

# PERMANENT PEOPLES TRIBUNAL

Hearing on

## Neo-liberal Politics and European Transnational Corporations in Latin America and the Caribbean

10-12 May 2006 - Vienna, Austria

**Case:** SUEZ CASE, LA PAZ CITY - EL ALTO

**Sector(s) in which it works:** Bolivia. Water and cooperation in El Alto.

**Name(s) of the Association(s) presenting the case:** FEJUVE - Federation of Neighbourhood Associations of Alto La Paz city.

### Synthesis

The federation of neighbourhood associations of Alto La Paz city (FEJUVE), having the legal capacity for this; concerned by the gravity of the situation we the population of Alto La Paz city have been suffering; acting within our inalienable right to access to water and responding to our needs, formally present this action against the company Aguas del Illimani S. A. - Suez Lyonnaise des Eaux for depriving of access to water for human consumption a large number of citizens of Alto La Paz.

### The process of privatisation

On 24 July 1997 Aguas del Illimani (AISA), a subsidiary of the transnational company Suez, and the Bolivian government represented by the Water Regulating Board (now called Basic Services Regulating Board) signed the contract granting the company a concession on drinking water and sewage services, with the intention of extending these services in the towns of La Paz and El Alto.

After seven years of AISA providing these services, on 10 January 2005 FEJUVE El Alto (a federation of neighbourhood associations with more than 600 member associations from this town) called an indefinite strike demanding the termination of AISA's concession contract.

### Who is Aguas del Illimani - Suez

Aguas del Illimani is a company whose majority interest holder is the French company Suez (55.46%). Other partners are Inversora en Servicios S. A. (Argentinian capital) with 4.75%, BICSA (Banco Mercantil's financial group) with 22.32%, CONNAL Consultora Nacional (Bolivian capital) with 7.50%, company employees (1.05%) and the World Bank through its financial group IFC (9.10%).

## FEJUVE EL ALTO'S ARGUMENTS TO DEMAND AISA'S WITHDRAWAL FROM BOLIVIA

### Concession grant process

The concession grant process was not transparent and excluded civil society and the town councils from participation in the tender and grant processes. AISA was the sole bidder; according to the regulations the Bolivian government should have launched a second tender and not changed the conditions of the original bid to adapt to and favour the sole bidder, breaching national legal norms.

### Dollarised rates

Law 2066 on water states that rates must not be linked to the dollar. However, AISA continues charging dollarised rates. This means an increase of 35% in the rates in the seven years of the concession. The concession contract states that the rates must be "fair and equitable".

### Increase in connection fees

For the second five-year period (2002-2006) the cost of connecting drinking water and sewage increased in up to 38%. This means that the end user needs to have \$US 445 to be able to access drinking water and sewage services. In terms of an average worker's wages (minimum wage in Bolivia is \$US 60) a potential service user would have to invest the equivalent of eight months' minimum wage to access these services.

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### **AISA's investments**

According to the Basic Services Regulating Board AISA has invested \$US 55 million in almost eight years of concession. What is the origin of these investments? \$US 52 million come from loans: \$US million 15 from the Inter-American Development Bank (IABD), \$US 25 million from parallel financing by the IABD-IFC and the Corporación Andina de Fomento (CAF), and \$US 12 million from unidentified sources. These are soft loans, channelled through the Bolivian government, which means that AISA as such has only invested between \$US 3 and 5 million, while obtaining yearly benefits of \$US 4 million.

### **Part of the population without access to services - 208,000 people**

Aguas del Illimani assures the population that drinking water coverage reaches 98% of the town of El Alto. Reality is very different as clearly evidenced in a letter to Aguas del Illimani from the Basic Services Regulating Board where it reads: "according to information from your company [meaning AISA] it appears 68,400 people live in neighbourhoods in which there is a drinking water network, but who do not have running water at home". The letter continues: "in addition to this number of people, 16% of the total population of El Alto has no water network at all, far less their own connection to the mains". 16% of 800,000 (total population of El Alto) is 140,000 people which, added to the 68,400 who have no water at home gives a total of 208,400 people with no access to this service in El Alto.

### **Rainwater drainage systems not created**

The contract states with respect to rainwater drainage systems that AISA is responsible only for the "maintenance of the network already in place" at the time of starting with its provision of services. "The Concessionaire will have no obligation to expand the rainwater drainage network, or to maintain any extension built after the start of its provision of services". If the expansion of rainwater drainage is not the responsibility of AISA, then whose is it? The previous service provider maintained all three systems: drinking water, sewage and rainwater drainage, and it was through the non-transparent concession process that the conditions were modified to limit the concessionaire's responsibility to drinking water and sewage alone.

### **Individual metering**

According to the contract the concessionaire had a maximum of three years (until 2000) to install home meters in the area of the concession. However a large number of homes in El Alto still today have no meters. This means higher rates because a fixed rate is applied, independent of water use, which allows the company to assure itself a fixed income. But AISA goes even further, and in one of the ADDENDA signed with the regulator, when the government asked the company to change the category of social facilities such as "health and education centers and green spaces" from commercial (with rates of \$US 1.1862/m<sup>3</sup>) to domestic (with lower rates), AISA demanded a "compensation" for this change, and it is agreed that for this supposed loss which is estimated at \$US 400,000 p.a. AISA will not have to install meters.

The citizens of El Alto have been asking for meters these seven years; with the metered system they pay \$US 1 to 1.50, but with the fixed rate they pay an average established by the company which is \$US 3 to 4 and in some cases more.

### **EVIDENCE ADDUCED**

We present for the consideration of the Tribunal the following documents:

Civilian acts before public institutions: **complaints, demands and other acts carried out before state bodies**

Institutional response: **resolutions and sanctions**

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### Institutional actions

- Decree # **DS 24719**
- Decree # **DS 24573**
- Decree # **DS 24663**
- Resolution # **RS No 217089**
- Resolution # **RS No 01/97**
- Resolution # **RS 216145**
- Administrative Process on resolutions published between 30/06/97 and 31/07/2000 on the concession process between the State of Bolivia and the company Aguas del Illimani S. A.