

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: ÁGUAS DO AMAZONAS: MANAUS AT THE MERCY OF SUEZ

Sector(s) in which it works: Brazil. the privatisation of water and sanitation services in Manaus.

Name(s) of the Association(s) presenting the case: ATTAC-REBRIP, IGTN, Instituto Equit

Synthesis

The first steps toward the privatisation of water and sanitation services in Manaus came in 1997 with the approval of a state law authorising the state of Amazonas to transfer to other entities the capital and assets of the Sanitation Company of the State of Amazonas (*Companhia de Saneamento do Estado do Amazonas*, COSAMA) as rights and concessions. In 1999, COSAMA underwent a restructuring that left urban services in Manaus and their corresponding infrastructure in the hands of one particular company, MANAUS SANEAMENTO. This was followed by a municipal law that consolidated the private concession (Law 513/1999). The restructuring was designed to make sanitation services attractive to the private sector. MANAUS SANEAMENTO was born without debts, initially targeting clients who had the ability to pay.

The concession contract, signed in July 2000 with the group that won the bid, Suez de Lyonnaise, known thereafter as Águas do Amazonas, made it clear that the purpose of the decentralisation efforts was to ensure an economic return for private investors, not to improve or expand water and sewer services that were essential for the population. It also became clear that although the concession was for the city of Manaus as a whole (11,458 km²), coverage was only provided for the urban population (which occupies an area of 377 km²). Not satisfied with that cutback, SUEZ, in its five-year review of targets, requested that the urban population be further subdivided into two areas — a “consolidated area” and a “non-regularised area.” This was an effort by the company to limit the targets defined in the contract to a sector of the urban population in which services operated normally and where the company’s only task would be metering water and setting rates. It also tried to legally transfer the more complicated task of universalising services, to which it had committed in signing the concession agreement, to the government, which was responsible for the investments that the concession-holder was not required to make.

With more than 1.5 million inhabitants, Manaus is the largest state capital in Brazil that has a private concession for water and sanitation services. The fact that it is a pole for urban-industrial development in the middle of the Amazon, and an axis for the production and circulation of merchandise, goods and services in an area of disorganised economic expansion, gives the city special characteristics in terms of the form and pace of urban growth. Its rapid, precarious and segregated urbanisation reflects a model of regional development that is based on optimising the depredation of natural resources and taking monopolistic advantage of the economic and commercial incentives provided by the Manaus Free Trade Zone, as well as the over-exploitation of the poor population living on the city’s peripheries. Water service in Manaus did not stray from this rule. The opportunity that the Suez de Lyonnaise Group saw when it won the concession was not reduced to the prospect of a lucrative, short-term business facilitated by political and regulatory favours. As one of the two main economic centres in the Amazon Basin, Manaus presented a prime opportunity to begin a broader process of gaining control of the waters of the Amazon. Besides capturing and storing water, this would involve river transportation, dams, irrigation, hydroelectricity, tourism corridors and biodiversity. The position taken by Anna Eunice Aleixo, assistant executive secretary for hydrologic resources in the Ministry of Environment and Sustainable Development of the state of Amazonas at the time of the concession, was symptomatic. Although it was legally and operationally impractical in the short term, the secretary’s suggestion that it was necessary to develop and implement “a Brazilian model for the export of water as a new international commodity” reflected the irresponsible, reductionist view held by many public officials in the region.

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Águas do Amazonas-SUEZ has operated with flexible contractual targets, forms and time frames for implementation, and regulatory norms that have been quickly adjusted by the municipal government or by the regulatory body, the Public Service Regulatory Agency of Amazonas (*Agencia Reguladora dos Serviços do Estado do Amazonas*, ARSAN), which has become a sort of guarantor of the generous concession that was granted in conjunction with the state government.