

# PROTECTING OUR NATIONAL WATER SUPPLY

Turn on the tap, and it's there: clean, safe, inexpensive water. Most U.S. citizens take this basic resource for granted, as if it were an act of nature. On average, U.S. residents pay less than 0.1 percent of their annual salary on water bills — a bargain by any standard.

Paradoxically, that's one reason that our national water supply is now in jeopardy: people don't realize that government is the primary reason that tap water is safe, plentiful and affordable. Succumbing to the myths that the free market can do everything better and more efficiently, many towns and cities are turning over their water systems to a new breed of private water corporations.

The results are not only disappointing; they amount to a betrayal of the government's obligation to act as a steward of the commons. In dozens of municipalities around the country, the privatization of water supplies is raising costs, reducing quality and subverting public accountability.

A growing array of pressures on the nation's aging water systems is fueling this disturbing trend.

From coast to coast, local systems those deliver safe drinking water to our homes and businesses, and then take wastewater away to be treated, have been neglected. Pipes are growing older and need to be replaced. Populations are growing and need more water. Industrial and agricultural users are using more water. Depleted aquifers are threatening to cause water shortages. New equipment and safety procedures are needed to address public health and environmental concerns.

These trends are straining local governments' water and wastewater budgets, forcing many to raise rates, issue more debt and use tax revenues to help pay for increasing infrastructure costs. Naturally, such pressures make cash-strapped municipal governments highly receptive to the idea of privatizing local water systems. Why not just outsource the cost and infrastructure problems to private companies? The "magic of the market" will provide solutions that government cannot.

Or so goes the sales pitch. Recognizing a rich profit opportunity when they see one, a handful of large multinational companies are trying to exploit vulnerable local governments by persuading that everything will improve if only they will hand over control of municipal water systems.

In the United States, privatization of water is a relatively new concept. About 85 percent of U.S. citizens still receive their water from local municipal facilities.

But such international water giants as Germany's RWE and France-based conglomerates Suez and Veolia have privatized water systems in many nations of the world, and are now turning their attention to the U.S.

It is not widely appreciated, however, that the leading corporations involved in the great 21st-century water grab have a dismal track record. Perhaps most famously, United Water, the U.S. subsidiary of Suez, managed to get itself ousted from Atlanta in 2003, just four years into a 20-year contract.

The city found evidence that United Water failed to perform maintenance, billed the city for work it didn't do, ignored customers' cries for service, cut staff to dangerously low levels and occasionally delivered filthy, brown water. While failing to fulfill its initial promises to the city, United Water had the gall to ask the city for more money. The company's debacle in Atlanta has now become a powerful warning for communities across the nation of just how empty privateers' promises can be.

The city of Stockton, California, also serves as a cautionary tale for other cities being approached by water companies touting the benefits of private management. Stockton had a well-run public utility before the city entered into a 20-year, \$600 million contract with British-based Thames Water and Denver-based OMI.

Now, water rates for Stockton residents have risen two years in a row, customer service requests have gone unfulfilled and maintenance tasks are backlogged. OMI-Thames dumped chlorinated water into an irrigation canal, resulting in a \$125,000 fine from the state. Local watchdog groups are still battling the companies in court.

These are not isolated episodes. From Atlanta, Georgia, to Lexington, Kentucky, to Laredo, Texas, local citizens are battling to regain or retain control of their water systems. These battles are not just about restoring previous standards of safety, quality and affordability of water. They are also about fending off a creeping corporatism that views water not as a common resource, but as an expendable private resource. Private companies are more eager to “externalize” the costs of safe, high-quality water onto others than to grapple with the long-term infrastructure issues that simply must be addressed.

This dynamic should not be surprising. We’ve seen firsthand what happens when corporations are free to exploit vital public resources for profit with minimal or no public oversight. As Enron and the other power traders demonstrated in the energy market, abuses of consumers and the public good are inevitable.

Privatization only encourages similar abuses of local water systems.

For example, if a private company runs low on cash, it is highly tempting to neglect maintenance of a community water system and downgrade the quality of service to stay afloat. If the company becomes insolvent, who then will ensure that the users have access to safe water? Will the city have to pick up the tab at the expense of the taxpayer?

The answer: Beware of empty promises. The record shows that entrusting private companies to manage municipal water systems is not likely to result in the same high-quality, low-cost water to which people have become accustomed.

The record also shows that in cities such as Phoenix, San Diego, Nashville and Miami, local system professionals have instigated rigorous internal reforms that have saved money, improved service and empowered the employees. Instead of draining money from the community water system to line corporate coffers, savings can be used to stave off rate increases, hold down system debt or reward employees. Or the monies can be re-invested in the community.

No “Apollo Project” is needed to break new scientific and technical ground to provide safe and clean water service for our homes and businesses, schools and hospitals. Dedicated water and wastewater professionals in our communities already know how to do it.

Turning water into a commodity to be traded “free market” style has proven to be an unsustainable solution that pits water users as the losers and private companies as the winners.

The essential lesson of privatization is that water should be managed by public institutions as a human right, not by multinational companies who regard it as a commodity to be exploited for private profit.

But how can the current wave of privatization in the U.S. be stemmed?

Privatization seems like an irresistible “solution” to hard-pressed municipalities, especially when powerful multinational companies make seductive promises about the magic of the free market.

But there is a feasible alternative — the creation of a Clean Water Trust Fund to help municipalities deal with the infrastructure funding gap.

Federal trust funds for specific purposes have been used to address other critical public needs. For example, this type of funding mechanism currently provides a dedicated revenue source for our highway system, airways/airports and inland waterways. Why not establish a similar fund to deal with a water infrastructure funding gap that will amount to hundreds of billions of dollars over the next 20 years?

Fortunately, the public overwhelmingly supports the idea of creating a federal trust fund to assure clean and safe drinking water. A 2005 poll conducted by the Luntz Research Companies found that 86 percent of citizens support legislation to create a dedicated federal trust fund for clean water.

A water trust fund is urgently needed now to help municipalities maintain and upgrade their water and wastewater infrastructure systems. According to the U.S. Environmental Protection Agency's report, Clean Water and Drinking Water Infrastructure Gap Analysis, the gap between what needs to be spent and what is likely to be spent could total \$500 billion or more by 2019, at expected rates of expenditure.

It is unrealistic to expect that communities can shoulder this enormous burden on their own, with scant assistance from the federal government. Part of the problem, indeed, is that the federal government's funding of safe and clean water infrastructure in America has decreased by 75 percent since 1980. Today the federal government funds a mere 5 percent of national infrastructure costs.

Unfortunately, budget pressures and other considerations have dictated spending levels that fail to reflect public sentiment.

In four of the last five fiscal years, the Bush administration has proposed cutting the budget for the Clean Water State Revolving Loan Fund for wastewater system upgrades, from \$1.35 billion annually to \$850 million.

Meanwhile, the Bush administration has also resisted calls to raise the Safe Drinking Water Revolving Loan Fund, which provides assistance for water system upgrades. While Congress has typically restored funding to existing levels, those levels are a far cry from the billions that are needed to upgrade the nation's water infrastructure.

At the same time — despite the fact that municipalities are already carrying more than 90 percent of water and wastewater costs — the EPA is increasingly playing down the role of federal financial assistance while actively encouraging communities to pay for system upgrades by raising rates to consumers. This means that wealthy communities can afford to improve their water systems, while less fortunate ones must forgo the improvements, charge higher user fees — or sell off their systems to privateers.

What is needed is a re-dedication to safe and clean water as a national, public priority. The best vehicle for doing so is through a federal Clean Water Trust Fund dedicated to improving both drinking and sewage infrastructure.



Such a trust fund would help communities across the country resist the lure of privatization — a temptation that will inexorably lead them down a slippery slope towards higher rates, lower quality, and a loss of local control over one of our most vital public services.

A trust fund for protecting our water supply is an investment bound to pay off many times over. It's time for Congress to help the nation's cities and towns continue to provide one of the most important public services we all need — clean and affordable water.

Source: <http://www.onthecommons.org/protecting-our-national-water-supply>