⁰ to *Energie Baden-Württemberg*.²⁸¹ Since 2002, Stuttgart has no longer (also indirect) any shares in the energy and water supply of the city and the surrounding areas and thereby completely lost its influence.

The sale of *Neckarwerke Stuttgart* was finalized within a very short time and in the end unilaterally decided by the council in spite of concerns by some politicians. The sale was agreed on the basis of falling electricity prices and the release of *NWS* after the liberalisation of the energy market at the end of the 1990ies. A mistake as it transpired later as shortly afterwards electricity prices significantly increased again.

Sale due to falling electricity prices

The city started negotiations with EnBW as early as 2009 in order to reorganise the water supply in Stuttgart. The expiry of concession contracts for electricity, water, gas and district heating at the end of 2013 also sparked considerations in respect of the city taking over the grid.

2009: Negotiations on reorganisation of water supply

However, the framework conditions changed completely, even before the negotiating parties were able to reach agreement. Meanwhile, the Citizens' Initiative "Wasserforum" had started to collect signatures for a referendum. In March 2010, about 27,000 signatures were handed in to the town hall, all of which supported a remunicipalisation of the water supply. The large number of signatures obliged the city to hold a referendum, which made all previous negotiations between city and EnBW obsolete. The local council adopted the demands of the Citizens' Initiative so that the referendum could be suspended. A commissioned expert opinion supported the aimed at remunicipalisation.²⁸² Finally, the local council voted unanimously in favour of remunicipalisation.²⁸³

Citizen's Initiative "Wasserforum" collects 27,000 signatures

Local council decides remunicipalisation of water supply

Soon after the decision, the course was set for implementation. In 2011, the Stuttgart local council decided to set up its own completely municipal utility company under the name of *Stadtwerke Stuttgart GmbH (SWS)*. The *SWS* is an affiliate of city-owned *Stuttgarter Versorgungs- und Verkehrsgesellschaft (SVV)*. Since 2012, *Stadtwerke Stuttgart GmbH* offers electricity and gas from organic resources. It is the aim to provide 40,000 households with green energy and 15,000 households with Biogas by 2015. Another 10,000 customers shall be taken over by *Elektrizitätswerke Schönau (EWS)*, which joined as a strategic partner for electricity and gas supply. Together they founded *Stadtwerke Vertriebsgesellschaft mbH* before the end of 2012 to sell electricity and gas. It is possible that the future range of the municipal provider will also include district heating.

2011: Foundation Stadtwerke Stuttgart GmbH

Electricity and gas from organic sources

²⁸⁰ Zweckverbände represent inter-municipal associations whose purpose it is to achieve a concrete objective (in this case water supply).

²⁸¹ compare Arenz (2010)

²⁸² compare Horváth&Partners (2011)

²⁸³ compare http://www.water-in-buergerhand.de/nachrichten/2010/stgt_fuer_rekommunalisierung_wasser.htm

*Tender for grids
still unsuccessful*

This is not least dependent on the result of the tender for electricity, gas and district heating grids of the city. Even though the concession already expired at the end of 2013 and seven companies applied for the concession (among them *EnBW*, *Veolia*, and *Stadtwerke*), no decision has been taken so far. *EnBW* will be in charge of the grids until a decision has been made. However, it is increasingly unlikely that another operator will take over the grids in time, as this requires a longer Lead time.

*Remunicipalisatio
n of water supply
not yet complete*

In contrast, the remunicipalisation of Stuttgart's water supply has not yet been finalised. The local council had adopted the demands of the Citizens' Initiative; the plan was for the municipality to take over the water supply from 2014. The sector water supply was added to the existing owner-operated urban waste-water drainage for this purpose and will in future be operated under the name of *Kommunale Wasserwerke Stuttgart (KWS)*.

*Water networks –
negotiations on
price still ongoing*

However, meanwhile the lengthy negotiations concerning the repurchase must be regarded as failed. *EnBW* demands from the city a purchase price of EUR 600 to 750 million, which it has based on the fair value. However, in the opinion of the city the purchase price has to be based on the earning-capacity value, which is estimated at EUR 160 to 180 million. Due to the fact that the negotiation partners were unable to agree a price, it is now up to the courts to decide the value of the Stuttgart water network.²⁸⁴ *"The lawsuit seeks a declaratory judgment whether EnBW is obliged to surrender the water supply assets by 1 January 2014 against payment of the earning-capacity value."*²⁸⁵ However, it will take some time for the courts to reach a decision. In the meantime, the water supply will remain with *EnBW*.

*Transparent
approach by
government*

Even if the case of Stuttgart shows how difficult the retransfer of privatised services is, the transparent approach of politicians has to be rated positively. In contrast to what happened prior to privatisation, the policy-makers wanted to inform the population right from the start about plans and any existing options (and involve them in the process). That is why all phases of the development were disclosed and debated in public local council meetings and during information events for citizens.²⁸⁶ One definitely wanted to avoid applying the same mistakes, which had been made during the privatisation process that had taken place behind closed doors, to the process of remunicipalisation.

3.2.9. Wolfhagen

*Electricity supply
depending on
district either by
E.ON or Stadtwerke*

Wolfhagen is a small town in the North of the German Federal State of Hesse with a population of about 13,800. The town consists of a total of 13 districts and the town centre. *E.ON* supplied electricity in eleven districts²⁸⁷; only the town centre

²⁸⁴ compare http://www.hundert-water.org/files/EnBW_Kadi.pdf

²⁸⁵ <http://www.stuttgart.de/item/show/273273/1/9/507536?>

²⁸⁶ compare <http://www.stuttgart.de/stadtwerke>

²⁸⁷ originally Energie-Aktiengesellschaft Mitteldeutschland (today *E.ON Mitte*)

and two other districts were supplied by *Stadtwerke Wolfhagen*, which, however, provided two thirds of Wolfhagen's population with electricity.²⁸⁸ *Stadtwerke Wolfhagen GmbH* is a 100 percent owned by the town of Wolfhagen. Apart from supplying electricity, Stadtwerke is also in charge of the water supply.²⁸⁹

The concession contract with *E.ON* expired on 31.12.2004. Even before the end of the contract, the retransfer of the eleven districts to Stadtwerke was discussed at political level. Potential risks were the unpredictable purchase price as well as possible lengthy negotiations. An argument in favour was the efficiency potential for Stadtwerke. In the end the town council unilaterally decided in 2002 not to renew the contract with *E.ON* and to put Stadtwerke Wolfhagen once again in charge of supplying electricity to the eleven districts.²⁹⁰ *"This clear decision-making process and the closed front shown gave the people in charge of administration and Stadtwerke the necessary confidence during the lengthy negotiations to adopt a firm stance and to drive the grid takeover forward."*²⁹¹ However, this was more than necessary as the negotiation of the purchase price proved to be a difficult and lengthy process, which was drawn out from 2002 to 2006. The first demand of *E.ON* was almost 100 percent above the final amount paid. In February 2006 at last, more than a year after the concession contract had expired, *Stadtwerke Wolfhagen* was able to purchase the grid.²⁹² Wolfhagen should have the purchase digested economically by 2015 at the latest.²⁹³

2002:
Town Council
unilaterally decides
remunicipalisation

Negotiations with
E.ON difficult and
lengthy

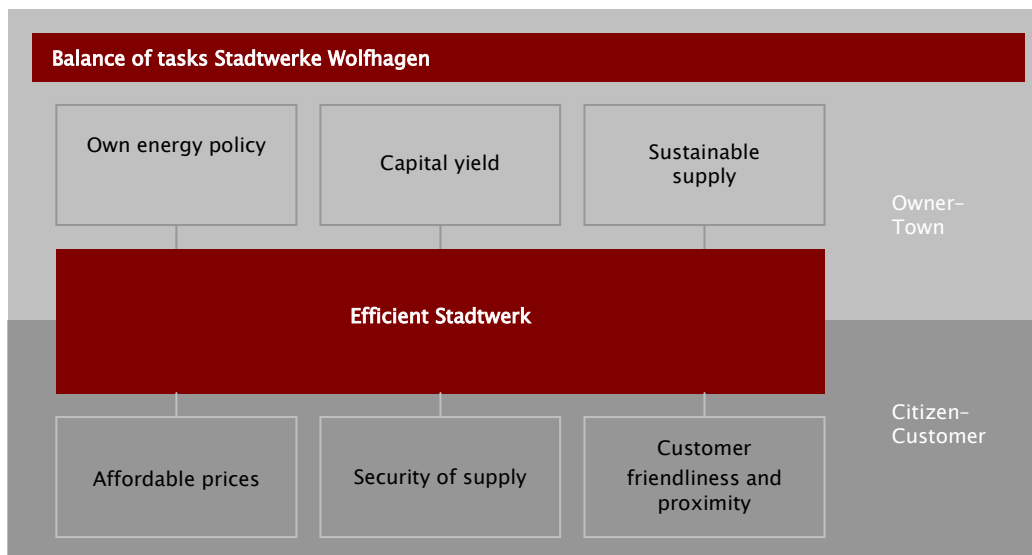


Diagram 12: Balance of tasks Stadtwerke Wolfhagen²⁹⁴

²⁸⁸ compare Rühl, 1

²⁸⁹ compare <http://www.stadtwerke-wolfhagen.de/>

²⁹⁰ compare Rühl, 1

²⁹¹ Rühl, 2

²⁹² compare Rühl, 2

²⁹³ compare <http://www.wlz-fz.de/Lokales/Waldeck/Bad-Arolsen/Offene-Liste-informiert-sich-in-Wolfhagen-ueber-kommunales-Energiekonzept>

²⁹⁴ compare <http://de.slideshare.net/Metropolsolar2/rekommunalisierung-wolfhagen-20022011> martin-rhl

*Efficient utility
company*

Remunicipalisation will enable Stadtwerke Wolfhagen to be more efficient and to strike a balance between the requirements of Stadtwerke and those of the population at the same time. The diagram shows – also representative for other Stadtwerke – the concept of an efficient utility company. The ownership of Stadtwerke enables the implementation of energy-policy targets at political level. Wolfhagen focusses above all on environmental sustainability by promoting renewable energies. It is expected that this will also enable price reductions in the long-term. After all, the yields, which are now flowing into the town treasury and not to a private company, are benefitting the population, as Stadtwerke tries to offer its customers electricity at low-cost prices. Time and again, being closer to citizens and associated with it an improved customer service is seen as an advantage of municipal supply.

*Prime example for
promoting
renewable energies*

Wolfhagen is regarded as a prime example of promoting renewable energy. Since 2008, Stadtwerke obtains electricity with 100 percent coming from hydropower from the largest Austrian producer.²⁹⁵ However, in the long-term, Wolfhagen is aiming to achieve an environmental supply of energy under its own steam. *“The 100 percent self-supply based on wind power, solar systems and biomass power plants shall be guaranteed until 2015.”*²⁹⁶ Hence, in April 2008, town councillors decided the construction of a wind farm, electricity from biomass and citizen participation projects for photovoltaic systems.²⁹⁷ *“A major component of this strategy is a wind farm with five state-of-the-art wind turbines”*²⁹⁸, which will be a massive boost for generating energy by wind power. By 2015, two thirds of the energy demand shall be covered by energy from wind power (see diagram).²⁹⁹

²⁹⁵ compare http://www.stadtwerke-wolfhagen.de/index.php?option=com_content&view=category&layout=blog&id=25&Itemid=105;
compare http://www.stadtwerke-wolfhagen.de/index.php?option=com_content&view=article&id=1&Itemid=104

²⁹⁶ Engartner (2010)

²⁹⁷ compare <http://de.slideshare.net/Metropolisolar2/rekommunalisierung-wolfhagen-20022011martin-rhl>

²⁹⁸ <http://www.wlz-fz.de/Lokales/Waldeck/Bad-Arolsen/Offene-Liste-informiert-sich-in-Wolfhagen-ueber-kommunales-Energiekonzept>

²⁹⁹ compare <http://de.slideshare.net/Metropolisolar2/rekommunalisierung-wolfhagen-20022011martin-rhl>

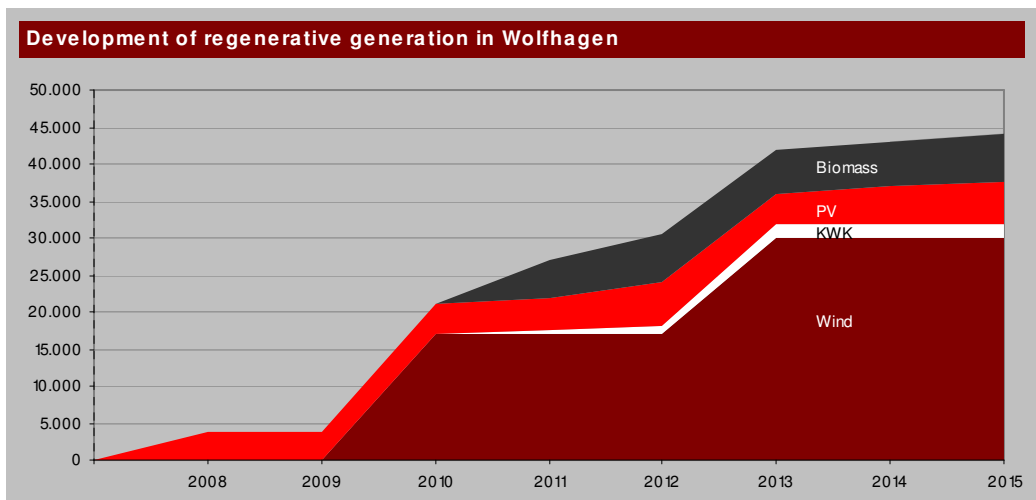


Diagram 13: Development of regenerative generation in Wolfhagen³⁰⁰

However, this shall also pay off for those citizens, who via civic involvement have a direct stake in the wind farm. Based on these investments in wind power the forecast electricity price for households in 2020 shall be 20 percent lower than without wind energy.³⁰¹

*Wind park:
Direct citizens'
involvement*

A new project, which was only completed in October 2012, is the solar park Wolfhagen, which consists of about 42,000 solar modules, which can currently generate power for ca. 3,000 3-person-households. By “deflecting electricity from the German electricity mix”³⁰², it is possible to save about 5,700 tons CO₂ each year. The investment costs of EUR 6 million are paying off for Stadtwerke: “The expert opinion of the auditor states that one can expect an average return on equity of 5 to 6 %.”³⁰³ The solar park is also an example how municipal enterprises can increase regional added value. Exclusively regional actors were involved in the project: “Regional companies [...] supplied highly efficient solar module [...]. Local banks provided financing and many local companies were involved in the construction.”³⁰⁴ Thus, mainly local companies benefited from these investments. “As a result, the solar park will generate about EUR 24.5 million in added value in the region over 20 years.”³⁰⁵ At the same time, remunicipalisation has “increased the number of local jobs [...]”³⁰⁶.

Solar park

*Local companies
benefit*

³⁰⁰ compare <http://de.slideshare.net/Metropolsolar2/rekommunalisierung-wolfhagen-20022011martin-rhl>

³⁰¹ compare <http://de.slideshare.net/Metropolsolar2/rekommunalisierung-wolfhagen-20022011martin-rhl>

³⁰² <http://de.slideshare.net/StadtwerkeWolfhagen/stadtwerke-wolfhagenwolfhager-energieweg>

³⁰³ <http://de.slideshare.net/StadtwerkeWolfhagen/stadtwerke-wolfhagenwolfhager-energieweg>

³⁰⁴ <http://de.slideshare.net/StadtwerkeWolfhagen/stadtwerke-wolfhagenwolfhager-energieweg>

³⁰⁵ <http://de.slideshare.net/StadtwerkeWolfhagen/stadtwerke-wolfhagenwolfhager-energieweg>

³⁰⁶ Rühl, 3

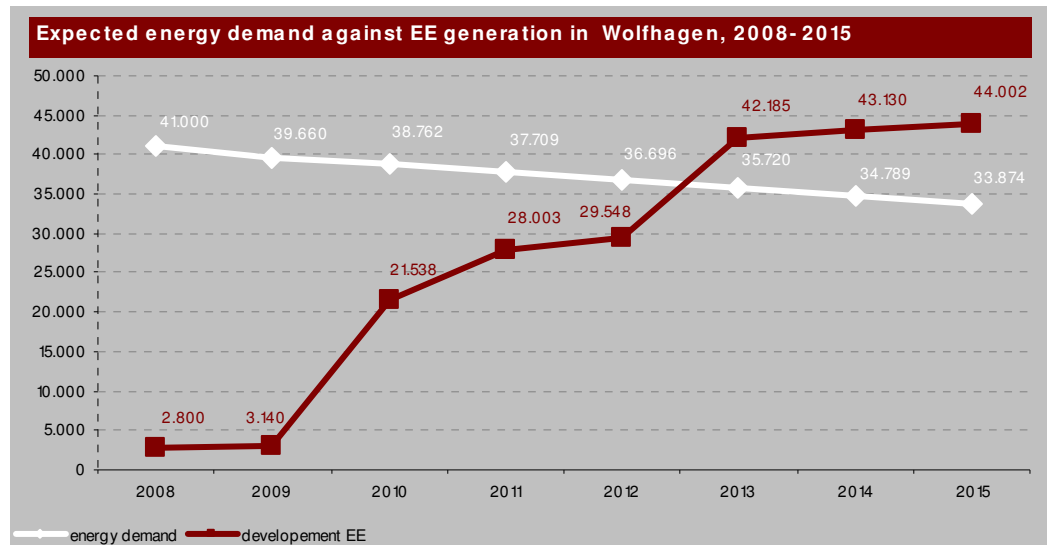


Diagram 14: Expected energy demand against EE generation in Wolfhagen, 2008–2015³⁰⁷

Energy saving measures

However, investments shall also be made in energy saving measures. Based on new technical possibilities (energy saving lamps, electricity saving programs etc.) and an additional pro-active energy saving advice of Stadtwerke it is expected that in 2015 the energy demand of households, will be 17 percent lower than in 2008.³⁰⁸ In 2011, Stadtwerke itself have set an example with regard to energy saving by replacing a large number of street lamps with LED lamps, *“the energy saving in residential streets is up to 75%.”*³⁰⁹

Remunicipalisation a complete success

Stadtwerke Wolfhagen rate the *“the takeover of the grids [...] as hundred percent successful.”*³¹⁰ The grid takeover resulted in the aimed at increase of efficiency and the tasks could be bundled and implemented in a cost neutral manner. “By enlarging the grid area, general costs as well as costs for arranging on-call services, *consumption-based billing and customer advice could be spread over a larger number of customers. This led to efficiency increases in the core area and to reducing the specific costs per customer and kWh.*”³¹¹ Stadtwerke also succeeded in increasing its customer base: *“Apart from the significant increase in turnover in grid operation, many of Wolfhagen’s citizens living in the districts have meanwhile concluded an electricity supply agreement with their public supplier.”*³¹² However, Stadtwerke Wolfhagen too uses the liberalisation of electricity market to their advantage and to supply customers outside their

³⁰⁷ compare <http://de.slideshare.net/Metropolsolar2/rekommunalisierung-wolfhagen-20022011martin-rhl>

³⁰⁸ compare <http://de.slideshare.net/Metropolsolar2/rekommunalisierung-wolfhagen-20022011martin-rhl>

³⁰⁹ <http://de.slideshare.net/StadtwerkeWolfhagen/stadtwerke-wolfhagenwolfhager-energiweg>

³¹⁰ Rühl, 3

³¹¹ Rühl, 3

³¹² Rühl, 3

municipal catchment areas. *"We deliver anywhere, regardless of whether the tariff customer resides in Lower Saxon Northeim or in Hessian Wetzlar."*³¹³

3.2.10. Remunicipalisation of German energy giants

*"Stadtwerke is celebrating a spectacular comeback on the German Energy market."*³¹⁴ *"After the entire energy sector had been liberalised, many state-owned energy providers were privatised"* at the turn of the millenium. *Now the municipalities are taking over the supply again, team up against the energy giants Eon and RWE – and are themselves going on a shopping spree."*³¹⁵ Over the past years, German municipalities and municipal mergers respectively have re-municipalised three large energy companies: *Steag*, *Thüga* and *EnBW*. However, the result of this remunicipalisation is not undisputed: due to indebted municipalities, which borrow hundred millions of euros for purchasing energy companies, commitments abroad, which put the task of private services into question and dubious decisions by one single person, the remunicipalisation of large German energy has come under fire.

3.2.10.1. *Steag (originally: Steinkohlen Elektrizitäts AG)*

Since 2002, *Steag* (originally *Steinkohlen Elektrizitäts AG*) had been 100% owned by *RAG-Konzern* (formerly *Ruhrkohle AG*), which had obtained an interest in the large German energy suppliers *E.ON* and *RWE*. *Steag* had become part of the *RAG* affiliate *RAG Beteiligungs-AG*, which was renamed in 2007 in *Evonik Industries*. In its capacity as a business field of *Evonik Industries*, *Steag* was renamed *Evonik Steag*.

Steag completely privatised

In 2010, a bidding consortium of the Rhine-Ruhr area consisting of six municipal suppliers (Dortmund, Duisburg, Bochum, Essen, Oberhausen and Dinslaken) was set up and purchased 51 percent of the shares in *Evonik Steag* from *Evonik Industries* for a purchase price of EUR 649 million. The contract came into effect in March 2011 and in June 2011 the part of the name referring to *Evonik* was dropped. The remaining 49 percent of *Steag* shares, which are still owned by *Evonik Industries*, shall be bought by *Stadtwerke-Consortium-Rhein-Ruhr* for estimated EUR 600 million, when a five-year period has expired.³¹⁶ This deal was

Consortium of municipal suppliers buys 51% of shares

³¹³ http://www.stadtwerke-wolfhagen.de/index.php?option=com_content&view=article&id=1&Itemid=104

³¹⁴ <http://www.handelsblatt.com/unternehmen/industrie/steag-verkauf-kommunen-schaffen-stromriesen-seite-all/3676120-all.html>

³¹⁵ <http://www.handelsblatt.com/unternehmen/industrie/steag-verkauf-kommunen-schaffen-stromriesen-seite-all/3676120-all.html>

³¹⁶ compare <http://www.verivox.de/nachrichten/steag-stadtwerke-konsortium-ist-neuer-mehrheitsseigentuer-70032.aspx>; compare <http://www.handelsblatt.com/unternehmen/industrie/steag-verkauf-kommunen-schaffen-stromriesen-seite-all/3676120-all.html>

Criticism:

*Purchase price
financial strain on
loss-making
communities*

supported by the Federal State government of SPD and Greens, which had to change the North-Rhine Westphalian municipal code to make the purchase possible.³¹⁷ However, the purchase price was regarded as a financial strain on the loss-making municipalities and led to much public criticism, as the joint level of debt of the municipalities involved, amounts to EUR 11 billion. Financing would not have been possible without borrowing. However, in view of the favourable rate of interest, the purchase shall by all accounts be finalised earlier than initially planned.³¹⁸ The municipal supervisory authority is currently examining whether the takeover of the foreign business transactions of Steag by Stadtwerke is legal. If the result is positive, the repurchase shall be complete by the end of 2014 at the latest, possible even before the summer, as regional elections in North-Rhine Westphalia are scheduled for the end of May 2014.

*Steag shall be
established as a
big play*

The objective behind the remunicipalisation was the weakness of Stadtwerke in respect of electricity production; they operate in the Rhine-Ruhr conurbation with 5 million customers. By buying *Steag*, Stadtwerke hope to overcome the bottlenecks in electricity production.³¹⁹ Parallel to this, the Stadtwerke Consortium took over *Steag* as Germany's fifth largest electricity producer, "*it would be its goal to establish Steag as a large player in the energy supply.*"³²⁰ Thus, *Steag*, which describes itself as an "*internationally operating company*"³²¹, apart from several hard coal-fired power stations in Germany, is also operating three in Columbia, Turkey and on the Philippines.³²² In addition, *Steag* has affiliates all over the world, for example in India, Brazil, Turkey, Switzerland and the USA.³²³ Future plans include the development of new markets in Rumania and India.³²⁴ "*And Steag will invest in particular abroad – talk is about a billion euros over the coming years.*"³²⁵ In doing so, the municipal provider expands its foreign undertakings. To which extent this can be reconciled with the responsibility of providing public services seems to be increasingly more questionable. Meanwhile even supporters of the deal are questioning this approach, such as the chairman of the Green faction, Reiner Priggen: "*It has to be examined whether any expansion of Steag [...] can be reconciled with the*

Expansion abroad

³¹⁷ compare http://m.faz.net/aktuell/politik/energy_turnaround/energy_turnaround-das-verlangen-am-ganz-grossen-rad-zu-drehen-12123504.html

³¹⁸ http://www.ruhrnachrichten.de/nachrichten/wirtschaft/aktuelles_berichte/Rhein-Ruhr-Konsortium-Stadtwerke-wollen-Steag-noch-in-diesem-Jahr-komplett-kaufen;art318,2261242

³¹⁹ compare <http://www.handelsblatt.com/unternehmen/industrie/steag-verkauf-kommunen-schaffen-stromriesen-seite-all/3676120-all.html>

³²⁰ <http://www.handelsblatt.com/unternehmen/industrie/steag-verkauf-kommunen-schaffen-stromriesen-seite-all/3676120-all.html>

³²¹ http://www.steag.com/ueber_uns1.html

³²² compare <http://www.verivox.de/nachrichten/steag-stadtwerke-konsortium-ist-neuer-mehrheitseigentuemer-70032.aspx>

³²³ compare http://www.steag.com/ueber_uns1.html

³²⁴ compare http://m.faz.net/aktuell/politik/energie_wende/energie_wende-das-verlangen-am-ganz-grossen-rad-zu-drehen-12123504.html;

³²⁵ http://m.faz.net/aktuell/politik/energie_wende/energie_wende-das-verlangen-am-ganz-grossen-rad-zu-drehen-12123504.html

municipal economic law. It is actually not the mission of municipal companies to operate globally in such an offensive manner."³²⁶

Apart from attracting criticism because of its global expansion of the business field, the energy company also failed to meet the expected returns to this date. The *Steag* takeover was initially also associated with the municipalities' financial profit expectations. *"Only in the first year after takeover the profits of the electricity producer collapsed – to only five million euros after tax."*³²⁷ In spite of this, dividends worth EUR 120 million were distributed to municipalities and *Evonik*.³²⁸

Profits below expectations

One of the declared objectives of the Stadtwerke Consortiums is the increase of renewable energies. The share of renewable energies shall be increased to 25 percent by 2020. It is currently below 10 percent, as *Steag* until now has been focussing on coal power stations. From 2013, these will even require expensive certificates as they emit a large quantity of CO₂.³²⁹ This reduces the company's profits in the long-term.³³⁰ However, there is hardly any money available to develop renewable energy at a national level, as two thirds of investments are channelled abroad: *"We would have preferred if the larger part [of investments; author's note] had remained in Germany, but the framework conditions after the energy turnaround unfortunately absolutely speak against following such a path"*³³¹, says Guntram Pehlke, Chairman of *STEAG's* supervisory board

Share of renewable energy shall be increased to 25%

So far the record of remunicipalisation has been ambivalent. Whilst some consider a repurchase as a calculable financial risk, other are worried about the budget situation of the municipalities involved. In order to make a final analysis one has to await the further developments.

Ambivalent record

3.2.10.2. *Thüga (originally: Thüringer Gas AG)*

Thüga AG (Thüringer Gas AG) is a utility company, which supplies gas and electricity. *Thüga AG* in particular supplies the German states Bavaria, Thuringia and Saxony. *Thüga AG* was the affiliate of one of Europe's largest private energy

Thüga mixed form between private and public

³²⁶ [http://m.faz.net/aktuell/politik/energie/wende/energie-wende-das-verlangen-am-ganz-grossen-rad-zu-drehen-12123504.html](http://m.faz.net/aktuell/politik/energie/energie-wende/energie-wende-das-verlangen-am-ganz-grossen-rad-zu-drehen-12123504.html);

³²⁷ <http://www.handelsblatt.com/politik/deutschland/nrw-wahl-2012/nrw-kommunen-kraftwerke-in-kolumbien-statt-kitas-im-pott-seite-all/6473428-all.html>

³²⁸ compare <http://m.faz.net/aktuell/politik/energie/wende/energie-wende-das-verlangen-am-ganz-grossen-rad-zu-drehen-12123504.html>; compare <http://www.handelsblatt.com/politik/Germany/nrw-wahl-2012/nrw-kommunen-kraftwerke-in-kolumbien-statt-kitas-im-pott-seite-all/6473428-all.html>

³²⁹ <http://www.handelsblatt.com/politik/Germany/nrw-wahl-2012/nrw-kommunen-kraftwerke-in-kolumbien-statt-kitas-im-pott-seite-all/6473428-all.html>

³³⁰ compare <http://www.handelsblatt.com/politik/Germany/nrw-wahl-2012/nrw-kommunen-kraftwerke-in-kolumbien-statt-kitas-im-pott-seite-all/6473428-all.html>

³³¹ <http://m.faz.net/aktuell/politik/energy-turnaround/energie-wende-das-verlangen-am-ganz-grossen-rad-zu-drehen-12123504.html>

suppliers – *E.ON AG*.³³² Apart from *E.ON*, many municipal companies also had shares in *Thüga AG* (e.g. *N-Energie Nürnberg*, *Mainova Frankfurt*).³³³ Thus, it presents a historically grown mixed form between public and private ownership.

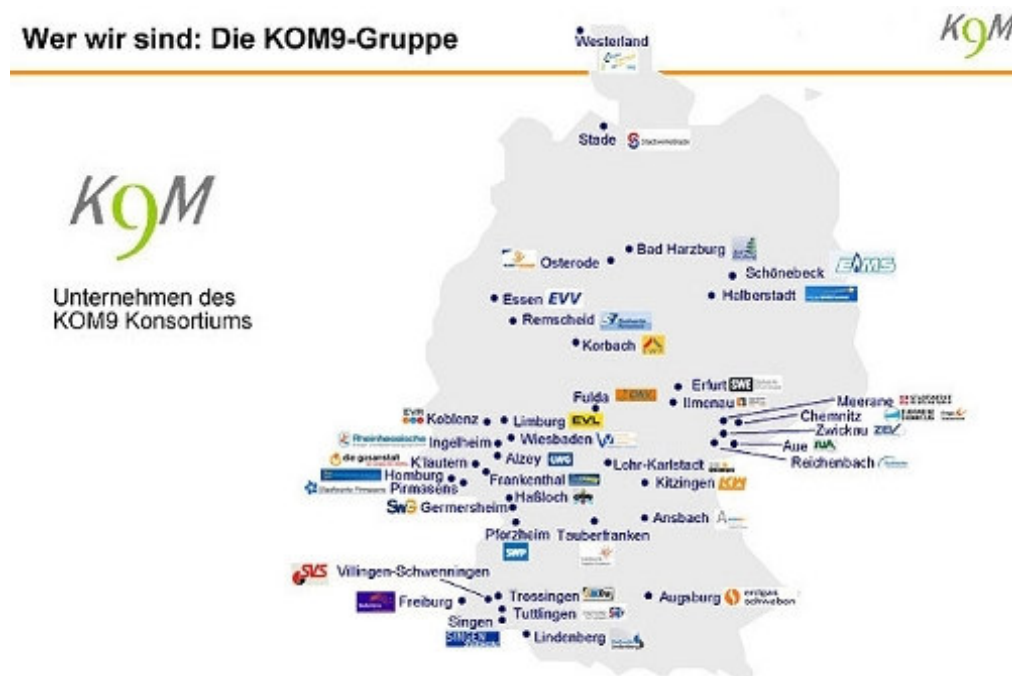


Diagram 15: KOM 09 Group³³⁴

E.ON had to sell because of too strong market concentration

The *E.ON* Group came under increasing pressure by the EU Commission, which had competition law-related concerns because of the Group's strong concentration of power.³³⁵ That is why in 2009, *E.ON* sold its local Stadtwerke affiliate Thüga to two municipal consortiums for EUR 4 billion.³³⁶ On the one hand to KOM09 (a merger of 45 regional Stadtwerke in particular of smaller municipalities), which obtained 38 percent in Thüga; the part went to Integra (a cooperation made up of Stadtwerke Nürnberg (N-ERGIE AG), Stadtwerke Frankfurt (Mainova) and Stadtwerke Hannover (enercity)), which obtained 62 percent in Thüga.³³⁷

E.ON only sold "scaled-down Thüga"

However, *E.ON* did not sell its entire affiliate, but retained parts of *Thüga*. For example, by making use of rights of pre-emption, Berliner Gaswerke was

³³² *E.ON AG* is a merger of the two until then (2000) state-dominated majority owners of VIAG and VEBA.

³³³ http://www.welt.de/welt_print/wirtschaft/article4957445/Geschaefst-perfekt-Stadtwerke-kaufen-E-on-Tochter-Thuega.html as well as http://www.gerald-gruenert.de/Privatisi_Aufgaben/13052011/Rekommunalisierung_best_practice.pdf

³³⁴ http://www.sw-meerane.de/cms/Unternehmen/Profil/Beteiligungen/KOM9_Group2.JPG

³³⁵ <http://www.handelsblatt.com/unternehmen/industrie/versorger-eon-verkauft-thuega-an-kommunen-seite-all/3236896-all.html>

³³⁶ <http://www.spiegel.de/wirtschaft/konkurrenz-fuer-e-on-co-experten-feiern-deutschlands-neue-energie-macht-a-642026.html> sowie Arenz (2010)

³³⁷ Hall, Terhorst (2011)

purchased by *E.ON AG* itself. The purchase price of the “scaled-down” *Thüga* was about EUR 2.9 billion.³³⁸ Overall, due to the sale, 90 regional utility companies have shares in *Thüga* via the two municipal bidder consortiums *KOM09* and *Integra*.³³⁹

Since 2009, *Thüga Holding* has been able to distribute profits among its municipal shareholders, apart from investing large amounts in the infrastructure and in particular in the production of renewable energy.³⁴⁰ *Thüga* also acts as a strategic partner of local *Stadtwerke* and utility companies and tries to obtain further shares in municipal utility companies.³⁴¹ In order to financially cope with the costs of new interest and investments in infrastructure, the company plans to increase capital in 2012. To achieve this, up to 25 percent of the company shall flow on the stock market.³⁴² However, this also reveals where the Group might face problems: The „business policy of the municipal Group is confronted with the conflict to expand its market power against the Groups [...] by municipal merger in order to obtain the necessary funds for acquiring concession contracts and to make sustainable investments, and to convey this with the basic orientation of the company towards the triple corporate goal: CO₂-free energy turnaround, decentralisation and democratisation of the energy industry as well as making socially acceptable tariffs available.”³⁴³

Continuous distribution of profits

Planned: capital increase by partial privatisation

3.2.10.3. *EnBW (Energie Baden-Württemberg)*

Based on a turnover of over EUR 19 billion, *Energie Baden-Württemberg (EnBW)* is one of the largest energy companies in Germany and Europe.³⁴⁴ It was established in 1997 by a merger of *Badenwerk* and *Energie-Versorgung Schwaben (EVS)*. The original idea to place the energy supply of the German federal state of Baden-Württemberg on a common basis goes back to the late 1980ies.

EnBW one of Europe's largest energy companies

In 2000, Baden-Württemberg sold its shares of 25.01 percent for EUR 2.4 billion to the French company *EdF*. Subsequently, *EdF* has increased its share in the company to 45.01 percent. *Zweckverband Oberschwäbische Elektrizitätswerke*

2000: EdF obtains shares

³³⁸ <http://www.spiegel.de/wirtschaft/konkurrenz-fuer-e-on-co-experten-feiern-Germanys-neue-energie-macht-a-642026.html> sowie Arenz (2010)

³³⁹ <http://www.handelsblatt.com/unternehmen/industrie/versorger-eon-verkauft-thuega-an-kommunen-seite-all/3236896-all.html>

³⁴⁰ *Thüga* (2011), 12f. sowie *Thüga* (2012), 17

³⁴¹

http://www.thuega.de/fileadmin/media/Thuega/PDF/Presse/Jahrespressekonferenz_110527_Praesentation.pdf

³⁴² http://www.focus.de/finanzen/news/wirtschaftsticker/roundup-thuega-hofft-auf-milliardeneinnahme-durch-kapitalerhoehung_aid_765444.html

³⁴³ http://www.gerald-gruenert.de/Privateisi_Aufgaben/13052011/Rekommunalisierung_best_practice.pdf

³⁴⁴ compare <http://www.enbw.com/unternehmen/karriere/wer-wir-sind/unternehmensportraet/index.html>

(*OEW*) holds an interest of 45.01 percent. The remaining shares are held by several small shareholders.

*End of 2010:
surprising
repurchase
decision by Baden-
Württemberg*

At the end of 2010, it surprised everybody when Baden-Württemberg decided to repurchase the 45 percent shares from *EdF*. The purchase price was EUR 4.7 billion. This made it *"the largest nationalisation in the Federal Republic"*. However, at the same time it was the *"the most amateurish business deal on this scale, which had ever been orchestrated by a governmental organisation. It violated law and order; it disregarded the sovereignty of parliament and of various legal and budget principles."*³⁴⁵

*EnBW repurchase
as campaign issue*

The then CDU Minister President Stefan Mappus had been in charge of the deal. First talks between Mappus and *EdF* had taken place in summer 2010, whereby the *EdF* boss had announced that he himself wanted to take over the leadership of EnBW. This opportunity had presented itself to him by the consortial agreement, which would expire in autumn 2011, which regulates *"the equal leadership between the two major shareholders"*³⁴⁶ – *EdF* and *OEW*. Should this not succeed, *EdF* had planned to get rid of the shares, which could have then been obtained by a foreign investor. So far the version by Stefan Mappus, who used this argument in a later statement to defend his actions. However, Mappus was by no means under so much time pressure as he wanted to make others believe. The consortial agreement had another year to run and *OEW* too could have prevented the entry of a foreign investor. It is far more likely that the elections Baden-Württemberg in March 2011 and the falling opinion poll figures the CDU inspired Mappus to represent himself as the saviour of EnBW: *"Mappus and his media-advisor [...] regarded the EnBW deal as an important campaign issue. Mappus wanted to present himself as a decisive and economically experienced Minister President."*³⁴⁷

*Repurchase solo
action by Minister
President Stefan
Mappus*

After the start of the negotiations with *EdF*, Stefan Mappus contacted the Investment bank *Morgan Stanley* resp. their head of Germany, Dirk Notheis, with whom Mappus was on friendly terms. From then on, Notheis acted as Stefan Mappus' advisor and organiser of the repurchase of EnBW. Criticism will be voiced later that this contract had been awarded without an invitation to tender going before.³⁴⁸ After a number of further discussions in autumn 2010, Mappus finally decided to repurchase the *EnBW* shares. The agreed purchase price was EUR 41.50 per share, which was EUR 4.7 billion in total. The *Neckarpri GmbH* was set up to acquire the parcel of shares. The CDU States Minister Helmut Rau, who

³⁴⁵ <http://www.handelsblatt.com/unternehmen/industrie/rueckkauf-von-enbw-muehsame-spurensuche-im-milliardengrab/5132706.html>

³⁴⁶ <http://www.handelsblatt.com/unternehmen/industrie/rueckkauf-von-enbw-muehsame-spurensuche-im-milliardengrab/5132706.html>

³⁴⁷ <http://www.faz.net/aktuell/politik/inland/rueckkauf-der-enbw-aktien-mappus-vermaechtnis-11484728.html>

³⁴⁸ compare <http://www.handelsblatt.com/unternehmen/industrie/rueckkauf-von-enbw-muehsame-spurensuche-im-milliardengrab/5132706.html>

besides Mappus, Notheis and the law firm Gleiss Lutz was the only person to be in the know, became the chief executive. Mappus did not inform the state parliament; he only told the responsible head of department, Finance Minister Willi Stächele of the deal a day before its announcement. Am 6. December 2010 repurchase of the shares was officially announced.

Parliament was not informed

Shareholder of EnBW	
NECKARPRI-Beteiligungsgesellschaft mbH (zu 100% im Besitz des Landes)	46,75%
OEW Energie-Beteiligungs GmbH (OEW)	46,75%
Badische Energieaktionärs-Vereinigung (BEV)	2,45%
Gemeindeelektrizitätsverband Schwarzwald-Donau (G.S.D.)	0,97%
Neckar-Elektrizitätsverband (NEV)	0,63%
EnBW Energie Baden-Württemberg AG	2,08%
free float	0,39%

Table 4: Shareholders of EnBW³⁴⁹

The state elections in Baden-Württemberg on 27 March 2011 resulted in a change of government. Even though the CDU remained the strongest party, it still lacked the majority needed for a CDU-FDP coalition government. Due to the good election result of the Greens, they were able to form a coalition with the SPD. The purchase of EnBW had already been a campaign issue and was now included into the working agenda of the new government after it took office. However, the attempt to clarify the exact circumstances proved to be extremely difficult as the previous government had hardly left any documentation to consult. *“The sale of a commercial property in Gammertingen produces more documents as the billion-takeover of EnBW shares”³⁵⁰*, says the current Minister of Financial and Economic Affairs Nils Schmid. The new Minister President only found *“the extremely slim 50-page purchase contract, a few pages of attachments and a six-page legal opinion of Gleiss Lutz”³⁵¹*, whereby this is dated 15 December 2010, i.e. it was only written after the deal.

Hardly any written documents on the repurchase exist

Im October 2011, the state constitutional court (Constitutional Court in Baden-Württemberg) ruled that bypassing parliament was a breach of the constitution. *“The criterion of unavoidable circumstances did not exist because the decision can be regarded as deferrable”³⁵²*, was the reasoning.

However, this was only the start of the investigations. A lawsuit before the arbitral tribunal at the beginning of 2012 followed, which was to clarify whether an excessive repurchase price had been paid to EdF. Investigations proceedings were initiated against Stefan Mappus for suspicion of breach of trust. In addition,

Arbitral Court and parliamentary enquiry committee

³⁴⁹ compare <http://www.enbw.com/unternehmen/investoren/anleihen-und-aktien/aktie/aktionaersstructure.html>

³⁵⁰ <http://www.handelsblatt.com/unternehmen/industrie/rueckkauf-von-enbw-muehsame-spurensuche-im-milliardengrab/5132706.html>

³⁵¹ <http://www.handelsblatt.com/unternehmen/industrie/rueckkauf-von-enbw-muehsame-spurensuche-im-milliardengrab/5132706.html>

³⁵² <http://www.faz.net/aktuell/politik/inland/rueckkauf-der-enbw-aktien-mappus-vermaechtnis-11484728.html>

he is accused of letting *“his friend, the investment banker Dirk Notheis dictate the conditions for the deal.”*³⁵³ At the end 2011, there had already been a parliamentary enquiry committee, which investigated the procedures of the repurchase. However, even this turned into a scandal when it became known that the committee chairman, Ulrich Müller (CDU), secretly provided Stefan Mappus with information. The committee also examined files, which had been seized at Mappus’ home.³⁵⁴ The committee has now reached the home straight; the final report shall be completed before the end of March 2014. Meanwhile, the public prosecutor is still investigating Mappus; so far no charges have been brought against him.³⁵⁵

*Negative example
EnBW*

The remunicipalisation of EnBW is an example of how not to handle such projects. The deal was sealed without careful consideration, under time pressure and without the involvement of parliament. In its capacity as a prestige object it was to play into the hands of a politician in government and secure his position. However, such approach is not only democratically problematic. By now it has also transpired that the repurchase was a loss-making deal. In 2010, Baden-Württemberg paid EUR 41.50 for each share; currently (February 2014) the quoted value is slightly under EUR 27 per share, only two thirds of its value.³⁵⁶ An expert opinion of the enquiry committee assumes that about EUR 800 million too much were paid for the repurchase of the shares.³⁵⁷

4. Water supply and wastewater disposal

4.1. Introduction

Due to the special status of the resource water, water takes a special place with regard to the services of general interest. Nevertheless even this sector has seen liberalisation and privatisation efforts, which have resulted in the emergence of large, globally operating companies. The developments so far shall be depicted in a short introduction. An overview over the European water supply and wastewater disposal sector gives an account as to which cities have returned to provide services at municipal level.

³⁵³ <http://www.stern.de/politik/Germany/enbw-untersuchungsausschuss-staatsanwaltschaft-uebergibt-mappus-akten-an-landtag-1970769.html>

³⁵⁴ compare <http://www.welt.de/politik/Germany/article113651394/Untersuchungsausschuss-wird-zu-Blamage-fuer-CDU.html>

³⁵⁵ <http://www.n-tv.de/politik/Dem-Krokodil-fehlen-die-Reisszaehne-article12271211.html>

³⁵⁶ compare www.finanzen.net/chart/EnBW

³⁵⁷ <http://www.n-tv.de/politik/Dem-Krokodil-fehlen-die-Reisszaehne-article12271211.html>

4.1.1. Liberalisation and privatisation within the water sector

In spite of the special character of water, the EU has been driving forward the liberalisation of water supply over the past decades. In fact, the EU Commission has been postulating the liberalisation of the EU water sector as a target since the mid-1990ies.³⁵⁸ *“The most important driving force behind the liberalisation of the EU was various lobbying organisations.”*³⁵⁹ This confirms the strong interest of private enterprises in the supply of drinking water. However, the cost intensity of the necessary infrastructure for water supply and wastewater disposal often presented in particular small communities with financial problems; hence privatisation became a tempting prospect. That far-reaching privatisation similar to the energy sector could be avoided, is just down to the special position that water holds in the entire supply system.

Since mid-1990ies: Liberalisation of water at EU level driven forward

Water sector as profitable sector in the focus of private enterprises

At the start of the new millennium, only five percent of the global water supply was in private hands, however *“the expectation to rapidly commercialise the water sector”*³⁶⁰ were high. Private companies hoped for fast gains and the expansion of their operating areas. In the beginning they seemed to succeed. However, over ten years later one has to admit that these expectations did not fulfil the initial expectations. During the past years, private water suppliers have suffered some setbacks, even if it is too early to speak of a general trend reversal. Social movements and political parties had adopted an increasingly critical attitude towards planned privatisations, which led to preventing privatisation plans or to remunicipalisation. Due to increasing resistance, companies were “forced” to change their strategy and now tend to move more in the direction of Public Private Partnerships, *“in which their entrepreneurial risks are minimised as these are mainly borne by the public sector.”*³⁶¹ Financial investors (such as hedge funds) are also playing an increasing role in the area of water supply, as the example of London shows. Apart from this large companies shift their field of work and *“invest more in the ‘second line’, in technology and consultancy, in wastewater treatment and desalination of sea water, hence in areas, where they are less exposed to potential protest [...]”*³⁶² At this moment in time it is difficult to estimate how the development in the European water sector will continue. The European initiative Right2Water, which had formed around the discussion on the Concessions Directive, has shown that the population is sceptical of privatisations in this area. Initially, the water sector had been exempt from the Concessions Directive; however, the transition period expires in 2020. Afterwards this sector too could once again be the focus of privatisation efforts.

Critical attitude towards water privatisation

New strategy of private companies” investments in “second line”

Until now, the special character of water as an essential, non-replaceable product and the “local monopoly” of water, hence the expensive and structurally

³⁵⁸ compare ÖGPP (2008), 12

³⁵⁹ ÖGPP (2008), 12

³⁶⁰ Hachfeld (2009), 87

³⁶¹ Hachfeld (2009), 87

³⁶² Hachfeld (2009), 87

*Local monopoly
concentration in
municipal sector*

hardly possible transport over large distances has in most European countries led to a concentration of water supply and wastewater disposal in the hand of municipalities. Exceptions in the European area are Great Britain and France, where private water supply has a long tradition. In France, the administration of the water supply had been privatised for a limited period; in Great Britain even the entire water supply infrastructure. Over the past years, many East European cities such as Bucharest, Prague and Sofia moved towards privatisation and granted concessions to private companies. The objective was to acquire capital and know-how. However, in reality, these objectives were hardly achievable.

4.1.2. The resource water

*Water as a source
of life*

Due to its status as a resource and nutrient, which cannot be substituted, water plays an important role with services of general interest. *“Water is needed in all spheres of life and is simultaneously elementary for maintaining the biosphere.”*³⁶³ The existence of blanket water supply and wastewater disposal has a huge impact on people’s health and their surrounding environment. The particularity of water as a precious commodity ensured that on 28 July 2010 the General Assembly of the United Nations *“explicitly recognized the human right to water and sanitation and acknowledged that clean drinking water and sanitation are essential to the realisation of all human rights.”*³⁶⁴ Legal provisions in the different countries are also emphasising the importance of water supply. In South Africa for example, the right to water is enshrined in the constitution; the same applies to Uruguay, where privatisation was banned. In the Austrian capital Vienna *“the sale of the public water supply and the land of the protected areas is also banned under constitutional law.”*³⁶⁵

*UN 2010:
Water as a human
right*

4.1.3. Comparison: water prices and quality in European countries

*European
comparative study
on water industry*

In respect of providing services of general interest, the discussion private vs. public always refers to quality and price as criteria. It is the opinion of many that private companies can deliver better quality at lower prices – also in the water sector. The Bundesverband deutscher Energie- und Wasserversorger (BDEW) has examined quality and price of water supply in a comparative study for the water industry. Six countries were compared, which on the one hand represent a cross section of old and new resp. big and small EU Member States and show a different tradition in water supply and wastewater disposal on the other. In Germany, Austria and the Netherlands for example, water supply and wastewater disposal are primarily provided by public service providers; however in France and Great Britain primarily by private enterprises. The most important result of

*Public suppliers
provide better
quality at the same
prices*

³⁶³ ÖGPP (2008), 12

³⁶⁴ <http://www.un.org/Depts/german/gv-64/band3/ar64292.pdf>

³⁶⁵ ÖGPP (2008), 17

this comparison: publicly provided water supply and wastewater disposal services are not more expensive than those provided by private companies; moreover their water quality is far better.

The study is very comprehensive and includes apart from the country-specific price also subsidies via taxes and an estimation of the price in case of quality improvement. The comparison of water prices is based on the country-specific price, which customers pay directly via their bills (Stage I). Added to this are the costs, which the state or the municipality contributes to the national water industry and which are paid indirectly by the consumer via taxes and charges (Stage II). Finally the water price for consumers is estimated if the German performance level, which is among the countries with the best quality in Europe, is to be achieved (Stage III).

In France and Great Britain, where drinking water is mainly supplied by private companies, an increase in the level of performance would significantly exceed the water prices paid in Germany, Austria and the Netherlands, all of which mainly ensure their water supply by public utility companies. The same applies to wastewater disposal.

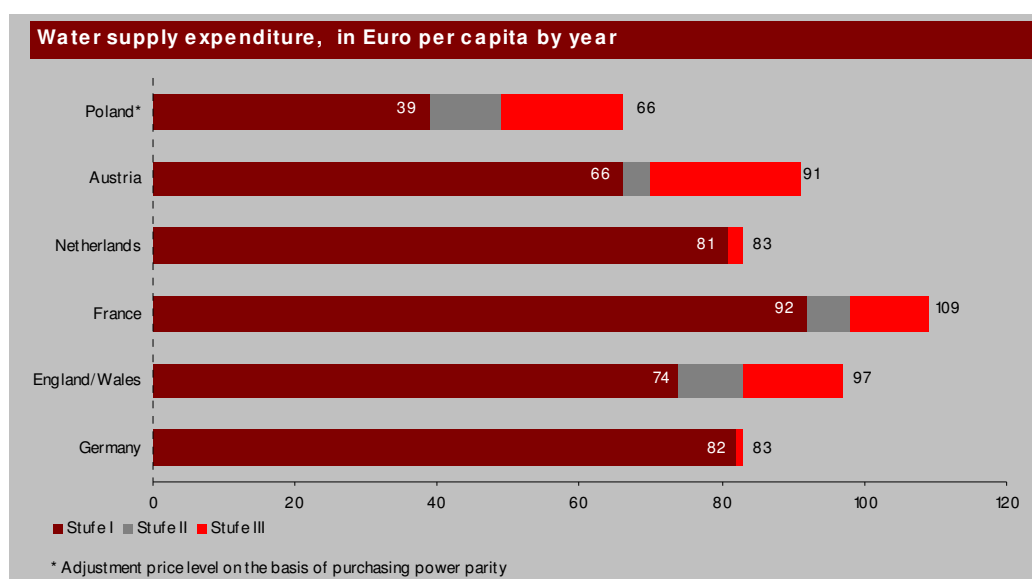


Diagram 16: Water supply expenditure, in Euro per capita by year³⁶⁶

³⁶⁶ compare BDEW (2010), 5

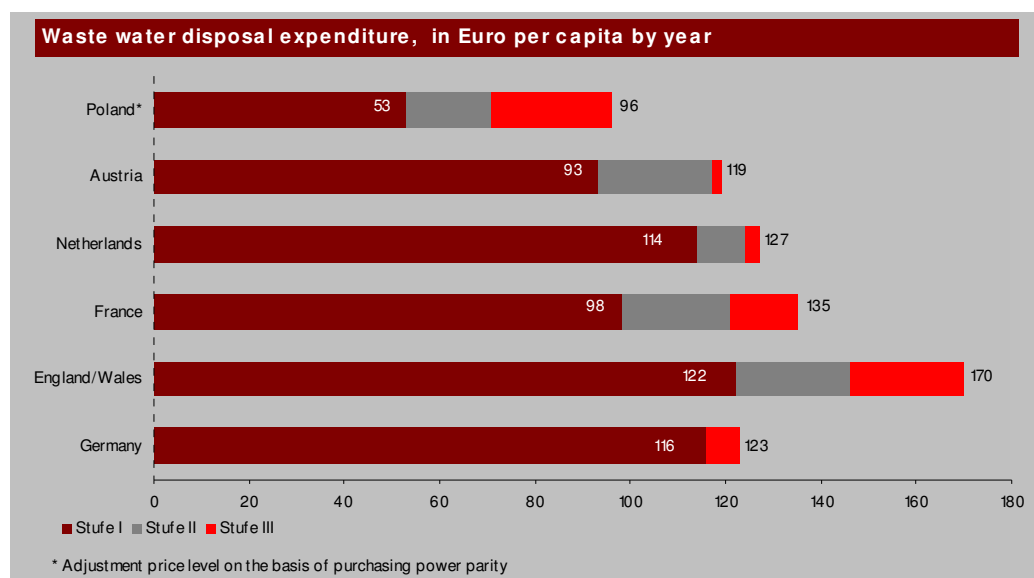


Diagram 17: Waste water disposal expenditure, in Euro per capita by year³⁶⁷

The annual per capita costs for drinking water in Austria were EUR 66, in the Netherlands EUR 81 and in Germany EUR 82. In Great Britain and France, countries, which are dominated by private water supply companies, the price stood at EUR 74 and EUR 92 respectively. At EUR 93, Austrians paid comparatively little for wastewater disposal. In the Netherlands the price stood at EUR 114 and in Germany at EUR 116. At EUR 122, wastewater disposal in Great Britain was expensive.

*Studies confirm:
costs not lower for
private supply*

*Lack of
competition
increases prices*

In a meta-analysis, a study of the University of Barcelona has examined the cost of private water supply. Here too, the thesis, according to which private supply is more cost-effective than public supply, could not be confirmed: *“Our meta-regression analysis does not reveal a systematic relationship between cost savings and private production. Indeed, we find that the most recent studies, those from the U.S., and those on water services, are less likely to show any savings.”*³⁶⁸ There are no cost savings in respect of water supply, as the creation of monopolies prevents any competition: *“Expectations for cost savings stem primarily from the notion that competition increases the pressure to achieve efficiency at lower costs. However, water distribution is a service characterized by high asset specificity and tends toward a natural monopoly with few expectations of competition.”*³⁶⁹ The lack of competitions increases prices in the long-run: *“Many public services are natural monopolies with high asset specificity, as in the case of water distribution, and private production in these cases is unlikely to yield cost savings.”*³⁷⁰ This clearly shows that the promise of cost savings based on privatisation water supply could not be kept.

³⁶⁷ compare BDEW (2010), 6

³⁶⁸ Bel, Fageda, Warner, 2008

³⁶⁹ Bel, Fageda, Warner, 2008

³⁷⁰ Bel, Fageda, Warner, 2008

Lower costs, better quality – that is the mantra of the privatisation supporters. Due to the fact that cost expectations did not hold what they promised, one has to ask whether the promises regarding better quality could be kept. Minor loss of drinking water during transport and extent to which wastewater is cleaned are regarded as quality characteristics of the water industry.

The public drinking water networks in Germany only lost 6.5 percent, in the Netherlands only 7 percent and in Austria 11 percent of drinking water. At 15.5 and 20.9 percent the loss in Great Britain and France was significantly higher.

Public suppliers record less waste of drinking water

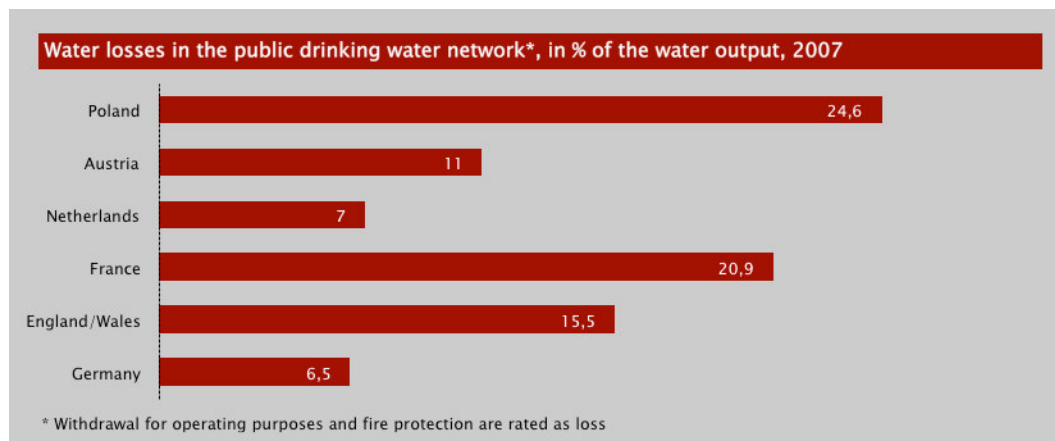


Diagram 18: Water losses in the public drinking water network, in % of the water output, 2007³⁷¹

With regard to wastewater treatment, an EU Directive (91/271/EC) provides for the reduction of phosphorus and nitrogen in treatment plants by 75 percent. As the share of nitrogen and phosphorus compounds in household wastewater lies *“above what microorganisms (besides nitrogen compounds) require for normal cell growth. Thus, there are procedural steps necessary that these do not enter the waters”*³⁷² to be able to prevent reactions such as growth of algae, reduction of the oxygen content in water or *“fish deaths from ammonia poisoning, as the effect of ammonia toxicity is high at higher pH”*³⁷³. This occurs in the last of the three clearing stages through biological nutrient removal. In Germany, Austria and the Netherlands, 95 percent is removed by purification processes, which suggest a good wastewater quality. In France and Great Britain, this share only amounts to 50.5 and 43.4 percent respectively.

Poorer wastewater quality in respect of private companies

³⁷¹ compare BDEW (2010), 10

³⁷² <http://www.water-wissen.de/wastewaterlexikon/b/biologischenaehrstoffelimination.htm>

³⁷³ <http://www.water-wissen.de/wastewaterlexikon/b/biologischenaehrstoffelimination.htm>

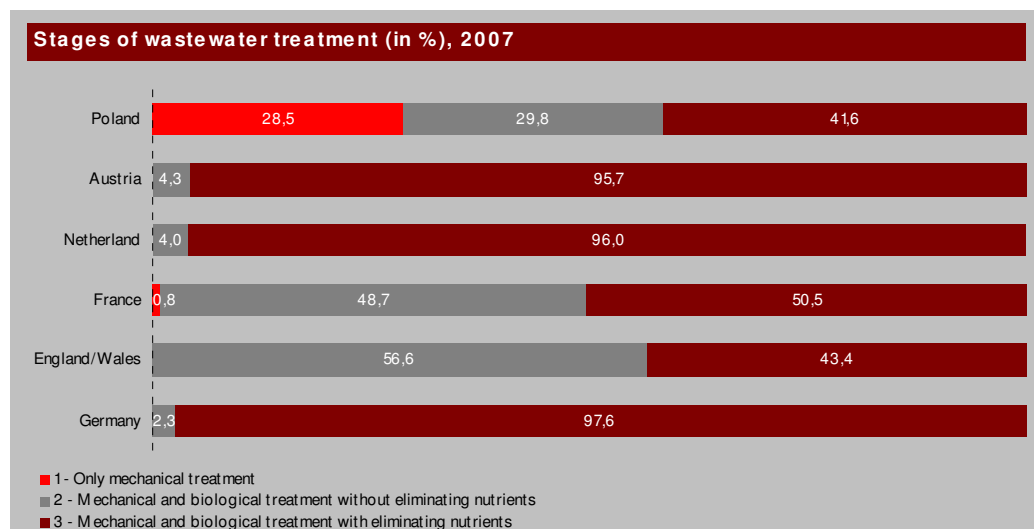


Diagram 19: Stages of wastewater treatment (in %), 2007³⁷⁴

4.1.4. Big players in the water sector

largest water suppliers from France – Veolia und Suez

The two largest international private water suppliers – *Veolia* und *Suez* – come from France. Apart from the water industry, *Veolia* is also active in the waste disposal and energy sector as well as in public transport. “It is one of the two leading multinationals in each of these sectors (the other being *GdF-Suez*).”³⁷⁵

In 2012, the water branch of *Veolia* (*Veolia Water*) generated global yields of EUR 12.1 billion. Of these, 37.2 percent originated from France and further 30.2 percent from other European countries. Overall, the yields generated in Europe were about EUR 8 billion.³⁷⁶ The yields generated by *Suez* in Europe in 2012 amounted to about EUR 4.3 billion.³⁷⁷

French state has shareholdings in Suez and Veolia

The French state has indirect interests in both enterprises. As a listed company, *Veolia* is divided between various shareholders: 9.21 percent of shares are held by the state-owned French financial group *Caisse des depots* and 3.96 percent by *EdF*, which in turn is to a large part owned by the French state. The situation is similar in case of *Suez Environment*, the spin-off of *Suez*, which operates in the water and waste disposal sector. 35.7 percent of shares are owned by *GdF-Suez*. The French state also has an interest of 35.7 percent in *GdF*.

³⁷⁴ compare BDEW (2010), 11

³⁷⁵ Hall, Lobina (2012), 4

³⁷⁶ compare <http://www.veoliawater.com/about/key-figures/>

³⁷⁷ compare http://www.suez-environnement.fr/wp-content/uploads/2013/02/EN_VA_SE_RA2012_Def_avec_script.pdf

Big Player der Wasserwirtschaft	
Veolia	France
Suez	France
SAUR	France
FCC	Spain
Gelsenwasser	Germany
RWE	Germany

Table 5: Big players in the water industry

There are other globally private water companies apart from *Veolia* and *Suez*, which however play a significantly less important role, for example the French company *SAUR*. 38 percent of *SAUR* is owned by *Fonds Stratégique d'Investissement (FSI)*, which is mainly owned by *Caisse des dépôts et consignations* and the French state; further 38 percent belong to *Séché Environment*, which in turn is owned to 20 percent by *FSI*.

However, in addition to French, there are also other larger European water companies. For example, the Spanish water company *FCC*, which operates globally not only in water supply but also in other service sectors. It had been controlled by *Veolia*, which however sold its interest again in 2004. In cooperation with *Veolia*, *FCC* also operates in South America within *Proactiva*. With *Gelsenwasser* and *RWE* two of the large internationally operating companies come from Germany.

4.1.5. Water supply in Austria

Austria has large water resources. Austria has about 84 billion cubic metres of water at her disposal each year.³⁷⁸ However, the actual annual consumption of these resources lies at about 8 percent. Since 1959, about EUR 12 billion have been invested in the Austrian water supply system. This pays off, because only 11 percent of water is lost in the ca. 80,000 km long networks.

*Austria:
large water
resources*

Water supply in Austria is mainly in municipal hands. There are about 5,500 public providers, supplying 90 percent of the population with drinking water. The remaining 10 percent of the population get their drinking water from domestic wells. With the exception of a few big suppliers, water supply has been organised in a very compartmentalized manner. There are only 28 water providers in the whole of Austria, which supply more than 20,000 households.³⁷⁹ The following table provides an overview of Austria's most important water supply companies and their ownership structure.

*Water supply in
Austria mainly
municipal*

³⁷⁸ <http://www.ovgw.at/water/themen/?uid:int=294>

³⁷⁹ Telephone information provided by Austrian Association for Gas and Water

Overview: the largest water suppliers in Austria

Town/Region	Operator	Ownership	Customers
Wien	MA 31	Stadt Wien	1.760.000
Linz (OÖ)	Linz AG	Stadt Linz	270.000
Graz (Stmk)	Holding Graz GmbH	Stadt Graz	250.000
Salzburg	Salzburg AG	42,56% Land Salzburg, 31,31% Stadt Salzburg, 26,13% Energie AG Oberösterreich (daran halten auch private Konzerne Anteile)	155.000
Triestingtal (K)	Wasserleitungsverband Triestingtal	Gesellschaftsgemeinden	150.000
Innsbruck (T)	Innsbrucker Kommunalbetriebe IKB	50% plus 1 Aktie Stadt Innsbruck, 50% minus 1 Aktie TIWAG	144.000
Leibnitz (Stmk)	Leibnitzerreid wasserversorgung GmbH	Gesellschaftsgemeinden	100.000
Klagenfurt (K)	Stadtwerke Klagenfurt AG	Stadt Klagenfurt	93.000
Mühlviertel (OÖ)	Fernwasserverband Mühlviertel	Verbandsmitglieder	60.000
Wels (OÖ)	Elektrizitätswerke Wels AG	E_Werke Wels (49% Stadt Wels, 51% Holding Wels (wiederum 100% Eigentum Stadt Wels))	57.000
Villach (K)	Wasserwerk Villach	Stadt Villach	56.300
St. Pölten (NÖ)	Stadtwerke St. Pölten	Stadt St. Pölten	49.000
Lavanttal (K)	Wasserverband Verbundschiene Lavanttal	Verbandsmitglieder	42.000
Steyr (OÖ)	Stadtwerke Steyr GmbH	Stadt Steyr	42.000
Wr. Neustadt (NÖ)	Wiener Neustädter Stadtwerke und Kommunal Service GmbH	Stadt Wiener Neustadt	40.000
Feldkirch (V)	Stadtwerke Feldkrich	Stadt Feldkirch	33.600
Klosterneuburg (NÖ)	Teil der Bauabteilung der Gemeinde	Stadtgemeinde Klosterneuburg	32.000

Table 6: Overview: the largest water suppliers in Austria

Hardly any international companies

The overview clearly shows that the international companies have not yet managed to gain a foothold in the Austrian water supply landscape. So far there are no pure water suppliers; however, even here private participations in public water suppliers occurred in the course of general privatisation euphoria. For example, private companies hold shares in the Salzburg water supply via Energie AG Oberösterreich. Some federal states also have private water associations.³⁸⁰

Austrian water suppliers are often multi-branch enterprises

The major part of Austrian water suppliers is made up of multi-branch enterprises, which also assume other public services (energy, waste, burials, etc.). An opportunity for private participation is the network area, even if the water supply itself remains in the public sector. In this context one should mention *EVN Wasser*, an affiliate of the energy suppliers *EVN AG*. *Niederösterreichische Landesbeteiligungsholding* (which belongs to Niederösterreich) holds 51 percent and *Energie Baden-Württemberg AG* 32.5 percent of shares in *EVN AG*. The remaining shares (15.5 percent) are in widely held shareholdings.³⁸¹

EVN Wasser

As far back as the 1960ies, *EVN Wasser*, then still operating under the name *NÖSWAG*, has been engaged in the nationwide water supply of Lower Austria. Meanwhile a third of the Lower Austrian Population is supplied with drinking water, which makes *EVN Wasser* Lower Austria's largest regional supplier of

³⁸⁰ <http://derstandard.at/1358305116986/90-Gemeinden-beziehen-ihr-Wasser-von-Privaten>

³⁸¹ compare <https://www.evn.at/EVN-Group/Investor-Relations/Aktie/Aktionarsstruktur.aspx>

drinking water.³⁸² At the end of 2010, 658 cadastral communities in Lower Austria were customers of EVN water in the drinking water sector.³⁸³ And more are recruited all the time.

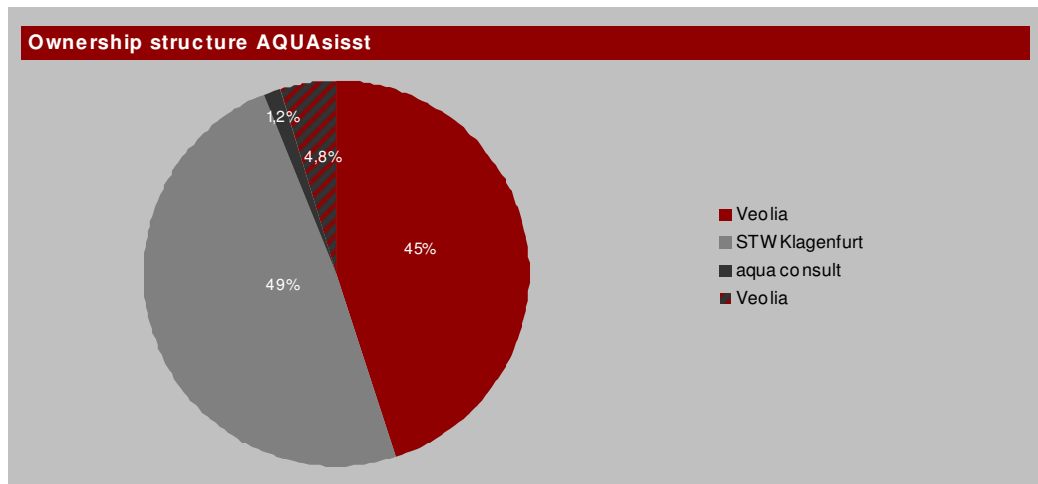


Diagram 20: Ownership structure AQUAssist

Another interesting case is Klagenfurt, where in 2006 the global company *Veolia* made an attempt to gain a foothold in Austria's water industry. Since 2005, *AQUAssist*, an affiliate of *STW Klagenfurt*, had been in charge of maintaining Klagenfurt's drinking water supply and wastewater disposal. Now *Veolia* secured 45 percent of the shares in *AQUAssist*, whilst 6 percent went to *aqua consult*. *aqua consult* in turn was to 80 percent owned by the *Veolia* Group. That gave *Veolia* the control over the majority of *AQUAssist* and thus also the majority in the shareholders' meeting. Critics condemned the gradual transition from public to private water supply. *Veolia* hoped that Klagenfurt would be the starting point from which to accomplish the long longed for entry in the Austrian water industry in order to enable the company to develop new business fields in the water sector in Carinthia and Slovenia.

However, in the end *Veolia* did not gain a genuine foothold in Klagenfurt, as in 2010, *AQUAssist* for reasons which have not yet been entirely explained had to file for bankruptcy. In addition, the political will seem to have disappeared if one believes Matthias Köchl (of the Klagenfurt Greens): *"Initially the crisis interfered. Having a new mayor also meant that the political will was no longer there. Apart from that, AQUAssist was unable to get its operations off the ground."*

In spite of these isolated examples, water supply in Austria is almost exclusively in the public sector. However, due to spin-offs of Stadtwerke, the political influence has been diminished over the past years. Nevertheless, the quality of the water supply in Austria speaks for itself; the results of the Städtebarometer

*Water supply
Klagenfurt*

*Veolia tried to
enter Austrian
market*

*High-quality
drinking water*

³⁸² compare http://www.evnwater.at/EVN_Wasser.aspx

³⁸³ http://www.evnwater.at/EVN_Wasser.aspx

2012 indicate that 97 percent of the population are satisfied with the supply of drinking water.³⁸⁴

4.1.6. Remunicipalisation within the European water sector

The water supply is organised differently in the Member States of the European Union. Whilst in Austria, private actors hardly play a role, they are strong competitors in other European countries, such as Great Britain or France. On the one hand, the high level of involvement by private companies in this area has historical reasons. On the other hand, (the) water (market) is a lucrative business branch so that the interest of private enterprises is particularly great. However, in particular in the pioneering country of private water supply – France – municipalities began to correct the path taken. This also inspired municipalities in other European countries to rethink the issue.

▪ *Germany*

*In Germany
municipal supply
prevails*

*Share of private
companies grows*

In Germany, the water and sewerage supply is primarily in the municipal sector; nevertheless the share of private participations is on the increase: *“Germany has over 6,000 water supply facilities run by municipalities, of which 46 percent are operated with private involvement.”*³⁸⁵ Nevertheless, there is no indication that the German water industry *“moves towards remunicipalisation”*³⁸⁶, as it is the case in the energy sector or the waste industry. However, there are examples, where municipalities have been making an effort to re-municipalise privatised water supply or have already done so. Nevertheless, private companies too have a secure position in the German water supply sector. *“Public-law and private-law forms of companies [...] have existed side by side for decades, whereby within the private-law forms of organisation mixed economic enterprises prevail.”*³⁸⁷ One difference exists primarily in water supply and wastewater disposal: water supply is hardly ever exclusively in the hands of private providers and even in cases of share ownerships there are tendencies to repurchase them. However, in respect of wastewater supply *“public-law companies prevail, whereby different forms of public-private cooperation in form of operative managements, operator and cooperation models have been standard for a long time.”*³⁸⁸

*Motive
remunicipalisation:
Protection of water*

Remunicipalisation efforts within the water sector are accompanied by protecting water *“against access by private economic interests”*³⁸⁹. This can also be empirically proven, because in contrast to energy supply, remunicipalisation

³⁸⁴ <http://www.staedtebund.gv.at/presse/presseaussendungen/presse-archiv/details/artikel/staedtebarometer-2012-leistungen-der-staedte-auf-hohem-niveau.html>

³⁸⁵ <http://www.factory-magazin.de/news/beitrag/artikel/rekommunalisierung-statt-privatisation.html>

³⁸⁶ Libbe (2013), 26

³⁸⁷ Difu-Papers (2011), 8

³⁸⁸ Difu-Papers (2011), 8

³⁸⁹ Difu-Papers (2011), 8

reasons in the water sector are mainly of a socio-political nature (40 percent). Many regard the effective performances of services of general interest by the public sector as important. However, preserving the municipal influence plays a minor role in respect of water supply.

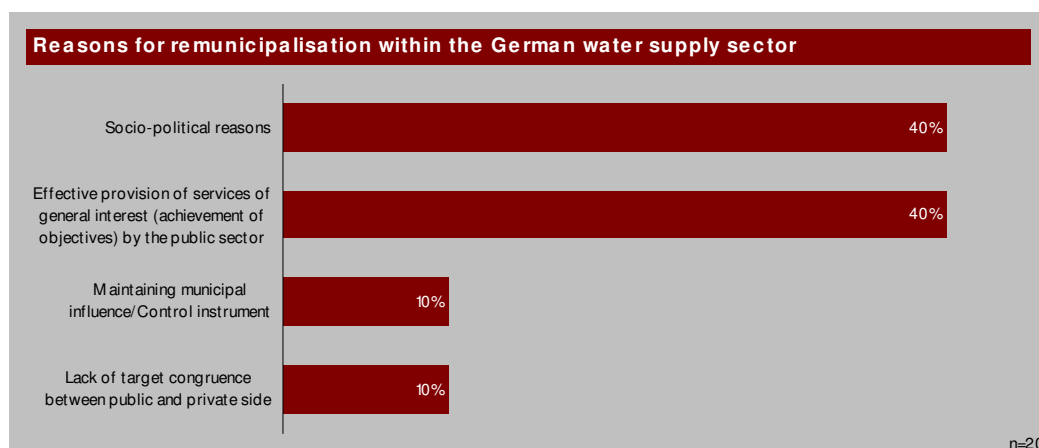


Diagram 21: Reasons for remunicipalisation within the German water supply sector³⁹⁰

With regard to water supply and wastewater disposal it is expected (at least for Germany) that not remunicipalisation, but inter-municipal cooperation will play a key role in future.³⁹¹ These are *“planned long-term, and provide in particular for the water industry, as a long-term provider of public services, a reliable organisation structure.”*³⁹²

Inter-municipal cooperation as model for the future

▪ France

Water supply in France *“has long been characterised by a form of organisation of gestion déléguée, where municipalities, in a variant of functional privatisation, remain owners of the pipe network but outsource the water supply based on limited concession contracts to an external service provider.”*³⁹³ Private water supply in France has a long tradition, which goes back to the 19th century, having its *“origin in the lacking operative ability of a large number of small and smallest companies, which are typical for France”*³⁹⁴. This has favoured and driven forward the emergence of large private water suppliers. The predecessors of *eolia Environnement* and *Suez Environnement* had already been established in the second half of the 19th Century; meanwhile they have developed into multi-utility companies, whose seat is still in Paris.³⁹⁵ In the meantime, the three largest French companies *Veolia*, *Suez* and *SAUR* supply 70 percent of French households with water. Even though the municipalities have the option of taking

Private water supply has tradition

2/3 of households are supplied by the three big private companies (Veolia, Suez, SAUR)

³⁹⁰ HypoVereinsbank, Competence Centre for Public Economics at the University of Leipzig (2011), 19

³⁹¹ compare Difu-Papers (2011), 9

³⁹² VKU (2011), 5

³⁹³ Wollmann (2013), 42

³⁹⁴ Wollmann (2013), 42

³⁹⁵ compare Pigeon et al. (2012), 25f

From 2000: trend reversal towards municipal supply

over the supply themselves after the concession has expired, *“however, they feel confronted by the superior market power”*³⁹⁶ of the large companies, which are operating at international level. Nevertheless, recently France has seen a change in trend. Hence, at the start of the new millenium already, there were some cases of remunicipalisation in French municipalities. However, a significant contribution to the trend reversal was made by the remunicipalisation of the water supply in the capital Paris, where in 2010 the red-green council majority decided to take over the water supply after expiry of the concession contracts itself. The successful implementation inspired other French municipalities: *“inspired by the example of Paris, a further 40 French municipalities have also decided to re-municipalise water services.”*³⁹⁷ Meanwhile the share of population *“whose water supply is provided by the municipalities themselves [...], has risen from 18% in 1970 [...] to 28%”*³⁹⁸ in 2010.

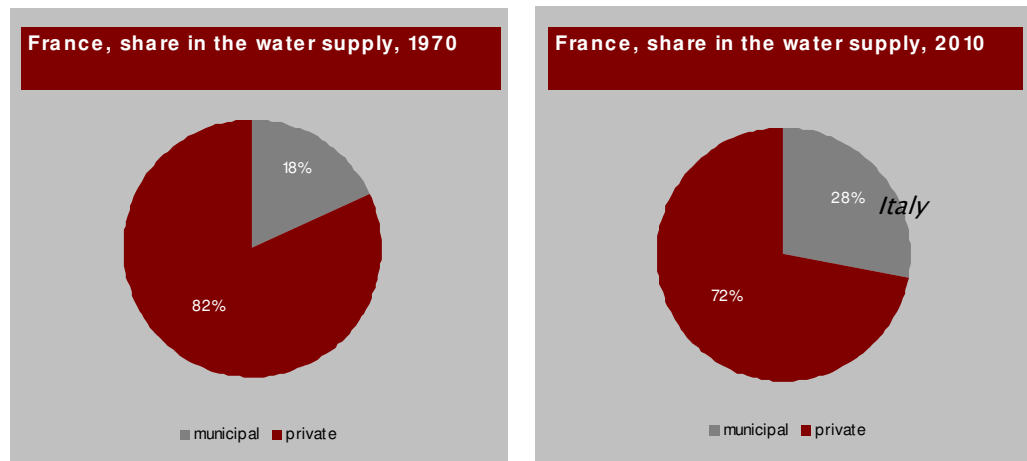


Diagram 22: Share in the water supply in France 1970 and 2010³⁹⁹

▪ Europe

Apart from France and some cases in Germany, other European countries to have isolated examples of water supply remunicipalisation.

Italy

On 12 and 13 June 2011, an abrogative referendum⁴⁰⁰ on abolishing a law on privatisation took place in Italy. The law had been adopted by the Berlusconi government and included the obligation to invite tenders for services of general interest, among them (waste) water and the ban on in-house awards from December 2010. 54 percent of those eligible to vote took part of whom 95 percent voted in favour of abolishing the law. *“The vote has also prevented the Italian government from selling water services as part of the privatisation programme required under the EU rescue deal, and the constitutional court has*

³⁹⁶ Wollmann (2013,) 42

³⁹⁷ EPSU (2012), 5

³⁹⁸ Wollmann (2013), 43

³⁹⁹ Compare Wollmann (2013), 43

⁴⁰⁰ Based on an abrogative referendum it is possible to abolish a law or a part thereof, if 50 percent of the people eligible to vote participate and the majority is in favour.

ruled against subsequent attempts to reintroduce the rejected law. There are now new campaigns to re-municipalise water and reduce water prices."⁴⁰¹ In 2012, as a reaction to the referendum, *ABC Napoli* was set up in Naples as a new public water supplier. In its statutes the company refers to water as a public good, thereby paying tribute to the referendum.⁴⁰²

There have been some cases of remunicipalisation in Hungary over the past years. Apart from Budapest, the water supply in the fifth largest Hungarian city of with a population of 157,000 was re-municipalised. This was decided by the local council in September 2009. Since 1993, water had been supplied by *Pecsi Vizmu*, which is to 48 percent owned by *Suez* and to 52 percent by the respective municipality. Due to high corporate earnings with at the same time high water prices the decision was made to re-municipalise. For this purpose, *Tettye Forrásház Zrt* was set up as a new municipal water provider.⁴⁰³ Furthermore, in 2009 in Kaposvár, a town with a population of 68,000, the expiring contract with *Suez* was not renewed and water supply re-municipalised.⁴⁰⁴

Hungary

Great Britain so far has not made any move towards retransferring the water; however, the approval to do this in the population grows. Meanwhile, over 70 percent of the population would prefer water supply to be back in municipal hands again; six years earlier, it was still 56 percent.⁴⁰⁵

Great Britain

4.2. Real life examples of remunicipalisation

4.2.1. Arenys de Munt

Arenys de Munt is a small town in the Spanish province of Barcelona with a population of about 8,500. In October 2011, Arenys de Munt, as the first community in the region, re-municipalised the water supply. The person in charge of this process was the mayor of the community, Josep Manel Ximenis, who succeeded, following tough negotiations, to sign over the concessions *Sorea* (an affiliate of the *AGBAR*-Group) to the municipal company *Aigües d'Arenys*.

*2011:
Remunicipalisation*

The reasons for the remunicipalisation included low water quality, the allegation of embezzling public funds and the failure to maintain the pipes. When the administration took over the water plant it transpired that 36 percent of water was lost through damaged pipes. However, the original concession agreement had determined a loss of von maximal 25 percent as acceptable. Hence, the condition of the supply network is as controversial as the amount of EUR 700,000 which *Sorea* demanded as compensation of cancelling the concession.

*Problems through
privatisation:
Poor water quality,
high loss*

⁴⁰¹ Hall, Lobina (2012), 29

⁴⁰² compare <http://www.remunicipalisation.org/cases#Naples>

⁴⁰³ compare <http://www.remunicipalisation.org/cases#Pecs>, compare Hall, Lobina (2012), 30

⁴⁰⁴ compare Hall, Lobina (2012), 30

⁴⁰⁵ compare Hall, Lobina (2012), 30f

Currently there is no intention to reduce the water price. In fact an increase is looming: because of the planned privatisation of the state-owned water supply service provider, *Aguas Ter-Llobregat*, which would also affect this region, the price of water would probably rise.⁴⁰⁶

4.2.2. Berlin

*Partial privatisation
for budget
consolidation*

*Expansion of
supply shall be
financed*

After reunification, Berlin was faced with huge financial challenges, which were to be solved by privatisation. Apart from municipal energy supplier and Berliner Wohnbaugesellschaft, *Berliner Wasserbetriebe (BWB)* was also affected by this privatisation wave. The financial resources of *BWB* were hardly adequate to maintain the operative side (maintenance, repairs, etc.). However, this lack of resources was not the result of loss-making management on behalf of *BWB*, but rather more the result of political decisions. The lack of equity, which had occurred, was the result of the city transferring large parts of *BWB*'s equity to the budget of the city.⁴⁰⁷ The aim was that, apart from reducing debt, a partial sale should also finance the expansion of Berlin's water supply and attract a strategic partner with business know-how.⁴⁰⁸ Based on these reasons, Berliner Wasserbetriebe was partially privatised in 1999. A decision with consequences: *"Several constitutional court proceedings, a successful referendum on the disclosure of the then confidential privatisation agreements, a select parliamentary committee, proceedings by the Federal Cartel Offices because of price abuse and finally efforts aimed at remunicipalisation 'mark the milestones of this by now 15-year long dispute concerning the privatisation of Germany's largest water company.'*"⁴⁰⁹

A complex legal structure was created to execute the partial privatisation. In retrospect, the holding model, which had been created above all for the partial privatisation, turns out to be problematic. Some years prior to the partial privatisation, *BWB* had been organised as "public-law institution" (AöR). However, this legal form does not allow any private participation. As a result, *BWB* was assigned to a holding organised under private law. 50.1 percent of shares remained in the ownership of the state of Berlin; the remaining 49.9 percent were sold in June 1999 for EUR 1.63 billion (then DM 3.3 billion) to a consortium of *RWE* and *Vivendi* (later *Veolia*).

The price for the sale was based on calculation principles for future water prices and the profits to be expected for private investors. In order to ensure that the sale would generate high revenues for the household budget, the expected

⁴⁰⁶ compare <http://unionensesporlopublico.blogspot.co.at/2013/03/retorno-del-agua-a-manos-publicas-si-se-puede.html>; compare http://www.eldiario.es/catalunya/agua-derecho-publico-mercancia_0_103239805.html

⁴⁰⁷ compare Wasserkolloquium (2008), 61

⁴⁰⁸ compare Wasserkolloquium (2008), 59

⁴⁰⁹ Wolf, Harald (2013): Zähes Ringen um den Rückkauf der Berliner Wasserbetriebe, 95

profits were put at a high level – which, however, can only be achieved on the basis of high water prices. Parts of the then signed agreements between *RWE*, *Vivendi* and the Berlin Senate are subject to a strict confidentiality clause. Hence, the public was denied important information in respect of the partial privatisation, such as the “guaranteed profit”, which had been granted to both private participants. Berlin then committed itself to directly compensate the private investors for any lost profits in case of a complete or partial nullification of the calculation principles for the future water price.⁴¹⁰ This approach was criticised by the opposition even then: *“By the land (putting) ‘a public monopoly company (under control) of a private provider and by (guaranteeing) private investors a fixed interest rate on their invested capital’, one would create a ‘community of state and investors to exploit Berlin’s fee payers’.*”⁴¹¹ In order to calm the debate, water prices were fixed until the end of 2003.

*Contracts in parts
confidential*

In 2004, the discussion on the partial privatisation Berliner Wasserbetriebe flared up again. The reason was a drastic price increase by 15 percent in 2004, a trend, which continued in the following years. Hence in 2006, the new red-red coalition between SPD and Left set itself the target of re-municipalising *BWB*. However, how this target was to be achieved was quite unclear at this time. As there was no reason for *Veolia* and *RWE* to abandon this lucrative, contractually guaranteed and mainly risk-free business.⁴¹² However, the mood between the contracting partners deteriorated over the following months.

*Enormous price
increases*

The growing resentment in the population of the high water prices led to the Citizens’ Initiative “Berliner Wassertisch”, which in 2007 launched a referendum on the disclosure of all “secret contracts”. In November 2010, the referendum had collected 280.000 signatures. Meanwhile the Senate and the coalition parties are sharing the initiative on disclosure, but both *RWE* and *Veolia* were continuing to make the agreements public. An amendment of the “Berliner Freedom of Information Act” was to enable the publication in November 2010. In the end, the “Tageszeitung” (TAZ) pre-empted the disclosure and published large parts of the agreements, which had been kept secret until then a few days before.⁴¹³ Nevertheless, the amendment decisively changed the course for the future as the law stipulates *“that in case of a transfer of public services to private enterprises, the relevant agreements [...] have to be published.”*⁴¹⁴

*Citizens’ Initiative
“Berliner
Wassertisch”*

A referendum, where 98.2 percent of voters (participation 27.5 percent) voted in favour of the disclosure of all contracts concerning the partial sale of *Berliner Wasserbetriebe* and more transparency in dealing with the sale of public

*Referendum:
Offenlegung der
Verträge*

⁴¹⁰ compare Wolf, Harald (2013): Zähes Ringen um den Rückkauf der Berliner Wasserbetriebe, 100

⁴¹¹ Wolf, Harald (2013): Zähes Ringen um den Rückkauf der Berliner Wasserbetriebe, 98

⁴¹² compare Wolf, Harald (2013): Zähes Ringen Rückkauf der Berliner Wasserbetriebe, 103

⁴¹³ compare <http://www.taz.de/!60523/>

⁴¹⁴ Wolf, Harald (2013): Zähes Ringen um den Rückkauf der Berliner Wasserbetriebe, 104

property, took place at last in 2011.⁴¹⁵ About at the same time, the Cartel Office published the preliminary results of the review of water prices under cartel law. According this, the water price in Berlin, compared to other German with a population of over a million, is overcharged by 50 Cent per m³. *“Following extensive statements of BWB and two Cease and Desist Letters by the Cartel Office, the latter enacted a price reduction order of 18.2% on the drinking water price on 4.6.2012.”*⁴¹⁶

2010: RWE is prepared to sell shares

RWE had already declared its willingness to sell its shares in *Berliner Wasserbetriebe* to the Land in November 2010. The decision was explained by the company focussing on its actual core business in the area of electricity production and grids. The first RWE offer was EUR 844 million, which the Land Berlin rejected as being too high. After lengthy negotiations a repurchase price of about EUR 650 million was agreed in July 2012.⁴¹⁷

2013: Remunicipalisation

The problem: as long as *Veolia* still owns shares, the construction as holding will remain *“[...] and thereby all regulations under criticism, such as guaranteed interest rates and the obligation to pay compensation by the Land.”*⁴¹⁸ In order to solve this problem, Berlin must again be the sole owner of *Berliner Wasserbetriebe*. Meanwhile, this aim has been achieved. On 15 June 2013, the Berliner Senate instructed the financial sector with contract negotiations to repurchase *Veolia* shares. In the meantime, *Veolia* had also confirmed its interest in selling its shares. Mid-September 2013, agreement was reached with *Veolia* on a repurchase sum of EUR 590 million (plus EUR 12 million for possible payments and attributable profit and interest entitlements).⁴¹⁹ The full remunicipalisation took place upon signing the contract on 2 December 2013.⁴²⁰ The repurchase came into effect retrospectively on 1.1.2013, which was to draw a line under the foray into privatisation by *Berliner Wasserbetriebe*.

Privatisation war Verlustgeschäft

Financially, the partial privatisation was not a good deal for the City of Berlin. Private shareholders made a profit of EUR 784 million in 1999 and 2009 alone, apart from that yields of EUR 263 million based on the capital decrease in 2008. These EUR 1.047 billion have to be compared to interest savings of EUR 620

⁴¹⁵ compare http://blogs.taz.de/rechercheblog/2010/11/19/das_geheime_wassergutachten/; compare <http://www.berlinerumschau.com/news.php?id=8943&title=Wasser-Volksbegehren%3A+Erfolg+als+%22Ohrfeige+f%FCr+die+Privatisierungspolitik%22+&storyid=1001297671643>

⁴¹⁶ Wolf, Harald (2013): Zähes Ringen um den Rückkauf der Berliner Wasserbetriebe, 105

⁴¹⁷ compare <http://www.morgenpost.de/berlin-aktuell/article108305657/Berlin-beschliesst-Rueckkauf-der-Wasserbetriebe.html>

⁴¹⁸ Wolf, Harald (2013): Zähes Ringen um den Rückkauf der Berliner Wasserbetriebe, 106

⁴¹⁹ compare <http://www.spiegel.de/wirtschaft/unternehmen/stadt-berlin-steht-vor-rueckkauf-der-water-supply-von-veolia-a-921510.html>

⁴²⁰ <https://www.berlin.de/sen/finanzen/vermoegen/nachrichten/artikel.30112.php>

million of the Land Berlin. These would have to be paid by the Land, had it been obliged to finance the sales revenue of EUR 1.63 billion by borrowing.⁴²¹

The privatisation of *BWB* is one of the many cautionary tales of the participation of private stakeholders in the public service sector.⁴²² *“The dispute on partial privatisation and remunicipalisation of BWB [...] shows exemplarily how municipalities under the pressure of fiscal emergency, take fatal privatisation decisions, how they, based on a narrow outlook to short-term achievable high privatisation revenue are attracted to sustainable and greater financing options and how Public Private Partnership models rob the municipality of its opportunity to influence and shape services of general interest.”*⁴²³

Disadvantage of PPP models: do not provide municipal options

4.2.3. Bordeaux

In 1991, the French City of Bordeaux with a population of about 240,000 transferred water supply and wastewater disposal to *Lyonnaise des Eaux (Suez)*. The original contract provided for *Suez* taking over water supply by 2021 and wastewater disposal by 2012.⁴²⁴ However, a lot has changed since then.

*1991:
Suez takes over supply*

Within only three years, the water price in Bordeaux rose by 30 percent. However, *Suez* officially only stated a price increase of 15 percent.⁴²⁵ This discrepancy occurs by a number of measures and tricks. As private companies not only in Bordeaux operated according to this logic, the mechanisms shall be briefly outlined by two examples:

Price increase by a third within 3 years

- For example, *Suez* gave itself an advantage by stating that the average lifespan of a water meter for private customers was 12 years. Therefore calculations were based on this lifespan. The review of an auditor, who checked this statement both in financial and technical terms, came to the conclusion that this meter has in fact an average lifespan of 24 years.⁴²⁶ Thus, the company calculated two meters for a 24-year period, whilst in fact it only incurred costs for one. In contrast, the customer's water bill charged him for two meters. The difference was pocketed by the private company as profit.
- In 1995, *Suez* announced that due to a soon coming into force EU requirement for lead connections, it had to increase the replacement intervals for lead connections. However, over the years only a quarter of the stated number was replaced on average (ca. 1,500 instead of 6,000 per year).⁴²⁷

Incorrect calculation in favour of the private enterprise

⁴²¹ compare Wolf, Harald (2013): *Zähes Ringen um den Rückkauf der Berliner Wasserbetriebe*, 103

⁴²² compare Wolf, Harald (2013): *Zähes Ringen um den Rückkauf der Berliner Wasserbetriebe*, 95

⁴²³ Wolf, Harald (2013): *Zähes Ringen um den Rückkauf der Berliner Wasserbetriebe*, 95f.

⁴²⁴ compare <http://www.remunicipalisation.org/cases#Bordeaux>

⁴²⁵ compare Water makes money

⁴²⁶ compare Water makes money

⁴²⁷ compare Water makes money

The privatisation of the water supply in Bordeaux did not only result in dubious accounting methods, but only shows one of the main problems of privatised water supply – a lack of investment in infrastructure and maintenance. Poor maintenance or only sporadically repaired pipes let dirt infiltrate the drinking water. A method, which is also popular in France, to disinfect water is adding chlorite. In the long run, this is an efficient method for private enterprises, as it saves money and personnel for maintenance. However, the consumer, apart from having to cope with unpalatable drinking water, is also suffering a health risk, as adding chlorite, due to the creation of harmful reaction products as a by-product, increases the risk of cancer.⁴²⁸

The poorly serviced and not repaired pipes bring even more health risks based on the enormous loss of water. Due to the high water losses the ground-water level in Bordeaux has already fallen. In order to increase it again one uses water from the Garonne, a river close to the city. However, the river water contains a number of pollutants (pharmaceutical substances, pesticides, cleaning agents,...), which cannot be filtered out. Hence these infiltrate the drinking water.⁴²⁹

2005:
Contracts with
Suez are reviewed

Contract tricks are
exposed → Suez
had to repay
additional revenue

In Bordeaux in 2005, the contracts with *Suez* had to undergo several audits⁴³⁰. Within the scope of the audits, a public review was carried out which was to examine the findings of the auditor, who reviewed and uncovered the contract tricks and practices of *Suez*. However, *Suez* only released the documentation for the review after a court order. The results of the inspection were in accordance with those of the auditor: based on various finance and accounting tricks, *Suez* was able to generate high profits. In contrast to its own statements, *Suez* was able to record an annual yield of 29 percent. Between 1992 and 2003, *Suez*, based on the high prices was able to record additional revenue of EUR 233 million. However, in 2006 the municipality was able to achieve that these had to be reimbursed by *Suez*.⁴³¹ But this is not all: *“various audits of the contract had enabled the CUB⁴³² to be reimbursed more than €300 million since 2005.”*⁴³³

The Vice President of Communauté Urbaine de Bordeaux (CUB), Jean-Pierre Turon, puts the conclusion of all these developments in a nutshell: *“They can no longer take for granted big profits and complete control over operations that they enjoyed in the past. Water is a special kind of consumer good, not like other*

⁴²⁸ compare water makes money

⁴²⁹ compare water makes money

⁴³⁰ Audits are investigations, which examine the compliance with requirements and Directives in processes and contracts.

⁴³¹ compare <http://www.globalwaterintel.com/archive/12/6/general/bordeaux-vote-re-municipalisation.html>, <http://www.arte.tv/de/3752030,CmC=3774332.html>, Water makes money

⁴³² The Communauté Urbaine de Bordeaux (CUB) is a inter-municipal association, to which Bordeaux and 26 suburbs belong.

⁴³³ <http://www.remunicipalisation.org/cases#Bordeaux>

*merchandise.*⁴³⁴ That is why on 8 July 2001, CUB voted in favour of terminating the water supply contract with Suez prematurely. *“The move to in-house control of water and sewerage is the culmination of a process which began several years ago, and which is designed to give CUB a direct hands-on role in the running and oversight of services in total transparency.”*⁴³⁵ From 1 January 2019, the municipality will take over water supply and wastewater disposal again.⁴³⁶ The wastewater disposal contract, which would have expired in 2012, was renewed until 2019. Suez *“will continue six sewage plants serving 239,000 people under the new mandate until January 2019, when the municipalities take over the business.”*⁴³⁷ However, the new wastewater disposal contract included more severe and stricter conditions for the operator. The entire contract shall be reviewed by a company, whose committee is made up of representatives of the municipality and of public and non-profitmaking organisations.⁴³⁸

Contracts are terminated prematurely

2019: Municipality takes over supply itself again

Water supply is retransferred three years earlier than planned. However, this incurs considerable costs. *“The city will need to pay between €50 and €70 million in penalties to Suez for terminating the water supply contract 3 years before its legal term.”*⁴³⁹ A statement of CUB says: *“‘It is no longer acceptable to delegate a major part of [water and sewerage] services to private companies, despite their high technical standards, for periods of between 20 and 30 years,’ adding that the planned changes ‘will enable CUB to consolidate its political project for the control of the public water service.’”*⁴⁴⁰ However, CUB does not completely rule out a renewed participation private companies: *“We want to have complete control, but not necessarily do everything. We are not closing the door on private companies altogether,”*⁴⁴¹ says Vice President Jean-Pierre Turon. Whether the remunicipalisation in Bordeaux can achieve the desired effects of better quality whilst reducing prices at the same time, will only be known after 2019.

4.2.4. Budapest

In Budapest, Hungary's largest city with a population of 1.7 million, the negotiations on privatising Budapesti Vízüzemeltető (Fővárosi Vízüzemeltető Zrt) started in 1994. In 1997, a consortium of RWE and Suez was awarded a

⁴³⁴ <http://www.bloomberg.com/news/2012-07-30/bordeaux-water-squeeze-may-be-end-of-era-for-veolia-suez.html>

⁴³⁵ <http://www.globalwaterintel.com/archive/12/6/general/bordeaux-vote-re-municipalisation.html>

⁴³⁶ compare <http://www.remunicipalisation.org/cases#Bordeaux>

⁴³⁷ <http://www.bloomberg.com/news/2012-07-30/bordeaux-water-squeeze-may-be-end-of-era-for-veolia-suez.html>

⁴³⁸ compare <http://www.globalwaterintel.com/archive/12/6/general/bordeaux-vote-re-municipalisation.html>

⁴³⁹ <http://www.remunicipalisation.org/cases#Bordeaux>

⁴⁴⁰ <http://www.globalwaterintel.com/archive/12/6/general/bordeaux-vote-re-municipalisation.html>

⁴⁴¹ <http://www.globalwaterintel.com/archive/12/6/general/bordeaux-vote-re-municipalisation.html>

1997:
*Share of the water
supplier sold to
Suez and RWE*

concession for a period of 25 years within the scope of a public tender.⁴⁴² *RWE* and *Suez* received a joint share of the company of 25 percent plus one share for EUR 56.60 million (16.5 billion Forint). Another 1.4 percent of the shares were owned by administrations of surrounding municipalities, which were also supplied by Budapest Waterworks. 73.6 percent of the company were held by the City of Budapest.⁴⁴³

*Price of water
doubled in 15
years*

Over time, both enterprises came under criticism. They were accused of exploiting their dominant market position and to demand excessive prices. Between 1997 and 2012, the water price adjusted for inflation and exchange loss of the Forint, had risen more than double. Apart from that, servicing and maintenance of the network were neglected. In addition, more than EUR 100 million in success fees had flowed to *Suez* and *RWE*.⁴⁴⁴

*2010: City Council
decides repurchase*

In 2010, Istvan Tarlos became Budapest's new Governing Mayor, who reacted to the criticism with political demands; shortly after his election he announced that the shares would be repurchased. In spring 2012, Budapest's City Council decided to repurchase 25 percent plus one share of Budapest Waterworks.⁴⁴⁵

Following initial disputes and month-long negotiations on the purchase price, temporary agreement between the City of Budapest and the shareholders *RWE* and *Suez* concerning the purchase was reached in May 2010.⁴⁴⁶ The purchase price stated was about EUR 52 million (15.1 billion Forint); slightly less than the amount received for the sale in 1997.⁴⁴⁷ In particular the "service charges" of over EUR 100 million was started as a potential cost-saving option. These would have to be paid by the city to both companies until the end of the contract in 2022.⁴⁴⁸ Due to the repurchase these charges no longer have to be paid. The prices for water and sewerage services shall be reduced in future. Similar to the energy sector, the government is to introduce a state obligation to reduce the prices for private households by 10%.

⁴⁴² compare http://www.suez-environnement.fr/wp-content/uploads/2012/04/CP-Budapest-17-april-2012_VA.pdf?9d7bd4

⁴⁴³ compare <http://wirtschaftsblatt.at/archiv/1228863/index>

⁴⁴⁴ compare <http://www.remunicipalisation.org/cases#Budapest>

⁴⁴⁵ compare <http://wirtschaftsblatt.at/archiv/1228863/index>

⁴⁴⁶ Compare http://www.suez-environnement.fr/wp-content/uploads/2012/04/CP-Budapest-17-april-2012_VA.pdf?9d7bd4

⁴⁴⁷ compare <http://wirtschaftsblatt.at/archiv/1228863/index>, compare <http://pesterlloyd.net/html/1212wasserwerke.html>, compare <http://www.remunicipalisation.org/cases#Budapest>,

⁴⁴⁸ compare <http://pesterlloyd.net/html/1212wasserwerke.html>, compare <http://www.remunicipalisation.org/cases#Budapest>

4.2.5. Figaró–Montmany

Figaró–Montmany is a small community in the Spanish Province of Barcelona with a population of about 1,100. In summer 2012 the municipal water supply was transferred from *Cassa Aigües i Depuració* to the community.

2012:
Remunicipalisation

The remunicipalisation resulted in a number of positive effects. The efficiency of the supply network, which in 2010 was still at 30 percent, could be increased to 70 percent in the first quarter 2013. The result was achieved by repairing leaks, updating metering units and the water saving result from it. Based on this, it was also possible to compensate for the increase in charges as a result of privatisation. It is expected that the water price will remain stable in the coming years. Further investments in the supply network are scheduled for 2014.⁴⁴⁹

*Supply network
Efficiency
increased*

4.2.6. Grenoble

Grenoble is a city in the south–east of France with a population of currently about 155,000. In November 1989, Grenoble's Conservative city government, under the significant influence of the then Mayor Alain Carignon, awarded the City's water supply and wastewater disposal to *COGESE (Compagnie de Gestion des Eaux du Sud–Est)*, an affiliate of *Lyonnaise des Eaux (Suez)*, for a period of 25 years. This took place against the resistance of civil society, political opposition and trade unions.⁴⁵⁰

1989: Mayor
forces through
concession award
to Suez

The Concession contract assigned the water supply operations to *COGESE*; the infrastructure remained formally in the public sector. The contract's structure contained advantageous terms for the private side. Thus, *COGESE* was not required to pay the price for operating rights of EUR 23 million (FF 150 million) immediately but over a period of 15 years. This significantly reduced the privatisation revenue for the city treasury. However, the costs for the operating rights were not only paid later, but in addition – via higher water prices – passed on to consumers. Awarding other lucrative orders to other parts of the *Suez* Group also proved profitable for the company. The local Court of Auditors estimated the damage of these business practices at slightly under a billion Franc (ca. EUR 150 million).⁴⁵¹

*Contracts
beneficial to Suez*

The background of this privatisation became known in the mid–1990ies, which led to turmoil in politics and population. Mayor Alain Carignon, who had engineered the deal, had been appropriately rewarded by *COGESE* for his efforts: he received support in the election campaign, free flights, a flat and other

*Background:
Mayor was bribed*

⁴⁴⁹ compare <http://www.lavanguardia.com/local/valles-oriental/20130411/54371150505/figaro-montmany-aumenta-eficiencia-gestion-agua-municipalizacion-servicio.html>; compare <http://www.lavanguardia.com/medio-ambiente/20120812/54336954260/figaro-montmany-municipaliza-servicio-agua.html>

⁴⁵⁰ Wasserkolloquium (2008), 92/93

⁴⁵¹ compare Wasserkolloquium (2008), 92/93, compare Hachfeld (2009), 93

	<p>presents worth EUR 2.7 million.⁴⁵² Because of corruption and bribery, the Mayor and the responsible managers were sentenced to several years in prison and fines. However, this had no influence on the deal.</p>
<p>1995: New governments wants retransfer</p>	<p>In 1995, the Conservatives, also because of the corruption affair, lost their majority in the local elections and a Mid-Left coalition took over the city government. One of its key areas was regaining the control over public services, in particular of water supply. <i>"However, for fear of compensation payments, the approach of the new City Senate in respect of remunicipalisation was initially hesitant."</i>⁴⁵³ Hence, in 1996 the <i>Société des Eaux de Grenoble (SEG)</i> was set up to act as the new public-private water supplier. The city retained 51 percent of the company; the remained 49 percent were assigned to <i>Suez</i>. The operative business was outsourced to an affiliate of <i>Suez</i>, <i>SGEA (Société Grenobloise de l'Eau et de l'Assainissement)</i>.⁴⁵⁴ <i>"The city also took over FF 30 million (EUR 4.6 million) of COGESE's debt, agreed to a disproportional allocation of profits and to take over losses by SGEA, which mainly resulted from other subcontaining contracts of this company with other Suez affiliates."</i>⁴⁵⁵ Apart from that, the company was granted veto rights in respect of important decisions. The result of this public-private company: no reduction of the water price and even higher profits for <i>Suez</i>.</p>
<p>Trial PPP model</p>	
<p>Disadvantages for city and customers</p>	
<p>Court decision enabled remunicipalisation</p>	<p>Water supply was finally fully re-municipalised in 2000. The U-turn came about through a number of court decisions (annulling the concession contract concluded with <i>COGESE</i> because of corruption, declaring the tariff structure of <i>COGESE</i> illegal, annulling the decision of transferring the water supply to the public-private <i>SEG</i>) accompanied by the campaign of a Citizens' initiative (<i>Eau secours</i>). In the end this led to a change of course of the City Senate, which decided on 20 March 2000 to re-municipalise the water supply.⁴⁵⁶</p> <p>The operation of waterworks and infrastructure are now dealt with by an autonomous company under public law, which is owned by the City of Grenoble (<i>Regime des Eaux Grenoble</i>). Operating the sewage treatment plants was awarded to a group of municipal companies in the region of Grenoble.⁴⁵⁷</p>
<p>Remunicipalisation as success of civil society</p>	<p>Remunicipalisation in Grenoble is a model for the commitment of civil society. The Citizens' Initiative has enlightened and informed the population and actively lobbied towards remunicipalisation. And remunicipalisation has proven to be successful: <i>"The new legal form has resulted in a stabilisation of water prices and a significant increase in investments. By replacing outsourcing by insourcing, it</i></p>

⁴⁵² http://www.zeit.de/1995/41/Der_Patron_von_Grenoble

⁴⁵³ Hachfeld (2009), 93

⁴⁵⁴ <http://www.remunicipalisation.org/cases#Grenoble> sowie Paffhausen (2010), 128–132

⁴⁵⁵ Hachfeld (2009), 93f

⁴⁵⁶ compare Hachfeld (2009), 94

⁴⁵⁷ <http://www.remunicipalisation.org/cases#Grenoble>

<http://www.arte.tv/de/3752030,CmC=3774332.html>

has been possible to save costs; apart from that, the company is no longer oriented towards generating profits."⁴⁵⁸

4.2.7. Paris

The French Capital Paris is responsible to supply about 2.2 million residents with water. As early as 1984, the Conservative majority in the Paris City Senate under the leadership of Jacques Chirac had awarded the water supply (operative sector, maintenance, investments) to France's two largest private water suppliers: *Veolia* and *Suez*. Whilst the *Veolia* affiliate *Compagnie des eaux de Paris (CEP)* was responsible for the district north of the Seine, the *Suez* Affiliate, *Eau et Force (EF)*, was given control over the southern part of the city, left of the Seine. The concession contract was concluded for a period of 25 years. Three years later, in 1987, the municipal waterworks were partly privatised, whereby *Suez* and *Veolia* acquired 14 percent each of the new operator firm *SAGEP*. The rest of the shares remained in the ownership of the City of Paris (70 percent) and the French Investment Bank, which is close to the state (*CDC*, 2 percent).

City's water supply divided between Suez and Veolia

Networks partially sold

The urgently needed investment in the supply network, which would have put a huge burden on the household budget, was one of the motives for privatising the water supply. However, the private enterprises did not adequately comply with the agreements made and during the first years invested hardly at all in the infrastructure. For example, the share of burst pipes, which in 1985 was still at 22, had been reduced to 17 percent by 2003. *Suez* and *Veolia* increased their investment volume under massive pressure of the City of Paris, so that the share of burst pipes in 2009 could be reduced to 3.5 percent. However, in return water prices were significantly increased. Between 1985 and 2009 the price per cubic metre water increased by 265 percent, whilst at the same time inflation only rose by 70.5 percent. Customers felt this price rise by a significant jump every three months.⁴⁵⁹

Network investments were not forthcoming – Result: burst pipes

The enormous price increases were not least based on the fact that the two private companies divided the work between them, which resulted in services becoming more expensive. *"There was a serious lack of financial transparency, and no control over any work that was carried out."*⁴⁶⁰ This development clearly shows that the promises of privatisation supporters and private companies could not be kept: *"The simplistic idea that the private sector is naturally better equipped to manage urban water systems was proven wrong in Paris, where a private duopoly by powerful companies was operating at the expense of the residents of the city."*⁴⁶¹

Huge price increases

⁴⁵⁸ Hachfeld (2009), 94

⁴⁵⁹ <http://www.remunicipalisation.org/cases#Paris>

⁴⁶⁰ <http://www.tni.org/article/paris-local-authorities-regain-control-water-management>

⁴⁶¹ Compare Pigeon et al. (2012), 38

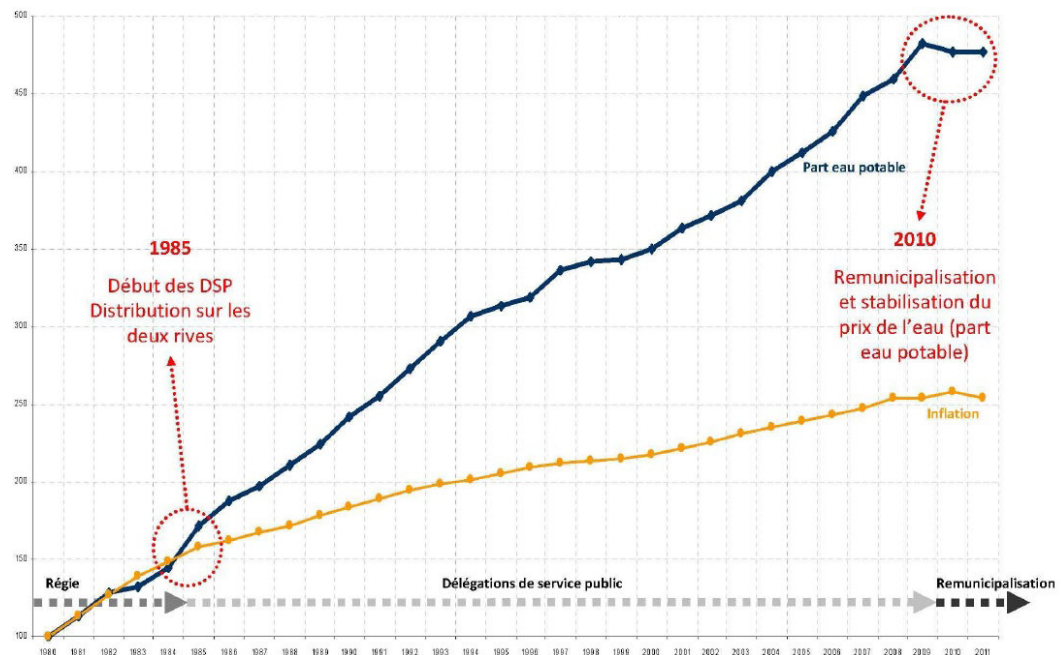


Diagram 23: Development of water prices in Paris compared to inflation

2001:
Government wants
water supply back
in municipal sector

Establishment *Eau
de Paris*

2010:
Eau de Paris takes
over supply

Savings enable
price reductions

In 2001, the newly elected Paris Mayor Bertrand Delanoë (Parti socialiste) declared that the aim of his government was to increase the control of the municipal sector over public services. One of the areas mentioned was the water supply in the Paris area. In a decision by the City Senate in 2007, the city committed itself to assume full responsibility for the water supply (from operations to expanding the network). In order to be able fulfil this obligation, the municipal operating company *Eau de Paris* (EP) was set up. Upon expiry of the regular contracts with *Veolia* and *Suez*, the City of Paris took over the water supply itself on 1 January 2010.⁴⁶²

Eau de Paris is a half-autonomous corporation, whereby all operative decisions have to be confirmed by the City Senate. "A participative control committee, 'L'Observatoire parisien de l'eau', where associations of consumer and environmental protection and independent scientists are represented, ensures, for now in an advisory function, democratic control."⁴⁶³ Based on this, the influence of the city on the operative business can be ensured. In addition, considerable savings could be made during the transition from private to municipal supply. The immediate savings effect based on the discontinuation of the concession payments was about EUR 35 million. Apart from that, the uniform structure of EP (combining three different management levels into one) achieved further savings.⁴⁶⁴ These savings made it possible to reduce the water price

⁴⁶² compare Pigeon et al. (2012), 24–33

⁴⁶³ <http://forumfuerberlin.wordpress.com/2013/08/27/rekommunalisierung-der-berliner-wasserbetriebe-keine-geschenke-fur-wassermulti-veolia/>

⁴⁶⁴ Pigeon et al. (2012), 35 as well as

<http://www.fr-online.de/wirtschaft/wasserversorgung-in-paris-anstossen-mit-eau-de-paris-1472780,7192666.html>

again for the first time in the year of remunicipalisation. As a result the water price per cubic metre for private consumers could be reduced by 8 percent in 2011. Since 1.1.2013 it stands at EUR 3.11 Euro per cubic metre.⁴⁶⁵ To compare: the water price in Vienna is currently EUR 1.73 per cubic metre.⁴⁶⁶ But remunicipalisation also has a social aspect: the city now provides cheaper tariffs for people on low income.⁴⁶⁷ 44,000 households are already benefitting from these solidarity prices.⁴⁶⁸

*Favourable tariffs
for those on lower
incomes*

Due to remunicipalisation, profits are now invested in the company again. This enables a long-term planning of investments, which improves the quality of the water supply overall.

The remunicipalisation also considered the needs of employees. In a process lasting six months, agreement was reached with representatives of all companies previously involved (*Suez, Veolia*, employees of the city and *Eau de Paris*) on remuneration and working conditions. However, many of the leadership positions had to be filled with external personnel, as due to the long privatisation phase, a lack of experience existed in the operative business of a water company.⁴⁶⁹

4.2.8. Potsdam

Potsdam, a German town with a population of ca. 160,000 in the new Federal State Brandenburg near Berlin, decided during the course of the general privatisation boom in the former GDR to partially privatise the water supply and wastewater disposal in the 1990ies. On 17 December 1997, Potsdam's city councillors agreed to cooperate with *Eurawasser*, an affiliate of the two major corporations *Thyssen Krupp* and *Suez*. *Eurawasser* purchased 49 percent of *Wasserbetriebe Potsdam GmbH*⁴⁷⁰ at a purchase price of about EUR 85 million. The management was effectively assumed by *Eurawasser*.⁴⁷¹

*1997: Partial
privatisation*

The motives were the same as in other cities: *"Relieving the budget, attracting private investors, flexibilisation of personnel structures, developing private know-how and private innovative strength, guarantee safe water supply and wastewater disposal, minimising costs, improving service quality etc."*⁴⁷²

*Consequences:
Price increases and
job cuts*

However, expectations did not even come close of being met: the consequences were price increases, job cuts and a reduced influence of the town on the

⁴⁶⁵ http://www.eaudeparis.fr/leau-au-quotidien/une-eau-au-juste-prix/#prix_eau

⁴⁶⁶ <http://www.wien.gv.at/amtshelfer/bauen-wohnen/wasserwerk/wasseranschluss/wassergebuehr.html>

⁴⁶⁷ http://www.wienerzeitung.at/nachrichten/wien/stadtpolitik/529569_Rekommunalisieren-ist-sozialer.html

⁴⁶⁸ <http://www.stern.de/politik/deutschland/trend-rekommunalisierung-ick-will-meinen-strom-zurueck-2017345.html>

⁴⁶⁹ <http://www.remunicipalisation.org/cases#Paris>

⁴⁷⁰ compare Bauer (2012), 13

⁴⁷¹ compare Hachfeld (2009), 90f

⁴⁷² Bauer (2012), 14

company.⁴⁷³ The development of water prices was an important reason for the early end of the Public Private Partnership. *“Based on a price adjustment clause in the cooperation agreement [...] charges were repeatedly increased.”*⁴⁷⁴ In 1997, the overall price for drinking and wastewater was still EUR 3.49/m³. In 1998, the year of the partial privatisation, it rose to EUR 4.01/m³ and in 1999 to 4.49/m³. This corresponded to a price increase of 29 percent. An increase of EUR 5.19/m³ had been scheduled for 2000 and *“for 2017, documents submitted by Eurawasser specified an overall charge for drinking and Wastewater of”*⁴⁷⁵ EUR 8.36. Compared to 1997, this would have meant an increase of water charges by 140 percent.

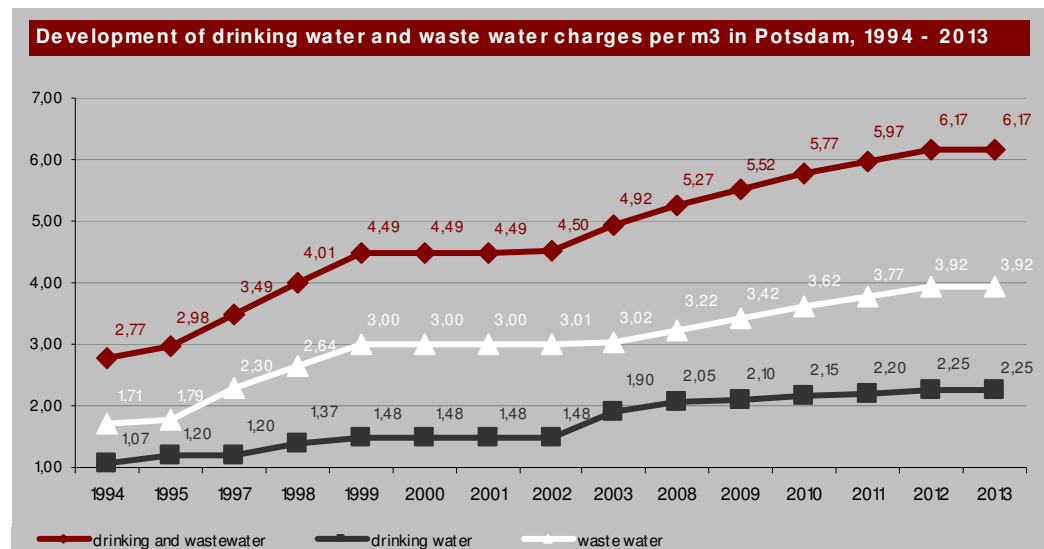


Diagram 24: Development of drinking water and waste water charges per m³ in Potsdam, 1994–2013⁴⁷⁶

*“Apart from that, political controversies arose because of an agreement concluded between Eurawasser and works council on the ‘socially acceptable termination of employment relationships’, which led to job cuts.”*⁴⁷⁷ And finally, in spite of holding the majority share, the town’s influence on operative management was only small. In the end, *Eurawasser* tried to ignore the agreements of the equal partnership. This led in 1999 to a far-reaching conflict between both partners, as the new municipal chief executive rejected plans which would have been detrimental to the town. *“This concerned among other decisions on awarding contracts in favour of Eurawasser and the booking of expenditure: Eurawasser had an interest in showing expenditure not as operative costs, but as investments, as these would have to be borne by the town itself.”*⁴⁷⁸ As no solution was forthcoming, the municipality began to prepare for

1999:
Conflict between
private and public
shareholders

⁴⁷³ compare <http://www.zeit.de/2006/26/Priv-Flucht-ins-Private>; compare Bauer (2012), 13ff

⁴⁷⁴ Bauer (2012), 14

⁴⁷⁵ Bauer (2012), 15

⁴⁷⁶ Anfrage an Stadtwerke Potsdam GmbH

⁴⁷⁷ Bauer (2012), 15

⁴⁷⁸ Hachfeld (2009), 91

remunicipalisation behind closed doors. Due to the complicated structure of the contract, this took five months. This brought the following to light: the purchase price of EUR 85 million had not been paid by *Eurawasser* at all, but was *“financed by a bank via forfaiting; in return, the bank had a claim to the yield generated from water charges for a period of more than 20 years.”*⁴⁷⁹ Until this point, the town had hesitated to go for remunicipalisation, because it would have been difficult to raise the repurchase price. However, this result led the municipality to the conclusion that it did not have to pay for a repurchase either. *“To the surprise of Eurawasser, the actual remunicipalisation occurred at the shareholders’ meeting of water operations on 19.6.2000.”*⁴⁸⁰ *Eurawasser* was taken by surprise, protested initially and finally announced recourse claims. However, after various discussions, agreement was reached in early 2001. A settlement was reached, *“which awarded Eurawasser financial compensation, estimated at [...] about EUR 12.8 million [...]”*⁴⁸¹ And the town of Potsdam would once again become the sole owner of *Stadtwerke Potsdam GmbH*.⁴⁸²

Remunicipalisation surprise for private operator

Potsdam has succeeded in initiating remunicipalisation by skilful manoeuvring. This showed *“that a municipality in spite of a complicated contract, which was drawn up at its expense, can fight back against a private investor.”*⁴⁸³ However, the negative effects of the partial privatisation could no longer be averted. The main reason for the remunicipalisation was the high forecast of water prices, which, however also remained after remunicipalisation. In this case, remunicipalisation was not able to meet expectations, as the *“main reason for the price increase had been forfaiting, which is an expensive form of borrowing for the municipality, as the loan has to be paid back by water consumers via charges.”*⁴⁸⁴ Prices therefore also increased after remunicipalisation, even though not to the extent as during the Public Private Partnership of *Eurawasser*. Remunicipalisation was able to counteract the projected high increase in charges; nevertheless water prices since then have risen by 37 percent. During the Public Private Partnership the price of drinking water increased by 28 percent (from EUR 1.20 to 1.48/m³), whilst the increase in the price of wastewater was 30 percent (from EUR 2.30 to 3/m³). However, since remunicipalisation the price of water has increased even more: since then the charges for drinking water have increased by 52 percent; those of wastewater by 31 percent. Based on this, Potsdam to this day demands the highest water charges from its customers throughout Germany.⁴⁸⁵

Continuous high water prices by financing model

⁴⁷⁹ Hachfeld (2009), 91

⁴⁸⁰ Hachfeld (2009), 91

⁴⁸¹ Bauer (2012), 15

⁴⁸² compare Bauer (2012), 13ff, compare Hachfeld (2009), 91

⁴⁸³ Hachfeld (2009), 95

⁴⁸⁴ Hachfeld (2009), 92

⁴⁸⁵ compare Bauer (2012), 13ff

4.2.9. Toulouse

*Entrance fee:
Customers are
footing the bill
through high water
bills*

Toulouse is a city in the south of France and with a population of about 450,000 the country's fourth largest. In 1990, the city's water supply was taken over by *Veolia*. For this, the company paid an entrance fee of FF 435 million, which is equivalent to EUR 66.3 million. At the takeover of the concession, the so-called entrance fee was described as purchase amount resp. present to the municipality. However, this approach, which is common in France, is nothing else than a loan, which water customers have to repay on the basis of their water bills including high interest and compound interest. To put it more precisely: the entrance fee is paid by customers via the water price. That is why privatisation of the water supply always results in price increases.⁴⁸⁶

*Municipal supply
desired*

In Toulouse, the Mayor used the entrance fee to reduce local taxes and to gain the support of the population. In fact, the population had to repay the entrance fee via high water bills also in this case. As: *"CGE⁴⁸⁷ has not offered any money: this is a loan with a 10% interest rate, increasing to 13% in 2003"*⁴⁸⁸, said the President of Eau Secours 31, an organisation, which supports the remunicipalisation of the water supply in Toulouse. An audit has shown: *"When the contract ends [...], Toulousians will have reimbursed 'more than 266 million euros'"*⁴⁸⁹ Since this approach was also officially confirmed by *Veolia* in the context of an audit, Toulouse wants to return to public control. However, the concession contract with *Veolia* only expires in 2020.

*Contracts only
expire in 2020*

Other French municipalities adopt a similar approach, using the entrance fee to finance political projects: in Montpellier, the entrance fee was used to build a conference centre; in Lille it was a stadium. Other municipalities spent the entrance fee to pay off their debts. As a result, politicians can use the projects, which they finance with the entrance fee to score points with the voters. What is absurd though: voters and water customers respectively are paying the bills including interest themselves!⁴⁹⁰

4.2.10. Remunicipalisation of a German water giant: Gelsenwasser AG

*Traditional public-
private mixed
operator*

Gelsenwasser AG, with seat in Gelsenkirchen (250,000 residents), was founded in 1887 under the name *Wasserwerk für das nördliche westfälische Kohlenrevier*, which above all ensured the water supply of the former coal mines in the region. Having emerged from an industrial infrastructure operator, the company was listed at the stock market as early as 1895. In 1891, the company became a

⁴⁸⁶ compare Water makes money

⁴⁸⁷ *Compagnie Générale des Eaux* is the former name of *Veolia*.

⁴⁸⁸ <http://www.remunicipalisation.org/cases#Toulouse>

⁴⁸⁹ <http://www.remunicipalisation.org/cases#Toulouse>

⁴⁹⁰ compare Water makes money

regional supplier. In view of its ownership structure, the company was always to be classified as a mixed operator from private and public assets.⁴⁹¹

In 1973, the company was rebranded *Gelsenwasser AG*. Based on the company's activities beyond its original domain, today it belongs to the Germany's largest drinking water supply companies and also is a significant service provider for water, wastewater and energy at international level.⁴⁹²

One of Germany's largest water suppliers

Until 2003, *E.ON AG* had been the majority shareholder of *Gelsenwasser AG*; however, it had to sell its majority shares to *Gelsenwasser* in order to purchase *Ruhr gas AG*. To prevent an unfair distortion of the market, the Federal Cartel Office only wanted to agree to the purchase after the shares in *Gelsenwasser* had been sold. "*Gelsenwasser falls victim to Eon's strategy to focus on electricity and gas. Gelsenwasser belongs to a number of interests, which Eon has to part with in the context of the Ruhr gas takeover.*"⁴⁹³ Several national (Rethmann, Konsortium Mannheimer Versorger MVV and Hamburger Wasserwerke) and international corporations (Veolia, Suez) showed interest in *E.ON's* shares.⁴⁹⁴ The shares were finally awarded to *Stadtwerke Bochum GmbH* and *Stadtwerke Dortmund*, which together set up *Gas und Wasser Westfalen GmbH* and purchased *E.ON's* shares of 80.5 percent in *Gelsenwasser* for a purchase price of EUR 835 million.⁴⁹⁵ Meanwhile, both *Stadtwerke* own 92.9 percent of the *Gelsenwasser AG* shares; further 5.8 percent are held by the municipal sector.⁴⁹⁶

E.ON has to sell share – condition of the Cartel Office

Two municipal Stadtwerke win tender

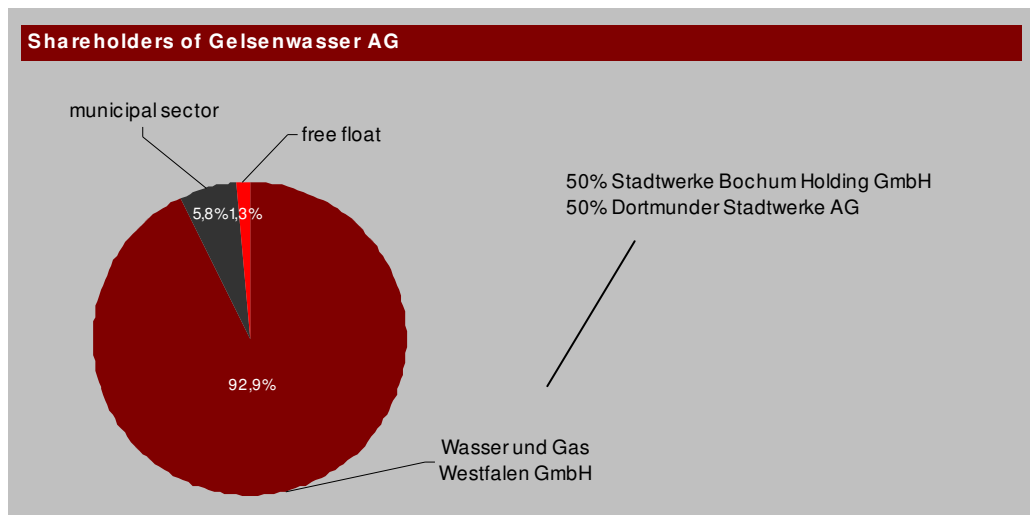


Diagram 25: Shareholders of Gelsenwasser AG⁴⁹⁷

⁴⁹¹ compare <http://www.Gelsenwasser.de/chronik.html>

⁴⁹² compare http://www.zeit.de/2006/26/Wasserversorgung_Zusammenarbeit_mit_Konzernen; compare <http://www.Gelsenwasser.de/chronik.html>

⁴⁹³ <http://www.manager-magazin.de/unternehmen/artikel/a-259379.html>

⁴⁹⁴ compare http://www.zeit.de/2003/39/Versorger_zu_versorgen; compare <http://www.manager-magazin.de/unternehmen/artikel/a-259379.html>

⁴⁹⁵ compare http://www.zeit.de/2003/39/Versorger_zu_versorgen;

⁴⁹⁶ compare http://www.Gelsenwasser.de/die_aktie.html

⁴⁹⁷ compare http://www.Gelsenwasser.de/die_aktie.html

*Criticism:
Over-indebtedness
of municipalities
involved*

The sale of the shares by the two cash-stricken municipalities was highly controversial. The financial situation in Bochum und Dortmund was so precarious that both cities were no longer permitted to incur any expenditure without the approval of the federal state authorities. The deal was made possible by close to the state Westdeutsche Landesbank, which *“in its capacity as leader of a bank consortium initially financed the full purchase price by providing a loan”*. *“After six months, about 40 percent of the loan shall be repaid; interest and repayments for the borrowed millions shall be paid out of Gelsenwasser profits.”*⁴⁹⁸

*Levelling criticism
at international
participations*

Significant criticism was already levelled at the deal right from the start, as *Gelsenwasser AG* is more than only a local or regional utility company; after all the company holds several national and international interests in utility companies. If this triggered serious criticism then German energy plants were re-municipalised; the situation was even more aggravated in the case of a municipal water company.

Participations of Gelsenwasser in Germany			
Water		WESTFALICA GmbH	
Vereinigte Gas- und Wasserversorgung GmbH	100,0%	Stadtwerke	100,0%
Wassergewinnung Essen GmbH	50,0%	Städtische Werke Magdeburg GmbH	19,3%
Wasserversorgung Herne GmbH & CO. KG	50,0%	Gas- und Wasserversorgung Höxter GmbH	50,0%
Wasserbeschaffung Mittlere Ruhr GmbH	50,0%	PVU Prignitzer Energie- und	50,0%
Wasserversorgung Voerde GmbH	50,0%	Wasserversorgungsunternehmen GmbH	
Wasserwerke Westfalen GmbH	50,0%	Altmarkische Gas-, Wasser- und	37,5%
hertenwasser GmbH	50,0%	Elektrizitätswerke GmbH Stendal	
Westfälische Wasser- und Umweltanalytik GmbH	60,0%	Stadtwerke Burg GmbH	49,0%
GSW Wasser-plus GmbH	50,0%	Stadtwerke Kaarst GmbH	50,0%
Wastewater		Stadtwerke Kalkar GmbH & Co. KG	49,0%
Abwassergesellschaft Gelsenkirchen mbH	51,0%	Stadtwerke Weißenfels GmbH	24,5%
AWS GmbH	100,0%	Stadtwerke Wesel GmbH	20,0%
hanseWasser Bremen GmbH	ca. 36,7%	Stadtwerke Holzminden GmbH	24,9%
Stadtentwässerung Dresen GmbH	49,0%	Stadtwerke Zehdenick GmbH	74,9%
Stadtentwässerung Herne GmbH & Co. KG	?	Technische Werke Delitzsch GmbH	?
Technische Werke Emmerich am Rhein	49,9%	Stadtwerke Zeitz GmbH	24,5%
Stadtentwässerung Höxter GmbH	?	Grids	
Energy		GELSENWASSER Energienetze GmbH	100,0%
energiehoch3 GmbH	100,0%	Kommunale Gasspeichergesellschaft Epe mbH & Co. KG	25,0%
Erdgasversorgung Schwalmthal GmbH & Co. KG	50,0%	Trianel Gasspeicher Epe GmbH & Co. KG	16,2%
Gasversorgung Hünxe GmbH	90,0%	novogate GmbH	20,0%
NGW GmbH	100,0%		

Table 7: Participations of Gelsenwasser in Germany⁴⁹⁹

Gelsenwasser AG owns several interests in the German water, wastewater and energy sector; it is shareholder in Stadtwerke and co-owner of grids. It also owns some affiliates and is a franchisee in the water and gas sector in several German municipalities.

However, what is questionable concerning a municipal provider is above all the company's involvement abroad. For example, Gelsenwasser owns shares in water supply and wastewater disposal companies in Czechia and France, in district

⁴⁹⁸ http://www.zeit.de/2003/39/Versorger_zu_versorgen

⁴⁹⁹ compare <http://www.Gelsenwasser.de/fileadmin/flash/beteiligungen/index.html>

heating companies in Czechia or in the administration of municipal housing stocks in Czechia.⁵⁰⁰

Participations of Gelsenwasser abroad			
France			
Nantaise des Eaux Services SAS	100%	drinking and wastewater	
Poland			
PWiK w Glogowie Sp. z o.o.	46%	drinking and wastewater	
Czech Republic			
CHEVAK Cheb a.s.	30,58%	drinking and wastewater	
KMS KRASLICKA MESTSKA SPOLECNOST s.r.o.	50%	drinking and wastewater	
TEREA Cheb s.r.o	50%	District heating, warm water, operations management housing stock	

Table 8: Participations of Gelsenwasser abroad⁵⁰¹

5. Waste disposal

5.1. Introduction

Due to the recycling ability of raw materials, waste is a particular lucrative area of services of general interest. That is why liberalisation and privatisation did not ignore it and a number of large companies have been able to set themselves up in this sector. A short overview of the European waste sector shall show where rethinking has already been taken place and where and the performance of tasks has been re-municipalised.

5.1.1. Liberalisation and privatisation within the waste disposal sector

Similar to energy and water supply, the waste industry has been captured by the privatisation wave. The waste industry is similarly organised in most EU Member States: *"In most cases, the municipalities are in charge of household waste collections; they either operate collection facilities and recycling plants themselves or instruct private companies with this task."*⁵⁰² Due to this option, EU countries take a different approach to the organisation and processing of waste collections: *"In Spain, for example 75% of household waste is collected by private enterprises, which also recycle more than 90%. However, in Finland waste collection is almost completely privatised, whereby the waste is almost exclusively processed by public companies."*⁵⁰³ There is often an organisational separation of collecting and recycling waste. This results in the tasks often being divided between public and private providers.

Similar organisation of the waste industry in EU-States

Different task sharing between private and public companies

However, privatisation experiences in the waste industry were not positive everywhere and could not always meet the expectations in respect of price and quality. However, empirically, the promised cost benefits of private services in

⁵⁰⁰ compare <http://www.Gelsenwasser.de/fileadmin/flash/beteiligungen/index.html>

⁵⁰¹ compare <http://www.Gelsenwasser.de/fileadmin/flash/beteiligungen/index.html>

⁵⁰² ÖGPP (2008), 22

⁵⁰³ ÖGPP (2008), 22

*Inter-municipal
cooperation: rural
areas benefit*

the waste sector could not be proven. Hence, an analysis of the University of Barcelona, which compares already existing studies on the costs of waste disposal,⁵⁰⁴ comes to the conclusion: *“no systematic support for lower costs with private production. [...] We do not find a genuine empirical effect of cost savings resulting from private production.”*⁵⁰⁵ Thus, the thesis that private services in the waste industry are more cost-effective, cannot be supported. In contrast, another study shows that in rural regions inter-municipal cooperation reduces costs, whilst this cannot be established in case of outsourcing: *“small towns that cooperate incur lower costs for their waste collection service. Cooperation also raises collection frequency and improves the quality of the service in small towns. By contrast, the form of production, whether it is public or private, does not result in systematic differences in costs.”*⁵⁰⁶

In addition, many private waste management companies were unable to meet the required quality aspects. As a result, municipalities had to monitor the performance of private firms or even drive behind them to guarantee that the waste was actually collected (see for example Böblingen).

*Municipality
responsibilities
remain even in
case of
outsourcing*

However, due to outsourcing certain services, municipalities are faced with an even bigger problem. Necessary but unprofitable service sectors often remain with the municipalities, which lose out in more profitable areas. Even though municipalities have transferred waste disposal to private firms, they still have to deal with “extra” services, which are not taken over by private firms. Hence, tasks such as littering⁵⁰⁷ or cleaning after street parties often remain with the municipality.⁵⁰⁸ Apart from the still existing responsibility of the municipalities, this means above all costs and personnel expenditure. However, this “cherry picking” puts the future of public services at risk. This could mean that in the context of demographic change, more privatisation of the waste industry might exclude rural areas from basic services. *“Even today, due to a low population density, the distance between individual waste containers is relatively large in many rural areas.”*⁵⁰⁹ Whilst municipalities are subject to the *“postulate of equality of rural areas”*⁵¹⁰, servicing remote areas is for private enterprises not interesting economically or only then, when people pay higher prices. This has a significant impact on social fairness, which would not be conceivable in case of a waste industry managed by a municipality. This would also pose a risk in Austria, where urban sprawl represents an ever greater problem.

“Cherry picking”

⁵⁰⁴ This analysis has the advantage of providing an overview over a number of previously prepared studies in order to analyse independent or possible influences of principals or own interests the overall effect of privatisation.

⁵⁰⁵ Bel, Fageda, Warner (2008)

⁵⁰⁶ Bel, Mur (2009), 1

⁵⁰⁷ Littering is leaving or throwing away waste in particular in public spaces.

⁵⁰⁸ compare Difu-Papers (2009), 16

⁵⁰⁹ Difu-Papers (2009), 18

⁵¹⁰ Difu-Papers (2009), 18

5.1.2. The resource waste

Waste as a recyclable product occupies a special space in respect of services of general interest. The increasing economic appeal of waste collection and marketing is an incentive for many municipalities to take charge of the waste industry again. Even though the waste and secondary raw material market is still fluctuating, high prices are already paid for some fractions. And due to limited raw material resources this trend is here to stay. *“One has to assume that due to the global demographic development and the rise of several threshold countries, the price of raw materials will continue to rise and secondary materials will become increasingly more interesting as a substitute. In years to come, this could definitely become another driver for remunicipalisation.”*⁵¹¹

Recycling makes waste interesting

5.1.3. Big players in the waste disposal sector

The European waste industry is dominated by large companies. The reason for this is that most municipalities have the supply contract but outsource the actual provision of services. This led to the creation and concentration of big players. The two leading private providers in the waste industry are *Veolia* and *Suez*, which also dominate the private water supply. Apart from the two French companies, *Remondis* also has a high market share. The German service provider currently has *“about 500 locations in 34 countries.”*⁵¹² The profit figures confirm the dominance of these three companies. Also of Germany origin is *Alba*, which has locations throughout Europe and meanwhile also outside Europe. Among the big players in the waste industry is also the Spanish company *FCC (Fomento de Construcciones y Contratas)*, which apart from the supply and disposal sector is active in the construction industry.⁵¹³

Largest waste management companies: Veolia and Suez

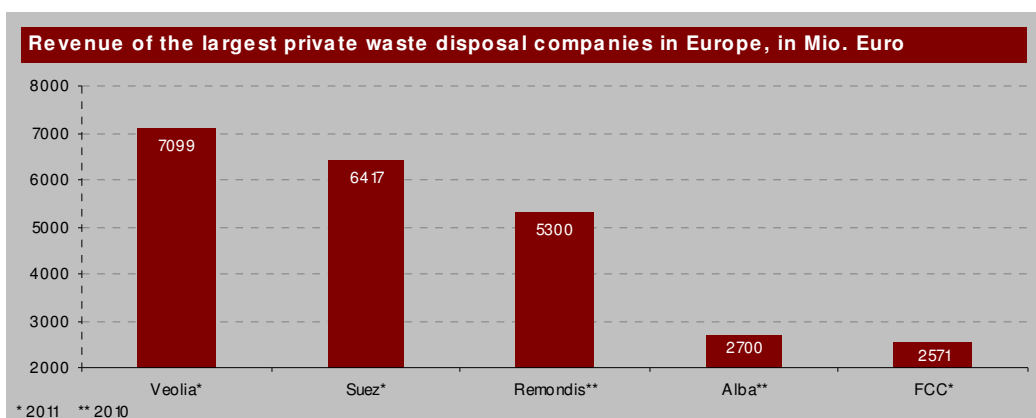


Diagram 26: Revenue of the largest private waste disposal companies in Europe, in Mio. Euro⁵¹⁴

⁵¹¹ Difu-Papers (2011), 10

⁵¹² <http://www.remondis.de/standorte/>

⁵¹³ compare Hallo, Nguyen (2012), 6ff

⁵¹⁴ compare Hallo, Nguyen (2012), 6ff

5.1.4. Waste disposal in Austria

Austria produces about 53.54 million tons of waste per year. The major part of the waste produced includes excavated material (48 percent), building waste (18 percent) or timber waste (8 percent). Only a small part of the entire waste is produced by households (3.7 million tons or 7 percent). Over the past years, household waste has increased; at the same time waste separation has improved.⁵¹⁵

In Austria municipalities are responsible for waste disposal

Often instruct private companies

In Austria, collecting and removing residual and bulky household waste is the responsibility of the municipalities. However, many of the municipalities do not perform these services themselves but instruct private companies, which in Austria too are playing an ever increasing role. After all, to maximise their profits, private companies are always trying to extend their range of tasks and their regional territory. However, if services are provided by municipal waste management companies, they focus *“their activities mainly on those waste categories and services, of which, in accordance with the various federal and federal state laws the municipalities are in charge.”*⁵¹⁶

Municipal services above all in large cities

Municipal waste collections are mainly carried out in Austrian cities with a large population density. In about 75 percent of Austria's most populous cities the collection residual waste collection is carried out by municipal operators.⁵¹⁷ In Vienna and Burgenland municipal companies resp. associations are responsible for waste collection across the whole area. All other federal states show a dominance of private waste management companies. However, this is reduced *“if one looks at the collected residual waste quantities, which is due to municipal companies collecting above all in larger populous cities [...]”*⁵¹⁸ However, there is still a lack of estimates on the market division between private and public enterprises.

4 big private providers dominate the market

The Austrian waste disposal sector is, apart from some relatively large disposal companies, mainly characterised by small and medium-sized enterprises. Overall, about 850 private waste management companies are operating in Austria, whereby outsourced municipal companies, whose form of organisation is subject to private law, are already included.⁵¹⁹

The private sector is dominated by four companies: *Saubermacher, Brantner, AVE* and *Abfall Service AG (ASA)*. Due to the high share in state ownership via *Energie AG Oberösterreich*, *AVE* cannot be rated as a classic private enterprise; nevertheless *“their activities in the market [...] fully corresponds to those of private enterprises.”*⁵²⁰ *ASA* is owned by the Spanish *FCC Group* and is thereby the *“currently most important interest of a foreign company in an Austrian waste*

⁵¹⁵ Lebensministerium: Bundes-Abfallwirtschaftsplan 2011, 17

⁵¹⁶ Lebensministerium, (2009): Organisatorische Aspekte der österreichischen Abfallwirtschaft, 105

⁵¹⁷ Lebensministerium, (2009): Organisatorische Aspekte der österreichischen Abfallwirtschaft, 105

⁵¹⁸ Lebensministerium, (2009): Organisatorische Aspekte der österreichischen Abfallwirtschaft, 106

⁵¹⁹ Lebensministerium: Bundes-Abfallwirtschaftsplan 2011, 28

⁵²⁰ 112

*management company*⁵²¹. Together, these four companies have a market share of about 40 percent. Saubermacher alone, as Austria's largest waste management company has an annual turnover of almost EUR 300 million (2012).⁵²²

Apart from these few examples, the Austrian waste management market is still very fragmented, which so far has made the entry for major foreign companies an unattractive option. In spite of this, changes are on their way: *"within the Austrian waste disposal scene [...] one can see a gradual, but not dramatic concentration process towards increasingly fewer but larger companies emerge."*⁵²³ This is in line with the engagement of the waste management giant *Remondis* in Austria, who meanwhile is operating several sites and deals with recycling of cooling appliances.

Austrian waste market strongly fragmented

In spite of the strong presence of private companies, waste disposal is still perceived by the population as a public service. At a survey conducted by the Gallup Institute, 62 percent spontaneously named municipal waste management companies. But every third person associates with it a private regional or nationwide company. At the same time, interviewees trusted public organisations to dispose of waste in a more responsible and environmentally friendly manner. Therefore, two of three interviewees would not agree to a privatisation of public waste disposal.⁵²⁴

Trust by the population in municipal waste management companies

However, waste disposal in Austria is of high quality, which can also be ensured if private services are controlled by the municipality. *"States such as Germany and Austria do not least because of the municipal responsibility in the area of water, wastewater and also the waste industry belong to the countries with the highest level of environmental quality and consumer protection by at the same time socially acceptable charges."*⁵²⁵

high quality of waste disposal

5.1.5. Remunicipalisation within the European waste disposal sector

Due to the various forms of organising waste disposal and recycling and its division between private and public stakeholders, European states have a different starting position with regard to current remunicipalisation efforts. Over the past years, there have been a number of cases of remunicipalisation in the waste sector of some European states. However, how this development has to be rated and whether one can speak of a remunicipalisation trend in the waste industry, will only emerge in the coming years: *"Since the mid-2000s, there has*

clear remunicipalisation trend not yet emerging in the waste sector

⁵²¹ Lebensministerium, (2009): Organisatorische Aspekte der österreichischen Abfallwirtschaft, 131

⁵²² <http://wirtschaftsblatt.at/home/nachrichten/oesterreich/steiermark/1545080/Saubermacher-AG-ordnet-ihren-Vorstand-neu>

⁵²³ Lebensministerium, (2009): Organisatorische Aspekte der österreichischen Abfallwirtschaft, 129

⁵²⁴ http://195.58.166.60/noeav/user/awv/dokumente/Praesentation_ARGE_Waste_industry_NOE_LPK.pdf

⁵²⁵ ÖGPP (2008), 24

been some re-municipalisation of waste collection contracts in Germany, France and the UK. The overall effect has certainly been to halt the earlier trend towards privatisation, although there are still cases of new privatisation, so it remains unclear if the overall result is towards public sector operation."⁵²⁶

▪ **Germany**

In Germany, remunicipalisation is becoming increasingly more frequent

Profits shall not go to private companies

60% of services are awarded to municipalities

In the past, Germany has seen a number of privatisations in the waste industry sector. However, over the past years there has been an increase in insourcing decisions.⁵²⁷ *"In Germany, there was a slight net remunicipalisation between 2004–2007. [...] There was still a tendency to remunicipalisation in 2011."*⁵²⁸ *"[...] improving the quality of service, greater control over policy, desire to avoid oligopolies, and social concerns for the workers' pay and conditions"*⁵²⁹ were the causes for the trend towards remunicipalisation. Municipalities did not want to stand by any longer and see how the giants *Sulo* and *Remondis* generated exuberant profits based on tasks, which had previously been provided by municipalities. In 2010 already, *"about 150 cities and municipalities had reintegrated their waste collection into municipal organisational units."*⁵³⁰ Nevertheless, a large part of waste disposal and processing is still carried out by private companies, whereby the private waste disposal in Germany is characterised by a concentration on a small number of large corporations (such as *Remondis* and *Veolia*), which operate both at federal and at European level. Currently, municipalities still award about 60 percent of all disposal services to private companies. Private companies are also taking over a large percentage of processing and composting plants. Hence, insourcing mainly affects *"collection and transport [...], whilst outsourcing concerns the sector of capital-intensive plants."*⁵³¹ Only in major German cities, one can observe a municipal performance based on own waste industry companies.⁵³² Throughout Europe, the remunicipalisation trend in the waste industry is strongest in Germany.

▪ **Europe**

France: dominated by private companies

In France, the two corporations *Veolia* and *Suez* not only dominate the private water supply, but also the private waste sector. Due to problems with both companies, some municipalities re-municipalised these sectors. The inadequate control options of the municipalities towards private stakeholders are regarded as the reason for the sometimes very rapidly grown costs. A report of the French Court of Auditors concludes: *"real problems in their relations with private contractors [...] including breaches of competition rules, and successive*

⁵²⁶ Hall, Nguyen (2012)

⁵²⁷ compare Difu–Papers (2011), 9

⁵²⁸ Hall, Nguyen (2012)

⁵²⁹ Hall, Nguyen (2012)

⁵³⁰ Engartner

⁵³¹ Difu–Papers (2011), 10

⁵³² compare Difu–Papers (2011), 10

substantial modifications to contracts, in favour of the companies, after contracts have been awarded."⁵³³

Over the past years, some municipalities in the United Kingdom have re-municipalised waste collection, for example North Tyneside and the London Borough of Islington.

*Great Britain:
Some cases of
remunicipalisation*

5.2. Real life examples of remunicipalisation

5.2.1. Bergkamen

Bergkamen is a town with a population of about 50,000 in North-Rhine Westphalia, in the east of the Ruhr Region between Dortmund and Hamm. Since 1994, Bergkamen has seen gradual remunicipalisation in various public service sectors, based on the attempt to find the best solution for the town's citizens. Targeted were both public and private services in various sectors.⁵³⁴ In many cases, the retransfer to municipal and inter-municipal performance respectively, turned out to be the most efficient variant.

Gradual re-municipalisation

Target: best solution for citizens

The electricity and natural gas supply started the ball rolling; until 1995 it was provided by the private enterprise *VEW AG (Vereinigte Elektrizitätswerke Westfalen)*; merged with *RWE* in 2000) and then gradually re-municipalised. For this purpose in cooperation with two other municipalities, the inter-municipal *Gemeinschaftsstadtwerke Kamen-Bönen-Bergkamen GmbH (GSW)* was set up, which started operations on 1 January 1995. The grids were bought off *VEW* for EUR 50 million.⁵³⁵ In 1996, the inter-municipal utility company took over the electricity, the natural gas supply in 1999 and later (2003) the district heating supply. In addition, *Stadtwerke* have been operating their own telecommunication company (*GSWcom*) since 1999.⁵³⁶ Meanwhile, after 100 years of private provision, the water supply is back in the municipal sector again, being provided by *GSW*. At the end of 2008, the contract with *Gelsenwasser AG*, the previous water suppliers, was terminated at due date. *"The disputes with the previous supplier – among other in respect of the purchase price for the water pipe network and the unbundling conception – were drawn out until 2010."*⁵³⁷ In the end, Bergkamen did not purchase the water network from *Gelsenwasser* because of the high costs *"but set up a joint network corporation with the private supplier"*, which *"however has a pure back-office function"* and is looking after the technical support of the network *"so that Stadtwerke has been the sole provider of water since October 2010."*⁵³⁸ Water quality and water prices

*1995:
Energy supply re-municipalised*

*Inter-municipal
Stadtwerke*

*2008:
Water supply re-municipalised*

⁵³³ Hall, Nguyen (2012)

⁵³⁴ compare Schäfer (2012), 76

⁵³⁵ compare Engartner

⁵³⁶ compare http://www.netzwerk21kongress.de/papers/10_ref_peters.pdf; compare Schäfer (2012), 76

⁵³⁷ Schäfer (2012), 76

⁵³⁸ Schäfer (2012), 76

Profits flow to the municipality

remained the same after the water supply was re-municipalised.⁵³⁹ The profits from the drinking water supply, which previously had been divided between shareholders, today create value added for the municipalities' citizens. Apart from that the service for water customers has improved as due to the inter-municipal cooperation and the offices in every location, each town or city once again has a local point of contact.

Bergkamen uses scope for action

GSW show how municipal companies not only fulfil the responsibilities entrusted to them, but are able to assert their scope for action at the same time. For example, incentive programmes for natural gas vehicles and natural gas heating systems were initiated and a natural gas filling station set up via *GSW*. Contracting agreements for reducing energy were concluded with municipal buildings, which were fitted with solar panels. In addition, *GSW* offer green electricity from Austrian hydropower. And a savings rate without basic price was created for households with low consumption.⁵⁴⁰ Revenues in lucrative sectors help to finance the operation of swimming pools and other sport and leisure facilities.⁵⁴¹ As in other cities, municipal companies help to *"realise things at municipal level, which otherwise would be outside the decision-making sphere of local policy and could not be afforded."*⁵⁴² Thus, since 1995 two pools *"and an ice rink were transferred in the ownership of Gemeinschaftsstadtwerke; the technical and economic association to set off pool losses against profits of Stadtwerke from the coverage area were recognised by the financial administration."*⁵⁴³

*2002:
Street cleaning re-municipalised*

In 2002, Bergkamen's municipal works depot repatriated street cleaning services, which until then had been provided by private company *Remondis AG & Co. KG* (previously *Rethmann*) after the contract had expired. This resulted in a reduction of street cleaning charges by 25 percent.⁵⁴⁴

*2005:
Waste disposal re-municipalised

regarded as
showcase project*

The remunicipalisation of the waste disposal in Bergkamen is considered a showcase project. In respect of the starting position one should mention that in North-Rhine Westphalia the municipalities in the administrative district are responsible for collecting and removing household waste (municipal waste)⁵⁴⁵; in contrast, the administrative district is responsible for the actual disposal (burning, landfilling and composting). However, it is left to the municipality whether it provides waste collection services at municipal level or outsources

⁵³⁹ <http://publik.verdi.de/2012/ausgabe-06/gesellschaft/politik/seite-11/A0>

⁵⁴⁰ compare http://www.netzwerk21kongress.de/papers/10_ref_peters.pdf; compare <http://www.dgb.de/themen/++co++0cdc8e5e-053d-11e1-534b-00188b4dc422>

⁵⁴¹ <http://www.dgb.de/themen/++co++0cdc8e5e-053d-11e1-534b-00188b4dc422>

⁵⁴² Wuppertal Institute (2013), 4

⁵⁴³ <http://www.roland-schaefer.de/muellabfuhr-stug-05-07.pdf>

⁵⁴⁴ compare Schäfer (2012), 76; compare <http://www.roland-schaefer.de/muellabfuhr-stug-05-07.pdf>

⁵⁴⁵ *"Waste collection includes the collection and transport of residual waste ('grey bin'), bio waste ('green bin') and paper ('blue bin') as well as the transport of bulk rubbish and garden waste."* (<http://www.roland-schaefer.de/muellabfuhr-stug-05-07.pdf>)

them to private companies. Until then, Bergkamen had always decided to put waste collection out to tender. At the last occasion in 1994, the giant *Remondis* was awarded a concession until 31.12.2005. At the end of 2003, the municipality began to consider putting out the concession to tender again.⁵⁴⁶ Even though the cooperation with *Remondis* was rated as “pleasant and constructive”, the leadership in the administration regarded it as a duty “to seriously review possible alternatives [...] in the interest of the city’s residents.”⁵⁴⁷ For this purpose various options (automatic contract renewal, Europe-wide tender, inter-municipal waste disposal, integration in *GSW*, sole owner-operated provision of services) were explored. This was achieved by exchanging experiences with management companies from neighbouring cities, preparing a cost calculation and instructing a consultancy firm to prepare a comparing economic efficiency report. The report came to the result that an in-house provision of the service would enable a cost reduction by 30 percent. Following long discussions, the City Council finally decided in May 2005 to re-municipalise the waste collection. A short time later it was agreed with the private operator to extend the contract by six months; agreement was also reached on the purchase of refuse containers in the city zone.⁵⁴⁸ Afterwards it was planned for *EntsorgungsbetriebBergkamen (EBB)* to take over operations. “In autumn 2005, the City Council decided the Articles of Association for establishing the ‘EBB’ [...] as owner-operated facility of the city as at 01.01.2006.”⁵⁴⁹ Operations were also to integrate street cleaning, which until then had been provided by the municipal works depot. *EBB* started its operative activities on 3 July 2006. “The total investment to establish *EBB* was EUR 1.6 million: this included apart from new vehicles also purchasing the container stock of the current waste management company, procurement of replacement containers for 1 ½ years, work clothes, office equipment, PC software and the construction of two carports.”⁵⁵⁰

Report:
Cost reduction
through self-
provision

Foundation of
disposal company

The transition from private waste management company to municipal *EBB* ran smoothly. As forecast, the takeover of *EBB* resulted in a cost reduction of 30 percent in respect of municipal waste collection. This amounts to about a third of the total costs for waste disposal (two thirds are spent on incineration etc.).⁵⁵¹ The cost reduction was also passed on to customers. Since then the waste collection charges were reduced by about 12 percent.⁵⁵² This reduction is not equally spread over the various collection services. The waste collection charge for a 120l bio bin for example was gradually reduced and in 2012 it was 26 percent lower than before the remunicipalisation in 2005. The initial price reduction for the residual bin (120l) was not sustainable in the long-term; hence,

Reduction of waste
collection charges

⁵⁴⁶ compare http://www.netzwerk21kongress.de/papers/10_ref_peters.pdf; compare <http://www.roland-schaefer.de/muellabfuhr-stug-05-07.pdf>

⁵⁴⁷ <http://www.roland-schaefer.de/muellabfuhr-stug-05-07.pdf>

⁵⁴⁸ compare http://www.netzwerk21kongress.de/papers/10_ref_peters.pdf

⁵⁴⁹ <http://www.roland-schaefer.de/muellabfuhr-stug-05-07.pdf>

⁵⁵⁰ <http://www.roland-schaefer.de/muellabfuhr-stug-05-07.pdf>

⁵⁵¹ compare http://www.netzwerk21kongress.de/papers/10_ref_peters.pdf

⁵⁵² compare Schäfer (2012), 76

since 2010, its price corresponds to the price before remunicipalisation again. These cost reductions are also possible because *EBB “as fee-based, cost-calculating facility of the city [...] – except for interest on equity capital – only has to work to break even”⁵⁵³*. This has also benefitted *EBB* employees who are paid according to collective agreement for the public service (TVÖD).

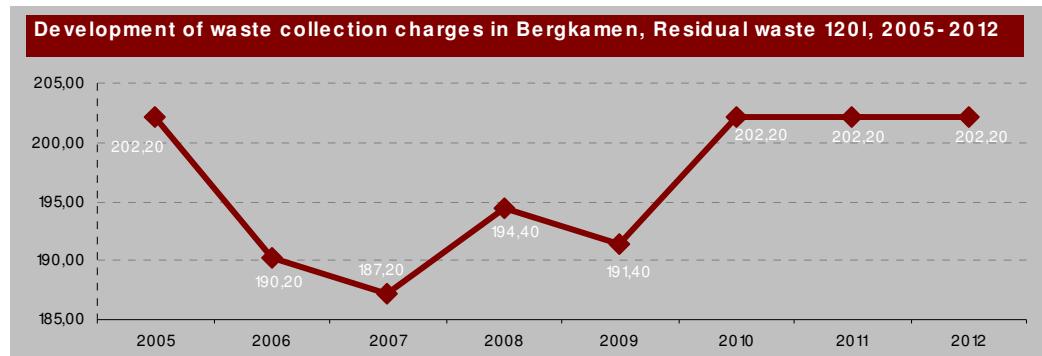


Diagram 27: Development of waste collection charges in Bergkamen, Residual waste 120l, 2005–2012⁵⁵⁴

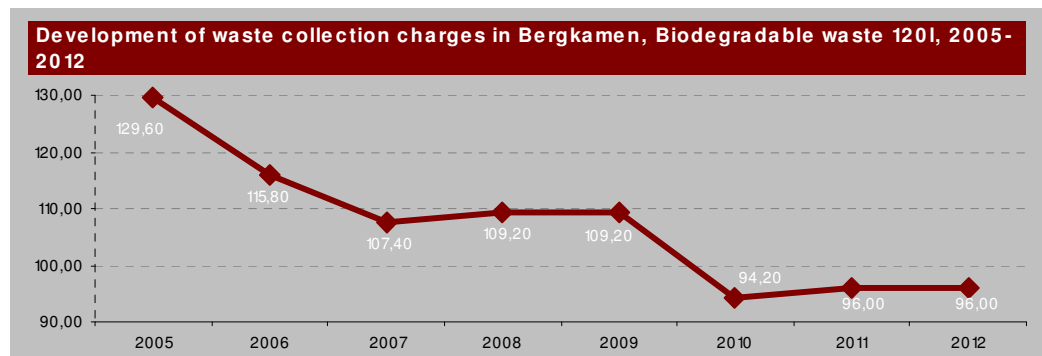


Diagram 28: Development of waste collection charges in Bergkamen, Biodegradable waste 120l, 2005–2012⁵⁵⁵

Improved range of service

Improvements were also achieved in the range of services. The collection intervals could be unified; additional offers (express service, full service) were created for bulk collection and additional collection containers were provided for special events (event container, leaf collection box).⁵⁵⁶ A special service is the nappy bin. Since 1 January 2007, *EBB* offers “*parents with children under three*” an “*additional residual waste volume with 50-percent discount*”⁵⁵⁷. Based on these positive developments, the remunicipalisation of the waste disposal services became a showcase project.

The example of Bergkamen shows how the wish to provide the population with the best possible and most cost effective service can produce an individual and

⁵⁵³ http://www.netzwerk21kongress.de/papers/10_ref_peters.pdf

⁵⁵⁴ Anfrage an EBB

⁵⁵⁵ Anfrage an EBB

⁵⁵⁶ compare <http://www.bergkamen.de/veranstaltungstonne.html>; compare http://www.netzwerk21kongress.de/papers/10_ref_peters.pdf

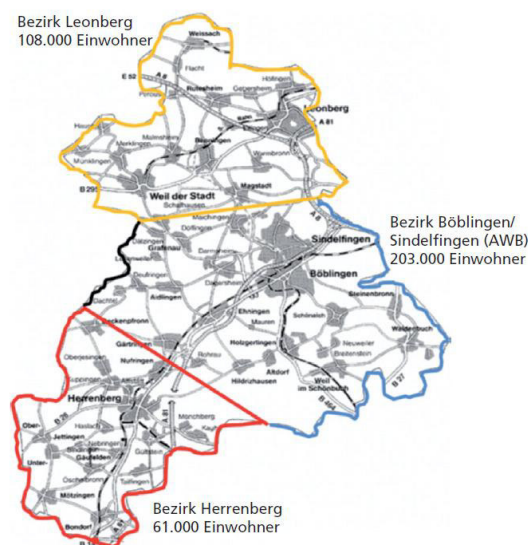
⁵⁵⁷ <http://www.bergkamen.de/windeltonne.html>

optimal solution for each sector. *GSW* impressively demonstrate that inter-municipal cooperation is a way towards satisfying services of general interest. Based on *EBB's* example one can see, how target preparation makes a successful remunicipalisation possible. The target of providing a cost-reducing service, whilst at the same time extending the range of services, has been achieved. This also led to satisfaction in the population: *"After the smooth start of EBB, the initial scepticism in the population [...] has been replaced by broad approval and satisfaction."*⁵⁵⁸

5.2.2. Böblingen (administrative district)

The administrative district of Böblingen is in the German Federal State of Baden-Württemberg, not far from the state capital Stuttgart. The administrative district with a population of 372,000 has 26 cities and communities. The most densely populated cities are the large district towns Böblingen (ca. 47,000 residents), Herrenberg (ca. 31,000), Leonberg (ca. 45,000) and Sindelfingen (ca. 60,000).⁵⁵⁹

In 1972 the state of Baden-Württemberg adopted the law that the duty to remove waste was now with the administrative districts and no longer with the cities and communities. In 1977/78, after a transition period, waste disposal in the regions of Herrenberg and Leonberg was transferred to the administrative district. In Böblingen, Sindelfingen and Schönbuchlichtung⁵⁶⁰ the task initially remained *"their own responsibility, including the right to make by-law, their own personnel and their own vehicle fleet"*⁵⁶¹ and was only gradually transferred to the administrative district in the mid-1990ies. In 1994, the administrative



⁵⁵⁸ <http://www.roland-schaefer.de/muellabfuhr-stug-05-07.pdf>

⁵⁵⁹ compare Eisenmann (2012); compare http://www.difu.de/sites/difu.de/files/archiv/extranet/veranstaltungen/berichte/11_rekommunalisierung/sendersky_text.pdf

⁵⁶⁰ Schönbuchlichtung is a region north of the nature park Schönbuch to which several towns, also outside the administrative district of Böblingen, belong. The region Schönbuchlichtung within the administrative district of Böblingen includes several locations, which together have a population of ca. 57,000.

⁵⁶¹ http://www.difu.de/sites/difu.de/files/archiv/extranet/veranstaltungen/berichte/11_rekommunalisierung/sendersky_text.pdf

	<p>district's own waste services took charge of the waste collection in Schönbuchlichtung and in 1995 in Böblingen and Sindelfingen.</p>
<p><i>dual approach: Division of the administrative district in 3 collection districts</i></p>	<p>By <i>"taking over municipal waste collections on their own accord, the administrative district Böblingen had the option of adopting a dual approach: awarding collection services to private companies and developing a powerful public waste collection service by way of competition."</i>⁵⁶² To enable the direct comparison of public and private performance, the administrative district was divided into three waste districts: District I (Herrenberg), District II (Leonberg) and District III (Böblingen, Sindelfingen, Schönbuchlichtung). In the collection districts Herrenberg and Leonberg⁵⁶³, waste disposal services (residual and bio waste as well as green waste) were put out to tender and awarded to private providers.</p>
<p><i>direct comparison of private and public provider</i></p>	<p>In collection district Böblingen it remained, initially temporary until the end of 1999, in the public sector. By that time it should have been determined whether public operators can match private providers. The objective of this dual approach was to <i>"to examine the performance of public waste collection compared to private companies."</i>⁵⁶⁴</p> <p>Since 1992, the <i>waste management company</i> of the administrative district, which was in charge of the waste disposal in waste district III, has been an owner-operated municipal enterprise. The organisation was optimised in the context of the new task, because the waste management companies <i>"were faced with the challenge to create a modern organisational structure for waste collection, whereby flexible structures with a variable deployment of staff was introduced."</i>⁵⁶⁵ Apart from that, the vehicle fleet was reduced and the distances shortened by means of restructuring. Thus, in 1999 already, the depot was moved to the site of the residual waste incineration plant in Böblingen to <i>"reduce time and distances for journeys to and from the depot to the residual waste treatment facility to the absolute minimum."</i>⁵⁶⁶ Moving the depot resulted in a cost saving of EUR 85,000 p.a.</p>
<p><i>Performance of public waste collection was increased</i></p>	
<p><i>direct cost comparison: public operations more cost effective</i></p>	<p>Prior to the period of public waste collection expiring, at the end of 1999, the administrative district instructed a consultancy firm to carry out a performance comparison. Comparing costs of providers, public waste collection turned out to be significantly more cost-efficient: the cost advantage was about EUR 286,000. Hence, the council decided not to privatise District III and <i>"to retain public waste collection unchanged beyond the year 2000"</i>⁵⁶⁷.</p>

⁵⁶² Eisenmann (2012)

⁵⁶³ compare Eisenmann (2012)

⁵⁶⁴ Difu-Papers (2009), 10f

⁵⁶⁵ Difu-Papers (2009), 10

⁵⁶⁶ http://www.difu.de/sites/difu.de/files/archiv/extranet/veranstaltungen/berichte/11_rekommunalisierung/sendersky_text.pdf

⁵⁶⁷ Eisenmann (2012)

This cost advantage was based on the savings generated by then made above-mentioned modifications. This was followed by further measures. When procuring new vehicles for example, attention was paid to the fact that they could be universally used. The vehicle fleet was expanded and was therefore able to take over in succession *“the collections of recyclables from the 31 recycling depots to the interfaces of the dual system”*⁵⁶⁸. Furthermore, new standard residual waste containers (2001) and an electronic registration of empties were introduced. The personnel sector was restructured and from 2003 a 2-shift operation was installed *“to reduce the number of required collection vehicles and to significantly improve vehicle utilisation.”*⁵⁶⁹ This resulted in the fact that the waste management company was able to service *“District I from 1.1.2004 without additional personnel and using the existing vehicle fleet and to collect commercial municipal household waste in the entire administrative district”*⁵⁷⁰. In doing so, from then on the *waste management company* also took over the service for waste district Herrenberg. This meant that the waste district was able to save EUR 210,000.

Public operator also takes over waste disposal in the rest of the administrative district

In the following, other tasks, which had been outsourced to private companies, were one by one retransferred to the municipality: starting in 1999, the paper collection, the management of collection sites for tree and hedge cuttings and the digestive residue transport were gradually carried out by the *waste management company*.

At the end of 2007, the administrative district instructed a consultancy firm to examine a possible retransfer of the last outsourced collection district (Leonberg). The analysis resulted in the fact that the costs for outsourcing the collection service would be EUR 1,059,000, whereby if it was provided by the administrative district's own waste collection it would only be EUR 729,000. This would be a calculated cost saving of EUR 330,000. In Leonberg, the consideration of a retransfer was also a reaction to the poor quality of the private performance. Because in Leonberg *“sometimes public waste management companies had to follow behind private companies to perform tasks the former failed to do. Also, in spring 2006 private companies suspended waste collections because of heavy snow falls, whilst public vehicles were still driving.”*⁵⁷¹ In early 2009, the residual and bio waste collection in the district of Leonberg was re-municipalised.

Municipal insourcing also paid off for the residents of the administrative district, as the fees remained stable since the administrative district of Böblingen took over the waste management twenty years ago. In 2008, for the first time after ten years, it was even possible to reduce the waste collection fees by 10 percent.

Fee reductions

⁵⁶⁸ Eisenmann (2012)

⁵⁶⁹ http://www.difu.de/sites/difu.de/files/archiv/extranet/veranstaltungen/berichte/11_rekommunalisierung_sendersky_text.pdf

⁵⁷⁰ Eisenmann (2012)

⁵⁷¹ Difu-Papers (2009), 11

*Public companies
can hold their own
competing with
private enterprises*

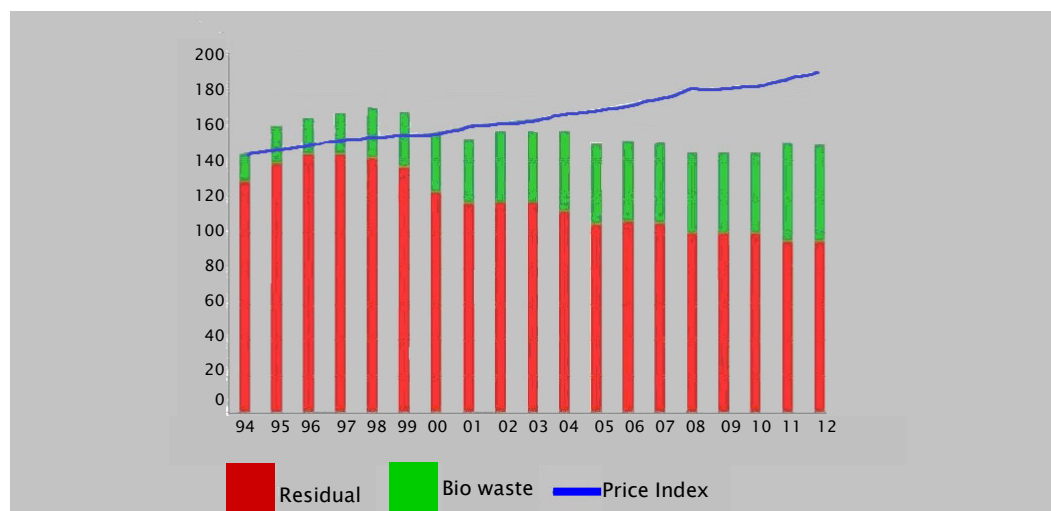


Diagram 29: Waste collection charges for an average family Böblingen⁵⁷²

By comparing private and public performance, the administrative district of Böblingen has used its own method to find the optimal solution for its residents. Böblingen has seized the opportunity and optimised the administrative district's own waste disposal in such a way that it can hold its own in competition with private providers and is even able to undercut their prices. The basis for this cost advantage were the savings made by changing the location, more effective use of vehicles, variable deployment of staff, standardisation of the vehicle fleet, electronic registration of empties, 2-shift operation, new residual waste containers etc. In the end, these resulted in advantages for municipality and customers: *"Based on the remunicipalisation and the improved cost transparency associated with it, it has been possible to achieve the economic objectives. Since the mid-1990, Böblingen has succeeded in keeping its waste collection fees stable. A particularly positive mention was reserved for the collectively agreed wages of the staff, political scope and satisfied customers. An environmental advantage has been achieved by reducing distances."*⁵⁷³

5.2.3. Düren and Aachen

The District of Düren and the Städteregion Aachen (literally: "cities region" Aachen) are situated in the west of North-Rhine Westphalia; together they have a population of about 850,000. In 2009, the district of Aachen was dissolved in the context of regional policy restructuring and the municipalities of the district (310,000 citizens) became part of Städteregion Aachen, which now consists of nine municipalities and the urban district of Aachen. At the time of remunicipalisation, which took place from 2006 to 2009, the municipalities and cities were still part of the district of Aachen.

⁵⁷² compare Eisenmann (2012)

⁵⁷³ Difu-Papers (2011), 10

For a long time, the waste industry in both districts was characterised by a quasi-monopoly position of private waste management companies. Waste disposal services in twelve out of fourteen regional authorities in the district of Düren and in seven out of nine regional authorities in the district of Aachen had been outsourced to private companies. In 2005, this situation caused three regional authorities of the district of Düren (Inden, Langerwehe, Linnich) and one of the district of Aachen (Würselen) to join in a municipal unitary authority, *RegioEntsorgung*. The contracts with the private disposal contractor were terminated and the disposal service transferred to the unitary authority. Operations commenced at the start of 2006.

By 2009, eight further municipalities had joined the unitary authority. Meanwhile, *RegioEntsorgung* collects and transports waste in ten municipalities. In the district of Düren four out of fifteen and in the Städteregion Aachen six out of ten cities and communities with a combined population of about 236,000 are served by the unitary authority. In two further municipalities of Städteregion Aachen (with about 113,000 residents) *RegioEntsorgung* does the paper collection.

Meanwhile, *RegioEntsorgung* employs 118 staff (including 5 apprentices), all of whom are paid according to collective agreement.⁵⁷⁴

Quasi monopoly of private disposal contractors

*2005:
Municipal administration union of some regional authorities of the administrative districts Aachen and Düren*

*2009:
Territorial expansion*



Diagram 30: Map *RegioWaste management companies*⁵⁷⁵

The objectives⁵⁷⁶ of *RegioEntsorgung* included greater transparency, “stable fees, securing waste quantities for its own treatment plants and reliable social and environmental standards as well as creating new flexible scope and economic

⁵⁷⁴ compare <http://regioentsorgung.de/index.php?object=1571>

⁵⁷⁵ <http://regioentsorgung.de/index.php?object=454>

⁵⁷⁶ Compare <http://regioentsorgung.de/index.php?object=1548>

efficiency.”⁵⁷⁷ Of similar importance for the decision were “the creation of jobs in the region, the reduction of costs and dissatisfaction with EU-wide tenders”⁵⁷⁸.

Municipalities of RegioEntsorgung		
2006		
Gemeinde Inden	Landkreis Düren	7.500
Gemeinde Langerwehe	Landkreis Düren	14.000
Stadt Linnich	Landkreis Düren	14.000
Stadt Würselen	Städteregion Aachen	38.000
2007		
Stadt Alsdorf	Städteregion Aachen	48.000
Stadt Herzogenrath	Städteregion Aachen	47.000
2008		
Stadt Baesweiler	Städteregion Aachen	28.000
Gemeinde Roetgen	Städteregion Aachen	9.000
Gemeinder Simmerath	Städteregion Aachen	16.000
2009		
Gemeinde Niederzier	Landkreis Düren	14.300
Stadt Eschweiler (Papier)	Städteregion Aachen	56.000
Stadt Stolberg (Papier)	Städteregion Aachen	57.000

Table 9: Municipalities of *RegioEntsorgung*

Good quality of public service

The communities and cities, whose waste disposal is carried out by *RegioEntsorgung*, are satisfied both with remunicipalisation and performance by the unitary authority and do not plan a renewed privatisation. Overall, based on the remunicipalisation it has been possible “to significantly improve transparency and the political influence to implement waste management measures”⁵⁷⁹. “Social components could be given more consideration. Services were [...] optimised and citizen-friendliness increased. Higher revenues were generated by bundling material flows, which now flow back to the municipalities.”⁵⁸⁰ The administration has a particular positive impact on smaller municipalities “as they have recourse to superior structures.”⁵⁸¹ The objective of cutting costs has also been achieved and was passed on the citizens: “All municipalities, which joined the unitary authority, were able to cut costs by 20 to 30 percent and to reduce waste collection fees.”⁵⁸²

Cost reduction by 20 to 230 %

5.2.4. North Tyneside

North Tyneside is a metropolitan borough in the English county of Tyne and Wear with a population of ca. 200.000. The municipality is responsible for the waste disposal of about 90,000 households. However, the collection of waste for

⁵⁷⁷ Difu-Papers (2009), 12

⁵⁷⁸ Difu-Papers (2009), 12

⁵⁷⁹ Difu-Papers (2011), 11

⁵⁸⁰ Difu-Papers (2011), 11

⁵⁸¹ Difu-Papers (2011), 11

⁵⁸² Difu-Papers (2011), 11

recycling had been outsourced to an external provider, which performs this service also for the neighbouring communities. However, North Tyneside and the surrounding communities had problems with the private operator. The contract between North Tyneside and the company expired in 2008 and the council decided in favour of a slow and gradual return of the service, which took place between January and June 2009. In order to use synergy effects, one re-integrated the collection of recycling waste into the local waste collection. *“The authority now provides directly delivered integrated weekly waste collection and fortnightly recycling.”*⁵⁸³

Recycling material collection outsourced

*2008:
Contract expired,
gradual return*

The retransfer was accompanied by improvements in collection management. Routes were optimized, the current recycling containers replaced by containers with a larger volume and the range of collected materials extended. Based on these measures, the quantity of the collected recycling material has doubled to 1,400 tons per month; the recycling quota increased from 28 to 38 percent and the public share in recycling was increased from 50 to 94 percent. At the same time, littering of public spaces and roads could be significantly reduced. All this resulted in a reduction of CO₂ emissions from 5,000 tons to 1,700 tons: *“In terms of our carbon footprint the more materials we recycle, the greater the reduction carbon footprint.”*⁵⁸⁴

Collected recycling quantity on the increase

Overall, the remunicipalisation had been successful and was also well received by the population. Since its return, the number of citizens who are satisfied with this service has increased to 92 percent (plus 18 percent). The return provided the council with the opportunity to increasingly react to the wishes of its residents: *“As well as improving the quality of the service, bringing it in-house means there is greater flexibility in responding to changes that are required as a result of policy or service users’ need.”*⁵⁸⁵

Higher customer satisfaction

5.2.5. Rhein-Hunsrück-Kreis

The Rhein-Hunsrück-Kreis is an administrative district (municipalities association) in the German federal state of Rhineland-Palatinate with a population of about 100,000. From 1973 to 2005, the waste disposal of the administrative district had been outsourced to private enterprises.⁵⁸⁶ The administrative district began to change its strategy when, based on tighter framework conditions for waste disposal services from 2005, households could expect an increase in waste collection charges by 15 to 20 percent.⁵⁸⁷ In December 2003, the district council had already commissioned an expert opinion

Threat of increased charges

⁵⁸³ UNISON (2011), 29

⁵⁸⁴ UNISON (2011), 30

⁵⁸⁵ UNISON (2011), 29

⁵⁸⁶ compare http://www.rhein-zeitung.de/region/hunsrueck_artikel,-RHE-senkt-erneut-die-Muellgebuehren-_arid,522600.html

⁵⁸⁷ compare Arenz (2010)

Expert opinion:
Savings by in-
house-provision

on possible future options for providing an in-house-service. *“Based on an external market potential and competition analysis, it was first ascertained whether in case of a tender the regional market structures would result in market failure.”*⁵⁸⁸ The analysis concluded that there was a high probability that prices would increase. Based on standard costing it was then established *“at what cost the so far outsourced services could be provided internally.”*⁵⁸⁹ The result was a projected savings volume of one million euros. Thereupon, the board members of future *Rhein-Hunsrück-Entsorgung (RHE)*, in cooperation with a consultancy firm, developed a logistics and performance concept for the remunicipalisation of waste disposal services in the administrative district.

2004:
unanimous
decision by the
district council in
favour of
remunicipalisation

In spring 2004, the district council decided almost unanimously to take charge of the waste disposal service again. In a first step, together with the two administrative districts Neuwied and Bad Kreuznach, a project under the name of “Inter-municipal cooperation instead of parish-pump mentality” was initiated, based on which it was possible to save millions with regard to residual waste collection.⁵⁹⁰ In a second step, the waste management logistics, which until then had been outsourced, were re-municipalised from 1 January 2006. Since then, *Rhein-Hunsrück-Entsorgung* *“as a so-called public-law institution”*⁵⁹¹ has been in charge of waste disposal in the administrative district.

political objectives
could be fulfilled

RHE was provided with a number of political objectives in respect of savings, fee development, personnel recruitment and payment. *RHE* was able to meet these objectives. Over a million euros could be saved in the first year already.⁵⁹² *RHE* passed this financial success on to customers: Since 2006, fees have been reduced four times (2006, 2010, 2011 und 2013).⁵⁹³ – *“All of this, in spite of an improved public service, which included the introduction of a paper bin and a collection point for disused electrical appliances. In addition, an exchange for used household appliances was installed on the website.”*⁵⁹⁴ In 2013, a four-

⁵⁸⁸

http://382168.forumromanum.com/member/forum/forum.php?action=ubb_show&entryid=1096059292&mainid=1096059292&USER=user_382168&threadid=1152532716

⁵⁸⁹

http://382168.forumromanum.com/member/forum/forum.php?action=ubb_show&entryid=1096059292&mainid=1096059292&USER=user_382168&threadid=1152532716

⁵⁹⁰ Compare http://www.epsa-projects.eu/index.php?title=Rekommunalisierung_der_Abfallwirtschaftstatt_Privatisierung_und_interkommunale_Kooperationstatt_Kirchturmdenken:_Besser_und_billiger_unter_kommunalen_Dach!; compare http://382168.forumromanum.com/member/forum/forum.php?action=ubb_show&entryid=1096059292&mainid=1096059292&USER=user_382168&threadid=1152532716

⁵⁹¹ http://www.rhein-zeitung.de/region/hunsrueck_artikel,-RHE-senkt-erneut-die-Muellgebuehren-_arid,522600.html

⁵⁹² http://www.rhein-zeitung.de/region/hunsrueck_artikel,-Muellentsorger-leisten-gute-Arbeit-_arid,260842.html

⁵⁹³ compare <http://www.rh-entsorgung.de/de/Unternehmen/Wir-ueber-uns/Wir-ueber-uns.html>

⁵⁹⁴ http://www.rhein-zeitung.de/region/hunsrueck_artikel,-RHE-senkt-erneut-die-Muellgebuehren-_arid,522600.html

person household pays EUR 43.68 less than at the time of the takeover in 2006; the costs for a two-person household were cut by EUR 28.20.⁵⁹⁵

One objective was, that with regard to recruitment, the current staff of the private provider should be considered. *“Because of the existing experience of the refuse collectors and against the background of a transition, which is as smooth as possible, the board implemented [...] this.”*⁵⁹⁶ RHE pays its staff according to TVöD (collective agreement for the public service). *“A low sickness rate confirms the satisfaction of employees who are paid according to collective agreement.”*⁵⁹⁷ The new salary system no longer adopts the previous overtime practice, whereby five new jobs could be created.⁵⁹⁸

Improvement for employees – paid according to collective agreement

RHE also used the opportunity provided by the remunicipalisation to extend its scope with regard to recycling. For example *“many segments, such as recycled paper, are generating revenue”*⁵⁹⁹, which in turn means lower fees for the public. Meanwhile, however, the RHE goes beyond its role as a waste management company and is also active as a provider. Since 2010, its heating centres, which are operated with tree and shrub cuttings from private gardens, provide three school centres (Kirchberg, Simmern, Emmelshausen) with heating.⁶⁰⁰ *“This saves ca. 1.200 mg carbon dioxide per year. Processing also produces about 350 tons of compost, which is used in agriculture and viticulture.”*⁶⁰¹ This is *“a showcase project that has gained recognition throughout Germany.”*⁶⁰² Another project is the generation of electricity from sun energy by means of solar panels on the landfill. Since 2012, these have been generating electricity for 350 households in the municipality.⁶⁰³

Recycling of waste was expanded

also active as provider

The example of Rhein-Hunsrück-Kreis shows how well successful remunicipalisation can work. No doubt that the targeted preparation for remunicipalisation has been an important factor for the success. Two years' time had been invested, during which the initial idea was examined and supported by

Targeted preparation for retransfer as recipe for success

⁵⁹⁵ compare http://www.rhein-zeitung.de/region/hunsrueck_artikel,-RHE-senkt-erneut-die-Muellgebuehren-_arid,522600.html

⁵⁹⁶

http://382168.forumromanum.com/member/forum/forum.php?action=ubb_show&entryid=1096059292&mainid=1096059292&USER=user_382168&threadid=1152532716

⁵⁹⁷ http://www.rhein-zeitung.de/region/hunsrueck_artikel,-Muellentsorger-leisten-gute-Arbeit-_arid,260842.html

⁵⁹⁸ compare

http://382168.forumromanum.com/member/forum/forum.php?action=ubb_show&entryid=1096059292&mainid=1096059292&USER=user_382168&threadid=1152532716

⁵⁹⁹ http://www.rhein-zeitung.de/region/hunsrueck_artikel,-RHE-senkt-erneut-die-Muellgebuehren-_arid,522600.html

⁶⁰⁰ compare <http://www.rh-entsorgung.de/de/Unternehmen/Wir-ueber-uns/Wir-ueber-uns.html>

⁶⁰¹ <http://www.rh-entsorgung.de/de/Unternehmen/Wir-ueber-uns/Wir-ueber-uns.html>

⁶⁰² http://www.rhein-zeitung.de/region/hunsrueck_artikel,-Muellentsorger-leisten-gute-Arbeit-_arid,260842.html

⁶⁰³ compare http://www.rhein-zeitung.de/region/hunsrueck_artikel,-RHE-senkt-erneut-die-Muellgebuehren-_arid,522600.htm; compare <http://www.rh-entsorgung.de/de/Unternehmen/Wir-ueber-uns/Wir-ueber-uns.html>

detailed analyses. This certainly is a success factor of this remunicipalisation. The economic expectations were met and the political objectives were achieved. Employees paid according to collective agreement, four fee reductions within six years and a high degree of customer satisfaction confirm the success of this model. In addition, it has been possible to increase the quality of the performance at the same time: *"Hence, Rhein-Hunsrück-Kreis has the lowest waste quota in the country and ranks in second place in respect of recycling."*⁶⁰⁴

5.2.6. Thurrock

*2003 – 2010:
Waste disposal and
recycling
outsourced*

Thurrock is an English unitary authority east of London with a population of about 160,000. At the beginning of 2002, the council put waste disposal and recycling out to tender. A private enterprise was awarded the contract and took over this service between 2003 and 2010.

*Audit:
recommend
splitting services
with next tender*

An audit took place in 2006, which examined the tender volume. The question arose, whether putting the services of waste disposal and recycling out to tender in one contract made sense. This did not necessarily prove to be the best solution: *"An Audit Commission report in 2006 recommended that Thurrock should consider new ways of procurement to enable better contract management and suggested breaking up the service into individual lots."*⁶⁰⁵ Not to put the services of the waste industry out to tender as a whole would have the advantage, that small regional companies would be able to participate was the reason given. In addition, the report recommended examining the retransfer of parts of waste disposal and recycling to the municipality.

*Services are put
out to tender
separately*

At the next invitation to tender, the council took the report's recommendation into account. Seven waste disposal and recycling services were put out to tender separately, whereby bidders were able to submit offers for several parts. Thurrock itself submitted an offer for collecting waste and recycling material and won the tender. Since June 2010, the council is again in charge of this task.

*Council takes over
waste and
recycling collection*

The council's motivation to take this step was pragmatic: *"waste is such a key front-line service with which the public identifies."*⁶⁰⁶ Based on this idea, Thurrock tried to provide a good range of services to ensure a high level of customer satisfaction: *"The council had to own its own service and recognise that it is providing a frontline service to residents by which the council measured. The in-house bid concentrated heavily on high quality standards with three types of bins collected each week. [...] Missed collection is something residents get annoyed about and it was important to us to make sure we got it right."*⁶⁰⁷

*Better quality of
performance*

⁶⁰⁴ compare http://www.rhein-zeitung.de/region/hunsrueck_artikel,-Muellentsorger-leisten-gute-Arbeit-_arid,260842.html

⁶⁰⁵ UNISON (2011), 35

⁶⁰⁶ UNISON (2011), 36

⁶⁰⁷ UNISON (2011), 35

But not only the service quality was enhanced, the recycling rate could also be improved. It rose from 38 percent to 50 percent. Meanwhile 50 percent of residual waste is used to produce energy, 25 percent are recycled and only 25 percent of waste is taken to the landfill. This is not only better for the environment, but it also greatly reduced landfill costs. By taking over waste disposal and recycling, Thurrock was able to save £ 2 million during the first year. *“The cost of collection hasn’t been reduced but the quality of service has improved for the same amount.”*⁶⁰⁸

Recycling quota increased

Due to the retransfer, Thurrock also has greater political scope again; it can better react to new developments and fulfil an environment-policy mandate. *“Having it in-house means we have flexibility of change and are not negotiating with a contractor. [...] Making any changes we need to make in response to new policies are much easier because we are talking to ourselves. [...] By insourcing the service the council has been able to redirect its workforce, to tackle the green policy issues that it faces.”*⁶⁰⁹

More flexibility through self-provision

Remunicipalisation was also positive for the employees. Their contract terms improved and uniform remuneration was implemented: *“Insourcing has provided a more realistic rationale for pay and grading”* and *“has allowed us to develop a more consistent pay structure.”*⁶¹⁰ This increased the motivation of employees.

Improvements for employees

Thurrock shows that there are various options for remunicipalisation. The option to insource whole service areas does not always exist. By breaking up waste disposal and recycling services, the council was able to take over those services, which it could actually fulfil. Even if the provision of several services produces synergy effects, municipalities have to consider their own performance ability. Only then good-quality services can be provided, which are satisfactory for all participants.

Efficiency of municipality must always be considered

5.2.7. Uckermark (Administrative district)

Uckermark was one of the first regions that took charge of its waste disposal again. In 1990/1991, the administrative district in north-east Germany with a population of about 122,000 concluded contracts for waste disposal in the region with a private company. In the following years, the company, based on this service, generated two-digit yields. The administrative district did no longer want to stand by and watch how a private company generated such profits based on a service, which was actually a public task. That is why the district council decided already in 2000 to terminate the contracts with the private company at the due date at the end of 2005 and to issue new tenders. Due to the fact that the tender did not attract a suitable offer, the administrative district re-municipalised waste disposal services in 2005. This resulted in the foundation of

Private company was able to generate large profits

2005: Remunicipalisation

⁶⁰⁸ UNISON (2011), 36

⁶⁰⁹ UNISON (2011), 36

⁶¹⁰ UNISON (2011), 36

Public operator
works cost
efficient

More employees,
reduced fees

Uckermärkische Dienstleistungsgesellschaft (UDG), which initially in 2006 took over collection and transport of household and bulk waste. The municipal provision of the service resulted in a number of positive effects, in particular in respect of cost efficiency. *"In spite of newly recruited employees who are paid according to collective agreement, the costs, incurred by the district, are significantly below those, which were incurred when the waste collection [...] was in private hands."*⁶¹¹ If in 2006, the company employed 48 full-time staff, the number of employees by 2010 had grown to 127.⁶¹² Parallel to this, it had been possible to reduce the fees. In the first year already, fees were reduced by 6.5 percent, which meant *"a noticeable relief for the people"*⁶¹³. By optimizing processes, fees could be reduced again on 1 January 2012.⁶¹⁴

Meanwhile, based on its satisfactory performance, *UDG* has extended its scope of services. In 2008 *UDG* took over the snow-plowing services in the region and set up a landfill site in 2012.

6. Public transport

6.1. Introduction

With regard to services of general interest, public transport occupies a special position, insofar as it is subsidised, independent of the form of organisation. In spite of this, in the context of liberalisation and privatisation some large private companies emerged that generate large profits in this sector. On overview shows how public transport is organised in Austria and Europe. Meanwhile, there is also a number of examples in this sector, which show that an increasing number of municipalities aim at taking over this service themselves again.

⁶¹¹ Tim Engartner, 2010: Das Comeback der Kommunen

<http://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0CD4QFjAB&url=http%3A%2F%2Fwww.axel-troost.de%2FserveDocument.php%3Fid%3D1193%26file%3D9%2F0%2Ff3c.pdf&ei=7iKnUpGoFcmmyQPJrYQBBQ&usg=AFQjCNG8pF4BQ7arMW18033MU8QYqSSwDg&sig2=8DQsrJMGaz9hs9pC9eJuFQ&bvm=bv.57799294,d.bGQ>

⁶¹² http://www.kf-land-brandenburg.de/kommunalpolitik/kopo_mai2010.pdf

⁶¹³ Tim Engartner (2010): Das Comeback der Kommunen, 14

<http://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0CD4QFjAB&url=http%3A%2F%2Fwww.axel-troost.de%2FserveDocument.php%3Fid%3D1193%26file%3D9%2F0%2Ff3c.pdf&ei=7iKnUpGoFcmmyQPJrYQBBQ&usg=AFQjCNG8pF4BQ7arMW18033MU8QYqSSwDg&sig2=8DQsrJMGaz9hs9pC9eJuFQ&bvm=bv.57799294,d.bGQ>

⁶¹⁴

http://www.uckermark.de/PDF/BR_125_2013.PDF?ObjSvrID=1897&ObjID=1137&ObjLa=1&Ext=PDF&WTR=1&_ts=1383115308,49

6.1.1. Liberalisation and privatisation within the public transport sector

Until the 1960ies, for most people public transport was the main way to get about. Due to the increase of private transport (by automobile), public means of transport have lost in importance. All over Europe, public rail and road transport made structure-based losses as it was often forced to also provide unprofitable services. Countries had to pay compensation or agree to these lines being discontinued.⁶¹⁵

Loss of importance compared to private transport

Beginning in the 1980ies, the market liberalisation was also driven forward in the public transport sector, which was to lead towards gradually awarding contracts to private providers. Once again, Great Britain adopted a pioneering role. In 1986 already, first steps were taken towards market liberalisation and bus transport was liberalised. Although this reduced operating costs, it also reduced the occupancy rate.⁶¹⁶ However, particular in commercially interesting routes with high occupancy rate one could see a significant price increase. *“In the history of privatization of local public transport, more often than not, the services provided were reduced dramatically and the prices saw steep increases”*⁶¹⁷ In the meantime, a number of public transport services in Great Britain, which in the hands of private operators are now back in the public sector.

Since the 1980ies: gradual market liberalisation

Price increases after privatisations

In Denmark, the regional administrative bodies began in 1994 to put public transport services out to tender. Particular problems occurred when the underground service in Copenhagen was privatised. The most cost-effective provider (*Combus*) was not able to maintain its offer and had to be rescued by the state. In Sweden too many concessions were awarded for short-distance public transport (ÖPNV). In the case of rail transport, the state-owned railway companies kept the lucrative routes between major cities, whilst the less lucrative or loss-making routes were outsourced to private enterprises. These sectors have to be supported with public subsidies.⁶¹⁸

6.1.2. The particularities of public transport

Public transport is of social importance as it provides people, who cannot drive or do not have a car (apart from disadvantaged groups this also includes minors and the elderly), with the only option of mobility and to participate in public life. Thus, it has an important social role: *“Public transport plays an essential role in enabling people from low income and other disadvantaged groups to access employment and services. It also contributes to the development of social networks and social capital, by helping people to visit friends and relatives and*

Special case ÖPNV: Possibility of mobility means opportunity to participate in public life

⁶¹⁵ compare ÖGPP (2008), 17

⁶¹⁶ compare ÖGPP (2008), 20

⁶¹⁷ EPSU (2012), 5

⁶¹⁸ compare ÖGPP (2008), 20f

must be subsidised
by the state in any
cases

take part in community and other social activities. [...] adequate public transport provision can play an important role in reducing social exclusion."⁶¹⁹

Another "particularity" of public transport is that it, independent of the form of ownership – hence, also in case of private performance – depends on public subsidies. Due to the small profit margins it is therefore not a very profitable service sector. Thus, in case of privatisations, private companies are therefore most interested in the few profitable routes. How much sense this makes for the municipality or the state remains questionable. However, a study, which has examined public transport in 23 European cities, comes to the conclusion that the quality of services provided by public operators is higher than those provided by private enterprises. Munich, Helsinki and Vienna are ranking in place one to three; all are in the public sector.⁶²⁰

6.1.3. Big players in the public transport sector

Major private ÖPNV
service providers
come from
France and Great
Britain

As in other sectors of services of general interest, there are also private enterprises in public transport, which dominate the global market, one of which is *Transdev*. In 2011, the company merged with the equally large private operator *Veolia Transport*. However, *Veolia* is currently only holding 40 of the shares; 60 percent are owned by *Caisse des Dépôts*, a state-owned financial institute in France. *Transdev* announced at the beginning of the year that they would sell some of the European transport sector. In May 2013, *DB Arriva* took over the Eastern European business, based on which it is expanding its market presence.⁶²¹

In 2010, *Arriva*, an originally British company, which provides bus and rail services, was taken over by *Deutsche Bahn*. Since then, the company operates in European regional transport under the name of *DB Arriva*. By taking over routes from *Transdev*, *Arriva* has increased its market share.

Keolis is an internationally operating French regional transport provider. It was formed in 2001 through a merger, in which also *SNCF*, the French state-owned Railway company held an interest. Meanwhile, *SNCF* hold shares of 70 percent; the other 30 percent are held by financial investors *Caisse de dépôt et placement du Québec*.

FirstGroup, *National Express Group* and *Stagecoach* are three British transport service providers. Their main operating area is in Great Britain, but all three are also active in North America; they also try to expand their sphere of influence also within Europe.

⁶¹⁹ Lethbridge (2008), 152

⁶²⁰ compare <http://www.eurotestmobility.com/eurotest.php?itemno=346>

⁶²¹ compare <http://www.privatbahn-magazin.de/blog/?tag=veolia-transdev>

Big Player in the public transport sector	
Transdev	France
Arriva	Great Britain
Keolis	France
ComfortDelGro	Singapore
FirstGroup	Great Britain
National Express Group	Great Britain
Stagecoach	Great Britain

Table 10: Big players in the public transport sector⁶²²

6.1.4. Public transport in Austria

The organisation of public transport in Austria has undergone a similar development to other European countries. At the beginning of the 20th century, private providers were gradually replaced by public operators (Bundesbahn, Postbus etc.), which dominate public transport to this day. Even though private service providers have not yet been able to gain a foothold in Austrian short-distance public transport (ÖPNV), the Liberalisation Directives at European level nevertheless had an impact on the organisation of this sector.

*Austria:
public operators
dominate*

The probably most dramatic turning point in the organisation of short-distance public transport in Austria was the entry of *Westbahn* in the Austrian market in December 2011, which was made possible by the liberalisation of rail transport. Admittedly, there had been ten private rail operators in Austria before this; however, these operated exclusively on local rail routes. However, with the entry of *Westbahn*, a private enterprise is directly competing with the state-owned operator *ÖBB* on a main route. The public often attributes the company to the Industrialist Hans Peter Haselsteiner, who, however, is only one of the shareholder. Shares are held by the technology firm *Augusta Holding AG* and France's state-owned railway company (*SNCF*). *Westbahn* ties in particular to compete with the public provider *ÖBB* on the route Vienna – Salzburg, one of Austria's most attractive rail routes. "In doing so, we close existing gaps in the public transport network and react to a thinning of the rail service"⁶²³, explained the then *Westbahn* chief executive Stefan Wehinger the entry on the route. Naturally, the private company was interested in the profitable route, whilst the public operator *ÖBB* has to continue to service the unprofitable routes. However, this is only a first step. It is the aim of *Rail Holding AG*, the parent company of *Westbahn*, to "establish a private rail and bus network for public transport in Central Europe."⁶²⁴

*Turning point:
Market entry or
Westbahn*

*Westbahn: Interest
in lucrative routes*

However, changes are also on the horizon for bus transport, where private providers increasingly offer their services. This is partly happening on behalf of

⁶²² compare Shibayama, Ieda (2011); compare Lethbridge (2008)

⁶²³ <http://wirtschaftsblatt.at/home/1213219/index>

⁶²⁴ <https://westbahn.at/unternehmen/ueber-westbahn/>

*Private companies
engage in bus
transport*

public transport services, such as in case of *Dr. Richard Busse* with *Wiener Linien*. The company operates about 200 routes in Lower Austria, Vienna, Burgenland, Styria, Carinthia and Salzburg.⁶²⁵

However, over the past decades public transport has lost in significance compared with private transport. This resulted in a reduction in the range of services, which hardly meets requirements. One person in every three considers public transport unattractive, which is above all because of bad connections (71%) and insufficient intervals (48%).⁶²⁶ An increased use of public transport can only be observed in urban areas, where the range of services matches requirements (such as in Vienna).

6.1.5. Remunicipalisation within the European public transport sector

*Only isolated
remunicipalisation*

There is currently no trend to detect towards remunicipalisation in public transport. However, this sector too experienced problems and dissatisfaction with the service in the context of privatisations, due to which there are isolated examples of retransfer.

Great Britain

So far, most retransfers have taken place in Great Britain. Price increases, poorer quality because of a lack of investment and finally the failure of private operators have led to the (partial) retransfer of underground and rail back into public responsibility.

Germany

In Germany, where in other sectors of services of general interest, numerous cases of remunicipalisation have taken place; public transport has so far almost escaped this trend. This is based on an ownership structure, which is strongly characterised by municipal issues. *"This applies in particular to municipal short-distance public transport using busses, trams, city railways and the underground."*⁶²⁷ Companies, which are mainly operated in form of a GmbH (Limited Liability Company), are to 100 percent or based on majority share in the ownership of municipalities. Privatised transport operators are *"predominantly in smaller towns or transport companies owned by administrative districts."*⁶²⁸ In the mid-1990ies, *Deutsche Bahn* was organised under private law, even though it remained fully owned by the state. The current development in rail transport is moving towards a complete opening of this sector. A new Railway Package at EU level (see Chapter *4th Railway Package*) drives privatisation forward. Hence, it remains to be seen, how developments between privatisation and Remunicipalisation will advance in future.

⁶²⁵ <http://www.richard.at/linienverkehr/>

⁶²⁶ Statistik Austria (2013): Umweltbedingungen, Umweltverhalten 2011

⁶²⁷ Libbe (2013), 30

⁶²⁸ Libbe (2013), 30

6.2. Real life examples of remunicipalisation

6.2.1. British Rail

The British railway system had been in private hands for 123 years until in 1948 the Labour government created the national railway *British Rail (BR)*. This decision was based on the conviction that *“future major long-term investments in rail transport will not be made by private enterprises that focus on short-term yield interests”*⁶²⁹. In view of the privatisation wave 45 years later, this argument was probably forgotten, as between 1994 and 1997, *British Rail*, under the Conservative government of John Major, was radically and fully privatised. Ironically, this was based on the motive to outsource the costs required for the necessary modernisation of rail operations to private companies. Apart from that *“the power of competition was to revive rail transport”*⁶³⁰ and the new market for rail services was to lead to more economic efficient and lower transport costs.

British rail organised by the state only since the 1950ies

1990ies: fully privatised

As a result *British Rail* was broken up and sold to private providers in individual tranches to avoid the direct transition from a state-owned to a private monopoly. Infrastructure (rails, tunnels, bridges, signalling systems etc.) was separated from services (passenger and goods transport) and individually put out to tender to private providers. In 1997, the Infrastructure was awarded to the private, listed enterprise *Railtrack (RT)*.⁶³¹ The operative side was awarded to a large number of providers: *British Rail* was fragmented into 106 single companies, from which more than 2,000 sub-contractors emerged, who were in charge of handling rail transport in Great Britain.⁶³²

Sale in several tranches

Over 100 companies in charge of operations

However, the consequences of the newly organised British Rail were disastrous. *“The need for subsidies increased, private investors could not be attracted without financial pledges by the government and passengers did by no means benefit from the promised entrepreneurial spirit.”*⁶³³ Travelling by rail became a chore for customers *“as the individual operators initially hardly coordinated their timetables; tariff systems became labyrinths.”*⁶³⁴ Rail ticket prices soared, delays became the norm and necessary investments in the infrastructure were not forthcoming, which meant the increasing decay of the British rail network. This resulted in more than 20 accidents with grave consequences – for example in Southall in 1997, Paddington in 1999 and Hatfield in 2000 – on the poorly maintained route, which overall claimed 42 fatalities and 700 injured⁶³⁵ The rail

Prices increased, lack of coordination between providers

Because of lack of investments several serious accidents – 42 fatalities

⁶²⁹ <http://www.zeit.de/2009/11/British-Rail>

⁶³⁰ <http://www.zeit.de/2009/11/British-Rail>

⁶³¹ compare <http://www.zeit.de/2009/11/British-Rail>

⁶³² compare <http://www.presse-text.com/news/20070901004>

⁶³³ <http://www.zeit.de/2009/11/British-Rail>

⁶³⁴ <http://www.zeit.de/2009/11/British-Rail>

⁶³⁵ compare <http://www.stern.de/wirtschaft/news/bahnprivatisierung-wie-andere-laender-es-gemacht-haben-596495.html>; <http://www.welt.de/print-welt/article436819/Neues-Zugunglueck-erschuettert-Grossbritannien.html>;

accident of Hatfield in 2000, in which four people died and 70 were injured, was finally reason for an intensive public debate on the future of the British rail system and seriously challenged the then operator. If there had still been any uncertainty, who had been responsible for the two previous rail accidents, the Hatfield accident did not leave room for doubt. *“Even though the crack at the railhead, which had caused the accident, had been known for months, no repairs had been carried out as Network Rail Infrastructure Ltd., sub-contractor Balfour Beatty, which had been instructed with maintenance and the construction company Jarvis Fastline, whose responsibility was to carry out renewal measures got tangled up in more and more competence and financial disputes.”*⁶³⁶ The accident had long-term effects: in the wake of the accident and due to the poorly maintained infrastructure, the admissible speed limit for trains was massively reduced. Two months after the accident, more than 55 percent of all passenger trains in Great Britain were delayed. However, delays in rail transport had been on the agenda before. A calculation from 2005 showed that the total sum of all delays since privatisation would span 11,000 years.⁶³⁷ The excuses provided by the company for the delays could only be described as bizarre: *“On one occasion [...] the wrong kind of sun was at fault, on another occasion ‘leaves on the tracks were to blame, not to mention ‘shadows on the tracks’ or ‘playing children’.”*⁶³⁸

Many trains
delayed

Network operator
insolvent in spite
of state subsidies

After the Hatfield accident, the number of passengers fell by a quarter and the financial situation of the *Railtrack* Consortium worsened. Although – or maybe because of the fact that – *Railtrack* paid dividends of £ 700 million between 1996 and 2001, the company was unable to cope financially with the investment volume required for maintaining the networks. Public subsidies were demanded to avert insolvency. However, even the subsidies of the British government could not help in the long-run. *“In 2001, the huge expenses, which Railtrack had to bear because of the accident and the escalating costs for extending the West Coast Line, finally led to the insolvency of the infrastructure corporation.”*⁶³⁹ *Railtrack* was taken over by the non-profit oriented, public company *Network Rail* for just under £ 500 million. *“Whilst the operating companies remained in the private sector and the large train leasing companies are now in the hands of banks”*⁶⁴⁰, the infrastructure operator was nationalised again. *Network Rail* is obliged to invest all profits generated by user fees into the further development of the infrastructure.⁶⁴¹ The investment volume has increased in the years since the takeover, as many investment gaps had to be filled. The annual investment costs are about £ 5 billion which is a huge increase compared to the period

Infrastructure is
nationalised

<http://www.tagesspiegel.de/weltspiegel/zugunglueck-in-Great-Britain-mindestens-vier-todesopfer/172548.html>

⁶³⁶ <http://www.zeit.de/2009/11/British-Rail>

⁶³⁷ compare <http://www.zeit.de/2009/11/British-Rail>; compare <http://textarbeit.net/bahn.htm>

⁶³⁸ <http://www.zeit.de/2009/11/British-Rail>

⁶³⁹ Blankart, Engelke, 317

⁶⁴⁰ <http://www.zeit.de/2009/11/British-Rail>

⁶⁴¹ compare Merkert (2005) , 16–30; compare <http://news.orf.at/stories/2110171/2110878/>

before and during privatisation: *“At £ 2.2 billion, the government expenses for the rail during 1992/93 reached their peak in the period prior to privatisation. At one to two billion, the costs after privatisation remain fairly constant – however, costs exploded after 2001, reaching £ 6.3 billion in 2006”*⁶⁴² and about four billion in 2011. A comparison between countries reached the conclusion that rail transport costs the British government about 30 percent too much even though an *“efficient gap” of 40 percent compared to other European rail systems*⁶⁴³ could be established.

Government had to pay for investment deficits

To this day, British rail transport is one of the most expensive in Europe; some would say it is even the most expensive in the world. Over the past years, the price increase for rail tickets was frequently above the rate of inflation.⁶⁴⁴ Hence, it is no surprise that wish in the population for complete nationalisation of the British rail sector is overwhelming: *“A survey in London established [...] that 95 percent of all residents would support the nationalisation of the entire rail.”*⁶⁴⁵

One of the world's most expensive rail networks for customers

The privatisation of British Rail has shown that private enterprises, in particular *Railtrack*, *“attached more importance to profit maximisation and profit distributions to their shareholders than renewing the infrastructure.”*⁶⁴⁶ The expectations attached to privatisation were far from being fulfilled; on the contrary, the solution for government and customers must have been one of the most expensive, as several *“cost accounts came to the conclusion that restructuring and overhauling the rail by the public sector would have been significantly more cost effective.”*⁶⁴⁷ However, even in the current situation there is still something to be said for nationalising British Rail. A current study, estimates that renationalisation would save the government £ 1.2 billion p.a.⁶⁴⁸

6.2.2. Kieler Verkehrsgesellschaft

Kiel is the capital of the German Federal State of Schleswig-Holstein with a population of about 240,000. After the city had privatised *Kieler Wohnbau Gesellschaft* in 1999 and *Kieler Stadtwerke* in 2000, it also sold 49 percent of *Kieler Verkehrsgesellschaft (KVG)* to *Norddeutsche Busbeteiligungsgesellschaft (NBB)* in 2003.⁶⁴⁹ *Hamburger Hochbahn AG*, Verkehrsbetriebe Hamburg-Holstein,

*2003:
In the context of a privatisation wave short-distance public transport was also partly privatised*

⁶⁴² <http://news.orf.at/stories/2110171/2110878/>

⁶⁴³ <http://news.orf.at/stories/2110171/2110878/>

⁶⁴⁴ compare <http://www.guardian.co.uk/commentisfree/2012/mar/10/rail-privatisation-failed-nhs?newsfeed=true>; compare <http://news.orf.at/stories/2110171/2110878/>

⁶⁴⁵ <http://www.welt.de/wirtschaft/article4084137/Das-Mutterland-der-Privatisations-schwenkt-um.html>

⁶⁴⁶ <http://news.orf.at/stories/2110171/2110878/>

⁶⁴⁷ <http://www.taz.de/?id=digitaz-artikel&ressort=me&dig=2007/09/22/a0107>

⁶⁴⁸ compare <http://news.orf.at/stories/2110171/2110878/>

⁶⁴⁹ compare

<http://www.taz.de/1/archiv/digitaz/artikel/?ressort=na&dig=2008%2F05%2F07%2Fa0011&cHash=f43b248eff>

Sales price far
under value

Pinneberger Verkehrsgesellschaft and Kiel-based *Vineta Verkehrsgesellschaft* have among other also a share in *NBB*.⁶⁵⁰ The sales price was only EUR 12,450.⁶⁵¹ The objective of the partial privatisation was to provide *KVG* with a strategic partner with private know-how to be able to hold its own against the competition.

Ownership
structure demands
Europe-wide
tendering

However, the Public Private Partnership came quickly under criticism. The trade union *Ver.di* already criticised it in 2006 and demanded a repurchase of the shares: “*The privatisation of public services is always accompanied by poorer working conditions and salaries*”⁶⁵² In fact, a short time later the complete repurchase was also demanded by the political sector as *Kieler Verkehrsgesellschaft*, due to the new ownership structure on 1 January 2011, would have had to face up to a Europe-wide tender of public transport in Kiel. It was expected that *Kieler Verkehrsgesellschaft* would have lost to other providers, which would have meant the loss of about 560 jobs. However, the City’s full ownership of *KVG* would make tendering superfluous.⁶⁵³ The red-green majority in the city council therefore decided the complete repurchase of the privatised shares, which was supported by the CDU Governing Mayor.⁶⁵⁴ Finally, in 2009 *Kieler Verkehrsgesellschaft* was re-municipalised. However, the repurchase proved to be expensive for the city as one had to pay many times over the original sales price – more than a million euros.⁶⁵⁵

Repurchase to
secure jobs

Purchase price
many times over
the original sales
price

Repurchase at the
expense of
employees

The repurchase price was definitely a burden for the city budget, which is why the “*Kiel economists [...] considered saving EUR two million with regard to personnel costs inevitable*”⁶⁵⁶. “*Without reduced personnel costs [...], the KVG would make long-term losses.*”⁶⁵⁷ In fact, remunicipalisation became only possible because a compromise was reached with the staff. “*With a one-off payment of several million euros, the city bought the agreement*”⁶⁵⁸ of employees “*to waive*” holiday allowances and bonus; in return they were given a job guarantee until 2020.⁶⁵⁹

⁶⁵⁰ compare <http://www.kn-online.de/Lokales/Kiel/KVG-Rueckkauf-mit-Verspaetung>; compare <http://www.kn-online.de/Lokales/Kiel/KVG-auf-schwierigem-Kurs>

⁶⁵¹ compare <http://www.kn-online.de/Lokales/Kiel/Rot-Gruen-freut-sich-ueber-100-Percent-KVG>
⁶⁵²

<http://www.taz.de/1/archiv/digitaz/artikel/?ressort=na&dig=2008%2F05%2F07%2Fa0011&cHash=f43b248eff>

⁶⁵³ compare <http://www.kn-online.de/Lokales/Kiel/Rot-Gruen-freut-sich-ueber-100-Prozent-KVG>; compare

<http://www.taz.de/1/archiv/digitaz/artikel/?ressort=na&dig=2008%2F05%2F07%2Fa0011&cHash=f43b248eff>

⁶⁵⁴ compare <http://www.taz.de/!29838/>

⁶⁵⁵ compare <http://www.kn-online.de/Lokales/Kiel/Rot-Gruen-freut-sich-ueber-100-Prozent-KVG>

⁶⁵⁶ <http://www.taz.de/!29838/>

⁶⁵⁷ <http://www.taz.de/!29838/>

⁶⁵⁸ <http://www.kn-online.de/Lokales/Kiel/Rot-Gruen-freut-sich-ueber-100-Prozent-KVG>

⁶⁵⁹ compare <http://www.taz.de/!29838/>

Prior to remunicipalisation, the focus was also on the revenue for the municipality resulting from the retransfer. Based on the reintegration of *Kieler Verkehrsgesellschaft*, 100 percent of revenue generated by ticket sales would now be fully absorbed by the city. However, at the same time, one can once again exert more direct influence on KVG's tariff policy. Tickets for people on low income do not have to be cross-subsidised, but can be offered directly.

Tariff policy back in the public sector

On the insistence of SPD, Greens and SSW⁶⁶⁰, Kiel also re-municipalised the city's waste collection a few years later, on 1.1.2012. Finally, the Left and the FDP also approved the proposal. Based on this, the parties hope to be able to keep fees stable and to create adequately paid and safe jobs in the public sector.⁶⁶¹ Resistance against this decision came from the CDU, which considered the integration of private operators in waste disposal to be successful and worried that remunicipalisation would mean an increase in fees for customers.⁶⁶² As by deciding on retransfer one opts out of a tender, which would have resulted in a favourable solution based on competition.⁶⁶³

2012: Waste collection re-municipalised

Currently, against the background of the expiring concession contract in 2016, discussions on the remunicipalisation of *Stadtwerke Kiel* are also going on.⁶⁶⁴ The city currently only holds a minority share of 49 percent; the majority shareholder with 51 percent is *MVV Energie AG*.⁶⁶⁵

In Discussion: Remunicipalisation of Stadtwerke

6.2.3. London Underground

The *London Underground* (also called Tube) is the world's oldest underground. With a length of 402 km it is the third largest underground network worldwide. In the financial year 2012/13 it was used by 1.17 billion people.⁶⁶⁶ However, the London Underground is not only a success story, as the impressive figures might suggest. It is also a prime example for a failed Public Private Partnership.

London Underground example for failed PPP

The London Underground was partly privatised in 2013. This decision was driven forward by the then Prime Minister Tony Blair and his chancellor, the future Prime Minister Gordon Brown. Especially the latter regarded the partial privatisation of the London Underground as a prestige project, which he pushed

⁶⁶⁰ SSW is the South Schleswig Voters' Association, "*the political representation of Danish and Frisian minorities in the region of Schleswig*." (<http://ssw-kiel.de/kiel/de/ssw-kiel/ueberuns.php>)

⁶⁶¹ compare <http://www.spd-net-sh.de/kiel/ratsfraktion/index.php?mod=article&op=show&nr=11232>

⁶⁶² compare <http://www.cdu-wik.de/index.php/CDU-OV-Wik-Projensdorf/Inhalte/Aktuelles-Presse/Archiv/Rekommunalisierung-der-Muellabfuhr-kann-Gebuehrenzahler-teuer-zu-stehen-kommen>; compare <http://cdu-kiel.cdu-sh.de/CDU-KV-Kiel/Inhalte/Aktuelles-Presse/Archiv/Rekommunalisierung-ist-der-falsche-Weg>

⁶⁶³ compare <http://cdu-kiel.cdu-sh.de/CDU-KV-Kiel/Inhalte/Aktuelles-Presse/Abonnierte-Inhalte/Rot-Gruene-Rechenkunststuecke-gehoeren-in-den-Muell>

⁶⁶⁴ compare <http://www.who-owns-the-world.org/2010/01/11/folien-Rekommunalisierung/>

⁶⁶⁵ compare http://www.stadtwerke-kiel.de/index.php?id=unternehmen_konzernaufbau

⁶⁶⁶ compare <http://www.tfl.gov.uk/assets/images/general/lu-performance-report-period-12-2012-13.pdf>

2003:
Part privatisation
of the
Underground as
prestige project

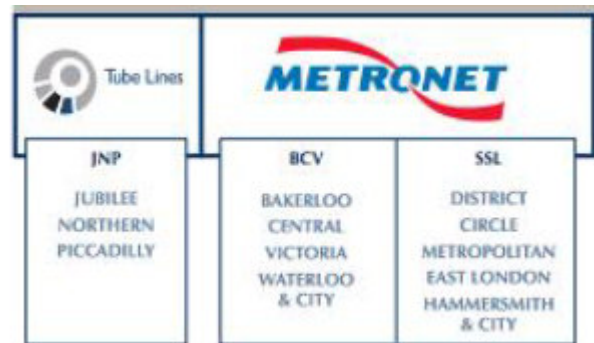
through without the approval of the approval of the then London Mayor Ken Livingstone. “*The tube PPP was one of the ideological cornerstones of Gordon Brown’s tenure as chancellor, when he drove through the programme in the face of vociferous opposition from Mayor Ken Livingstone.*”⁶⁶⁷ Based on previous privatisation experiences in Great Britain another privatisation in the style of Thatcher could no longer have been justified. That is why one decided in favour of a PPP model. The overriding objective was “*not to have to finance the lack of investments in the public infrastructure, which had been going on for decades, from public funds alone.*”⁶⁶⁸

Operation:
municipal

The operative business remained in the hands of the municipal, public corporation *Transport for London (TfL)* and the *London Underground*. Infrastructure, station and trains were sold to two private bidder consortiums –

Infrastructure: two
private
consortiums

Metronet and *Tube Lines*. In 2004, the ownership was transferred to both consortiums for a Concession period of 30 years.⁶⁶⁹



Metronet was a consortium, which had been especially set up for this PPP project. It consisted of five partners:

Thames Water (the privatised London (waste) water company), *EdF* (one of the world’s largest energy companies), *Balfour Beatty* (English infrastructure group), *WS Atkins* (English engineering consultancy) and *Bombardier* (one of the largest wagon and locomotive manufacturers worldwide).⁶⁷⁰ The other consortium, *Tube Lines*, consisted of the two construction companies Amey (Ferrovia) and Bechtel. Whilst Tube Lines was responsible for three Underground lines, Metronet took over nine lines and was according to the PPP contract obliged to overhaul the major part of the Underground network. The plan was that the consortium would invest £ 17 billion (EUR 25 billion) in overhauling the lines over the term of the contract. In return, *Metronet* received monthly payments from the Underground operator *London Underground*. The revenue from the operative business was to be divided between various contracting parties. The public *TfL* virtually took lodgings with the private providers.⁶⁷¹ Hence, London Underground was divided into four companies: two under the control of *Metronet*, one of *Tube Lines* and one of the public *TfL*.

⁶⁶⁷ <http://www.guardian.co.uk/business/2007/aug/24/politics.transportintheuk1>

⁶⁶⁸ <http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/grossbritannien-skandal-um-londoner-untergrundbahn-1464182.html>

⁶⁶⁹ compare Williams (2010), 2

⁶⁷⁰ compare <http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/grossbritannien-skandal-um-londoner-untergrundbahn-1464182.html>

⁶⁷¹ compare Williams (2010), 1–3

However, running the operative business soon threw up serious problems: increased ticket prices, delays, technical problems and derailments were a daily occurrence. The PPP contract also caused difficulties in itself, as over time renegotiations resulted in numerous changes compared to the original tender. These were mainly at the expense of the public sector.⁶⁷² It was difficult for those responsible in the public sector to monitor the construction of the Public Private Partnership, in particular with the large Metronet consortium consisting of five partners, because *“Transport for London and London Underground did not have enough information about project performance to provide oversight and control over the PPP consortiums activities.”*⁶⁷³

Renegotiations of contracts at the expense of the public sector

Metronet filed for bankruptcy in 2007. The payments by *London Underground* exceeded the invested renovation costs. *“Critics accuse Metronet of having awarded sub-contracts at too high a cost to the sister companies of the consortium members. [...] Metronet fights back and accuses London Underground of bursting the budget with additional renovations.”*⁶⁷⁴ As a result, the British government has to contribute £ 2 billion to pay *Metronet’s* debt and to guarantee the operative service.⁶⁷⁵ On 27.5.2008, the shares of *Metronet* were to 100 percent retransferred to *TfL*.⁶⁷⁶ In 2010, the other private operator *Tube Lines* also went bankrupt. *“Tube Lines initially wanted £6.8 billion (later reduced to £5.75 billion) for a major programme of renewal on the Piccadilly and Northern Lines, and the arbiter has only granted the company just under £4.4 billion [...]. This shortfall caused the Tube Lines consortium to go bankrupt.”*⁶⁷⁷ *London Underground* repurchased the shares of *Tube Lines* for a sum of £ 310 million.

2007: Private operator insolvency, public sector comes to the rescue

2010: Second operator insolvency

Even though, the new Conservative Mayor Boris Johnson called the deal *“excellent news for London”*⁶⁷⁸, the costs for the repurchase, however, still prove to be a burden on the finances of the public operator.

Costs for repurchase burden City to this day

7. Other service sector industries

Privatisation and subsequent remunicipalisation did not only occur in the four major sectors energy, water, waste and public transport, but also in a wide range of other service sectors. The following examples shall be representative for a number of other services. Many municipalities are taking over tasks, which are

⁶⁷² compare Williams (2010), 2

⁶⁷³ Williams (2010), 7

⁶⁷⁴ <http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/grossbritannien-skandal-um-londoner-untergrundbahn-1464182.html>

⁶⁷⁵ compare [http://www.inthenews.co.uk/news/transport/govt-in-2bn-metronet-bail-out-\\$1197787.htm](http://www.inthenews.co.uk/news/transport/govt-in-2bn-metronet-bail-out-$1197787.htm)

⁶⁷⁶ compare <http://www.tfl.gov.uk/static/corporate/media/newscentre/archive/8376.html>

⁶⁷⁷ Williams (2010), 3

⁶⁷⁸ http://news.bbc.co.uk/2/hi/uk_news/Great Britain/london/8669823.stm

not necessarily part of the core area of public services, mainly because they are able to provide better quality services.

7.1. Cemetery maintenance: Göttingen

*1975:
Cemetery
maintenance in
Göttingen
outsourced to
garden centre*

*Cost comparison:
savings potential
with in-house
provision*

*2000:
Remunicipalisation*

In 1975, due to the cramped situation of the other municipal cemeteries, Göttingen, a city with a population of 120,000 in Lower Saxony, created a new municipal cemetery in the district of Junkerberg. Right from the start, the maintenance of the ca. 21 hectare cemetery was outsourced to the local garden centre, which performed this task satisfactorily.⁶⁷⁹ However, on expiry of the contracts the then responsible head official suggested a cost comparison to establish possible saving potentials. The comparison resulted in the fact that maintaining the cemetery in-house would save costs of DM 130,000 (ca. EUR 66,000).

Since spring 2000, the maintenance of the cemetery is back with the municipality. This meant the creation of three permanent jobs with the municipality. The posts were filled with two employees, whose jobs had been cut at the garden centre. In addition, three seasonal workers were recruited.⁶⁸⁰

7.2. Industrial cleaning

7.2.1. Bremen

*Outsourcing:
falling number of
employees in the
public sector*

*Re-thinking in
Bremen –
Establishment of
public-law
institution*

In Bremen, industrial cleaning of public buildings had been outsourced to private companies for many years. Against the background of the falling number of employees in the public sector – between 1991 and 2008, the number in Germany fell from 6.7 to 4.5 million employees – Bremen began to rethink the issue. Outsourcing should no longer reduce the number of people working in the public sector. “Safeguarding jobs and a noticeable cost reduction”⁶⁸¹ was the motive for setting up *Immobilien Bremen*, a public law institution. It was created through a merger of *Gesellschaft für Bremer Immobilien, Gebäude und Technik Management Bremen* and *Facility Management Bremen* and is a multi-branch enterprise, which offers the business fields “real estate, construction, caretaker and cleaning service, central procurement, hiring and other services [...] related to the property and beyond”⁶⁸². The transition into a public-law institution alone enabled a saving of EUR 1.3 million p.a. in VAT.⁶⁸³ Further savings potential is provided by synergy effects, which can be achieved between individual branches.

⁶⁷⁹ <http://www.goettingen.de/staticsite/staticsite.php?menuid=1334&topmenu=1322>

⁶⁸⁰ Anfrage an den Fachdienst Friedhöfe der Stadt Göttingen

⁶⁸¹ <http://www.heise.de/tp/artikel/32/32172/1.html>

⁶⁸² <http://www.immobilien.bremen.de/sixcms/detail.php?gsid=bremen02.c.730.de>

⁶⁸³ compare <http://www.heise.de/tp/artikel/32/32172/1.html>

Meanwhile *Immobilien Bremen* is in charge of about 1,800 buildings, among them the Town Hall, police stations, schools, day nurseries and sport facilities.⁶⁸⁴

7.2.2. Islington

The London Borough of Islington is a district in London with a population of about 210,000. In September 2010, the Islington Council's Executive decided not to renew the contract for industrial cleaning with the private operator and instead to provide the service as owner-operated municipal enterprise. The objective of remunicipalisation was to make Islington to a socially fairer place by improving the wages of its staff. Islington is one of the most deprived areas in Great Britain with a high proportion of child poverty, single parents and people on minimum wage.

2010:
*Industrial cleaning
re-municipalised*

*Fair payment of
staff*

A significant drive towards re-municipalising industrial cleaning were the costs of outsourced services: *"It costs money to manage an external contract. Both sides will have a contract manager, and the council ends up paying for both. One advantage of bringing it back-in-house is that the council can save both of these costs."*⁶⁸⁵ The savings achieved through remunicipalisation provided the Council with the option *"to pay the staff a better wage, improve the service and generate efficiency savings."*⁶⁸⁶ In particular the wages paid by the private company to its staff caused resentment. The workers were employees of the private enterprise or temporary workers, whose employment contracts neither included permanent employment nor the right to sick leave and who were paid below the London Living Wage⁶⁸⁷. At the time of remunicipalisation in 2010, the London Living Wage was £ 7.85 (currently £ 8.55)⁶⁸⁸ per hour. Upon the retransfer, the Council offered workers a contract, which guaranteed *"London Living Wage and local authority terms and conditions"*⁶⁸⁹. In doing so, the Borough wants to contribute to reducing the risk of poverty and to set a good example.

Raising wages did not only have an impact on people's living conditions. It also led to increased motivation and improved productivity. *"Good public services depend on front-line staff who are well motivated and the fact that we have saved money on this service while paying our cleaners a living wage shows that in-sourcing can save money for local taxpayers as well as being fairer to staff."*⁶⁹⁰

*Pay increase –
improved
motivation and
productivity*

In order to provide as many people as possible with the opportunity to earn their own living, the Council has set up a special data pool, which is aimed at people

⁶⁸⁴ compare <http://www.immobilien.bremen.de/sixcms/detail.php?gsid=bremen02.c.730.de>

⁶⁸⁵ UNISON (2011), 26

⁶⁸⁶ UNISON (2011), 27

⁶⁸⁷ A "living wage" is a wage that safeguards a person's existence. The level of this living wage is based on the living conditions of the respective country or region.

⁶⁸⁸ <http://www.livingwage.org.uk/>

⁶⁸⁹ UNISON (2011), 26

⁶⁹⁰ UNISON (2011), 27

*Data pool:
Considering people
who are excluded
from the labour
market*

who otherwise would be excluded from the labour market. People can register on a platform and will be considered at short notice for the periods they specified. This gives mother, who, due to care responsibilities would hardly have any chance in the labour market, the opportunity to earn an extra income.

*Success led to
further
remunicipalisation*

The Londoner Borough of Islington has drawn the following conclusion from the remunicipalisation of industrial cleaning: *"It is possible to respect employment rights and pay a decent living wage to cleaning staff and have a cost effective and high quality service."*⁶⁹¹ In 2012, due to its success, Islington also re-municipalised waste collection, recycling and street cleaning, which had been outsourced to the private company *Enterprise*. Islington Council expects that this will significantly reduce cost for providing this service *"while maintaining a high-quality service and improving terms and conditions for staff, who would earn the London living wage."*⁶⁹² The expected cost reduction is estimated at £ 3 million by 2014.

7.3. Green space maintenance: Nuremberg

Nuremberg, with a population of ca. 500,000 Bavaria's second largest city, had since the mid-1990ies – within the scope of a cost saving initiative – outsourced the maintenance of parks to private companies.

*Pilot project:
The maintenance
of parks in a part
of the city has
been re-
transferred*

However, it soon *"became clear that outsourcing to private enterprises entails a high degree of administrative support and costs in respect of quality control and tender procedures."*⁶⁹³ Thus, following a unanimous decision, the maintenance of green spaces in the southern part of Nuremberg was retransferred in a pilot project by the responsible municipal division in 2007.⁶⁹⁴ *"The objective was to provide green space maintenance with own personnel at at least the same costs as for outsourcing these services. Apart from that, maintenance should be provided in a more targeted, flexible, need-based and qualitatively improved manner."*⁶⁹⁵ As confirmed by Environmental Mayor Gsell (CDU), the main targets of remunicipalisation were *"not savings alone, but [...] quality improvements without additional costs."*⁶⁹⁶ To test the potentials of in-house provision, one initially determined a trial period of 3 years.

*Target: improving
quality without
additional costs*

⁶⁹¹ UNISON (2011), 28

⁶⁹²

http://www.islingtongazette.co.uk/news/taking_waste_services_in_house_will_save_islington_3m_1_1443876

⁶⁹³ CCRE (2008), 46

⁶⁹⁴ compare CCRE (2008) sowie http://kommunaladministration.verdi.de/themen/rekommunalisierung/nuernberg_gartenbaubetrieb

⁶⁹⁵ Unterlage des Werkausschuss der Stadt Nürnberg, 1

⁶⁹⁶ http://kommunaladministration.verdi.de/themen/rekommunalisierung/nuernberg_gartenbaubetrieb

The project's development was so positive during the first years that in 2010 it was extended to the northern area of the city. At the same time, the municipality took over large parts of the snow clearing and gritting service as the performance of external companies became increasingly poorer. This move created 32 jobs. Basis for the success of the project was in particular a new service agreement, which, due to flexible working hours *"enabled efficient personnel placement, which was based on the task."*⁶⁹⁷ As far as possible, all tasks are carried out need-based. *"For example grass cutting was postponed due to district festivals or other events or because of rain and additionally required mowing was carried out without a problem. Additional cleaning of much frequented spaces could be carried out in good weather, whilst the intervals during bad weather periods were prolonged. [...] Hence, maintenance work could be carried out far more need-based than previously when this task was performed by external companies."*⁶⁹⁸

After proving to be successful, another part of the city was also re-transferred

Apart from these qualitative improvements, the remunicipalisation of green space maintenance also has a positive economic effect. The cost advantage compared to outsourcing in the southern district during the first five years alone amounted to EUR 554,660. In addition, the pilot project in the northern area of the town was able to generate a cost advantage of EUR 183.680 during the first two years.⁶⁹⁹

Based on this success, Nuremberg is already contemplating the next remunicipalisation. In view of the price increases for maintaining roadside verges, one is currently investigating whether insourcing this work would not be more cost-effective than outsourcing.

7.4. Stress test analysis: Hanover

In 2005 (under SPD-Governing Mayor Herbert Schmalstieg), all internal services of the municipality were subjected to an efficiency audit in Hanover, the capital of Lower Saxony with a population of 526,000. Apart from price, the audit also covered criteria such as quality, management and corporate culture. The objective was *"to compare municipal services directly with private providers by abolishing the obligation of municipal departments to employ municipal service providers [...]"*⁷⁰⁰ Overall, 150 tasks were found, which could also be transferred to private companies. The audit was carried out on the basis of a criteria catalogue, which was controlled by *Price Waterhouse Cooper*. Initially, five pilot areas were audited, whereby in four, the municipal provision of services was more economic than services rendered by private companies. *"What had been*

⁶⁹⁷ Unterlage des Werkausschuss der Stadt Nürnberg, 4

⁶⁹⁸ Unterlage des Werkausschuss der Stadt Nürnberg, 5

⁶⁹⁹ Unterlage des Werkausschuss der Stadt Nürnberg, 6

⁷⁰⁰ Schrade (2013), 110

conceived as a platform for a comprehensive privatisation of municipal services, turned out to be a starting shot for a broad remunicipalisation debate in the end."⁷⁰¹

2005:
Bearing stress test analysis

One of the initially audited services was stress test analysis in the area of building regulations where many tasks had already been outsourced to private companies. However, the audit showed that this agreement was more expensive in the long-run, as if the city had put this task into municipal hands. As a result, in 2008 two stress analyst positions were created and filled and a third one soon after. There will be some contracts awarded to private companies in future but *"more to absorb labour peaks"*⁷⁰²; normal operations shall be carried out by municipal test stress analysts. Employing municipal stress analysts lowers the city's costs by 30 percent. The calculation is actually quite simple. Property developers require the stress analysis certificate to obtain planning permission. This work has to be paid according to the schedule of fees. Conclusion: *"If stress test analysts are employed, they probably generate EUR 30,000 each, whereby their salaries have already been deducted."*⁷⁰³

2008:
Audit shows: in-house provision 30% cheaper

Further remunicipalisation in technical sector

Hanover has implemented additional remunicipalisation in the technical sector as one has made the experience that this move is very profitable. Hence, a remunicipalisation project was started in facility management (building refurbishment, new buildings), where four permanent structural engineer positions were created. *"The cost advantage of this in-house variant for reference projects was 5.2 % and has even increased since then."*⁷⁰⁴ By remunicipalising two engineer and one draftsman position, about EUR 130,000 p.a. could be saved in civil engineering. The maintenance of fire extinguishers was transferred to the professional fire and Rescue services. And half a position could be created in the area of soil testing, which led to an annual saving of EUR 10,000. Further remunicipalisation is planned. *"Overall one can say that finding remunicipalisation potentials is a permanent task [...]."*⁷⁰⁵

7.5. Rescue services

7.5.1. Oberberg (Administrative district)

Rescue services in Germany are – similar to Austria – characterised by a mix of public bodies, private associations and private firms. The legal regulation with regard to organising rescue services is subject to the competency of the federal states. In all cases, the services provided are financially reimbursed via social insurance. Historically, three models of reimbursing rescue services have

⁷⁰¹ Schrade (2013), 113

⁷⁰² http://publik.verdi.de/2007/ausgabe_08/gewerkschaft/regional/seite_7/A3

⁷⁰³ http://kommunaladministration.verdi.de/themen/rekommunalisierung/hannover_-_pruefstatiker

⁷⁰⁴ Schrade (2013), 114

⁷⁰⁵ Schrade (2013), 114

developed: funded directly by the local authority, concession models (with direct payments of social insurance to rescue services) and submission models (rescue services are paid by the municipalities, which in turn can assert their claims against social insurance).⁷⁰⁶ According to an ECJ ruling (29.4.2010), models of submission are subject to a Europe-wide obligation to invite tenders.⁷⁰⁷ Many municipalities reacted by (re)integrating rescue services in local authorities to avoid Europe-wide tenders. It was feared *“that a tender in the long-term would have a negative effect on the quality of rescue services, as the respective (Europe-wide) providers of rescue services would influence expenses exclusively via personnel costs.”*⁷⁰⁸ However, achieving cost reductions via cutting back on personnel costs, which amount to 80 percent of the overall rescue services costs, cannot be in the interest of municipalities. At the same time, whilst they are employees of administrative districts, working in companies managed by the community, they would have to fear for their jobs every four to six years when new tenders are due.

Rescue services: submission models subject to compulsory tender (since 2010)

Remunicipalisation to avoid tender

In the context of the debate on the obligation to invite tenders in case of submission models in rescue services, many German cities decided to remunicipalise their services.⁷⁰⁹ This was to ensure the future quality of rescue services and to preserve the traditional link with aid organisations (in particular in civil protection).⁷¹⁰ Avoiding high tender-related costs was an additional motive of communities to opt for remunicipalisation⁷¹¹, in particular *“as municipalisation does not incur any additional costs for the district, as operating the rescue services is fully refinanced through rescue service charges.”*⁷¹²

Many German communities have municipalised rescue services

The administrative district of Oberberg in the German Federal State of North-Rhine Westphalia with a population of 280,000 is an example for a finalised remunicipalisation of the rescue services. In 2011, feared quality losses through tendering led to municipalisation. A CDU-led majority decided in favour of this

Obernberg 2011: Municipalisation based on feared loss of quality

⁷⁰⁶ compare Verdi (2010)

⁷⁰⁷ compare Deutsches Vergabernetzwerk (2010)

⁷⁰⁸ <http://rettungswache1993.blogspot.co.at/2010/11/rekommunalisierung-des-rettungsdienstes.html>

⁷⁰⁹ However, some municipalisation attempts have failed. For example in the administrative district Spree-Neiße, where a Conservative majority pushed through a European tender in the district council and rescue services will be provided by a private company in future. (compare <http://cottbus.verdi.de/presse/pressemitteilungen/++co++05a9c244-6064-11e3-8de2-52540059119e>)

⁷¹⁰ compare <http://www.berliner-zeitung.de/archiv/urteil-fuehrt-zu-preiskampf-und-lohndumping--kommunen-sehen-katastrophenschutz-gefaehrdet-bei-den-rethern-schrillen-die-alarmglocken,10810590,10945296.html>, <http://www.fr-online.de/wirtschaft/rechtungsdienste-alarmstimmung-bei-den-rethern,1472780,8707460.html>, <http://www.ruhrnachrichten.de/lokales/castrop/Verdraengt-der-daenische-Konzern-Falck-das-DRK;art934,898601>

⁷¹¹ compare <http://www.snpc.de/wp-content/uploads/Rettungsdienst-unter-kommunalem-Dach-FvK-Unternehmerin-kommune-M%C3%A4rz-2011.pdf>

⁷¹² <http://rettungswache1993.blogspot.co.at/2010/11/rekommunalisierung-des-rettungsdienstes.html>

step as *“by municipalising rescue services an important part of public services has been safeguarded for the district, which thereby retains a high level of quality.”*⁷¹³ The financial risk is low as rescue costs are fully taken over by health insurances. Meanwhile, the administrative district has also established a training college for rescue services to ensure the skills of future generations in spite of the failure of the civil servants.⁷¹⁴

7.5.2. Schleswig Holstein

Inter-municipal cooperation of rescue services in four administrative districts

Saving potentials can be exploited

Rettungsdienstkooperation Schleswig-Holstein⁷¹⁵ is a community-led company, which is owned by four administrative districts: Dithmarschen, Pinneberg, Rendsburg-Eckernförde and Steinburg. Municipal rescue services were already operating in three administrative districts before the merger in 2005; in 2007, the administrative district of Steinburg decided to municipalize its rescue services, which until then had been in private hands, and to join the rescue cooperation. Thus, based on the existing framework conditions, there is hardly any “scope for self-administration” in the actual sense of the word and establishing inter-municipal cooperation within the rescue services is obvious. That way, savings potentials can be exploited without compromising the quality of the service. Experiences so far confirm these expectations. According to expert Dr. Emil Betzler, this cooperation is *“one of the most efficient rescue services in Germany, with a particular low share of administrative costs.”*⁷¹⁶

7.6. Street lighting: Düren

2012: Street lighting re-municipalised

Düren is a German town in the Federal State of North-Rhine Westphalia with a population of about 89.000. On 1 January 2012, operation and maintenance of Düren’s street lighting were re-municipalised. *Dürener Service Betrieb (DSB)*, a community-owned company, repurchased street lighting and network from *Stadtwerke Düren (SWD)*, which are only partly owned by the town. The purchase amount was not revealed, however, there is talk of a price of about EUR 5 million.⁷¹⁷

Dürener Service Betrieb is municipal full-range supplier, which is responsible for street cleaning, waste disposal, industrial cleaning, forest, roads, sewer, green

⁷¹³ <http://rettungswache1993.blogspot.co.at/2010/11/rekommunalisierung-des-rettungsdienstes.html>

⁷¹⁴ compare [http://www.oberberg-aktuell.de/index.php?id=77&tx_ttnews\[tt_news\]=136702&cHash=e84486a421](http://www.oberberg-aktuell.de/index.php?id=77&tx_ttnews[tt_news]=136702&cHash=e84486a421)

⁷¹⁵ compare <http://www.rettungsdienst.de/magazin/rekommunalisierung-statt-ausschreibung-4732>

⁷¹⁶ compare <http://www.rettungsdienst.de/magazin/fur-heinsberg-war-die-kommunalisierung-die-richtige-entscheidung-21381>

⁷¹⁷ compare <http://www.aachener-zeitung.de/lokales/dueren/auf-die-ubernahme-folgt-die-led-umruestung-1.413284>

space and cemetery maintenance. DBS has also been in charge of Düren Badesee for years as well as of the public indoor pool, which was also re-municipalised in March 2012.⁷¹⁸

In 2008, *Dürener Service Betrieb* commissioned an expert opinion concerning the takeover of street lighting. This resulted in the fact that taking over the street lighting might have a savings potential of several hundred thousand euros. This analysis was based on switching outdated lighting to the more cost effective LED technology,⁷¹⁹ as the sometimes *“over 30 year old energy-guzzling 10,500 street lamps [...] were very high-maintenance and caused unnecessarily high energy costs due to outdated technologies.”*⁷²⁰ Based on an international tender, the right manufacturer of LED lights was found with the support of consulting engineers. Within only three months, 6,500 of the old lights were replaced with LED lights. This will save about 60 percent of the current energy costs in future, as the energy consumption is reduced by 2.8 million kWh. This means an annual reduction of carbon dioxide of 1,500 tons. At the same time it is possible to extend the maintenance intervals because of the long lifespan of the LED lights.⁷²¹ Apart from environmentally friendly and cost-reducing effects it has also been possible to improve quality: *“It became clear in the context of the project how valuable the variable settings of the light and the LED unit are to individually fulfil the lighting requirements, even in case of high standardisation.”*⁷²²

*Expert opinion
2008:
Re-transfer brings
savings potential*

*Switching to LED:
environmentally
friendly, cost-
reducing*

As the financial options of municipalities are limited, in Germany, such municipal initiatives are supported by The Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety. Within the scope of the climate protection initiative, the Federation assisted the town of Düren with about EUR 1.5 million, which corresponded roughly to 40 percent of the amount invested.⁷²³ *“This showcase success story in Düren should inform municipalities [...] how they can save energy and reduced their operating costs in the long-term.”*⁷²⁴ In the end, this can also create value added for the citizens and for future generations.

7.7. Street cleaning: Gerlingen

Gerlingen is a small town in the Speckgürtel (affluent area) of Stuttgart with a population of 19.000. In the context of the general privatisation euphoria, here

⁷¹⁸ compare http://dn-sb.de/upload/pdf/Presseartike_lang_PDF.pdf

⁷¹⁹ compare http://dn-sb.de/upload/pdf/Presseartike_lang_PDF.pdf

⁷²⁰ http://dn-sb.de/upload/pdf/Presseartikel_kurz-PDF.pdf

⁷²¹ compare http://dn-sb.de/upload/pdf/Presseartike_lang_PDF.pdf

⁷²² http://dn-sb.de/upload/pdf/Presseartikel_kurz-PDF.pdf

⁷²³ compare <http://www.aachener-zeitung.de/lokales/dueren/auf-die-ubernahme-folgt-die-led-umruestung-1.413284>

⁷²⁴ http://dn-sb.de/upload/pdf/Presseartike_lang_PDF.pdf

2004:
*Street cleaning
privatised*

poor quality

2008:
*Cost calculation
lead to re-transfer*

too individual service sectors were outsourced, such as street cleaning, which in 2004 was transferred to a private company. The necessary equipment was getting old and would have to be replaced so that outsourcing appeared to be a cost-effective alternative. However, the residents were not satisfied with the service provided and complaints about poor quality of the service mounted. This was added by the fact that the local administration still had to share the responsibility. Apart from supervising the private company, the municipality had to establish a cleaning rota, which caused additional costs.

Having calculated the cost of in-house provision, the local council decided to provide street cleaning again at municipal level. A road sweeper was purchased and since 2008, a worker at the construction depot is responsible for cleaning 70 kilometre main and side road of the small town. Since then, the quality of street cleaning has improved again and at the same time it was possible to save EUR 40,000 in the first year already.⁷²⁵

A short time later, Gerlingen also re-municipalised grave excavation at the community-owned cemetery. Since having been awarded the contract in 2004, the private provider had significantly increased its prices. Gerlingen wants to retain these regulations also in future, because it pays off – both in respect of quality and costs.⁷²⁶

⁷²⁵

<http://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=6&ved=0CE4QFjAF&url=http%3A%2F%2Fwww.gerlingen.kdrs.de%2Fservlet%2FPB%2Fshow%2F1395804%2FVorlage-O-2009-100.pdf&ei=nP2IUZW0MoTWPPTxgfAE&usg=AFQjCNHTaO14J5z02ONu61TXI5i-8DOUBA&bvm=bv.45960087,d.ZWU>

⁷²⁶ <http://gartenbau.verdi.de/themen/rekommunalisierung/gerlingen>

PART 5: CURRENT DEVELOPMENTS WITHIN THE AREA OF SERVICES OF GENERAL INTEREST

1. Concessions Directive

Over the past months, the discussions on a new Concessions Directive by the EU Commission have caused a stir. One speaks of a concession if a public contracting authority wants to entrust an external contractor with its public tasks. Until now, service concessions had been exempt from European public procurement law, as definition and application in the Member States of the European Union showed great discrepancies. Service concessions are awarded in particular in the area of services of general interest for water, waste, energy and healthcare and social services. Within the scope of the revision of the 2011 public procurement law, the EU Commission proposed for the first time a Europe-wide obligation to put service concessions out to tender. On 24 January 2013, the responsible Single Market Committee voted on the EU Commission's Directive proposal on the award of concession contracts. This was followed by trilogue negotiations between European Parliament, Council and Commission on the final version of the Directive.

▪ *Original content of the Directive*

The EU justifies the amendments of the current Directive on the award of concession contracts with "*serious distortions of the Single Market*" and "*Costs and disadvantages for competitors [...] and consumers*".

In short, the intention of the original Directive was that in future public contracting authorities would have to put concession awards for a contract value of EUR 8 million out to tender Europe-wide and that they had to award the contract to the best bidder. As concessions are awarded for several years or even decades, it could happen that even small communities would be subject to this provision. The Directive should not only cover the award of future concessions, but also the amendment of existing concession contracts (such as extending the term in order to avoid new costly and time-consuming tenders), if the amendment exceeds the contract volume by 10 percent.

Tender from EUR 8 million contract value

Nobody would be forced to privatise public services affirms the EU Commission. Communities may continue to instruct their own resources with municipal services ("in-house award"). However, the Directive explicitly specifies what an own resource is. Hence, no private companies may be involved in Stadtwerke (utility companies). Apart from that, the utility company must at least generate 80 percent of its total turnover based on work for its own municipality; it is only allowed to generate 20 percent in the open market. However, this would not be a problem for most utility companies, as many are multi-branch enterprises, whose turnover generated in the municipality is not only based on the respective

Stadtwerke have to generate 80% of turnover in their own community

Problem multi-branch enterprises

service sector, but on the overall turnover of the company. This would mean the following for the water sector: are water and energy offered by the same multi-branch enterprise, the water sector will not reach the required threshold of 80 percent of the total turnover, as in most cases the turnover of the energy sector⁷²⁷ is many times higher. That is why in practice multi-branch enterprises fall under the Directive. Also affected by the Concession Directive in future would be the inter-municipal cooperation. In future, this shall only be exempt from the award regime if it is a “*genuine cooperation*” with “*mutual rights and obligations*”. Small municipalities, which as part of a community of purpose can only yield financial services, will be exempt from this cooperation from the outset. At the same time, a new legal uncertainty is created for all participants, even though inter-municipal cooperation provides the largest savings potential.

Problem inter-municipal cooperation

The consequences of the Directive would be as follows: difficult conditions for utility companies and municipal administration unions. The complex and uncertain legal position for the public sector increases the pressure on municipalities to put service concessions out to tender in future in order to be legally on the safe side. Experts expect already now: should the Directive come into force as it stands now one can expect a large number of court proceedings – initiated by municipalities and by companies. It is also regrettable that in future the award of concessions (in respect of tender) no longer provides for a connection to certain additional social, labour law or environmental criteria.

The provisions of the Directive shall apply among other for: water supply, wastewater and waste disposal, healthcare and social services, postal services and more. With regard to social services and other personal services, the Directive provides for a “simplified regime”, which only includes the subsequent publication duty in respect of an awarded contract. Currently exempt are only public transport, services in the defence or security sector or emergency rescue services (but not ambulance services), civil protection as well as gambling and betting. The proposal also mentions the supply of gas, heat and electric; however, in practice their award falls under the exemption criteria.

▪ ***Water and the Citizens’ Initiative right2water***

Water a public good not a commodity

The discussion on the Directive focussed in particular on the regulation in respect of water supply. The Directive in its original form would have had disastrous consequences for a vast number of municipal water providers. Its opponents emphasised above all that water is a public good and not a commodity. The criticism by experts, which was met with great interest in the media, was soon followed by Europe-wide Citizens’ Initiatives, the largest of

⁷²⁷ The situation is also aggravated because of the liberalised energy sector. As customers can choose their energy providers freely, utility companies are not able to limit their services in this sector to their own municipality.

which was the Europe-wide Citizens' initiative right2water. The key demands were:

*Europe-wide
Citizens' Initiative
"right2water"*

1. *"1.The EU institutions and Member States be obliged to ensure that all inhabitants enjoy the right to water and sanitation.*
2. *Water supply and management of water resources not be subject to 'internal market rules' and that water services are excluded from liberalisation.*
3. *The EU increases its efforts to achieve universal access to water and sanitation."*⁷²⁸

One million signatures are required for a European Citizens' Initiative to be debated in Parliament.⁷²⁹ Right2water has exceeded this requirement and collected almost 1.9 million signatures by September 2013.

▪ **Modification of the Directive**

The initiative and protests finally moved the commission to change its course. EU Single Market Commissioner Michel Barnier announced at the end of June 2013 that water will be exempt from the Concessions Directive. The reason for the exemption was the realisation that it is *"a public good of fundamental value to all EU citizens"*⁷³⁰, whereby direct reference is made to the Citizens' Initiative right2water. However, a review clause has been incorporated: *"Three years after entry into force, the Commission shall review the effect of the exemption taking into account the special structures and free provision of water. This will be in 8 years."*⁷³¹ Thus, the dreaded water privatisation is not yet finally off the table.

*Course correction
by the EU
Commission*

*Water will be
exempt*

The regulation was also defused with regard to inter-municipal cooperation. As long as the *"transfer of competencies between public authorities"* takes place without reimbursement of costs, it is *"outside the EU's framework of competence and does not fall under the scope"*⁷³². The passage, which refers to inter-municipal cooperation as cooperation with rights and obligations has been deleted and is replaced by cooperation, which aims at *"fulfilling responsibilities, which all have in common."*⁷³³

*Inter-municipal
cooperation does
not fall under the
scope*

The question concerning the influence of private entities has also been clarified. Hence, private minority shareholdings, provided they have no right of control and cannot block decisions, are not an obstacle to the in-house privilege.

The following services will be exempt from the Directive: rescue services (provided they are offered by NGO's), audiovisual media, legal advice, local authority loans, lotteries.

⁷²⁸ <http://www.right2water.eu/de/node/5>

⁷²⁹ However, it is necessary that a certain part of the population in seven EU-Countries signs the initiative.

⁷³⁰ <http://www.heide-ruehle.de/heide/fe/pub/de/dct/948>

⁷³¹ <http://www.heide-ruehle.de/heide/fe/pub/de/dct/948>

⁷³² <http://www.heide-ruehle.de/heide/fe/pub/de/dct/948>

⁷³³ <http://www.heide-ruehle.de/heide/fe/pub/de/dct/948>

2. Fourth Railway Package

Another step by the EU Commission towards the liberalisation of services of general interest is the Fourth Railway Package, which was presented by EU Transport Commissioner Siim Kallas on 30 January 2013. The Package created by the EU Commission is now being discussed and negotiated by Council and European Parliament.⁷³⁴ The intentions are clear: *“The EU Commission is committed to upholding [...] its liberalisation course.”*⁷³⁵

Based on the three Railway Packages (2001, 2004, 2007) major steps were made towards rail liberalisation. Full liberalisation is now aimed at with the Fourth Railway Package, even though *“the Third Railway Package will be in the monitoring phase until 2015”*⁷³⁶. The incentives to move liberalisation in this sector further forward, are probably estimates of the EU Commission according to which an increase in passenger transport by about 30 percent and in good transport by 40 percent is expected by 2030.⁷³⁷

▪ *Original content of the 4th Railway Packages*

The main objectives, which are pursued with the 4th Railway Package, are the full liberalisation of rail passenger transport and the institutional separation between infrastructure operators and railway companies. Apart from that, the EU Commission wants to ban the current *“freedom of the competent authorities to choose between competitive tender and direct award”*⁷³⁸ and to force an EU-wide tender of all forms of transport, *“which are subsidised”*⁷³⁹. The EU Commission argues that based on these measures the tendering authorities could achieve savings of up to 30 percent, lower ticket prices, increased passenger numbers and an improvement in quality.

▪ *Targets and criticism of the 4th Railway Package*

- Separation of infrastructure operator and transport service providers:
The 4th Railway Package provides an institutional separation of the task fields. There shall be different operators for the infrastructure and the actual rail transport. This separation was already carried out in Great Britain at the beginning of the 1990ies, with extremely negative consequences. Here, the focus has shifted *“from the economic responsibility of the rail to paying*

⁷³⁴ http://www.akEurope.eu/de/4.-paket-zur-eisenbahnliberalisierung-der-naechste-schildbuergerstreik-der-europaeischen-Commission.html?cmp_id=7&news_id=1563

⁷³⁵ <http://www.oegb->

[eu.at/servlet/ContentServer?pagename=S05/Page/Index&n=S05_0.a&cid=1356596167520](http://www.oegb-eu.at/servlet/ContentServer?pagename=S05/Page/Index&n=S05_0.a&cid=1356596167520)

⁷³⁶ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 19

⁷³⁷ compare AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 17

⁷³⁸ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 3

⁷³⁹ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 3

*dividends to private operators*⁷⁴⁰. The consequences: *“Ticket prices have risen; safety risks and serious accidents have increased”*⁷⁴¹ Hence, another separation between network and rail operations would therefore *“represent a danger to the efficient use of the railway.”*⁷⁴²

The institutional separation between infrastructure operators and railway companies is also accompanied by *“giving the European Railway Agency responsibility for issuing safety certificates and vehicle authorisations”*⁷⁴³. In the end, the separation results in the fact that the States are financially liable for adapting the rail network to ensure that the vehicles authorised by the European Railway Agency can actually travel on the tracks.⁷⁴⁴ This entails costs running into billions. This would be disastrous For Austria: *“Within a few years the EU plans would also mean an end to Austria’s railway. It will not be possible to afford the reconstruction – lines, which do not comply with EU standards will have to be closed”*⁷⁴⁵ said Roman Hebenstreit, chairman of the Transport Section of vda.

*Consequence:
States have to
adapt rail network*

- Ban on awarding contracts directly:

The new rail package will take away the option to choose between tender and directly awarding contracts authorities. This would mean that all *“forms of transport (including urban railways and regional transport), which are subsidised to fulfil public services”*⁷⁴⁶, with the exception of in-house awards, have to be put out to tender. However, experiences in both countries, which have already fully liberalised their rail sector – Great Britain and Sweden –, cast *“justified doubt” whether tendering systems are actually more efficient and economically more effective than a system with direct award.*⁷⁴⁷

*Target:
Duty on
competitive
tendering (except
in-house award)*

*Doubts about the
efficiency of
tendering systems*

- Rolling stock:

Access to rolling stock is very difficult as it is expensive and only has a life span of 30 to 40 years. According to the EU Commission this is *“one of the*

⁷⁴⁰

http://www.vida.at/servlet/ContentServer?pagename=S03/Page/Index&n=S03_0.a&cid=1356596162735

⁷⁴¹

http://www.vida.at/servlet/ContentServer?pagename=S03/Page/Index&n=S03_0.a&cid=1356596162735

⁷⁴²

http://www.vida.at/servlet/ContentServer?pagename=S03/Page/Index&n=S03_0.a&cid=1356596162735

⁷⁴³ [http://www.oegb-](http://www.oegb-eu.at/servlet/ContentServer?pagename=S05/Page/Index&n=S05_0.a&cid=1356596167520)

[eu.at/servlet/ContentServer?pagename=S05/Page/Index&n=S05_0.a&cid=1356596167520](http://www.oegb-eu.at/servlet/ContentServer?pagename=S05/Page/Index&n=S05_0.a&cid=1356596167520)

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http://www.vida.at/servlet/ContentServer?pagename=S03/Page/Index&n=S03_0.a&cid=1356596162735

⁷⁴⁵

http://www.vida.at/servlet/ContentServer?pagename=S03/Page/Index&n=S03_0.a&cid=1356596162735

⁷⁴⁶ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 20

⁷⁴⁷ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 31

Public sector shall
take over residual
value risk of rolling
stock – high costs

*main reasons for the low participation of private companies in competitive tenders.*⁷⁴⁸ Concession contracts are limited to a maximum of 15 years. And, according to previous liberalisation experiences in rail passenger transport it would be difficult for a company to win the same tender again. In order to give private companies access to rolling stock, the EU Commission now *“wants to either transfer the property – rolling stock – to leasing companies [...] or oblige the competent authorities to take over the residual value risk [...]”*⁷⁴⁹ However, this means *“high costs [...] and to shift large parts of the entrepreneurial risk to the public sector”*⁷⁵⁰. In return, private companies kept the *“profit opportunities at the expense of infrastructure and rolling stock, both of which are financed with taxpayers’ money.”*⁷⁵¹

▪ **Expected consequences**

The EU Commission justifies the 4th Railway Package with expected increased economic efficiency and positive effects for rail customers resulting from it. However, in particular this aspect has to be scrutinised.

Railway Package
shall bring savings
of about 30%

- Savings:

The EU Commission expects savings of up to 30 percent. Against this expectation a CER study (Community of the European Railways) concluded that the separation of infrastructure operators and transport service providers would lead to additional costs throughout Europe, depending on the transport service, between EUR 5.8 and 14.5 billion.⁷⁵² In Sweden no cost reduction could be achieved; on the contrary, the public sector even had to increase its subsidies sevenfold (!). *“Reasons named are [...] in particular the fragmentation and division of tasks to several companies as well as the establishment of a cost-intensive administration apparatus for carrying out competitive tenders.”*⁷⁵³

Lower ticket prices

- Lower ticket prices:

The savings, expected by the EU Commission shall be passed on to customers in form of lower ticket prices. However, experiences with the already liberalised rail transport in Sweden and Great Britain show a significant rise.⁷⁵⁴ In Sweden, ticket prices rose by 125 percent between 1988 and 2003. In Great Britain, excessive ticket prices even resulted in an absurd incident: the infrastructure operator *Network Rail* drove *“200 employees by*

⁷⁴⁸ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 37

⁷⁴⁹ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 37

⁷⁵⁰ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 38

⁷⁵¹ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 38

⁷⁵² compare AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 5

⁷⁵³ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 29

⁷⁵⁴ compare AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 51

*bus from Reading to Coventry (distance 137 km) to a conference*⁷⁵⁵ because *“buying rail tickets would have cost EUR 27,000 more.”*⁷⁵⁶ In view of this experience it seems questionable whether the target of reducing costs can actually be achieved and whether any introductory offers at low prices can be maintained in the long-term. As happened frequently in the past, profit mongering will result in the fact that secondary lines will have to be restricted or closed.

- Increased passenger numbers:

In addition, the liberalisation of rail transport shall contribute to increasing the appeal of the rail sector and with that to an increase in passenger numbers. According to a current Eurobarometer survey, only 46 percent of European rail customers are satisfied with regional and national rail transport.⁷⁵⁷ Independent of an imminent liberalisation, the number of passengers will increase through a number of external factors over the coming years. In Great Britain, passenger number increased after privatisation: *“Both the introduction of the congestion charge in London (2003) and the City’s high rent and property prices are determining factors for the increase in commuters.”*⁷⁵⁸

Use of rail shall increase

- Quality improvement:

Improving quality is one of the most frequently mentioned arguments with regard to privatisation. However, experience shows that these promises were rarely met. In particular Great Britain is proof that a lack of investment and poor maintenance has contributed to a quality loss in rail passenger transport, which even resulted in a number of very serious accidents. In addition, both Sweden and Great Britain had to deal with a large number of delayed or cancelled trains.

Improved quality

- Rail network:

The complete opening of domestic rail passenger transport to private transport companies, favours of course “cherry picking” by private enterprises. *“Private companies only operate routes, which generate profits.”*⁷⁵⁹ However, this has hardly any advantages for public rail operators as they can only operate loss-making routes without competition. In future this might lead to the closure of loss-making routes.

Preferential treatment – cherry picking by private companies

- Impact on employees:

The Railway Package would certainly have consequences for employees. Even though it shall be possible for the new company to take over the workforce,

⁷⁵⁵ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 25

⁷⁵⁶ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 25

⁷⁵⁷ compare AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 20

⁷⁵⁸ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 26

⁷⁵⁹ http://www.akeuropa.eu/de/4.-paket-zur-eisenbahnliberalisierung-der-naechste-schildbuergerstreik-der-europaeischen-Commission.html?cmp_id=7&news_id=1563

Lower wages for employees

the wage level will probably fall. Competition is often at the expense of employees. Attempts are always made to achieve savings in the area of wage and social standards. This is demonstrated by privatisations in Great Britain and Sweden, where private enterprises have tried to *“gain competitive advantages over their public competitors”* by wage dumping. *“They achieved this by refusing to comply with provisions set out in collective agreements or to apply their own collective agreements.”*⁷⁶⁰ A German study, which compared the direct awarding of contracts (Stuttgart, Bochum) and competitive tenders (Frankfurt/Main) in short-distance public transport, comes to the conclusion that in case of the competitive tender *“wage cost for employees could be reduced by applying a low collective agreement of an affiliate”*⁷⁶¹. However, this has to be compared to *“the raising personnel expenditure of strongly grown management,”*⁷⁶² which could be observed in Sweden and Great Britain. A lower wage level also reduces the appeal of the rail sector as an employer. Over the next 10 years, 30 percent of the EU rail personnel will retire. This could lead to a lack of qualified staff in this sector.

▪ ***Expected effects in Austria***

*Austria:
Additional costs
through separation
of network and
operation*

The rail system in Austria is currently securing about 128,000 jobs, generating a domestic added value of ca. EUR 8.9 million.⁷⁶³ It is estimated that the separation of infrastructure operators and transport service providers in Austria, would mean additional costs of between EUR 424 million (maintaining the same level of transport services) and EUR 1.06 billion (Increasing the level by 50%). There is currently no evidence that this vertical separation would lead to an increase in competition.⁷⁶⁴

*High costs through
administration of
the tender*

The administration of a tender would lead to high cost as the regional administrative bodies would have to *“fill three jobs: one which deals with the tender, one which prepares the schedule and one which monitors the adherence to quality criteria.”*⁷⁶⁵ This is added by the fact that there is in most cases a complete lack of know-how regarding such tenders, which means that they have to be outsourced at great expense. However, companies that take part in a competition also incur costs. ÖBB would require ten full-time employees per year to deal with tenders, whether the competition is won or not! Unsuccessful tenders and the loss of routes would be an existential threat, especially for ÖBB: *“ÖBB is [...] not in a position to scale down its corporate size at will. Hence, in case of tender competitions, ÖBB has to try to maintain its size and business*

⁷⁶⁰ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 47

⁷⁶¹ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 33

⁷⁶² AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 34

⁷⁶³ compare AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 42

⁷⁶⁴ compare AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 44

⁷⁶⁵ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 46

model by winning as many lots as possible; this can only be achieved by offering its service “under price” in order to be successful.”⁷⁶⁶

The proposed new model in respect of rolling stock proposed in the Railway Package would also have disastrous consequences for the regional administrative bodies in Austria, as it would *“result in a serious financial burden and high investment risks.”⁷⁶⁷*

Austrian rail customers are faced with the undesirable prospect of rising ticket prices. An increase of ten percent would cost customers EUR 86 million. *“Based on consumption contracts, a ten percent price increase would reduce Austrian gross added value by EUR 29 million and put the existence of 485 jobs at risk.”⁷⁶⁸*

Danger of increased ticket prices

The operator of the regional public transport can expect similar consequences. *Wiener Linien*, as an internal operator would not be affected by the obligation to invite tenders, but *S-Bahn* (city railways) or *Badner Bahn* would. They would have to tender as they are not managed internally and apart from that operate beyond city borders. A calculation for *Badner Bahn* showed that a separation of infrastructure operator and transport service providers would incur one-off costs of EUR 263,000 as well as additional annual costs of EUR 746,000. Personnel costs would increase by 20 percent.⁷⁶⁹

Affected by tender obligation: S-Bahn and Badner Bahn

▪ **Modification of the Railway Package**

The Fourth Railway Package could result in the market concentrating on a small number of internationally operating companies. *“The long-term danger is that small and public rail transport companies are squeezed out or bought up so that only a small number of globally acting companies will remain.”⁷⁷⁰* Hence, experts warn against the new Railway Package and hope that Council and Parliament will change course. Because the objective of the Commission to ensure *“more investments and better services through more competition [...]”⁷⁷¹*, is in stark contrast to reality *“as the proposed measures hugely counteract the objectives in respect of quality, safety, affordability and comprehensive availability.”⁷⁷²* The implementation of the new Package would be *“disastrous especially for smaller European rail companies such as ÖBB.”⁷⁷³*

⁷⁶⁶ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 43f

⁷⁶⁷ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 38

⁷⁶⁸ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 51

⁷⁶⁹ compare AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 45

⁷⁷⁰ AK Wien. Volkswirtschaftliche Effekte der Liberalisierung des Eisenbahnverkehrs in Österreich: 54

⁷⁷¹ [http://www.oegb-](http://www.oegb-eu.at/servlet/ContentServer?pagename=S05/Page/Index&n=S05_0.a&cid=1356596167520)

[eu.at/servlet/ContentServer?pagename=S05/Page/Index&n=S05_0.a&cid=1356596167520](http://www.oegb-eu.at/servlet/ContentServer?pagename=S05/Page/Index&n=S05_0.a&cid=1356596167520)

⁷⁷² [http://www.oegb-](http://www.oegb-eu.at/servlet/ContentServer?pagename=S05/Page/Index&n=S05_0.a&cid=1356596167520)

[eu.at/servlet/ContentServer?pagename=S05/Page/Index&n=S05_0.a&cid=1356596167520](http://www.oegb-eu.at/servlet/ContentServer?pagename=S05/Page/Index&n=S05_0.a&cid=1356596167520)

⁷⁷³ <http://www.kleinezeitung.at/nachrichten/politik/eu/3235644/kern-nur-big-boys-bleiben-uebrig.story>

However, the reproach that neoliberal pursuit of profit takes priority over social interests, seems not to be wide off the mark as whether *“the legislative package will also benefit society, is probably at best playing a minor role in the Commission’s considerations.”*⁷⁷⁴

The criticism of the legislative proposal led to a number of modifications. The EU Parliament adopted the amended Fourth Railway Package on 26 February 2014; the approval of the Member States is still outstanding. The law now provides for *“uniform track systems, central vehicle approval for all Member States and a uniform ticketing system”*⁷⁷⁵ to be in place by 2019.

*Modification:
No separation
between network
and operation

No obligation to
tender; however
awarding contracts
directly was made
more difficult*

A key change concerns the separation of network and operation, which in spite of massive efforts by the Commission to force it through failed due to criticism and resistance and was therefore not incorporated in the legislative text. Thus, the consequences expected for Austria are less dramatic than originally feared. *“This means for Austria that the holding structure remains unchanged.”*⁷⁷⁶ *Badner Bahn* must also not be put out to tender for the time being. Nevertheless, according to the new Railway Package awarding contracts directly will become more difficult.

Due to the fact that the Commission has not been able to push through its key demands in the 4th Railway Package, one has to wait and see whether a fifth package is waiting in the wings.

3. Privatisation pressure by the European Union

The political orientation of the European Union is clearly demonstrated by the Concessions Directive and the new Railway Package. But these are not the only attempts the EU is making to drive privatisation forward. It puts huge pressure on countries, which are struggling with debt and depend on the bailouts from the EU, such as Portugal and Greece. *“Both countries are receiving bailouts from the EU and have to coordinate reforms with their paymasters.”*⁷⁷⁷ The Troika (consisting of EU Commission, International Monetary Fund and European Central Bank) exploits this situation and urges both Portugal and Greece to privatise water supply. This would generate a one-off effect for the respective budgets; however, what is concealed is the fact that in the end it will be the tax payer

*EU exerts
privatisation
pressure on
countries with
huge debt*

⁷⁷⁴ http://www.akeuropa.eu/de/4.-paket-zur-eisenbahnliberalisierung-der-naechste-schildbuergerstreich-der-europaeischen-kommission.html?cmp_id=7&news_id=1563

⁷⁷⁵ http://www.wienerzeitung.at/nachrichten/Europa/Europaeische_union/611528_Europaparlament-segnet-Railway-Package-ab.html

⁷⁷⁶ http://www.wienerzeitung.at/nachrichten/Europa/Europaeische_union/611528_Europaparlament-segnet-Railway-Package-ab.html

⁷⁷⁷ <http://kurier.at/politik/eu/eu-richtlinie-zur-privatisierung-wasser-marsch-kampf-um-den-sellout/2.798.422>

again footing the bill, as the past has shown that water prices increase as a consequence of privatisation.⁷⁷⁸

There are already some examples, which confirm this development in Portugal. It is a known fact that privatisations of the water supply, which were carried out in Portugal in the past, hardly brought any benefits for the population. Prices rose and hardly any investments in the supply network were made. Thus, quality fell by the wayside. A prominent example is Mafra. In 1995, *Veolia* obtained a 25-year concession, which provided the opportunity to enter Portugal's water supply industry. Since then, the water prices in Mafra have seen a horrendous increase and now belong to the highest throughout Portugal. Another example is Pacos de Ferreira, a community in the north of Portugal with a population of 7,500, where the water price within in only a few years after privatisation rose by 400 percent.⁷⁷⁹ In spite of these experiences, it is now planned to privatise the state-owned water company *Águas de Portugal*, which supplies about 80 percent of the population. As: *"Portuguese state-owned enterprises have accumulated massive debts, whose credit financing tears new holes in the budget. 'Águas de Portugal' has liabilities of almost EUR three billion."*⁷⁸⁰ The Portuguese government is currently working on a law, which shall make awarding water concessions to private companies possible.⁷⁸¹

Example Portugal

Privatisation Water supply: lack of investments, but price increases

Nevertheless largest state water company shall be privatised

The situation is similar in Greece. Meanwhile numerous public institutions are up for sale, among them the waterworks of Athens and Thessaloniki.⁷⁸² The Greek state also plans *"the sale of ports, airports, railways, motorways, [...] gas and electric companies as well as building land. Based on these sales, about EUR 12 billion shall flow into the treasury and contribute to reduce the huge debt mountain."*⁷⁸³ However, so far the privatisations in Greece have not been going as well as expected: *"Already a few weeks ago, this year's target [2013; author's note], to cash EUR 2.5 billion from privatisations had to be revised down to EUR 1.6 billion."*⁷⁸⁴ Apart from that, privatisations rarely run smoothly and without scandals. Within only six months, there have been two changes at the top of the

Example Greece

Numerous state institutions were sold

⁷⁷⁸ <http://www.dradio.de/dlf/sendungen/Europaheute/1995643/>

<http://kurier.at/politik/eu/eu-richtlinie-zur-privatisierung-wasser-marsch-kampf-um-den-sellout/2.798.422>

⁷⁷⁹ <http://www.globalwaterintel.com/pinsent-masons-yearbook/2011-2012/part-iii/company-analysis-major-players/9/>

<http://www.right2water.eu/de/node/279>

<http://www.dradio.de/dlf/sendungen/Europaheute/1995643/>

⁷⁸⁰ <http://www.dradio.de/dlf/sendungen/Europaheute/1995643/>

⁷⁸¹ <http://www.dradio.de/dlf/sendungen/Europaheute/1995643/>

Falter 6/13: 12

⁷⁸² Falter 6/13: 12

⁷⁸³ <http://www.avenir-suisse.ch/16523/privatisation-braucht-competition/#!prettyPhoto>

⁷⁸⁴ <http://mobil.n-tv.de/wirtschaft/Schaeuble-bleibt-bei-Griechenland-vage-article11285326.html>

governmental privatisation authority. The last head of the authority was dismissed because of bribery.⁷⁸⁵

It is evident that European policy pushes further towards privatisation. The idea is to speed up the process by introducing Packages and Directives. Countries with large debt are coerced into privatisations even if this is not a long-term solution of their financial problems, as in the long-term the financial situation of the national budgets will deteriorate. This study has already shown what negative effects privatisations have on state, municipalities and the population. However, the new trend towards remunicipalisation seems not to have arrived in European policy yet.

⁷⁸⁵ compare <http://www.spiegel.de/wirtschaft/soziales/griechenland-chef-der-privatisierungsbehoerde-muss-nach-freiflug-gehen-a-917213.html>

CONCLUSION

Since their roots in the 19th century, services of general interest have been a fiercely contested field between public and private sector. Whilst these services were initially rendered by private providers, at the end of the 19th century increasingly more municipal and governmental enterprises took over services to compensate the lacking or insufficient supply of private companies. Over time, public enterprises became an integral part of the welfare state system within Europe, even if, given the bandwidth of services, regional differences have developed since.

However, over the past decades the trend has gone in the opposite direction again. The era Thatcher in Great Britain rang in a neoliberal era, which soon spread to other European countries. These tendencies were supported by the liberalisation policy of the European Union. In order to strengthen competition in the Single Market, an increasing number of public services were liberalised and finally privatised.

The promised expectations on price development and quality of services could rarely be fulfilled. In many cities, huge price increases accompanied by deteriorating quality were often direct consequences of the privatisation of public services; simply because private providers in general only have one thing in mind: generating profits. Profits at any expense: at the expense of investments in maintenance, at the expense of personnel, at the expense of quality and thereby also at the expense of customers. That privatisation can even have fatal consequences, because necessary maintenance work was not carried out, was sadly demonstrated by British Rail.

It also became quickly apparent that long-term contracts, which were often concluded for one or two decades, restricted the scope for action. Policy-makers had their hand tied; their room for manoeuvre curtailed. Once taken, decisions are difficult to reverse, a painful experience for many municipalities, in particular as privatised enterprises not only have access to a highly paid legal team, but also put financial pressure on municipalities to improve or renew contracts.

Apart from that, private providers indulge in cherry picking; what is left for municipalities are mainly those sectors, which do not generate a profit. Private providers do not have any interest in competition, just in profits. Their favourite scenario is when public monopolies are replaced by private ones, as often happened in practice.

The “family silver” was sold to balance the budget; however, this approach deprived municipalities of vital revenues in the long-run. The allegedly good deal for the public household regularly turned out to be just the opposite: a loss-making business, not to mention additional costs for monitoring private providers because these tried to dodge contractual responsibilities with remarkable frequency.

Meanwhile all of Europe is experiencing a change of direction. The resentment of people throughout Europe because of the approach of private providers has hugely increased. The

public sector is taking over formerly public, over the course of time privatised tasks with increasing frequency. Remunicipalisation is always carried out as a consequence of disappointing privatisations and liberalisation. There are more and more examples in Europe, where towns and cities or public companies are operating better and more cost-effective than private enterprises, which succeed in competition with private providers. Based on comparisons, increasingly more scientific studies come to the conclusion that public providers are better than private enterprises in respect of quality and costs.

For years, examples of remunicipalisation in all service sectors have become more frequent, even though European competition and market liberalisation policies continue the trend to support rather private than public structures. However, over the past years it became obvious that not all European Countries showed the same interest in remunicipalisation. The main reason lies in the different political and administration traditions of individual countries and the fact that it is sector-specific. One can only re-municipalise sectors, which had been privatised before.

In most German towns, major cities and regions, remunicipalisation took place in the energy sector as numerous concessions expire in the coming years. In French towns and major cities it has been in particular the water sector, which was re-municipalised as France has a long tradition of private water supply.

Apart from these two sectors, remunicipalisation has taken place in the waste industry (also in some German cities), whereby one cannot yet speak of broad remunicipalisation tendencies. Finally, there are also examples to be found in completely different service sectors, which together complete the picture: the trend in respect of services of general interest goes back in the direction of the public sector. Over the past years, municipalities have been able to prove their sustainability as market participants.

However, a departure from liberalisation efforts at European Commission level can hardly be detected. In spite of some disastrous experiences with privatisation, one clings almost ideologically to the alleged benefits of liberalised markets and private service provision. One only needs to look at the 4th Railway Package, which shall force municipalities into liberalising public transport services, even though there are, in particular in Great Britain, plenty of negative examples; the most recent institution, which had to be re-municipalised at great public expense, was the London Underground.

Decision-makers in many European Countries are not yet fully aware of the advantages of municipal provisions. The advantages of private enterprises were promoted for too long and for too long the label of incompetence had been attached to public operators.

The large number of examples in this study shows, in which cases municipalities and policy-makers followed the promises of private providers. It also demonstrates that the remunicipalisation of previously privatised services can be a good alternative to private provision for communities and citizens. The study also reveals that there is not a single way for a successful remunicipalisation. Each remunicipalisation has to be planned in advance and specific circumstances must always be taken into account. Possible positive effects of

remunicipalisation such as citizens' proximity, efficiency and economic viability do not happen overnight. Experiences show that arguments for or against remunicipalisation have to be considered carefully in each individual case to guarantee successful and sustainable services of general interest.

OVERVIEW OF EXAMPLES

Sector	Country	Municipality	Population	Period of privatisation	Private operator	Remunicipalisation
Energy	Germany	Bergkamen	50.000	until 1994	VEW AG	Over the past years, Bergkamen has re-municipalised a number of services, starting with the gradual retransfer of the electricity and natural gas supply in 1995. The joint public utility company Gemeinschaftsstadtwerke Kamen-Bönen-Bergkamen was established together with two other municipalities; since 2003, they have also assumed the supply of district heating.
		Berlin	3.400.000	1997 – still ongoing	Energy: Vattenfall Gas: Vattenfall, Suez, E.ON	Privatisation to consolidate the budget of the City of Berlin after reunification. Both electricity and gas supply were fully privatised; the distribution grids were awarded to private licence holders. Over the past years, Vattenfall has been criticised because of a lack of commitment in respect of implementing the energy turnaround. Pressure of the citizens' initiative "Berlin Energy Referendum" towards remunicipalisation of networks and establishing own public utility company. The latter has been decided in the meantime, however, the new Stadtwerke have to search for the grid license.
		Bremen	550.000	1999 – still ongoing	EWE AG	Stadtwerke Bremen was privatised in 1999, changing its name to swb AG um. The swb AG supplies Bremen and Bremerhaven with energy and waste disposal services. Based on the new concession tender 2014, Bremen intends to re-municipalise 25.1% of the grid shares.
		Dresden	530.000	End of 1990ies – 2010	Energie Baden-Württemberg	At the end of the 1990ies, the city sold 45% of the municipal energy supplier. The majority was purchased by Energie Baden-Württemberg via its subsidiary Geso. When in 2010, EnBW 2010 had to give up Geso (requirement of the Federal Cartel Office), Dresden acquired the entire subsidiary Geso and with that also the shares in other municipal energy suppliers.
		Hamburg	1.700.000	2002 – 2009	Vattenfall	During the course of a privatisation wave, the last remaining shares in the municipal energy supply company were privatised in 2002. Due to increased energy prices, the city decided to use Hamburg Energie to establish an environmentally friendly energy supplier of its own on the market. The company distinguishes itself by engaging in innovative projects in the area of renewable energy. In the meantime, Hamburg Energie is Hamburg's third largest energy supplier.
		Nümbrecht	17.000	until the mid 1990	RWE	Considerations regarding the remunicipalisation of the power grid in Nümbrecht already surfaced in the 1980ies; work to implement this idea has been going on since the 1990ies. The contracts with the private operator did not have any advantages for the municipality. When the concession with RWE expired, the municipality took over the power grid via Gemeindewerke Nümbrecht itself. The retransfer was followed by years of legal dispute, as RWE was not willing to give up the concession. Subsequent to the take-over, Nümbrecht had to invest in the modernisation of the desolate electricity grid. The new Gemeindewerke present themselves as close to citizens and force the development of
		Solingen	160.000	2001 – 2012	MVV Energie AG	In 2001, the City of Solingen privatised 49.9% of its Stadtwerke in the hope to assume a major role in North Rhine Westphalia's energy supply. In reality, job cuts were made, the private owners demanded increasingly higher yields and investments in sustainable energy were blocked. As a result, the contracts were to be re-negotiated. In the end, the city council ignored the negotiation result of the Governing Mayor and decided, after detailed examination, the repurchase in the autumn of 2012.

OVERVIEW OF EXAMPLES

Sector	Country	Municipality	Population	Period of privatisation	Private operator	Remunicipalisation
Energy	Germany	Springe	30.000	until 2006	E.ON	For decades, the energy in Springe was supplied by E.ON Avacon. Already before the concession contract expired, the municipality considered alternatives to renewing the contract. In the end, the operations management was assumed by a bidding consortium of communal and private suppliers; 50.5% of the Stadtwerke remained in the ownership of the municipality. This consortium also wanted to assume the grid operation; however, E.ON, rejects this and has taken the case to the courts in the meantime. The newly established Stadtwerke focus on electricity produced in a resource-protecting manner, a move which has been met with approval by the population.
		Stuttgart	605.000	1997/2002 – 2012/still ongoing	Energie Baden-Württemberg	In 1997, Stadtwerke Stuttgart merged with Neckarwerke Esslingen to establish a new supply company, in which Energie Baden-Württemberg (EnBW) also participated. The company assumed the supply of electricity, gas, district heating and drinking water. Due to falling energy prices and profits, the city sold the remaining shares in the regional supplier to EnBW in 2002. A citizen's initiative was able to exert such a level of political pressure that the local council of the city adopted its demands and backed a remunicipalisation. Since 2012, a municipal public utility company has been supplying Stuttgart with electricity and gas from organic resources. An offer has been made for taking over the grids; however, a decision has not yet been made. The remunicipalisation of the water supply is
		Wolfhagen	13.800	until 2005	E.ON	In one part of the town of Wolfhagen, energy was supplied by E.ON; in the other by the town's own Stadtwerke Wolfhagen. When the concession contract expired in 2004, the municipality wanted to retransfer the privatised districts. However, due to difficult negotiations, this could only be achieved at the beginning of 2006. Customers benefit from better service, greater closeness to citizens, environmental sustainability, promotion of sustainable energies and a more efficient fulfilment of
		Steag	–	until 2010/2015 (partial repurchase)	RAG	Having been owned by E.ON and RWE previously, Steag was purchased by RAG in 2010. A bidding consortium of the Rhine-Ruhr area consisting of six municipal suppliers (Dortmund, Duisburg, Bochum, Essen, Oberhausen, Dinslaken) was set up, which purchased 51 percent of the Steag shares. The intention was to purchase the remaining 49 percent of the Steag shares from Stadtwerke Konsortium-Rhein-Ruhr after the expiry of a five-year period. The motive for the purchase was based on regional bottlenecks in electricity production. The financial strain on the loss-making municipalities as well as the enormous catching up Steag has to do in respect of renewable energy –
		Thüga	–	until 2009	E.ON	Thüga was a historically grown mixed form between public and private ownership. The most important private owner was E.ON, but a large number of municipal companies also held shares in Thüga. In 2009, due to competition concerns, E.ON sold Thüga to two municipal bidding consortiums. However, one is already thinking about part privatisation again to cover the costs for

OVERVIEW OF EXAMPLES

Sector	Country	Minicipality	Population	Period of privatisation	Private operator	Remunicipalisation
Energy	Germany	EnBW	–	2000 – 2010	EdF	In 2000, the Land Baden-Württemberg sold its share of 25.01 percent in Energie Baden-Württemberg for EUR 2.4 billion to the French company EdF. A short time later, EdF increased its share to 45.01 percent. At the end of 2010, the Federal State of Baden-Württemberg suddenly decided to repurchase the 45 percent shares from EdF. The then Minister President engineered the deal single-handedly, whereby he completely deceived the political bodies. In the meantime, he is under investigation because of this approach and the overcharged repurchase price. The remunicipalisation of EnBW is an example of how not to handle such projects. The deal was sealed without careful consideration,
Water	France	Bordeaux	240.000	1991 – 2019	Suez	Within the first 3 years after privatisation, the water prices in Bordeaux rose by 30%. However, officially, Suez only stated a price increase of 15 percent, which is an indication of dubious accounting methods of the company, which profits from this. Apart from that, Suez failed to invest in maintenance and infrastructure; instead chlorine was added to water to prevent pollution. In 2005, these allegations were confirmed by a number of audits. The result is a premature retransfer of the water supply into the municipal sector in 2019 (instead of 2021), which, however, is associated with high costs (between EUR 50 and 70 million) for the municipality.
		Grenoble	155.000	1989 – 2000	Suez	In 1989, under the leadership of Mayor Alain Carignon, the water supply for Grenoble was awarded to a subsidiary of Suez. The background of the deal became known in the mid-1990ies: Carignon received gifts at a value of EUR 2.7 million. He and the managers responsible were convicted for corruption and bribery; however, this did not have any influence on the agreement. In 2000, a number of court decisions (annulling concession contracts because of corruption, declaring the tariff structure illegal) finally led to the situation where the city senate decided on remunicipalisation.
		Paris	2.200.000	1984 – 2009	Suez, Veolia	Necessary investments in the supply network were the main motive for privatising the Paris water supply; however, these were not forthcoming. Veolia and Suez only made investments under pressure of the government; however, not without raising water prices (price increase 1985–2009: 265%/m³). In 2001, the newly elected Paris Mayor backed remunicipalisation. The result was the establishment of a municipal operating company, which took over the water supply once the contracts had expired. This made it possible to slightly reduce water prices and to introduce social tariffs.
		Toulouse	450.000	1990 – still ongoing	Veolia	When taking over the concession in Toulouse, Veolia paid an entrance fee of EUR 66.3 million. This amount represented more or less a "loan" to the community, which the water customers had to repay over the following years (by way of their water bills). This resulted in enormous price increases. An audit officially confirmed the allegation. Since then, there has been the desire for remunicipalisation; however, the concession only expires in 2020.

Sector	Country	Municipality	Population	Period of privatisation	Private operator	Remunicipalisation
Water	Germany	Bergkamen	50.000	until 2008	Gelsenwasser	After over 100 years, water supply is once again in the municipal sector; it is guaranteed by Gemeinschaftsstadtwerke Kamen-Bönen-Bergkamen, which is also taking over the energy supply. The municipalisation was associated with problems in respect of the former operator Gelsenwasser. Even though the contract was terminated on time at the end of 2008, the finalization only took place
		Berlin	3.400.000	1999-2013	RWE, Veolia	In order to balance the public budget after reunification, the Berlin water supply was also partly privatised. Apart from reducing debts, it was also the aim to finance the expansion of the water supply and to find a strategic partner. A complex legal structure was created to execute the partial privatisation, which was part of confidential agreements. This also included a profit guarantee for the private operators. To this day, courts and political committees are dealing with this decision. High profits were budgeted for to increase the purchase price – at the costs of the population. In the end, the enormous price increases and the high profits of private operators proved to be the crucial factors for the remunicipalisation. After lengthy negotiations, the shares were finally repurchased in 2012/2013
		Potsdam	160.000	1997 – 2000	Eurawasser (Suez and Thyssen Krupp)	Eurawasser purchased 49 percent of Wasserbetriebe Potsdam GmbH, The management was effectively assumed by the company. The consequences were price increases, job cuts and increasingly less influence of the town on the company. Not being happy with the situation, the town re-municipalised the water supply after only 2.5 years. Nevertheless, the water prices in Potsdam are still among the highest in Germany
		Gelsenwasser	Regional-versorger	until 2003	E.ON	The regional provider Gelsenwasser has a long tradition as a mixed operator with public and private shareholders. On the request of the Federal Cartel Office the majority shareholder E.ON had to sell its shares in 2003. The shares were finally awarded to Gas und Wasser Westfalen, a merger of Stadtwerke Bochum and Dortmund. The municipalities were only able fund the purchase by borrowing. Apart from that, the fact that the company holds several national and international interests in utility companies also attracted criticism
	Spain	Arenys de Munt	8.500	until 2011	Sorea (subsidiary of AGBAR)	The privatisation of the water supply in Arenys de Munt was held responsible for the poor water quality, the lack of maintenance of the pipes and the loss of water associated with it. The water supply was re-municipalised in 2011
		Figaró-Montmany	1.100	until 2012	Cassa Aigües i Depuració	By re-municipalising the water supply in Figaró-Montmany, the efficiency of the supply network could be increased from 30% in 2010 to 70% in 2013.
	Ungary	Budapest	1.700.000	1997 – 2012	Suez, RWE	A consortium made up of RWE and Suez obtained 25%+1 share in Budapester Wasserwerke; the rest remained in the ownership of the city. Over time, both companies attracted criticism: overcharged prices (the water price (inflation-adjusted) has doubled between 1997 and 2012), lack of maintenance of networks and incentive payments. In 2010, the newly elected Budapest mayor announced the repurchase of the shares, which was completed in 2012

Sector	Country	Municipality	Population	Period of privatisation	Private operator	Remunicipalisation
Waste	Germany	Bergkamen	50.000	until 2006	Remondis	A flagship project is the retransfer of waste disposal services. The concession with Remondis expired in 2005 and was re-municipalised on the basis of a number of expert opinions and reports. EntsorgungsbetriebBergkamen was set up for this purpose. Owner-operated services were a great success for all involved: cost reduction by 30%, reduction of charges by 12%, remuneration of staff according to tariff and improvements in the service sector (e.g. unified collection rhythm, nanny bin).
		Böblingen (Landkreis)	372.000	until 2004/2009		In the mid-1990ies, the administrative district of Böblingen was divided into three waste disposal districts to enable the direct comparison of public and private services. In two districts, waste disposal was awarded to private operators, whereas in one district it remained in the public sector. In 1999, a cost comparison was carried out, which estimated the cost advantage at EUR 286,000 in favour of public services. The savings could be achieved by a number of modifications (e.g. optimized routes, effective use of vehicles). That is why in 2004, one of the districts operated by a private company was retransferred, followed by the other in 2009. Apart from that, other outsourced tasks (e.g. waste collection) were transferred back to the district from 2009.
		Düren & Aachen	850.000	until 2006		The waste industry in the districts Düren and Aachen (now Städteregion Aachen) was characterised by a quasi-monopoly position of private waste management companies. That is why three regional authorities of the district of Düren and one of Aachen join in a municipal unitary authority. Meanwhile, the municipal unitary authority collects and transports household waste in ten communities and paper waste in two additional ones. The costs in all communities could be reduced.
		Rhein-Hunsrück-Kreis	100.000	1973-2005		A calculated saving was the starting signal for the remunicipalisation of waste disposal services in Rhein-Hunsrück-Kreis; its preparation took two years and it was completed in 2005. The Rhein-Hunsrück waste disposal was able to fulfil the political objectives: savings of one million euros in the first year already, 4 charge reductions in 6 years, staff paid according to tariff as well as a high level of customer satisfaction. Meanwhile, the RHE is even operating as energy supplier. Heating systems are operated using tree and shrub cuttings and solar panels have been installed at the landfill site.
		Uckermark	122.000	1990 - 2005		In 1990, waste disposal services were awarded to a private company. The decision was made in 2000 already not to renew the contract because the administrative district did no longer want to stand by and watch how a private company generated high yields. Due to the fact that the tender did not result in an adequate offer, the administrative district re-municipalised waste disposal in 2005. Based on this, cost efficiency could be increased, new staff could be recruited and charges could be reduced.
		North Tyneside	200.000	until 2008		The collection of waste material for recycling purposes was awarded to a private company; waste disposal continued to be provided by the borough of North Tyneside. Due to problems with the company, the contract was not renewed after it had expired in 2008. In order to use synergy effects, this task was re-integrated into public waste collection. Improvements in collection management could be achieved and the satisfaction of the population could be increased.
	Great Britain	Thurrock	160.000	2003 - 2010		Three years after waste collecting and recycling in Thurrock had been awarded to a private company, the performance of the private service provider was audited. The audit found that splitting the tasks would also benefit small regional companies and that individual tasks could be taken over by the Council itself. Based on these findings, the Council assumed the responsibility for collecting and recycling of waste again. This resulted in improvements of the service quality, the recycling rate, the payment of staff and the costs.

OVERVIEW OF EXAMPLES

Sector	Country	Municipality	Population	Period of privatisation	Private operator	Remunicipalisation
Public Transport	Germany	Kiel	240.000	2003 – 2009	Norddeutsche Busbeteiligungsgesellschaft	Kiel sold im Jahr 2003 49% of Kieler Verkehrsgesellschaft in 2000 for only EUR 12,450. Due to the new ownership structure the public transport had to face up to a Europe-wide tender in the beginning of 2011. It was expected that Kieler Verkehrsgesellschaft would have lost to other providers, so a repurchase was demanded. It was re-municipalised in 2009, but the repurchase price was many times higher (more than 1 Mio. EUR).
	Great Britain	Britische Eisenbahn	–	1994/1997 – 2001	Infrastructure: Railtrack (RT) Operative Management: 106 individual companies	The national railway British Rail was established as recently as 1949 and privatised only 43 years later. In order not to have to finance the imminent costs for the necessary modernisation of the rail network only with public funds and to increase economic efficiency, British Rail was fully privatised between 1994 and 1997. The infrastructure was awarded to Railtrack, whilst the operative side was outsourced to 106 individual companies, which together had more than 2,000 sub-contractors. The consequences were delays and higher prices, whilst at the same time the network deteriorated; in addition, several accidents with overall 46 fatalities and over 700 injured were recorded. Following the insolvency of the private rail operator, a public company once again assumed the task. The investment costs in the infrastructure are still enormous so that British rail transport is one of the
		London	8.200.000	2004 – 2007/2010	Metronet (five partners, among them EdF and Thames Water) and Tube Lines	The London underground was partly privatised in 2003 and organised as a PPP model in order finance the required investments in the infrastructure. The operative side remained in the public sector, whilst the infrastructure was outsourced to two private bidder consortiums for a period of 30 years. The negative consequence soon became apparent: increased ticket prices, delays, technical problems and derailments were a daily occurrence. One of the private operators filed for bankruptcy as early as 2007, followed by the other in 2010. Finally, all shares were repurchased by the public operating company, which represents a financial burden to this day.

OVERVIEW OF EXAMPLES

Sector	Country	Municipality	Population	Period of privatisation	Private operator	Remunicipalisation
Cemetery maintenance	Germany	Göttingen	120.000	1975 – 2000		The maintenance of the new cemetery in the district of Junkerberg, which was established in 1975, was outsourced to a local garden centre. A cost comparison was prepared upon the expiry of the contracts, which resulted in a saving of ca. EUR 66,000. Based on these findings, the maintenance of the cemetery has been in the municipal sector again since 2000.
Industrial cleaning	Germany	Bremen	545.000			For years, industrial cleaning in Bremen had been outsourced to private companies. Immobilien Bremen, a public law institution, was set up against the background of safeguarding jobs and cost reduction; it will provide this service in future.
	GB	Islington	210.000	until 2010		In 2010, the contract with the private industrial cleaning operator in the London Council of Islington was not renewed. By providing the service itself, the Council, which is one of the poorest in England, wants to implement fair remuneration for its staff.
Green space maintenance	Germany	Nürnberg	500.000	Mid 1990ies – 2007		In the mid-1990ies, the maintenance of parks was award to private operators on the basis of a cost savings initiative. However, the municipality still had to meet the costs for quality control and tenders. In 2007, within the scope of a 3-year pilot project, the municipality tested the in-house provision of the service in the southern part of the city. The project developed positively and in 2010 was extended to the northern part of the city.
Stress test analysis	Germany	Hannover	526.000	2005 – 2008		In 2005, all internal services of the municipality were subjected to an audit, which was to establish, which tasks could be outsourced to private companies. One of them was the stress test analysis in the area of building regulations, which was outsourced shortly afterwards. However, an audit two years later reached the conclusion that in-house provision was 30% cheaper. A short time later the municipality resumed stress test analysis services.
Rescue Service	Germany	Oberberg (Landkreis)	280.000	until 2011		Since an ECJ ruling in 2010, rescue services have to be invited to tender in accordance with a submission model (remuneration is paid by the municipalities, which can assert claims against social security). In Oberberg in 2011, the fear of losing quality due to tendering resulted in
		Schleswig Holstein	835.000	until 2007		As early as 2005, three administrative districts in Schleswig-Holstein set up an inter-municipal rescue service; in 2007, they were joined by Steinburg as the fourth, which until then had outsourced this service to private operators. That way, a good service can help in exploiting savings potentials.
Street lighting	Germany	Düren	89.000	until 2011		Dürener Service Betrieb (DSB), a community-owned company, repurchased street lighting and network. This was based on an expert opinion, which calculated a saving of several hundred thousand euros if a switch was made to LED technology. This can save 60% of energy costs and achieve environmentally friendly and qualitative effects.
Street Cleaning	Germany	Gerlingen	19.000	2004 – 2007		In 2004, street cleaning services were outsourced to a private company. Nevertheless, the municipality still incurred costs (establishing a cleaning rota) and the citizens complained about a lack of quality. In 2008, based on a cost calculation, the municipality decided to provide the service itself again. A saving of EUR 40,000 was achieved in the first year already.

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