

Communities, *Not* Corporations

THE CLEAR CHOICE FOR CANADA'S WATER

by PAUL MOIST

The vast majority of water and wastewater systems in Canada are owned, operated and maintained within the public sector. Essential to our public health system, municipal water systems were one of the first major services to be publicly delivered in Canada. The reason why water infrastructure is overwhelmingly public is because the private sector could not be relied upon to deliver a quality service at a price that all residents could afford. It's therefore ironic that water corporations from rich countries like our own are now trying to persuade developing countries not to develop water resources publicly but to experiment with the private sector instead. What's more, the belief that the private sector can manage our public water resources is now gaining ground in Canadian government and policy circles.

The Private Threat to Public Water

The commercialization of water is creeping forward through the private treatment and delivery of drinking water, through proposals for bulk water exports to the u.s. and through the bottling of municipally treated water for resale by private companies. Not surprisingly, private interests increasingly view water as a source of profit. A May, 2000 edition of *Fortune* magazine foretold that water would be to the Twenty-first Century what oil was to the Twentieth. Instead of "black gold," we will have "blue gold."

At the same time, our water infrastructure is aging, with estimates of Canada's public water infrastructure deficit in the \$50-billion range. Investment is required, and difficult choices have to be made by all levels of government on how best to manage Canada's freshwater resources. For First Nations communities, the issues are even more urgent. Earlier this year, CBC News' in-depth feature, "Slow Boil," reported that drinking water in two thirds of First Nations communities is at risk. Seventy-six First Nations communities are currently under boil-water advisories, and 62 per cent of water operators aren't properly certified. Given this context, privatization is presented to municipal and First Nations governments in a pretty package, with proponents eager to capitalize on difficult budget binds and the need for technical expertise.

Private financing and operation schemes — or public-private partnerships (P3s) — are the vehicle of choice for governments and corporations. P3s purport to allow governments to show balanced budgets. They do this by hiding debt and passing higher costs on to future generations of ratepayers. Government officials are persuaded that formal ownership remains in public hands, despite contracts of 25 to forty years giving corporations control of operations for decades. As experience with them grows, P3s are coming under increasing scrutiny for their higher costs, compromised quality, secrecy, lack of accountability, multi-decade contracts and other problems.

Water P3 in Hamilton: Tried and Trashed

The citizens of Hamilton, Ontario, suffered through one of Canada's most infamous examples of the disastrous consequences of privatized water and wastewater treatment. In 1994, the city awarded an untendered contract to Philips Utilities Management Corporation in return for promises of local economic development, new jobs and cost savings. What the community got instead was a workforce slashed in half within eighteen months, a spill of 180 million litres of raw sewage into the harbour, the flooding of 200 homes and businesses, and major additional costs. In the ten years that followed, the contract shifted four times — with two companies now bankrupt, one of them a subsidiary of Enron! The P3 contract came up for renewal in 2004, with the city eventually opting to bring water and wastewater treatment back into the public sector.

Hamilton's decision is instructive. The council initially chose to try the private option again and instructed managers to issue an RFP. The proposed new contract addressed some of the problems of the previous agreement, including public liability in the case of another spill, liability insurance carried by the operator, and the private operator's requirement to pay for system maintenance and upkeep. American Water, the only proponent to submit a final bid, presented a price of \$39 million — three times the cost of providing the service. The price essentially included a 200-per-cent "risk premium." As with many P3s, the public was unable to assess the validity of the American Water proposal in the areas liability and risk, since all such information is deemed "commercially confidential."

P3 proponents often try to promote the idea that transfer of "risk" to the private sector justifies the higher cost of P3 contracts compared to public operation. The Hamilton experience belies this myth of risk transfer and shines light on the lack of accountability that is a feature of almost all P3s. And, with the analysis just in on the first year of public operation, the *Hamilton Spectator* reported on April 24 that the in-house operation saved the city at least \$1.2 million in its first contract year.

Public ownership and operation has improved the quality of wastewater effluent in Hamilton. In a recent report to city council, Jim Harnum, senior director of water and wastewater for the city, announced that good progress was being made on cleaning up the harbour. Levels of phosphorus in the plant effluent were down 75 per cent from 2004 levels, and levels for other factors were also down. This means the city's public-works department has almost met the objectives of the Hamilton Harbour Remedial Action Plan (RAP) in less time than predicted. "Without naming American Water, which ran the city water and sewage treatment plants for ten years, Harnum said the contractor lacked an incentive to spend more on treatment chemicals and energy to improve effluent quality."

Communities Resisting P3s

Several Canadian communities have rejected water privatization in recent years, especially in the face of community resistance and informed opposition. In 2001, for example, a large campaign by unions, environmentalists and other community activists resulted in keeping Canada's largest water-filtration system public. The most persuasive argument for building Seymour Water Filtration as a public project was owing to the "investor-state" provisions of NAFTA.

The City of Halifax awarded a contract for harbour clean-up and sewage treatment to French multinational Suez in 2002, but backed out of the contract in the face of community opposition and the company's refusal to take responsibility for meeting environmental standards. The Mayor admitted that canceling the P3 would save millions of dollars on the project.



On Vancouver Island, for example, the growth of privatized water and wastewater operations in communities like Port Hardy, Sooke and Langford has helped spawn major community coalitions in defense of public water from one end of the island to the other. While victories have been achieved in keeping water monitoring and testing public in Campbell River, as well as Nanaimo, campaigns are ongoing.

When the City of Kamloops needed a new water-treatment plant in the late 1990s, CUPE and community allies campaigned for the new plant to be built publicly in the face of a significant P3 lobby. The municipality wisely agreed. The Kamloops Centre for Water Quality came in well under cost estimates and began full operations in 2005. The Public Works Association of B.C. named the centre “Project of the Year” for 2005. In August, 2005, the Board of the Regional District of Nanaimo (RDN) unanimously rejected a management proposal to enter into a P3 arrangement with Edmonton-based EPCOR for private operation of all fourteen rural water-service areas in the region. This followed EPCOR’s purchase of a small rural water service in the French Creek area, which EPCOR leveraged into a closed-door deal that would have seen the company take over all rural water service in the area. Strong community opposition stopped this idea in its tracks.

Targeting First Nations Communities

As they run into concerted opposition in Canada’s cities, water companies like Terasen and EPCOR are increasingly targeting small rural and First Nations communities. These communities are more vulnerable, as they seek to

meet provincial water-quality and certification standards. Privatization is sold as an easy answer.

Faith groups like KAIROS and Development and Peace have joined with the Canadian Union of Public Employees (CUPE), the Sierra Club, the Council of Canadians and others to resist a variety of privatization proposals. In November, 2005, Ipsos Reid research commissioned by CUPE found that almost nine in ten (88 per cent) British Columbians agreed with the statement that “water is a basic public service and should always remain in public hands.” The sentiment was even stronger on Vancouver Island, where a whopping 92 per cent of Islanders agreed. The experience on Vancouver Island shows that, when Canadians learn about water privatization activities, they are willing to organize to defend public water.

The Water Policy of the Harper Government

Canada has needed a comprehensive national water policy for some time, but it does not bode well that the new Harper Conservative government appears to have an interest in the issue. The Liberal government promoted P3s, but did not insist upon them. Environment Minister Rona Ambrose says that the Conservative government will develop a new national water strategy. It is not clear what this means. In a related move, Indian Affairs Minister Jim Prentice announced new water-certification and training standards for First Nations communities and released a list of First Nations communities with the most severe water difficulties. No new money was announced, as Prentice is relying on the \$1.6 billion over five years that the Liberals had allocated, starting in 2003.

It’s not surprising, then, that private water companies are moving in. Terasen Utilities is the major sponsor of two “Safe Water for First Nations” conferences in Toronto (April) and Vancouver (May). One of the featured speakers at the conferences is Jamey Burr, who has the intriguing title of “director, public private partnerships” for Indian and Northern Affairs Canada.

Making Choices in the Public Interest

Canada needs a national water policy, but not one promoting privatization. CUPE has put forward proposals that could form the backbone of a progressive national plan, including pan-Canadian standards for drinking water and water-operator certification and training; controlling water “takings” by water-bottling companies and other industries; banning large-scale water exports outright through strong federal legislation; reducing and eliminating industrial and landfill contamination of watercourses; and preserving wetlands. On the financing side, we’ve proposed ideas to complement tried-and-true public borrowing, including use of real return infrastructure bonds, pooling of municipal debt by establishing municipal financing authorities where they don’t yet exist, and establishing Crown corporations to channel public investments in infrastructure.

We can also look to the increasing number of successful public-public partnerships (PUPS) around the world for models. The book *Reclaiming Public Water*, co-published by the Transnational Institute and the Corporate Europe Observatory, showcases successful public-public water partnerships around the globe.

We must work to ensure that big water companies do not influence the Conservatives into making disastrous water-policy choices that will harm the public. Likewise, local and First Nations governments must be supported in making choices in their best interests. True innovation comes when local communities exercise their financial and political potential. A myriad of options are available to governments with the political will to retain ownership and control over the cost and quality of public water 🍷

Further Reading

“CUPE’s Plan to Strengthen Canada’s Public Water and Waste Systems,” May, 2004.
<http://communities.cupe.ca/updir/communities/water.policy.small.pdf>

“Public Water for All,” Transnational Institute, March, 2006. This background paper was developed for the International Symposium in Defense of Water in Mexico City. It speaks, in particular, to a number of successful “public/public partnerships” for water around the world.
www.tni.org/water-docs/pubwaterforall.pdf

“Pipe Dreams,” World Development Movement (U.K.), March, 2006. This thorough recent paper examines the many failures of privatized water throughout the developing world.
www.world-psi.org

“Five Things You Should Know About Canada’s Position on the Right to Water,” Council of Canadians, March, 2006.
www.canadians.org

Reclaiming Public Water, edited by Belén Balanyá, Brid Brennan, Olivier Hoedeman, Satoko Kishimoto and Philipp Terhorst, Transnational Institute and Corporate Europe Observatory, January, 2005 (1st edition); March, 2005 (2nd edition). This book describes visions and achievements of the international water defense movement, particularly with regard to public/public partnerships.
www.tni.org/books/publicwater.htm