

Hello my name is David Hall,

I'm a visiting professor at the University of Greenwich in London, UK and I'm going to talk to you about the experience of England water privatization since the Thatcher government in the 1980s.

That experience has been very bad and I want to advise you that privatization of Sabesp would be a big mistake and you should avoid it because of the experience in England and elsewhere.

What happened here was privatization, for the usual reasons given that it's supposed to be more efficient, it's supposed to deliver more investments, that problems with the system such as leaks or sewage overflows would be dealt with better by private companies and, to let you know that none of these things is true. Quite the opposite is true and we have detailed figures from the experience of England to show that.

Let's just look at the question of efficiency to start with.

When studies were done ten years after privatization to see if the companies were more efficient, technically efficient, financially efficient than the old public sector companies, the answer was No, there've been no efficiency improvements.

One reason for that is that the new owners of the water companies in England, didn't know anything about water. They were simply financial institutions who bought the companies to buy the rights for the investment. So the company's gain no new expertise. We didn't get any greater competence but we did get financial institutions determined to extract as much.

Surely, some people say, that's a big advantage because these very wealthy and powerful institutions have a lot of money and can invest it in things that we really need like new pipes, new sewage treatment plants to avoid pollution and so on. But the experience in England and elsewhere is that this doesn't happen.

In fact, quite the opposite happened. In 35 years the companies have invested less than nothing.

They bought the companies, by buying shares in the first place, and since then, they've even taken out some of that money. So, in investment terms, the shareholders invested less than nothing. But what they have done is take out huge amounts of dividends.

In the last 35 years they've taken out dividends worth nearly 80 billion pounds, in dollar terms that's well over a hundred billion dollars. So two and a half three billion dollars per year being taken out of the system not put into the system.

What about the performance?

The performance has become worse and worse. In terms of sewage pollution, there is more sewage in our rivers today and on our beaches than there ever has been. People are regularly complaining about it, systematic studies and reports show the extent of sewage and the companies simply ignore this.

Why is it happening? Because they save money by not investing in increasing the capacity of the sewage treatment plants, which would be the simple and key solution here.

Surely you'd expect that regulators would be dealing with this to make sure the companies were doing what they were supposed to, but no. This hasn't happened even in a country like the UK, where you would expect regulators to be powerful. They impose only the weakest fines and the companies got into the habit of simply lying to the regulators about their leakage and their sewage spills.

One reason why they've got away with this is that the regulators can look forward to having very good jobs with the water companies as long as they are soft when they work for the regulators.

The former chief executive of Ofwat, the main regulator, is now Senior Director of the biggest water company, Thames Water.

The companies have been allowed to double prices in real terms over those 35 years. Not to pay for high costs, but to pay for those high dividends.

Not surprisingly, privatization is very very unpopular. 70% of people want water back in the public sector.

Broadly, the same picture is true globally.

90% of water globally is run in the public sector, including for example the USA where 89% is public.

And there's a strong global trend away from privatization, not towards privatization.

Both, in the global North and the global South, nearly 400 cases of remunicipalization, as we call it of water services, has happened, including half of the French cities which were privatized in the 1980s.

So, there are good reasons for learning from the experience of England and good reasons why other countries elsewhere are remunicipalizing, not privatizing.

So please learn from our experience so best we don't need privatization. It needs strong democratic planning for public service.

Thank you.