

Referendum on privatisation of Berlin's water supply

By Socialist Equality Party (Germany)
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In a referendum on Sunday over 665,000 Berlin citizens voted in favour of opening the books to disclose details of deals for the partial privatisation of the Berlin Water Works (BWB). This latest referendum was the third such popular vote to be held in Berlin in the past few years. Above all, Sunday's vote represents a significant blow to the policies of the Social Democratic Party (SPD) and the Left Party, which govern in coalition in the German capital.

The referendum was preceded by a successful petition, in which the Berlin Water Table citizens' initiative collected within six months more than 320,000 signatures—280,887 of which were valid—in support of its demands. No more than 172,000 signatures were needed for the initiative's campaign.

In its own words, the Berlin Water Table is a local network of representatives of different groups, initiatives and interested citizens, united under the common theme: "Water belongs to everybody—Access to water is a human right".

The stated goal of the Berlin Water Table is the repeal and termination of the "immoral sales contracts" underpinning the partial privatisation of the BWB and affording the new co-owners unfettered access to budgetary funds. The population continues to pay the bill, whether through excessive water prices and restricted water supply service, or through the loss of jobs and decreasing social spending due to the public debt. The disclosure of hitherto secret agreements was seen as the first step in this direction, because contracts can only be challenged if their contents have been made public.

From the very first day, the citizens' initiative was confronted with opposition from the Berlin Senate, dominated by the SPD and the Left Party.

By the beginning of 2008, the conditions for a referendum had been met. However, the Senate declared it inadmissible, until instructed by the city-state's constitutional court in October 2009 that it had no right to rule on such a matter. When the success of the enterprise seemed imminent at the end of last year, the Senate published about 700 pages of secret agreements and stated that a referendum was now redundant. But it has long been known that the contract negotiations and amendments, together with all the ancillary agreements, filled over 180 file folders at that time, while the part eventually published easily fits into a single folder.

Since the referendum was no longer to be formally averted, the Berlin administration in association with the public service radio station RBB attempted to pass over the event in silence. While a plethora of media reports during the two previous referendums—on the future of Tempelhof Airport in 2008 and the proposed parity of religious education and ethics classes in 2009—gave Berliners the feeling of being in the middle of an election campaign, this time

citizens ran the risk of missing the date of the vote because silence reigned everywhere.

This is not so surprising because it was the first referendum actually to be initiated from "below" and involving the whole population, while the other two votes were right-wing campaigns on the part of privileged layers from "above". These people were notably absent from the polling.

Irregularities also surrounded preparations for the referendum. For example, voters were directed to a polling station that had no address, and the voting material was not always delivered to people's own flats, but rather dumped in heaps in the larger estates, as initiative spokesman Thomas Rudek complained in an open letter to Interior Senator Ehrhart Körting and Mayor Klaus Wowereit.

Those shuddering at the prospect of a successful vote this time have a lot to hide—and not only business secrets of private investors.

A film well worth seeing, "Water Under the Hammer" shows, among other things, how the Berlin Senate deputies had prepared for the partial sale of the BWB. Members of the business committee in the city parliament were invited to England in 1998 to get to know the blessings allegedly accompanying the privatisation of public enterprises. Using the English example, they were shown that managing directors' salaries had tripled over 10 years, while jobs had shrunk to a third. Water rates to be paid by the consumer increased accordingly. A year later, the BWB was in private hands. This at least raises the suspicion that there is still much to be revealed.

Previously known facts about the 1999 deal already constitute reason enough to justify a reversal of the partial privatisation.

In that year, the Senate—then led by the conservative Christian Democratic Union (CDU) and SPD—sold 49.9 percent of the BWB shares for about €1.68 billion to a consortium that now consists of the largest and the third largest water companies in the world, Veolia Water and RWE Aqua. Operating through a to-date unique participation network of various atypical silent partnerships, a holding was installed that both preserves the character of BWB as a tax-exempt institution under public law (IPC) and secures the management of the business on behalf of the private shareholders.

Normally a silent partner is just that, quiet and passive, drawing profit only from his shares. Not so with these "atypical" silent partnerships. They were "quiet" only as far as the tax office was concerned. In the consortium, however, they called the shots.

At the same time, a returns guarantee was agreed with the private companies, ensuring them high profits regardless of their shares, regardless of the business outcome, and regardless of whether they did anything at all. In the event the enterprise was not able to deliver these profits, the Berlin city budget was to cover the liability.

But that was not enough. When it became clear that the opposition at the time—the Party of Democratic Socialism (PDS) and the Greens—would object to this profit guarantee by taking the matter to the city’s constitutional court, the contract was extended by a clause assuring the companies of profits at the planned rate, even if the judges in their ruling should dissent—which they then did.

Just two years after the deal, the Senate had to resign on account of the scandal surrounding the Berlin Landesbank (city-state bank) holding. New elections brought the SPD and the PDS (now part of the Left Party) to power.

A year later, the SPD-PDS Senate was faced with the question of whether to challenge the legality of the consortium or to accept the existing contracts. It opted for a reworking of the partial privatisation law, on one hand appearing to accede to the decision of the constitutional court, while on the other supporting the private corporations’ claims laid down in the 1999 contract.

Since then, annual disbursements have been legally specified by the senator for business, Harald Wolf (Left Party), who is also chairman of the BWB. This form of public expenditure serves not only the profits of private investors, but also the political requirements of budgetary austerity.

In other words, the Left Party countersigned the contracts in 2003. Since then, its signature has endorsed a major agreement guaranteeing the private companies ruthless exploitation of the Berlin population.

Meanwhile, RWE and Veolia have siphoned off €1.3 billion in the first 10 years of their operations, thus almost recuperating the purchase price. It is no wonder they are rubbing their hands in glee. Finally, the contract can be terminated no earlier than 2028.

Following a freeze in rates that ended in 2004, water costs for the consumer have been rising at an above-average rate, in the first year by 15 percent and since then by another 20 percent. Water rates were frozen in the first four years to prevent Berlin consumers immediately realising they were being exploited.

On the other hand, water works employment has declined from more than 7,000 workers in the mid-1990s to about 4,700 at the end of 2009, and each year there are about 100 fewer. Investment was nominally halved, which meant that Berlin’s small to medium-sized companies had to shed about 8,000 jobs, having lost contracts for the maintenance of the pipeline network.

The delayed effects of this way of “increasing efficiency” could have been observed from its implementation in England well before the partial privatisation in Berlin took place. In 1995, water tankers had to be used for more than six months to supply the Yorkshire region with drinking water, because reservoirs were running low and shortages due to the ailing pipeline system could no longer be offset.

In London, where Thames Water—also owned by RWE—is responsible for water supply, the water pressure was lowered for a time to such an extent that higher-lying homes received no water at all. It is estimated that the British capital’s dilapidated pipeline network allows every second litre of purified drinking water to trickle away.

Faced with such prospects, the Berlin Water Table’s demand for a reversal of the scandalous partial privatisation of the city’s water supply is more than justified. Meanwhile, there are politicians in every party calling for a remunicipalisation of the utility. This has been the aim of the coalition agreement between the SPD and the Left Party for the last five years. However, it is to be effected without the least inconvenience to private investors. In any event, no party supported the referendum, nor was any attempt made to mobilise the

public for yesterday’s vote.

Berlin’s co-governing Left Party, in particular, openly strove to keep the Berlin population from participating in the referendum. Not only did it assert that the limited disclosure of the contracts had already brought the whole affair to the public’s attention. It also tried to persuade them that even a success on the part of the initiative would in no way alter the course of events.

In early November 2010, the Left Party’s city-state chairman, Klaus Lederer, claimed on 11 pages of a “chronology of the looting” that the agreements of 1999 could not be substantively changed. His credo was: a contract is a contract! He omits, of course, that the other side has no such scruples. The same contract commits the private investors to keeping wages stable, maintaining employment and creating new jobs, as well as making long-term investment to guarantee water supply and water quality. As already shown, they are far from adhering to these provisions. Besides, Lederer seems to have no problem defending the legitimacy of what he called a “looting”.

Lederer expressed the fraudulent character of the Left Party even more clearly to the daily *Taz* newspaper, when he said that participation in the referendum could end in abject frustration because a successful outcome would not change matters. (One notes the veiled threat about how the Senate would deal with such a success.) He then warns about the danger of disappointment translating into passivity: “This could impede the mobilisation of people ... in future referendums”.

This is the core of Left Party politics: promising future mobilisation in an attempt to shield current demobilisation! In the same way, it promises a social welfare policy for the future, while complying with current constraints in budgetary spending; and advocates a socialist future, while defending capitalism in the here and now.

Forcing the Senate to disclose all its secret contracts and agreements is not only an important step in securing Berlin’s future water supply, it also constitutes a significant political challenge to the SPD and the Left Party.

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