

Water: commons or commodity?

Karen Bakker, Department of Geography, University of British Columbia
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The question of whether water should be treated as a commons or a commodity has a long history. In contemporary discussions, this question often occurs in the context of debates over the sharing of responsibility for water supply between the state, the private sector, and citizens. These are pressing issues, given that private corporations are playing an increasingly important role as builders, owners and operators of water supply systems.

Debates over water supply governance centre around three idealized models of resource management: the 'public utility' (or municipal) model; the private sector 'commercial' model; and the community 'cooperative' model (Table 1). In practice, these models overlap: some governments, for example, choose to retain ownership while corporatising water services. In France, private-sector management of municipally owned water supply infrastructure via long-term management contracts is widespread. Other countries such as Denmark, with a long tradition of cooperative management of the local economy, prefer the coop model – provision by a non-profit users' association in which local accountability is a key incentive.

How did these different models emerge? The answer can be found, in part, through analysing the history of urbanization and associated industrialization of water supply. As cities grow, some means of supply large amounts of water and removing large quantities of sewage becomes increasingly necessary. In 19th century European cities, universal water and sewerage networks emerged as the preferred model. Water was to be mass produced, abstracted in large quantities and treated at plants before being distributed through networks in densely-built up areas where economies of scale made supplying water feasible.

In many cities, private corporations built and operated the first water supply networks. Private companies operated in cities like Boston, New York, London, Paris, Buenos Aires, and Seville, typically supplying water to wealthier neighbourhoods; the poor had to rely on public taps, wells, rivers, or in the most desperate cases, stole water. The terrible cholera and typhoid epidemics of the 19th century, combined with an apparent inability or lack of interest on the part of the private sector to finance universal provision, led the state to take over the business of water supply infrastructure. In places where private companies continued to operate – as they did to a limited extent in France, England and Spain -- they were tightly regulated. Private water companies in the UK, for example, had dividends capped and were required to reinvest any remaining profits in the water supply business.

The 'public utility' model

The 'public utility' model of network water supply provision was thus, in many cases, a response to experiences with private provision of water supply in the 19th century. For much of the 20th century, governments ran most water supply systems, particularly in industrialized countries and urban areas. With the aim of providing universal access and the protection of public health, governments created public utilities which owned the infrastructure and in most cases provided services to consumers on a subsidized basis. Water was regarded as a public service, often run at the municipal level, and was frequently not metered. Where private companies continued to operate, their activities were strictly regulated

The justification for government control of water supply systems rested on twinned economic and ethical arguments. Drinking water supply was conceived of as a public good, a necessary precondition to participation in public life and a material emblem of citizenship. In economic terms, the high capital costs of water supply development projects, and the monopoly characteristics of water supply networks were used to justify state involvement. In most industrialized countries and urban areas, governments dominated the business of water supply throughout much of the 20th

century. Where governments set up corporations to run water supply systems (as in the Netherlands) these tended to be non-profit.

The commercial model

The private sector model water supply is, in contrast, characterised by the management (and sometimes ownership) of infrastructure by private, for-profit corporations. There are many different types of private sector models.¹ A privatized water supply utility, such as those created in England and Wales in 1989, owns the assets and manages the infrastructure; this model is quite rare. Private sector participation in water supply involves private corporations in the management of various aspects of (typically) municipally owned infrastructure; about 70% of the French population is served through these 'PSPs'. Over the past decade, a rapid increase in 'private sector partnerships' (contractual arrangements under which private companies operate, manage, or even build water supply networks on behalf of government owners) has occurred. The majority of formal water supply systems around the world remain, however, municipally owned.

Privatization usually entails commercialization, in which markets and market norms are applied to water supply management. Commercialization frequently involves the introduction of metering and associated changes in water rates. The principle of full-cost pricing (prices should reflect the full cost of the service) and economic equity (consumers should pay for what they use) are usually applied, in contrast to subsidised pricing and social equity (consumers should pay according to their ability/affordability) principles which frequently characterise public utility systems. Commercialization can also occur under public ownership; municipalities in the Netherlands, for example, have created publicly-owned commercialized water supply corporations.

The community model

Community-run water supply systems are most frequently managed as co-operatives. Many types of co-operative exist; a simple definition is 'an enterprise owned and democratically controlled by the users of the goods and services provided.' Users can be consumers, employees or producers of products and services. In most co-operatives, users are actively involved in aspects of management and decision-making. Effective (not necessarily efficient) management, in line with community norms, tends to be the goal of water supply co-operatives.

In OECD countries, this model is most widely used in rural areas (approximately 200 water supply cooperatives exist in Canada, mainly in Alberta, Manitoba, and Quebec); in developing countries, the model is widespread. Water cooperatives are widespread in Denmark. Water cooperatives are also widespread in Finland, where there is a long-standing tradition of private participation in water services, through not-for-profit and self-sufficient "water associations" and cooperatives owned and managed by the consumers, especially in rural and sparsely populated areas. In Wales in 2001, the regional water and waste water company which had been privatized in 1989, was restructured into a non-profit corporation, owned by its members and prohibited from diversifying or operating outside of the Welsh region. The Bolivian city of Santa Cruz runs water supply as a not-for-profit co-operative, to which the majority of residents have access. The case of Santa Cruz contrasts with many cities in the South, where the poor obtain water from private vendors—delivering water to households by jugs or tankers—usually at a cost several multiples of that delivered via public water supply systems to the middle and upper classes.

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Significant differences exist between the public utility, commercial, and community governance models, despite the fact that these models overlap to some degree in practice. One important distinction is the role of the consumer: a citizen, a customer, or a community member. Each role implies different rights, responsibilities, and accountability mechanisms.

Another difference, and an inflexion point of the international debate over water supply management, has centred on the socio-economic definition of water. Is water a 'commons' or a 'commodity' (Table 2)? At the risk of over-simplification, the commodity view asserts that private ownership and management of water supply systems (in distinction from water itself) is possible

and indeed preferable. From this perspective, water is no different than other essential goods and utility services. Private companies, who will be responsive both to customers and to shareholders, can efficiently run and profitably manage water supply systems. Water conservation will be incentivized through pricing – users will cease wasteful behaviour as water prices rise with increasing scarcity. Proponents of the ‘commodity’ view assert that water must be treated as an economic good, as specified in the Dublin Principles² and in the Hague Declaration³.

In contrast, the commons view of water asserts its unique qualities: water is a resource essential for life, the conversion of which into a business opportunity is unethical. From this perspective, collective management – whether by communities or the state – is not only preferable but also necessary; private ownership of water supply will, it is argued, invariably conflict with the public interest. Those who advance the ‘commons’ view assert that conservation is more effectively incentivized through an environmental, collectivist ethic of solidarity, which will encourage users to refrain from wasteful behaviour. The real ‘water crisis’ arises from socially produced scarcity, in which a short-term logic of economic growth, twinned with the rise of corporate power (and in particular water multi-nationals) has ‘converted abundance into scarcity’. As a response to the Hague Declaration, the P7 Declaration (2000) outlined principles ‘water democracy’, of decentralized, community-based, democratic water management in which water conservation is politically, socio-economically and culturally inspired rather than economically motivated.

Another focal point of the debate has been the question of whether water supply is a human right or a human need. Water as a human right would be enshrined in legislation (as in South Africa’s constitution⁴) placing a duty on governments to ensure the fulfilment of this right. If water is a human need, on the other hand, governments would have no such duty. In the mid-20th century, international debates stressed the importance of water for health and sanitation in basic need requirements. In recent decades, the argument for treating water as a human right has been advanced, drawing on the Universal Declaration of Human Rights (1948), and made explicit in the Convention on the Rights of the Child (1986). The Water Supply and Sanitation Collaborative Council’s ‘Vision 21’⁵, the Cochabamba Declaration⁶, the Group of Lisbon’s Water Manifesto⁷, and the Declaration of the P7⁸ at their 4th Summit in 2000 have supported the inclusion of water as a ‘third generation’ right into international law. In practical terms, a human right to water would imply a basic volumetric allocation per person per day; ‘sufficient for everyone’s need, but not for everyone’s greed’. The difficulties of implementing such a right are well understood in South Africa, where many citizens have been promised, but not yet provided with the minimum level of 25 litres per person per day established by the government as ‘sufficient.’

Advocates of privatisation argue that private sector management of water supply infrastructure will increase efficiency, and deliver water to those who currently lack access. They point to the failure of governments and aid agencies to achieve the goal of universal water supply during the International Water and Sanitation Decade (1981 - 1990), and to the low efficiency and low levels of cost-recovery of public utilities. Through efficiency gains and better management, private companies will be able to lower prices, improve performance, and increase cost recovery, enabling systems to be upgraded and expanded, critical in a world in which one billion people lack access to safe, sufficient water supplies. Privatization (the transfer of ownership of water supply systems to private companies) and private sector ‘partnerships’ (the construction, operation and management of publicly owned water supply systems by private companies) have, it is argued, worked well in other utility sectors.

This view has been strongly critiqued by those who argue that privatization entails the transformation of water from a commons into a commodity, an act of dispossession with negative distributive consequences that is emblematic of ‘globalization from above.’ The involvement of private companies invariably introduces a (pernicious) logic of the market into water management, which is incompatible with guaranteeing citizen’s basic right to water. Private companies - answerable to shareholders and with the over-riding goal of profit – will manage water supply less sustainably than public sector counterparts. Opponents of privatization point to successful examples of public water systems, and argue that private sector alternatives are not necessarily more efficient, and often much more expensive for users, than well-managed public sector systems⁹. They assert the effectiveness of democratic accountability to citizens when compared to corporate accountability to shareholders; an argument less easy to refute following the collapse of

Enron, which by the late 1990s had become one of the largest water multinationals through its subsidiary Azurix.

Conclusion

Commercialization and privatization rescript water as an economic good rather than a public good, and redefine users as individual customers rather than a collective of citizens. Political controversy inevitably surrounds the introduction of the private sector into water supply management, as it almost invariably entails a redefinition of the relationship between the market, our government, the state, and one another. The question of 'whether to privatize' is thus more than merely technical; it is properly political debate about our worldviews of water, and of society. Making space for this collective debate is necessary if we are to move beyond what risks becoming a stale confrontation between market fundamentalists and ardent defenders of the state.

Debates about water supply management are inevitably intertwined with broader issues, such as trade rules, development policy, and social movements. Questions about the respective roles to be played by communities, states, and private corporations raise broader issues of environmental sustainability and deliberative democracy; in debating private sector participation in water supply, we are also debating the relationship between markets, states, the environment, and one another.

FOLLOW UP

For general references on water management debates, see www.thewaterpage.com. In Canada, for an NGO perspective critical of water privatization, see the Council of Canadians Blue Planet Project (www.canadians.org/blueplanet/index2.html), and for a corporate perspective supportive of private sector participation in the water sector, see the Canadian Council for Public Private Partnerships (www.pppcouncil.ca). For academic studies critical of the privatisation process, with a focus on developing countries, see the Municipal Services Project website (<http://qsilver.queensu.ca/~mspadmin>). Internationally, the US-based Public Citizen runs a campaign on water supply (<http://www.citizen.org/cmep/Water/>). The Global Water Partnership is an influential network of companies, governments, and lending agencies committed to the Rio-Dublin principles (<http://www.gwpforum.org/>). For an international public sector union perspective, see the very comprehensive PSIRU website (www.psiru.org).

Table 1: Generic governance models for locally-provided public utility services

	Public Utility	Market	Community
Organizational structure	Civil service	Corporation	Association/network
Accountability mechanism	Hierarchy	Contract	Community norms
Primary decision-makers	Administrators, experts, public officials	Individual households, experts, companies	Leaders and members of community organizations
Primary Goals	Guardian of public interest Conformity with legislation/policy	Maximization of profit Efficient performance	Serve community interest Effective performance
Key Incentives	Expert/managerial feedback in public policy process Voter/ratepayer opinion	Price signals (share movements or bond ratings), Customer opinion	Agreements and shared goals Community opinion
Key Sanctions	State authority backed by coercion; Political process via elections Litigation	Financial loss Takeover Litigation	Livelihood needs Social pressure Litigation (in some cases)
Consumer role	User & citizen	User & customer	User & community member
Participation of consumers	Collective, top-down	Individualistic	Collective, bottom-up
Cognate business models	Municipally-owned utility	Private corporate utility	Community co-operative

Adapted from: McGranahan, G., Jacobi, P., Songsore, J., Surjadi, C., and Kjellén, M. 2001 The Citizens at Risk: From Urban Sanitation to Sustainable Cities. London: Earthscan.

Table 2: The commons versus commodity debate

	Commons	Commodity
Definition	Public good	Economic good
Pricing	Free or 'lifeline'	Full-cost pricing
Regulation	Command-and-control	Market-based
Goals	Social equity & Livelihoods	Efficiency & Water security
Manager	Community	Market
Access	Human right	Human need

NOTES

¹ The literature on private sector participation in water supply is extensive; only a few publications can be mentioned here. For a survey of trends in private sector participation in the water sector, see G Silva, N Tynan, and Y Yilmaz. "Private Participation in the Water and Sewerage Sector—Recent Trends." *Public Policy for the Private Sector*. Washington, D.C.: World Bank Group, Note 147 (1998), pp. 1–8. For analyses of private sector participation in developing countries, see N Johnstone and L Wood (eds) *Private Firms and Public Water: Realising social and environmental objectives in developing countries* (London: Edward Elgar, 2001). For an analysis of the impact of privatization on water pricing and consumers, see K. Bakker "Paying for Water: Water Prices and Social Justice in England and Wales" *Transactions of the Institute of British Geographers* 26(2) (2001), pp. 143 – 164.

² The 1992 International Conference on Water and the Environment set out what became known as the 'Dublin Principles': Fresh water is a finite and vulnerable resource, essential to sustain life, development and the environment; Water development and management should be based on a participatory approach, involving users, planners and policy-makers at all levels; Women play a central part in the provision, management and safeguarding of water; Water has an economic value in all its competing uses and should be recognized as an economic good. The Dublin Principles have been adopted by numerous international, multilateral and bilateral agencies including the World Bank.

³ The Ministerial Declaration of the Hague on Water Security in the 21st century followed the inter-ministerial meeting known as the '2nd World Water Forum' in 2000. See www.worldwaterforum.net.

⁴ The Constitution of the Republic of South Africa guarantees the right of citizens of access to sufficient water (Act 108 of 1996, section 7(2)).

⁵ The Water Supply and Sanitation Collaborative Council, located in Geneva, is a non-profit organisation that acts as an 'international policy think tank' on water management.

⁶ The Cochabamba declaration followed a meeting of several hundred people in this Bolivian city concerned about the involvement of private sector corporations in water supply management. See <http://www.canadians.org/blueplanet/cochabamba-e.html>.

⁷ The Group of Lisbon is a group of distinguished scholars from around the world which analyses globalization, and calls for new types of economic governance. See R Petrella. *The Water Manifesto* (London: Zed Books, 2001)

⁸ The P7 (now P8) annual conference was convened for the first time in June 1997 by the Green Group in the European Parliament, as an alternative Summit to the G7 (now G8). Representatives from the world's poorest countries attend the conferences, which focus on the structural causes of and solutions to poverty.

⁹ See, for example, Estache, A. and Rossi, C. (2002) How different is the efficiency of public and private water companies in Asia? *World Bank Economic Review*. 16(1): 139 – 148.