5 WATER SUPPLY AND SANITATION BETWEEN DEREGULATION, PPPS AND RE-MUNICIPALISATION

5.1 Origins of modern water supply and sanitation

In terms of network infrastructure, modern water supply and sanitation first emerged in the 19th century in the context of the Industrial Revolution and urbanisation (Juuti and Katko, 2005; Barraqué, 2010). **The beginnings of this new era were marked by private initiatives but they were soon confronted with systemic barriers** (Ambrosius, 1984; Juuti and Katko, 2005; Barraqué and Kraemer, 2014). Telling evidence of these difficulties can be found in the slow expansion rates in France where, after half a century of concessions treaties in towns with a total population of 4.5 million, only around 130,000 people were connected – just 3 % of the population which could be supplied with water (Goubert, 1986). The United Kingdom's experience of expansion followed a similar path (Hassan, 1985).

In light of this, **European municipalities and towns** increasingly **assumed responsibility for network expansion and operation** and extended the water supply and sanitation system continuously (Juuti and Katko, 2005). One significant driving force of this movement towards municipalisation was the **shift in the status of water from a private commodity to a public good** which should be supplied as quickly and comprehensively as possible, particularly for reasons of public health (Pezon, 2011). Additionally, fire protection and the interests of the emerging industrial class presented another driving force for the expansion of infrastructures in many cities in Europe and North America, pushing towards the development of modern water infrastructures (Hassan, 1985; Tarr and Dupuy, 1988; Hallström, 2002). One key economic factor for the municipalities was the possibility of ensuring access to "cheap" capital for systematic expansion (Barraqué, 2010; Maver, 2000).

In light of this municipalisation, the water supply and sanitation systems for the cities of Europe and the USA were almost all publicly and municipally owned at the beginning of the 20th century (Ambrosius, 1984; Hassan, 1985; Juuti and Katko, 2005; Melosi, 2000; Pezon, 2002; Tarr and Dupuy, 1988; Saraiva et al., 2014). To varying extents and degrees, the cities offered services that had previously been deemed entirely private responsibilities. This "**municipalism**" – sometimes referred to pejoratively as "municipal socialism" by its opponents – encompassed policies that formed the **core of the modern welfare state** (Wollmann, 2014). For opponents, however, the intervention of local government constituted a threat to liberal, capitalist society (Rawson, 2004). The actual characteristics of this political movement depended on institutional frameworks and as a result, the scope of municipal intervention ranged from pure fiscalism to measures that clearly stemmed from socialist theories (Kühl, 2001; Hassan, 1985; Barraqué, 1992; Ambrosius, 1984; Bönker et al., 2016).

The municipal level remained crucial even after the many radical upheavals of both World Wars. This was joined by the central government level with the **expansion of a nation-state focused Keynesian**

welfare state, particularly following the Second World War (Juuti and Katko, 2005; Hall and Lobina, 2016). This assumed responsibility for increasingly important financial functions and supra-regional issues of water and resource management (Lieberherr et al., 2016b; Pezon, 2009; OECD, 2009; Hall and Lobina, 2016). Furthermore, the supra-national entity of the EU also played an important role in providing funding. Most importantly, this took place within the framework of cohesion and structural funds and through the EU's public development bank (European Investment Bank), which benefited the southern European countries of Spain, Greece and Portugal in particular, as well the member states in central and eastern Europe. This historical view emphasises the fact that the expansion of infrastructure, long-term maintenance and universal provision for all citizens took (and takes) place overwhelmingly and almost exclusively through public regional authorities.

5.2 The great deregulation experiment since the 1980s

When **Margaret Thatcher (United Kingdom) and Ronald Reagan (USA) came to power**, this marked the beginning of periods in which **deregulation and privatisation programmes** were initiated, motivated in no small part by ideological rationalisations (see Thatcher, 1993). As was suggested in Chapter 3, this meant that particularly as a result of European integration, the **assertion of the single market principle was and remains orientated fundamentally towards the provision of public services** (Florio, 2013). Generally speaking, this was implemented through the reduction of public cross-subsidies, reinforcement of private ownership and the freedoms associated with this and peripherally through competition policy. The rationale behind this was that it would promote the market principals of individual responsibility, decentralised decision making and information processing and competition in the field of public services. In the EU member states, a supra-national trend has been emerging to this effect since the 1980s, tending towards political enactment of market principals on key areas of public services (Höpner et al., 2011). As a result, private, profit-focused companies became increasingly important, both for providing and for funding and regulating public services (Kunneke and Finger, 2011; Unger et al., 2017).

This was accompanied by **re-regulation in various political spheres**, which did not necessarily result in fewer complex administrative regulations. As a result, new regulatory authorities had to be created, for instance within the scope of privatisations (for merger monitoring, monitoring price and misuse, etc.). This can also be demonstrated empirically in relation to the phenomenon referred to in public administration research as "agencification" – the process of creating autonomous or semi-autonomous agencies to assume public responsibilities (Pollitt and Talbot, 2004; Verhoest et al., 2012). Concrete studies relating to the water sector also point towards this (OECD, 2015a; Jensen and Wu, 2017). Moreover, the proponents of the "regulatory capitalism" theory point out that as part of global market liberalising processes, some national regulations may well be dissolved but additional public, private and hybrid forms will take their place (Levi-Faur, 2005; Braithwaite, 2008). Overall, therefore, an increase in regulation has been assumed since the 1990s, although it was thought that this would take the form of a neo-liberal concept of the state, governance modes and regulatory approaches (Peck and Tickell, 2002). **To put it bluntly, there won't be fewer regulations, just different ones** (Ménard, 2009).

The **water sector** was also **re-configured** as part of this new political paradigm (Bolognesi, 2018). In addition to the economic or ideological motivations for extending market solutions, further key driving forces were posed by the budgetary shortages in the context of Maastricht Treaty regulations in force since the 1990s (Schouten and van Dijk, 2007; Teles, 2015). In conjunction with an increasing need to restore outdated systems as well as more demanding environmental provisions (Hall and Lobina,