



## Using the COVID 19 crisis to strengthen public services of general interest

### Key points

- The current COVID-19 crisis clearly shows the importance of an efficient provision of basic services is for people. Good hospitals, a reliable water and electricity supply, a well-functioning public transport, parks and green spaces in the immediate vicinity of the place of residence will be more important than ever in the coming years for coping with the health, economic and climate crisis.
- Those areas of the [foundational economy](#) that are part of services of general interest are often organised by cities and municipalities. They are coming now under exceptional financial pressure. It is therefore important to reconsider and redefine the strict budgetary requirements of the European Union, which were partly relaxed for the COVID-19 crisis, also in the medium and long term. For example, the introduction of a “golden rule of investment”, which means that investments in a functioning provision of basic services and thus in public general interest services are not counted as debts but as investments in the future. This would secure and create jobs and contribute to regional value creation.
- At the same time, it is important to exclude the areas of vital general interest services (e.g. water supply, public transport, health, education, etc.) from further liberalisation efforts and instead to strengthen public ownership.

### Background

The COVID-19 crisis is a drastic reminder of what several years of austerity measures and privatisation of public services in many European countries have led to. Particularly after the financial and economic crisis of 2008, many areas of general interest services – including the health care system – were privatised and facing cuts. Irish economist Emma Clancy found 63 cases in the last eight years where the European Union officially called on Member States to make cuts in the health care system. There were similar calls for savings in other areas, such as water privatisation or restrictions on unemployment insurance. For this reason, spending in the hospital sector, e.g. in Italy, Spain and Greece, was drastically reduced after the financial crisis in order to meet the requirements of the European austerity policies. These countries have suffered and continue to suffer particularly from the current health crisis, with regrettably high fatal consequences.

#### Vital water – liberalisation and privatisation are the wrong recipes

Water is not a commercial product like any other but, rather, a heritage which, must be protected, defended, and treated as such. It is especially the climate crisis and COVID-19 crisis that again make us clear how much people need refreshing water.

It is thanks to the first successful European Citizens’ Initiative “Right2Water” that the exclusion from the tendering and liberalisation requirements in all fields for drinking water and wastewater in Europe was won. The Concessions Directive therefore excluded all fields of water supply and waste water management from compulsory tendering – but only for a certain period of time. In accordance with the Concessions Directive, the European Commission has to assess the economic

# 1.408 (Re)municipalisation of public services

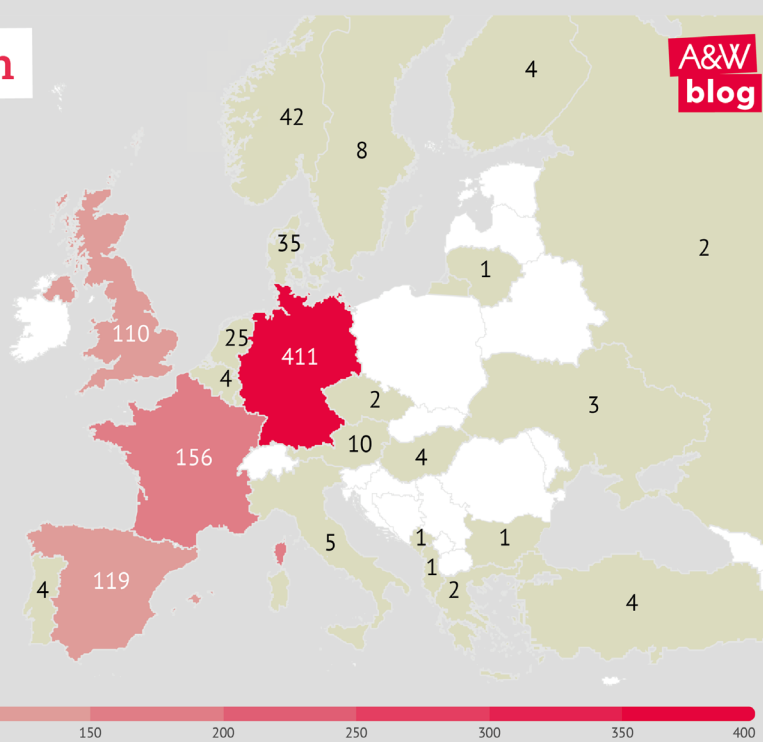
between 2000 and 2019

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## Cases outside of Europe

Canada	51
USA	230
Chile	44
Philippines	21
Malaysia	16
Japan	18
Africa	13
Australia and New Zealand	7
Other countries	53

## Cases in Europe



Source: TNI



Source: Trans National Institute (TNI), 2020

effects on the internal market of this exclusion, submit a report to the European Parliament by 18th April 2019 and take a new decision on it. The Commission postponed this reporting by two years due to lack of data.

More and more cities and municipalities in Europe and worldwide and are striving to keep water supply and other areas of general interest services in public hands. A global trend towards “(re)municipalisation” has been observed in the last years.

### (Re)municipalisation – a global trend

Large cities such as Paris, Berlin, Rostock, Budapest, Montpellier or Nice brought their water supply back under public control from private suppliers. In Hamburg, Vilnius or Dresden it was their energy supply, and Oslo remunicipalised its waste treatment. A recent study by Transnational Institutes (TNI) shows that the privatisation of water, electricity, kindergartens etc. has failed miserably. They collected more than 1,400 successful cases of remunicipalisation – the repatriation of private services to the public sector – worldwide. In Europe alone, more than 900 remunicipalisations in over 20 countries were identified. From the perspective of the cities and municipalities, expectations regarding lower costs for the provision of services by the private sector were often not fulfilled. Negative experiences with privatisation, such as lower investment in infrastructure, poorer working conditions for workers, higher prices for consumers or loss of control, led cities and municipalities to once again operate electricity, water, waste, kindergartens or hospitals themselves.

However, parallel to the return of the public sector, restructuring in this sector still continues to take place in the opposite direction. This is to be considered not least in the light of tight public budgets or national and European fiscal rules that restrict the scope for traditional public funding and provision.

### Public transport – essential for sustainable mobility in Europe

The liberalisation of the railways was started by the EU with the aim of improving the performance of the railways. Almost 30 years after the first regulations in the railway sector, it is clear that there is no link between liberalisation and the positive development of the railways. Despite the same frameworks, the railways are developing very differently within the different Member states. Some very liberal countries perform poorly in terms of their share of the total transport volume, while others are able to record gains. The same applies to customer satisfaction. Liberal countries fall into both the category of satisfied and very dissatisfied customers. Within the EU Austria is the country where most rail travel takes place and relies on efficient and effective measures in both freight and passenger transport, infrastructure development, direct awarding of contracts in passenger transport and subsidies in rail freight transport. In contrast to liberalisation, this guarantees a high rail share, motivated employees and satisfied customers.

The Regulation on public passenger transport services by rail and road (PSO), which entered into force in December 2009, led to the situation that in many countries – including

Austria – refunding of reduced ticket prices or direct awards to local bus companies have been replaced by tenders in which ultimately only the price plays a role, even though the best bidder principle often is officially applied. The focus is on low costs for the ordering parties as well as a higher quality of services, especially with regard to technical requirements for the vehicles. Quality criteria in the sense of social criteria are usually not taken into account.

Personnel costs account for about half the total costs for bus companies and are therefore the most important factor in competition. The cost pressure due to the de facto lowest bidder principle means that established and reputable bus companies cannot keep up with their personnel costs. The prices per kilometre of bus services have fallen by 10 to 15 % since the start of competitive tenders about 10 years ago. This has serious negative consequences not only for the companies themselves, but also for the wages and working conditions of the employees and thus for the passengers in the bus sector. Employees are earning less and it is becoming more difficult for bus companies to find qualified personnel for the buses.

Already today public transport is very climate-friendly, but a new countdown for the decarbonisation of (urban) public transport is just beginning. In the future, public bus services will have to become increasingly low-emission or even zero-emission. This is what the EU directive on the promotion of clean and energy-efficient road transport vehicles (CVD) provides for. This is a major financial challenge, especially for urban and municipal transport companies and clients.

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## Main findings

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For the discussion on the review of the Concessions Directive, the Vienna University of Technology looked at European urban water management in six selected countries (Austria, Germany, Hungary, France, Portugal, United Kingdom). These study results show that a privatised water supply and sanitation sector (for example England) needs strict regulation in order to provide drinking water supply and wastewater disposal in an adequate form. The myth of the free market in water management that would lead to cheaper and better supply of water to people is refuted here. Instead, liberalisation and privatisation cause high transaction costs for the water utilities. The financing of regulatory authorities and public tenders causes economic costs that are ultimately borne by the taxpayer. The results of the study also show: publicly owned water supply is in no way inferior to liberalised and private systems and, for the most part, performs much better than liberalised or private systems.

- In Austria, water supply is in public hands and, compared to the rest of Europe, produces excellent results in terms of water pipe losses, wastewater

disposal, and operational efficiency, as the figures on water pipe losses or wastewater treatment show.

- With regard to prices and fees for water supply, municipal provision in Austria is not more expensive, but cheaper than mixed or private provision in the other countries. The private systems in England and Wales are also quite cheap, although the overall quality of supply is lower. Most notably, the intervention of the state regulator Ofwat has led to improvements in the price structure. Overall, the traditional public water supply and sanitation systems provide a stable water supply that is favourable for private households.
- These study results allow only the following conclusion: the exemptions for water supply and waste water disposal should in any case remain in force in the future.

Especially in times of COVID-19, it has been shown how important public transport and other public services are for economic and social stability. Employees in this sector have also earned recognition and appreciation, which must also be reflected in good working conditions and fair wages. In order for public transport to be able to fulfil its important role in the transformation towards a decarbonised, societally-acceptable mobility, the scope for this must also be created at European level.

- Publicly owned companies, the retention of the possibility of direct award in rail transport, the in-house award of contracts for urban and municipal transport services and the mandatory application of social and quality criteria in tenders are key elements for high-quality public transport which must not be jeopardised by further or tighter liberalisation requirements.
- Particularly in the fight against the high unemployment caused by the pandemic and in order to achieve climate targets, the public transport sector is an important sector for the future, the financing of which must be ensured by increasing the scope for public budgets at national and European level.
- In order to meet the challenges of the EU directive on the promotion of clean and energy-efficient road transport vehicles (CVD) Clean Vehicle Directive, particularly in the financially strained situation of the pandemic, funding opportunities must be opened up and supported at European level so that the procurement quotas for low-emission and zero-emission buses can be achieved. For predictable planning and procurement, a multi-annual funding framework is also needed.

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## Demands

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The rigid austerity policies for municipal and national budgets following the financial crisis of 2008 must not be repeated in the course of overcoming the COVID-19 crisis. Public services are the backbone of our society and keep it going. They will need sufficient funding precisely when this pandemic is over, because public companies and institutions will also have to cope with drastic revenue losses. Therefore it is needed:

- The strengthening of public general interest services and public enterprises
- The revision of the Stability and Growth Pact and the introduction of a golden investment rule so that investments in water and electricity supply, public transport, childcare, etc. are no longer counted as government debt
- No further liberalisation in the water sector: the exclusion in all fields of water supply and wastewater disposal in the Concessions Directive should be maintained
- No further liberalisation in the realm of rail passenger transport and ensuring the possibility of direct and in-house contracting in the entire public transport sector
- The opening of new scope and funding opportunities for Member States, local authorities and public enterprises to fulfil the goals of the Green Deal for Europe: to implement the EU directive on the promotion of clean and energy-efficient road transport vehicles (CVD), to constantly expand public transport infrastructure and to increase public transport services
- The use of the Just Transition Fund and other financing possibilities within the framework of the Green Deal for the creation of sustainable jobs and training programmes in the area of general interest services

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## Literature

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