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LRR Focus: Privatizing Lithuania's Water

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LRR Focus: Privatizing Lithuania's Water

Abstract

[Excerpt] Perhaps nothing is more critical to the maintenance of public health than the supply of clean water. All of the lives saved through modern medicine account for no more than a drop in the bucket when compared to the number of lives saved through improved sanitation and the presence of a steady supply of clean water. So when commercial values begin to be applied to water treatment and distribution, as they were in Lithuania in the past few years, the implications are potentially deadly.

Keywords

water, pollution, Lithuania, treatment, distribution

LRR FOCUS: Privatizing Lithuania's Water

Perhaps nothing is more critical to the maintenance of public health than the supply of clean water. All of the lives saved through modern medicine account for no more than a drop in the bucket when compared to the number of lives saved through improved sanitation and the presence of a steady supply of clean water. So when commercial values begin to be applied to water treatment and distribution, as they were in Lithuania in the past few years, the implications are potentially deadly.

The state government of Lithuania recognized the critical nature of maintaining the nation's water supply by fighting off an early effort at privatization in 1989. However, in 1992, the state transferred its authority over the water supply to the municipalities, without necessary funds or regulations. The French transnational company, Lyonnaise des Eaux, seized upon the opportunity to supply desperately needed funds to negotiate a joint venture agreement with the municipal government of Vilnius. Lyonnaise gained a controlling interest in the joint venture in exchange for an initial investment of \$500,000 USD. From this initial investment, Lyonnaise gained control of assets totaling \$250-350 million USD.

While the influx of new capital would have a positive effect in terms of funding necessary repairs, the negative implications from this privatization effort were bound to be much more profound. Water prices would inevitably rise, placing this necessity beyond the means of some segments of the society. This move to privatize would also result in the elimination of 40-50 percent of the water service jobs. Perhaps most importantly, the moral imperatives that guide a government's decision-making processes would be replaced by the profit interests of a private corporation.

The effort to privatize such an essential service did not go unchallenged. The *international trade union secretariat* Public Service International (PSI), which has been engaged in an ongoing worldwide campaign against water privatization,

recognized the need to mount a campaign against Lyonnaise and decided to take a pro-active role in the struggle. PSI provided their Lithuanian affiliate, the Trade Union Federation for Local Industry and Service Workers (TUFLISW), with the opportunity to learn from the union and industry experts in other countries, including the Czech Republic, Britain, and France. The union used these exchanges to focus their message and strategy, and to raise the status of Lithuanian unions and their proposals.

In 1994, the union organized the first public debate on the issue of water service privatization, with representatives from both the government and private employers attending. The union also passed a resolution entitled "Concerning the Lithuanian Water Industry Privatization." While the resolution acknowledged the pressing need to replace an antiquated and inadequate infrastructure, it stressed that privatization was not the proper means to this end. A better solution to this pressing problem would be for the national government to create a nationalized Lithuanian water industry development programme and subsequently guarantee its implementation through the necessary investment and credits.

Although the union has only been able to slow the privatization efforts of Lyonnaise in this case, a few hopeful signs have emerged that indicate an even more promising future. The political party that had initiated these privatization efforts was subsequently defeated at the polls. The fight against Lyonnaise also helped revitalize the national unions in Lithuania that are now fighting for the public's right to essential services.

Lithuania's move toward water privatization is not an isolated incident. Privatization of water, waste treatment, and electricity is a global phenomenon and requires a global strategy to combat it. PSI and its union affiliates are beginning to develop such a strategy. ■

– Marc Carbonneau