PPP in the water and sanitation sector best practices and lessons learnt: an exchange of experiences
UNECE – 22 October 2014

The « Canal de Provence »
(France)
Canals (70km)  Galleries (140 km)  Operation centers
Main pipes and distribution (5000 km)
Brief historical review of the Canal de Provence

- **Post world war II program**: construction of dams and artificial lakes for economic development purpose (including hydropower and agriculture) in the Durance and Verdon valleys.
- SCP was set up in **1957** to secure water supply in Provence for all human and economic activities.
- SCP began in **1963** to build and operate hydraulic infrastructure, under a 75 years concession contract originally granted by the State.
- In **2004**, decentralization: the Region “Provence-Alpes-Côte d’Azur” replaces State as administrative body in charge of the water supply.
- Since **2008**, SCP has been carrying out its development under a new concession contract with the Region PACA.
Key figures of the Canal de Provence

- Water rights: 660 Mm$^3$/year
- Water reserves (dams and reservoirs): 250 Mm$^3$
- Maximum flow: 40 m$^3$/s
- Present asset value of 2.5 billions Euros
- Continuous investment: 30 M€ (*)
- Long term maintenance and renovation: 5 years plans (135 M€ for 2013-2017)
- 180 millions m$^3$ (*) distributed, including 30 to agriculture, 45 to cities, 43 to industries
- Turnover of 90 millions Euros (*) – including 10 M€ additional revenues from activities such as engineering (8 M€) and technical assistance to farmers
- Staff of 470 employees, including 150 engineers and managers

(*) 2013
The “Société du Canal de Provence” (SCP)

- Specific legal statute “Regional development company” - designed to become Concession operator
- Semi-public company
  - Mainly public shareholders (90%) – Private (10%)
  - Private corporation management rules: no public subsidies (apart from investment) - Private employee statute,…
- Regional scale, flexibility and management efficiency
The concession contract

- **75 years**: 1963-2038
- **Public service** to promote economic development of the Provence region
- Design, construct, operate and maintain the **multipurpose hydraulic system** of Canal de Provence
- Distribute **raw water** to farmers and individuals in rural areas, to cities and to industries
- **Full responsibility** for the assets - Bear all technical, commercial and financial risks
- **Pricing policy**: fees for water service (marginal cost), levied by the company
- **2038**: all the assets will be returned to the Region in perfect state of operation
Institutionnal aspects

- **Consensus of stakeholders** on the relevance of the project since the beginning: result of a long historical process and water scarcity in Provence
- Main local authorities **merged their water rights** and decided for a common project
- **Strong political involvement and financial support** from the local authorities (shareholders) and State
- **Governance**: All public shareholders are represented in the Board which approves the budget (including water fees) and the investment program
- **Efficient management**, both for investments and operation
Technical aspects

- **Investment optimization** thanks to decisive technical choices:
  - Dynamic regulation and down stream control
  - Mix of canals and pressurized galleries
  - Pressurized piped distribution networks

- **Energy sobriety**:  
  - Main infrastructure operates by gravity
  - 1/3 of the energy needed for distribution is produced

- **Water sobriety**: 85% of efficiency (transport and distribution)

- The solution has proved to be an efficient and equitable water resource management which benefits all uses
Financing the project

- Scale of the project and choice of marginal cost tariff policy lead to considerable financial needs in the first years

  - Long term subsidized loans (advances) from the shareholders (allowed the company to balance its accounts at the early stages)

  - Subsidies from the shareholders cover about 50% of the investment burden (but decreasing in time)

    - Bank loans
    - Self financing
Cost recovery - Solidarity between uses

- Fees cover the non-subsidized part of the investment and all the O&M costs
- Solidarity between uses: higher contribution from higher value uses
- Irrigation benefits from lower fees: 20% of volumes for 8% of turnover

<table>
<thead>
<tr>
<th></th>
<th>Urban water supply</th>
<th>Industries</th>
<th>Rural domestic &amp; gardens</th>
<th>Irrigated agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31%</td>
<td>34%</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>19%</td>
<td>28%</td>
<td>20%</td>
<td>8%</td>
</tr>
</tbody>
</table>

140 Mm³ (Revenue water) 80 M€ (2013 figures)
### Present cost structure

- Accounting rules allow the company to make substantial provisions for long term maintenance and renewal
- Incomes cover 100% of long term maintenance, renewal and modernization costs (30 M€, a little over 1% of present asset value)

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>33%</td>
<td>• Asset development: Loans reimbursements (past and present investments in infrastructure)</td>
</tr>
<tr>
<td>32%</td>
<td>• Long term maintenance, renewal and modernization</td>
</tr>
<tr>
<td>25%</td>
<td>• Day-to-day operation and maintenance</td>
</tr>
<tr>
<td>10%</td>
<td>• Taxes and miscellaneous charges</td>
</tr>
</tbody>
</table>
Financial aspects

- Balanced P&L reached in 1996, after 33 years.
- Since then, all profits are reinvested, no dividend distribution.
- From 2007-2017: paying off the advances granted by the shareholders (the reimbursed sums are reinvested in infrastructure).
Sustainability and efficiency of the infrastructure

- Economic efficiency allows the company to pursue its development policy and fulfill the terms of the concession contract:
  - Extensions of distribution networks
  - Increasing water supply safety and quality of service
  - Renovation: long-term maintenance, renewal, and modernization of the infrastructure

![Graph showing balanced P&L and advances pay off](image)

**Balanced P&L**

**Advances pay off**

- **Renovation**
- **Investment**
The sustainability of the Canal de Provence

- **Company statute**: mainly public shareholders and private management rules – Flexibility and efficiency
- **Governance**: Strong and perseverant support from local authorities, both political and financial – State backing
- **Long term project**: long term political vision
- **Multipurpose infrastructure**
- **Technical** skill and decisive choices in the design – Large water reserves
- **Pricing policy**: solidarity between uses
- Continuous **investment** and **renovation** policy
- **In house engineering** and outside contracts (both in France and International)
Thank you for your attention

Florence MALERBE
Head of Agriculture and Water Management Unit

Société du Canal de Provence
Le Tholonet - France