

SPANISH PRIVATE WATER

Agbar feels the heat in its own back yard

A robust defence of its dominant position in Catalunya will be vital if the Suez subsidiary is to stem the tide of public authorities looking to take water services back in-house. Where is it most vulnerable?

The Agbar group, Suez's subsidiary in Spain, is fighting to defend its dominant position on home ground in Catalunya as opposition to private sector management of water services grows in the wake of the Catalan government's botched ATLL concession.

Agbar, which has provided water services in the Catalan capital Barcelona on an uninterrupted basis since 1867, controls or participates in around 90% of the private sector or mixed-ownership concessions which in turn serve 84% of the Catalan population. These contracts accounted for a meaningful proportion of the €1.5 billion in revenues that Suez' Spanish water business generated in 2015.

In 2012, Agbar's domination of the Catalan municipal water market was reinforced by the award of an 85% stake (later reduced to 70%) in a newly created Aigües de Barcelona concession. The 35-year contract, awarded without competitive tendering, is for water and wastewater services to around 3 million people in metropolitan Barcelona, and formalised Agbar's long-standing operations in the metropolitan area.

Last December, however, the city council of Terrassa – spurred on by a groundswell of hostility to private sector water management – voted not to renew the concession which the Agbar-dominated Mina Pública d'Aigües de Terrassa (MPAT) has held since 1941. Instead, the council approved a six-month extension, including an obligation on MPAT to make public operational details, with the intention of definitively municipalising the water supply service in the city by the end of June 2017.

“Unless a judge grants Mina's request for an injunction, the reversion to municipal control will go ahead in June,” Terrassa city councillor Xavier Matilla told GWI. “All the assets which will revert to council ownership have been audited, and the council calculates that non-amortised assets for which Mina will receive compensation amount to no more than €2 million.”

According to Josep Lluís Armenter, MPAT's director general, non-amortised assets are in the region of €60 million. “In order to avoid costs for taxpayers, we have offered the alternative of creating a mixed-ownership company, but the council has not

listened to us,” he told GWI. As a result, the company has started legal proceedings to block the transfer to public management.

Matilla, whose Terrassa en Comú grouping backs municipalisation on the grounds of improved efficiency, added: “all the resistance that Agbar is putting up shows the importance that Terrassa has as an example to other municipalities.”

Armenter agrees. “Terrassa is a concern because it's a big city, the fourth largest in Catalunya, and because of the precedent it sets. Many other municipalities are watching to see what happens here,” he told GWI.

One of these is Ripollet, a town of 40,000 inhabitants located within metropolitan Barcelona, where Agbar subsidiary Sorea's concession expired in October 2016. According to deputy mayor Pilar Castillejo, Sorea's Ripollet contract was renewed for one year only, in order to allow time to prepare for assuming direct management in October 2017.

“We believe councillors will back municipalisation because it will provide a more efficient service. Currently we have a 20% leakage rate from the distribution network in a town of just 4 km²,” she told GWI.

Agbar concessions run out between now and the end of 2019 in a further 16 Catalan municipalities (see table below).

All these cases add to the concerns for Agbar brought about by the Catalan high court's decision in March 2016 to strike down the Aigües de Barcelona concession because the contracting authority failed to justify the absence of competitive tendering.

The final decision on the legality of the concession is due to be made by the Spanish supreme court in 2017 or 2018. If the high court's ruling is upheld, Barcelona's mayor Ada Colau has made public her determination “to recover the collective and democratic control over water, bringing us closer to what the big cities of Europe such as Paris and Berlin have been doing.” ■

EXPOSING AGBAR'S VULNERABILITIES

The Suez subsidiary's influence in its home state of Catalunya could be severely curtailed if more cities jump on the remunicipalisation bandwagon. The next three years will prove critical.

Municipality	Population	Expiry	Agbar concession-holder
Barcelona metropolitan area (AMB)	3,000,000	2047*	Aigües de Barcelona
Terrassa	215,055	2017	Mina Publica d'Aigües de Terrassa
Sant Cugat del Vallès	86,108	2017	Sorea
Ripollet	37,234	2017	Sorea
Parets del Vallès	18,580	2018	CASSA
Sant Carles de la Ràpita	15,245	2019	CG Aigües de Catalunya
Torelló	13,908	2018	Sorea
Bescanó	4,839	2019	Sorea
Sant Llorenç d'Hortons	2,535	2018	Sorea
Aiguafreda	2,502	2017	Sorea
Santa Eugènia de Verga	2,244	2017	Sorea
San Vicenç de Torelló	2,013	2017	Sorea
Navata	1,258	2017	Provèiments d'Aigua
Santa Eulàlia de Ruiprimer	1,231	2019	CASSA
Ruidaura	452	2019	Sorea
La Pobla de Massaluca	372	2019	CG Aigües de Catalunya
Alpens	304	2018	Sorea
Oliola	230	2019	Sorea
Castellfollit de Riubregós	183	2017	Anaigua

* Concession annulled by the Catalan high court in 2016

Source: GWI/Aigua és Vida