

Water Regulation in France: Taking stock, looking ahead

Simon Porcher

IAE Paris Sorbonne Business School

Outline of the presentation

- Presents the organization of water and sanitation in France.
- Reviews the empirical literature on public vs. private management in water industries:
 - Performance: price, efficiency, quality.
- Underlines some key issues on water governance in France.

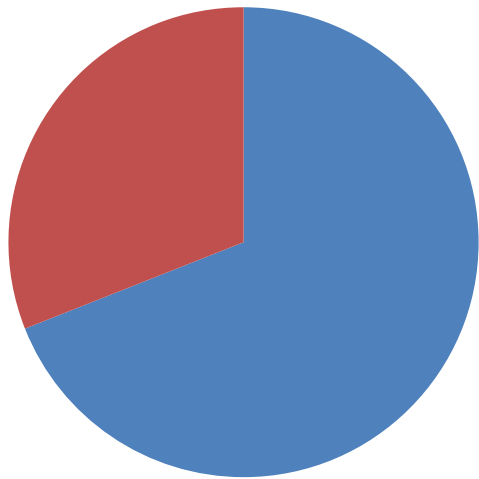
Water in France

- For two centuries, municipalities were responsible of organizing the delivery of water and sanitation public services.
- In 2015, there were 33,000 water & sanitation services in France (22,000 local authorities managing water; 33,000 municipalities).
- Loi NOTRe (2015) : 1 service = 15,000 inhabitants at least.
- No national regulator.

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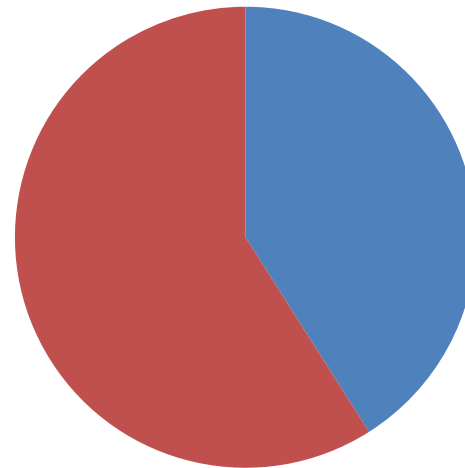
- Direct management vs. contracting out (ONEMA, 2018)

% of services



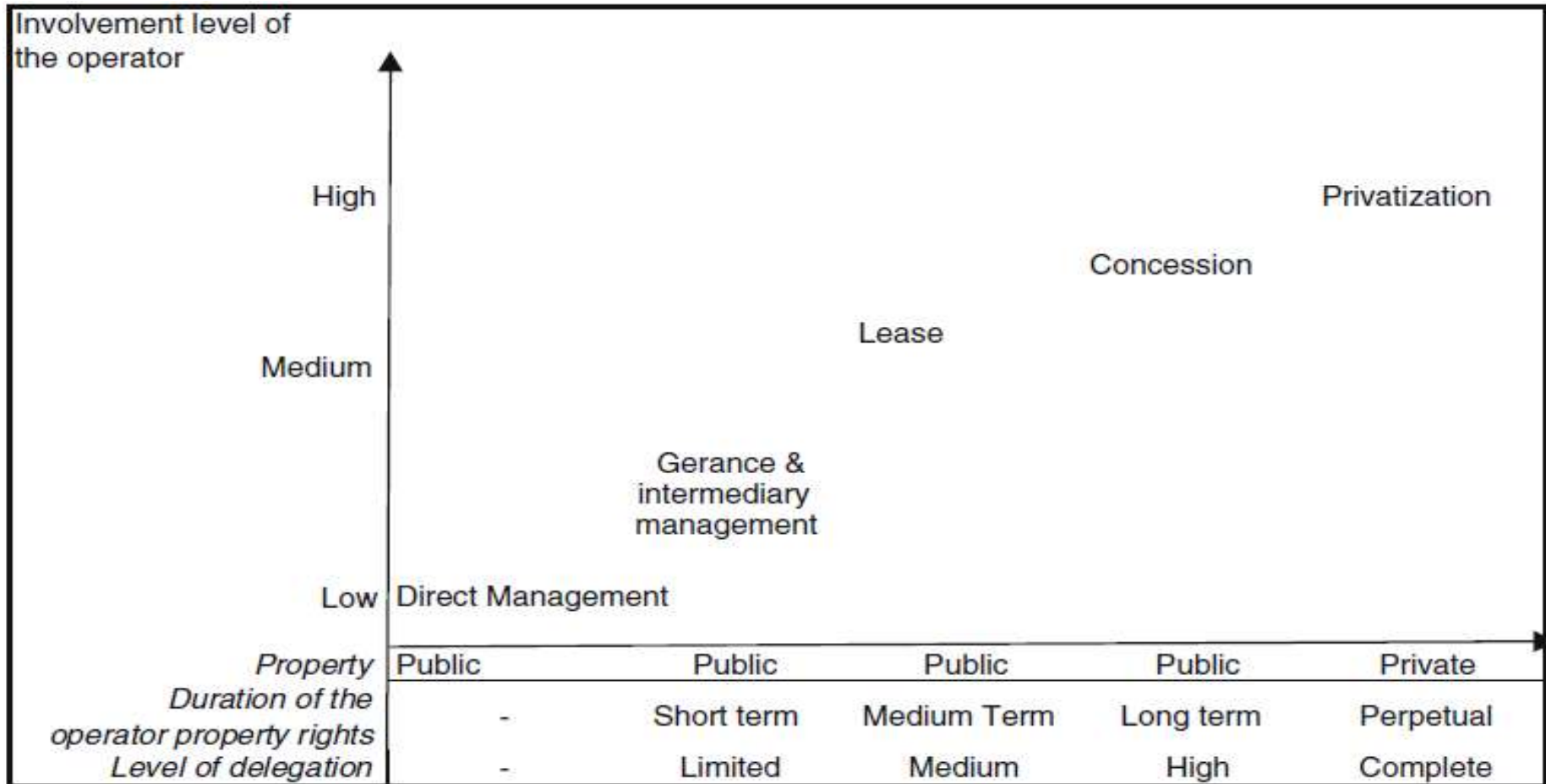
■ Direct management
■ Contracted-out

% of population



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Contractual options



Tariffs

- Two-part tariffs (fixed-part and variable part) set to cover Opex and Capex.
- Full-cost recovery principle
 - In direct management, margins directly transferred to the investment account.
 - When contracted-out, the price structure reflects the financial projections of the operator over the contract. Not possible to renegotiate prices by more than 5%

PPP and price (1)

Work	Period	Sample	Results
Carpentier et al. (2006)	1998	5,000 municipalities (75% of the population)	Users who live in small municipalities that provide water services through private management pay higher prices for water (+15.2%). There is no price difference between public and private management for larger municipalities.
Desrieux et al. (2013)	2001-2008	~ 1,700 privately managed municipalities	The use of the same operator for both the distribution and the sanitation of water leads to a significant price reduction for consumers.
Chong et al. (2015)	1998-2008	5,000 municipalities (75% of the population)	Users who live in small municipalities that provide water services through private management pay higher prices for water (~8%); there is no price difference between public and private management for larger municipalities.

PPP and price (2)

Work	Period	Sample	Results
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Porcher (2017)	2009	116 water services (9 million inhabitants)	Price differences between public and private management are linked to differences in the level of water services' debt. Under a 10-years refunding hypothesis, annual debt payments per customer would increase by 35 euros under direct management and 15 euros under contracting-out. Under this hypothesis, the remaining differences in prices between direct and contracted-out management would almost be cleared-up.

PPP and water quality

Work	Year	Sample	Results
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PPP and efficiency

Work	Year	Sample	Results
Le Lannier and Porcher (2014)	2009	172 large public services	Using a mixture of DEA and SFA methods, public management is more cost efficient than private management. Private management regroups the best and the worst performer of the sample.

Improving PPPs

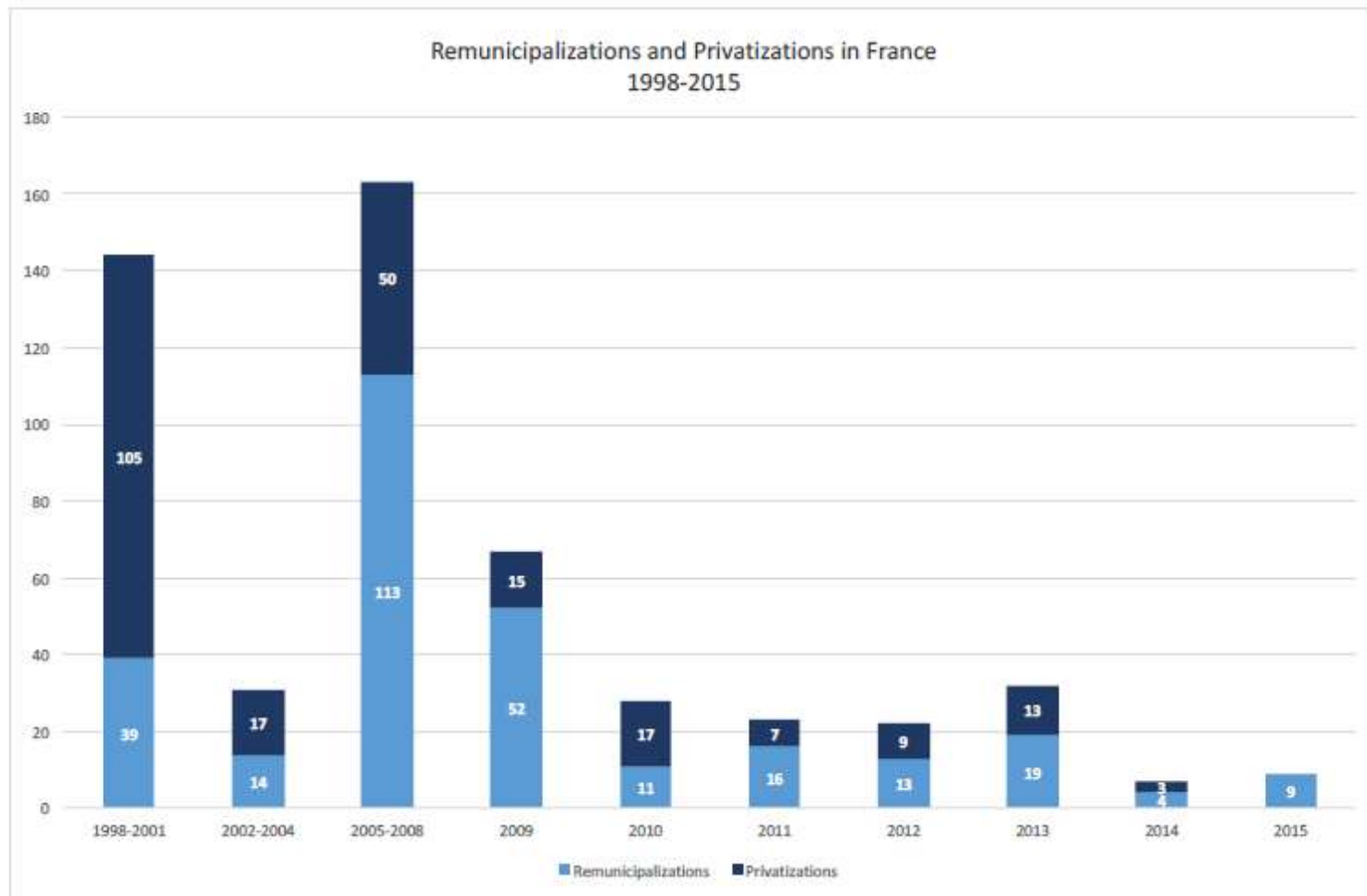
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 - Standardizing contracts (↓ bribes and transaction costs) with pre-defined motivated changes.
 - Current risks: # performance indicators in PPP contracts increases !
- National regulator ?
 - Efficient regulator / PPP unit, transparency (e.g. data).

Some other issues

- Scale and scope economies ?
 - Scope economies: group water and sanitation ?
 - Allow to bid for water or sanitation or water + sanitation ?
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 - Some cases, e.g. Dunkerque (↓ average bill, companies' revenues basically the same)
 - Including extra euros for producing some outcomes ?
 - Mapping or improving networks ?

Some other issues

- Change of governance ?



Conclusions

- Changing landscape
 - Necessary re-organization of water public services
 - Difficult to understand the map of water and sanitation services
- Necessary to improve contracting with private companies
- Regulator of water ?
 - « Police » (e.g. quality) is well-done
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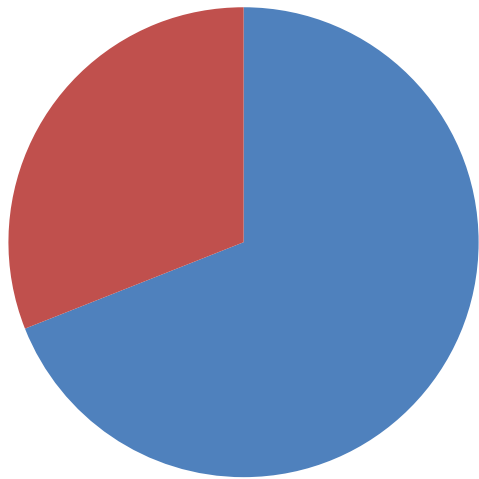
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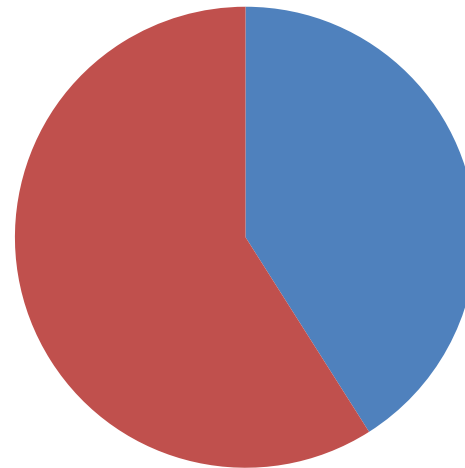
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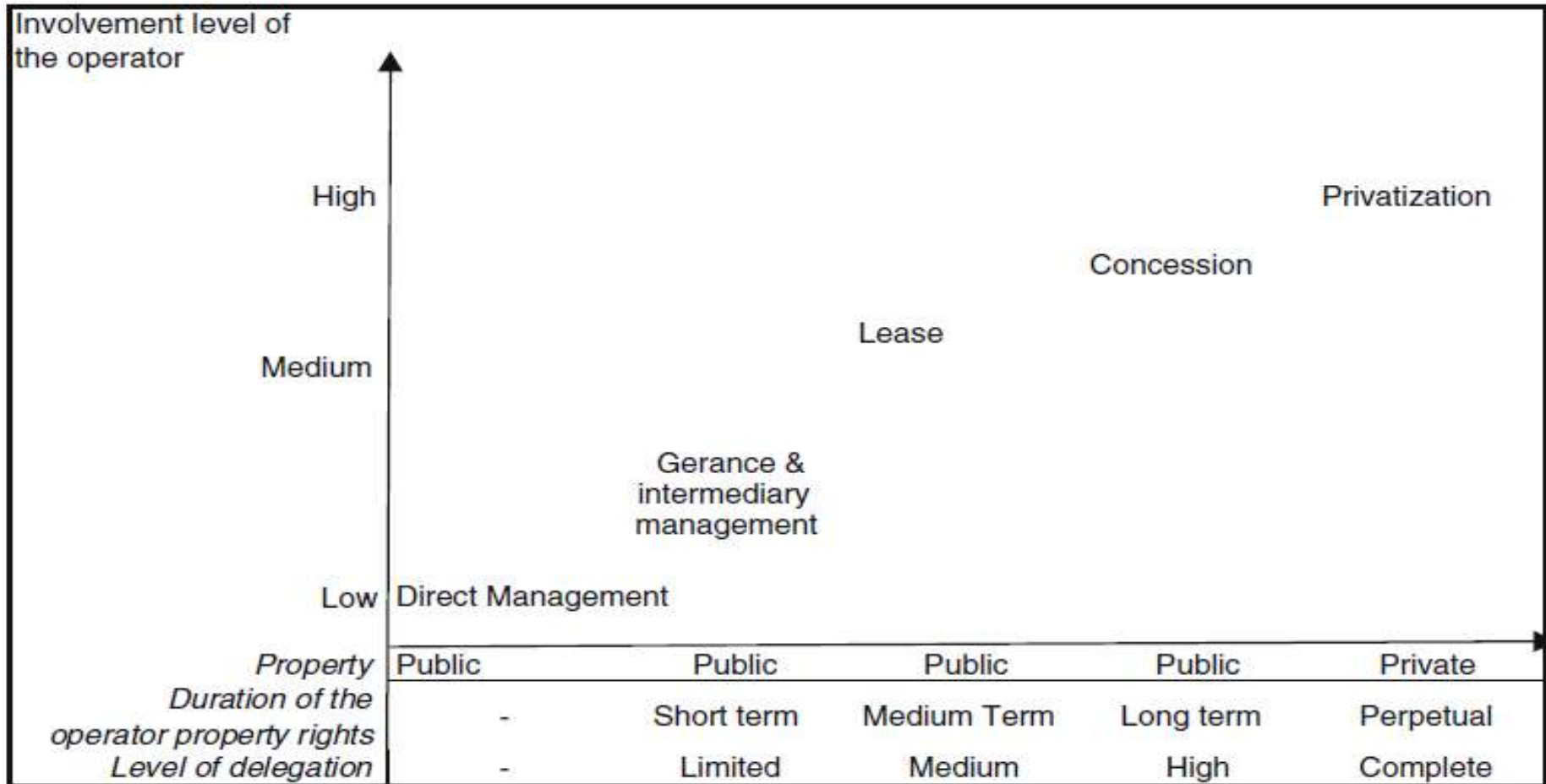
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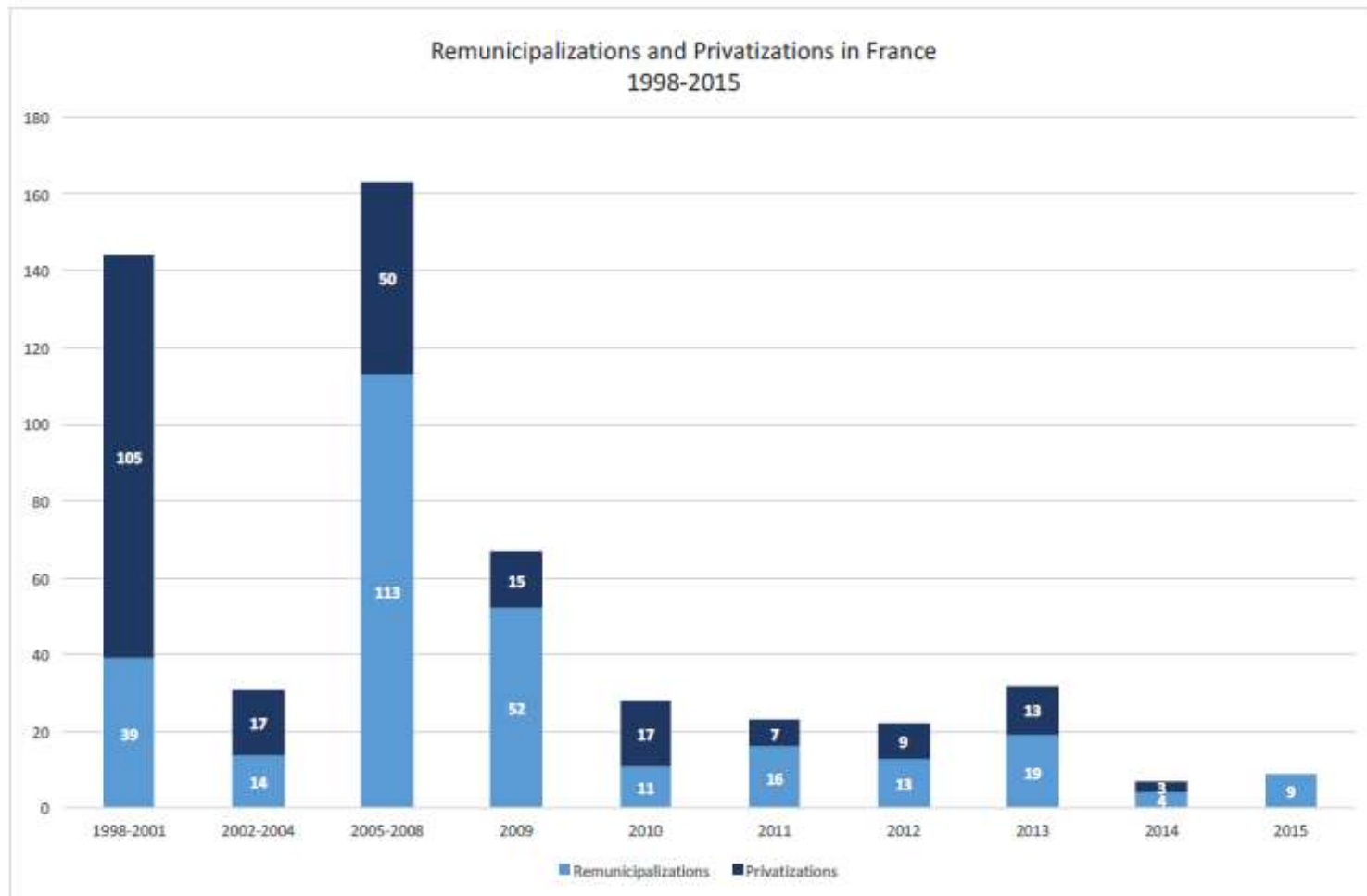
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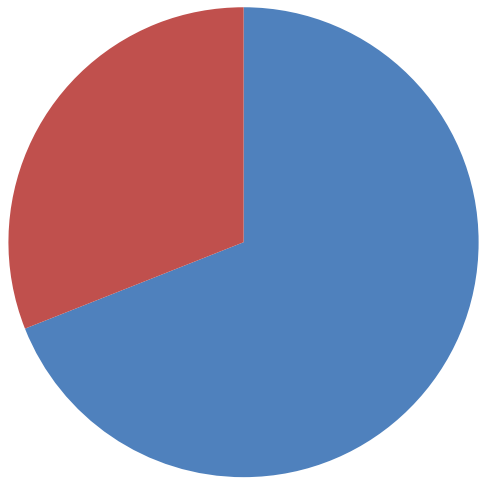
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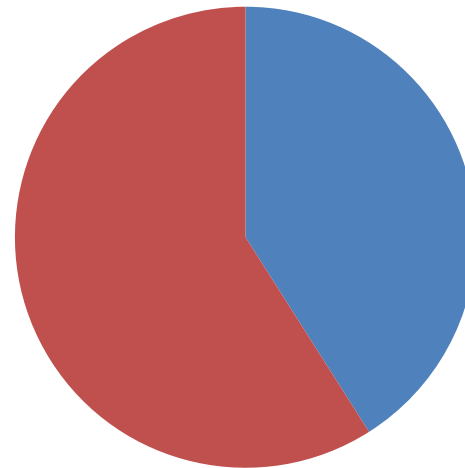
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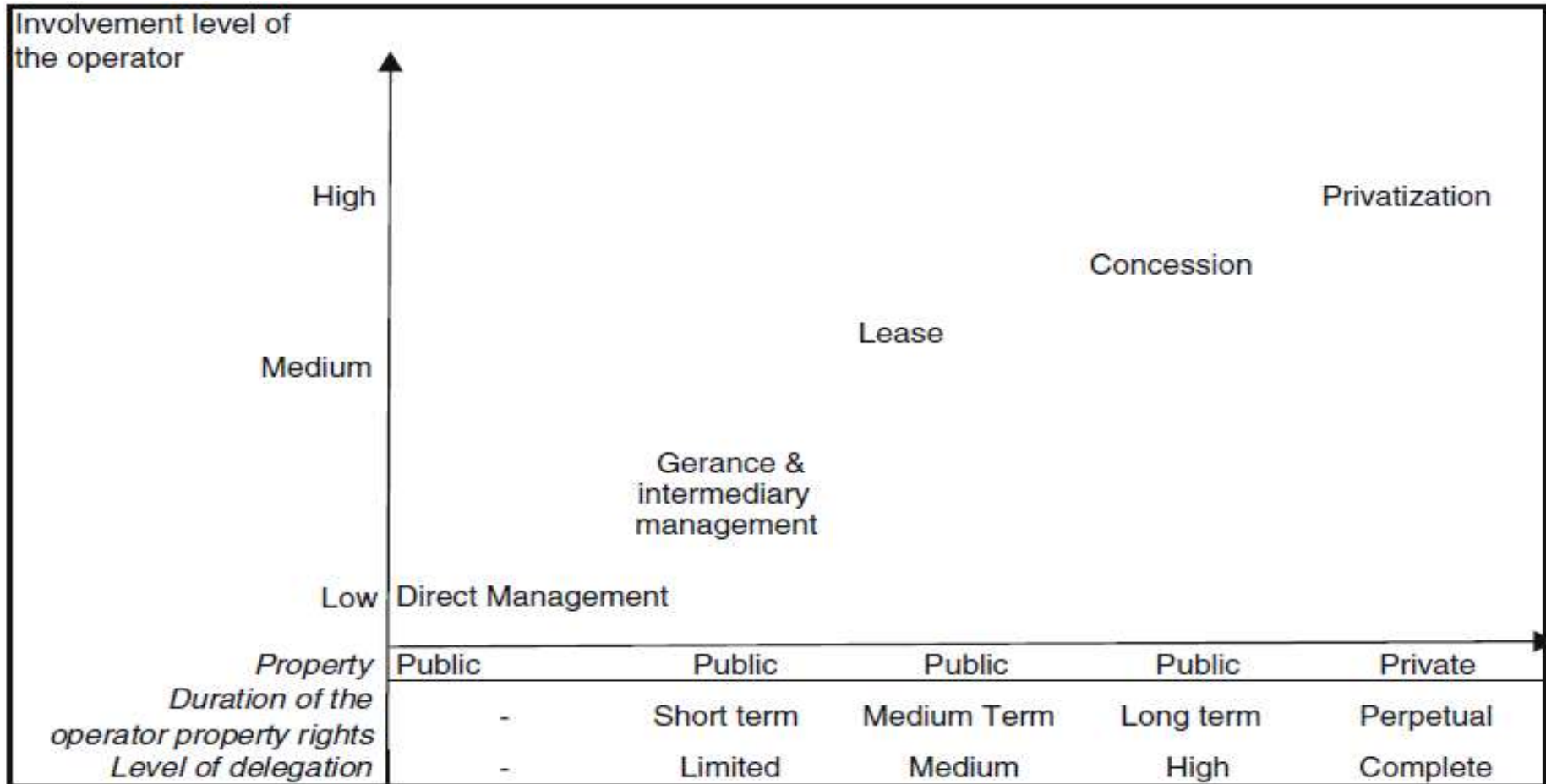
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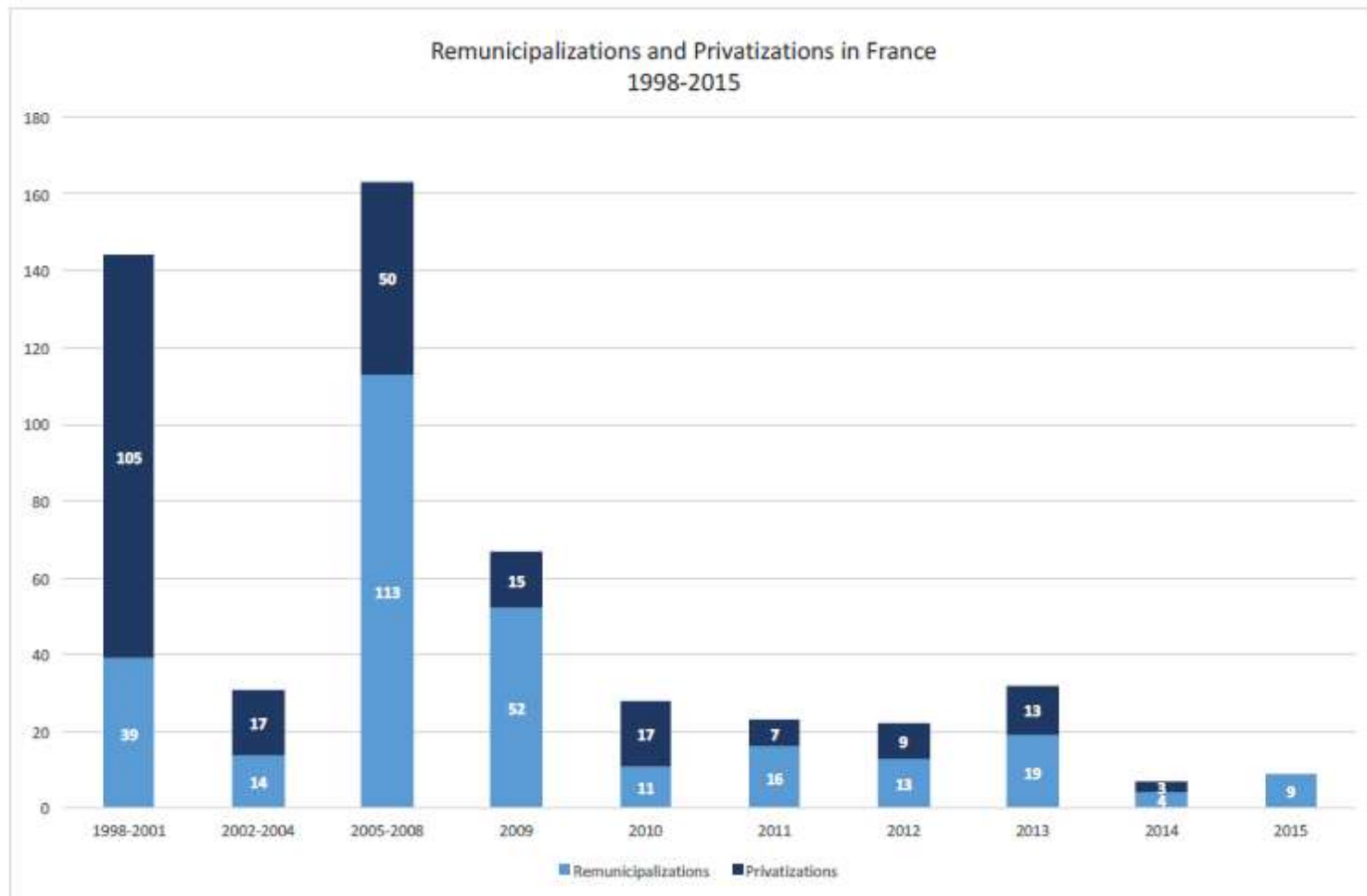
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