Negative effects of privatizing municipal water systems

Council of Canadians water campaigner Vi Bui writes that privatizing drinking water and sewage treatment services directly threatens our human right to water. P3 projects cost more, eliminate jobs, lack transparency and exclude municipalities from the decision-making process.

Abram Lutes writes in a NB Media Co-op article that P3s tend to increase user fees in order to make the operation of services profitable for private companies, and the private ownership of the water means those who do not pay their water utility bills can be cut off, presenting potential threats to the human right to clean water.

CUPE reports that in the last 15 years, municipalities in more than 35 countries have cancelled or not renewed over 180 water privatization contracts.

A study of 500 U.S. municipal water systems found that private providers charge on average 59 per cent more per household for water and 63 per cent more for sewer than the public option.

In 2004, the City of Hamilton-Wentworth ended a water and wastewater P3 after ten years of environmental problems and mismanagement by several private water corporations. Despite the promises of local economic development, new jobs and cost savings, the workforce had been cut in half. Millions of litres of raw sewage had spilled into Hamilton Harbour and flooded homes, and major additional costs were incurred. In 2008, when the city brought the services back in-house, cost savings were estimated at $575,000 for that year alone.

In 2016 the District of Sooke, BC, decided not to renew its wastewater treatment operations contract with EPCOR. By eliminating the profit margin from what EPCOR charges for service, the district projected annual savings of $225,000.

In 2013, the City of Berlin bought back water multinational Veolia's shares in the city's public water authority. After privatization, water rates had risen dramatically. A significant part of the increases went to corporate profits, not to operating or improving the system.

In 2010, the City of Brussels ended a privatization contract with Aquiris, a Veolia-led consortium. Aquiris had deliberately dumped wastewater from 1.1 million people into the river Zenne for 10 days while in a dispute with public authorities.

In 2003 the City of Atlanta, Georgia, ended a 20-year contract with Suez subsidiary United Water. Under privatization, the private company and the city were inundated with complaints of poor and unresponsive service. The system was plagued with breakdowns, water main breaks and "boil only" alerts.

Jakarta Indonesia's water system was privately operated for 17 years, 1998-2015. During this time, residents suffered exorbitant fees and a chronically inadequate supply of clean, drinkable water. Privatization also impaired the government's ability to monitor water quality.

Buying back water systems can be prohibitively expensive. The Washington Post reports that when residents of Mooresville, Ind., grew frustrated with rate hikes, the city tried to buy the system from American Water but the court-approved price — $20.3 million — was more than the town of 10,000 was willing or able to pay.

Missoula, Mont., took back ownership of its water system after winning a fight that left the city of 70,000 facing an $88.6 million bill, plus millions of dollars more in expenses. Under private ownership, the system had leaked so badly that half of the water flowing through its pipes was lost. Yet investors in the Carlyle Group, one of a series of private owners, had received millions of dollars in dividends.

Perhaps most alarming is the prospect of a trade deal that would prevent Canadian municipalites from buying back water systems from private ownership. In a 2017 blog, Brent Patterson quotes The Transnational Institute: "TiSA [the Trade In Services Agreement] will make it impossible for governments to reverse privatization or decrease the influence of the private sector. Governments will only be able to choose to maintain privatized services as they are or to extend liberalization." TiSA negotiations have been suspended but may be resumed. In a 2016 blog Council of Canadians warns that the ISDS mechanism in CETA might allow a company to sue if a municipality tries to buy back its water services. In 2015 Argentina was ordered by the World Bank's International Center for Settlement of Investment Disputes to pay $405 million to the French transnational Suez for cancelling the corporation's water and sewage services contract.

Canadian cities to watch:

In 1999 the City of Moncton NB signed a deal with Veolia, a French multinational corporation, to build, finance and operate a new drinking water treatment plant for 20 years. According to CUPE, the deal cost at least $8.5 million more than a public project in expensive private borrowing costs alone. Now that the contract is up and the Moncton owns the plant, the city is looking for a private corporation to run and maintain the plant for another 15 years. Moncton's water delivery system and wastewater treatment are fully public.

Saint John NB is building a P3 "Safe Clean Drinking Water" project with the Province of New Brunswick, Infrastructure Canada, and private equity partners including Acciona, Brookfield, and North America Construction. Port City Water Services has a 33-year contract to operate the facility. Completion of part of the project has been delayed. CBC reports "In July [2019], the city announced the [future] switch after it was discovered the South Bay well field that provides water to west Saint John had fallen a metre below sea level, putting it at risk of taking in salt water or brackish water. In September 2017, west side residents were switched over to a new water system — the now-sinking well field — but a month later, the city started receiving complaints about leaking pipes, high pressure, poor taste and hardness of the well water." Another CBC article reports that a class action lawsuit has been launched against the city by residents who were affected by the switch to hard water from the South Bay well field. It caused major damage to dishwashers and other appliances and necessitated costly investments in water softeners to prevent further damage.

Irving Pulp and Paper is being given a 'sweetheart deal' in low water rates. New water rates announced in November 2019 will charge residential customers 2.3 per cent more *per year every year* from 2021 to 2029. Irving Pulp and Paper will pay a little more than before, but the Irving Oil Refinery and NB Power's Coleson Cove power plant will pay less, leading to an overall loss of about $250,000 per year in revenue for the city. Even with the increase, Irving Pulp and Paper gets a generous break. The company drains huge amounts of water from Spruce Lake, putting residential water supplies at risk. The system was built to deliver untreated water to the plant, separate from the treated water system. Doug James of the NB Media Co-op writes "If the powers to be were to raise the industrial rate for water even to a still ridiculously low rate of 40 cents per cubic meter [by comparison, the City of Toronto charges industrial customers $2.77 per cubic meter and the City of London charges $0.95 for volumes over 50,000 cubic meters], the City of Saint John could wipe out its entire projected 2021 deficit of $12 million and have substantial additional revenue coming into the public purse year after year to pay for public transit, road repairs, lifeguards etc., instead of having to cut services as planned." "Ever since the late industrialist, K.C. Irving, demanded and got a 25-year 'sweetheart' deal for the pulp mill in Saint John in 1957, the family has continued to negotiate 'special agreements' with the city that provide a steady flow of cheap water to fuel their industrial enterprises. The more they use, the less they pay."

Recommended reading: *Back In House. Why Local Governments Are Bringing Services Home*

Water Privatization: Facts and Figures

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