CUPE

Critique

A Bridge Over Troubled Waters

Alternative Financing and Delivery of Water and Wastewater Services

May 2011

The C.D. Howe Institute has just released a report entitled: *A Bridge Over Troubled Waters* which attempts to make the case for water system privatization in Canada. The report claims that the solution to the current water infrastructure deficit is to reduce government funding and increase individual and corporate funding and investment in our municipal water systems.

The report blames our municipalities for the current state of our water system due to what could be described as incompetence[1] and/or their unwillingness to raise water rates. By neglecting to accurately attribute federal and provincial underfunding as the root problem of the municipal water infrastructure deficit, the report only examines solutions to our water deficit that are based on the false assumption that municipalities are unable to manage and operate our facilities. This report has a narrow vision of our potential and the solutions before us.

The author's promotion of infrastructure investment is based on an economic model that disregards the social and environmental cost and impact of privatization. It is extraordinarily biased and selective with examples that do not account for the vast experiences of those who have lived through the negative impact of water privatization first hand.

The report in turn puts forward recommendations which are in direct conflict with the interests of the majority of people in Canada. The two primary recommendations below are highly problematic:

1. Eliminate grants for water and sewage infrastructure;
2. Raise water rates by legislating full cost pricing of drinking water and wastewater treatment.

<u>A cautionary note</u>

The author of this report is putting forward a familiar argument used around the world to justify water rate increases and outright, or partial, water privatization. The International Monetary Fund (IMF) and the World Bank (WB) have been promoting water privatization for decades. Using tools such as structural adjustment programs (SAPs) and more recently "poverty alleviation strategies" they place loan conditions on poor countries that include raising water rates, public sector divestment and increased investment by private sector in water systems. Over the past two decades, the lessons gleaned from this development experiment have largely illustrated to the world that water privatization is a failure.

In the late 1990's cities in Africa, Latin America, Europe and the US began to question the merits of water privatization, citing a combination of high prices, low investment, no efficiency improvements, and poor performance on leakage. The City of Manila in the Philippines signed

[1] The report does not explicitly state that municipalities are incompetent but claim municipalities lack the professional capacity and necessary expertise at all levels and do not have the professional skills required to oversee increasingly complicated and technically sophisticated operation.

a $283 million privatization plan with multinational firms Suez and Bechtel in 1995 and then witnessed as tariff prices increased, water service and quality worsened, and public opposition skyrocketed. Today, some Filipinos still don't have water connections, tariffs have increased from 300 to 700 per cent in some regions, and outbreaks of cholera and gastroenteritis have killed six people and severely sickened 725 in Manila's Tondo district.[2]

A World Bank research paper in 2006, reviewing actual private investment in infrastructure in developing countries between 1983 and 2004, concluded: "Private participation in infrastructure has disappointed - playing a far less significant role in financing infrastructure in cities than was hoped for, and which might be expected given the attention it has received and continues to receive in strategies to mobilize financing for infrastructure…"[3]

Initial hopes for privatization were so high that donor spending on infrastructure fell in the expectation that the private sector would take up the slack. The World Bank lending for infrastructure investment declined by 50 per cent during 1993-2002, with much of this directed towards preparing firms for privatization. In 2002, Bank lending for water and sanitation projects was only 25 per cent of its annual average during 1993-97.[4]

These experiences are instructive for Canadians. Transfers from federal and provincial governments in Canada provided approximately 26 per cent of the revenues of local governments in the early 1990s. After 1995, these transfers were severely cut by the federal government, but, more significantly, by provincial governments that had their own transfers from the federal government slashed. By the year 2000, federal and provincial transfers provided only 16 per cent of local government revenues.[5]

In this context, the federal, provincial and territorial governments in Canada are currently negotiating a Comprehensive Economic and Trade Agreement (CETA) with the European Union that presents a serious threat to Canada's public water systems. At the request of Europe's large private water companies, the provinces and territories are considering including drinking water and wastewater services in their CETA commitments.

Underfunding is the problem, not municipalities

The report is accurate to state that municipalities lack the necessary capital and resources to adequately address our water infrastructure needs at this time (over $123 billion) and acknowledges that provincial downloading in the 1990's without adequate resources have placed pressure on cities to meet competing demands. Unfortunately, the author implies that

[2] Public Water for Sale: How Canada Will Privatize Our Public Water Systems. December 2010.
[3] Patricia Clarke Annez. Urban Infrastructure Finance From Private Operators: What Have We Learned From Recent Experience? World Bank Policy Research Working Paper 4045, November 2006.http://go.worldbank.org/N7HA8M3E20
[4] The BrettonWoods Project.The World Bank and water privatisation: public money down the drain. http://www.brettonwoodsproject.org/art-562458
[5] CCPA. Alternative Federal Budget 2011.

municipalities have been neglecting their water infrastructure out of self interest and without just cause (pg. 2). The report misleads readers by withholding the fact that municipalities were largely forced to neglect infrastructure investment when federal and provincial transfers to the provinces and municipalities were reduced in the 1990's.

The author perversely argues for less, not more funding to municipalities and is critical of municipalities for looking to upper levels of government to assist with funding necessary upgrades and maintenance of our water infrastructure (pg. 5). Yet, water is the shared responsibility of all levels of government and it is entirely reasonable for cities to expect other levels of government to provide financial support. The new Federal Wastewater Effluent Regulations that have a $20 billion price tag attached to them are a perfect example of where federal, provincial and municipal jurisdiction over our environment, our resources and our water facility operation overlap in a way that potentially supports an integrated, cooperative approach to water investment and resource management.

By failing to recognize that Canada has some of the safest water in the world, the report exaggerates the threats posed by our need to invest in, and upgrade, our water facilities. That is not to say there the system is without problems. A report published by the Safe Drinking Water Foundation in 2008, found that the quality of drinking water in Canada is largely dependent on where one resides; typically water quality is excellent in urban areas and marginal in rural and First Nations reserve. There is no question that the conditions in our First Nations communities are dire but it is not the private sector that is typically interested in addressing the inequity in the system.

It is important to discuss the need for federal regulations when considering the safety of our water. The report fails to make this linkage and only discusses regulations to the extent that they will impact contract conditions for the private sector. Canada currently does not have a national regulatory body overseeing drinking water, and does not have regulations, only guidelines. We are moving in the right direction by federally harmonizing our wastewater regulations. What is needed are regulations based on current, published-scientific research related to health effects, and operational considerations with proper funding from all levels of government to support their implementation.

Inaction has consequences, when governments reduced funding for our infrastructure and downloaded additional services onto municipalities they had to choose between competing interests. The consequence was deferred maintenance and deteriorating infrastructure in many cases, in addition to the social and economic consequences of increasing user fees and a reduction of social services and social housing. The author is using a typical strategy, characterizing municipalities as leeches on the public purse and then sowing fear about their incompetence to address a "poor, substandard, dangerous" water system; a strategy used to justify "aid" from the private sector as interveners, operators and owners of our water infrastructure.

The report raises the issue of the limited financial capacity of municipalities but does not mention other methods of raising revenue beyond raising water rates such as revenue generation through local taxation, municipal bonds among others.

<u>Eliminating grants is not the answer</u>

While it is true that current grant programs such as the Building Canada Fund (BCF) are insufficient to address current demands, adequate investment in our water infrastructure is a question of political will. In Canada, Federal revenues and expenditures are at lowest point since records started in 1960. Corporate taxes have been cut in half since 2000, business tax cuts are running at over $10 billion a year.

The Federation of Canadian Municipalities (FCM) have been calling on the Federal and Provincial governments to provide sustainable, long term funding to allow cities and towns the opportunity to develop and implement strategic, smart planning. The author does consider the issue of unpredictable grants and the need for municipalities to be able to plan in the long term, but instead of considering a solution on this basis argues for the elimination of grants in exchange for private financing and increasing water rates.

The author offensively characterizes elected officials as only interested in “free” money or as irresponsible managers by claiming that grants create a situation where, “on the one hand the possibility of getting “free” money tempts municipalities to delay making necessary investments… on the other hand once grants do materialize they allow a municipality to invest in unnecessary capacity.” It would be interesting to know how many municipalities this scenario actually applies to and if the author has the same aversion to P3 funding from PPP Canada Inc., and the provinces as she does to the public grants she is advocating to eliminate.

The recommendation to eliminate grants is in keeping with policies promoted by international institutions that effectively starve municipalities and force them to concede to the private sector lobby.

Eliminating grants and raising rates before privatizing is twisted logic and manipulative political advice.

<u>The best solution is not the private sector</u>

The author states that CUPE is vigorously opposed to P3s because of “the threats they may pose to union jobs, lucrative benefit packages and job security guarantees.” Yet, water operators and workers represent less than 0.5 per cent of CUPE’s membership. We could fairly easily negotiate successor clauses in collective agreements to ensure these workers continue to be employed by private operators. Ending our opposition to P3s could also be more financially rewarding if it meant our pension funds gained more of the lucrative guaranteed high returns from P3 investments. CUPE is vigorously opposed to P3s not out of narrow financial interest but because they are a bad deal for all Canadians and taxpayers, which include our members.

Furthermore, salaries for municipal water plant operators and waterworks workers are hardly lucrative. According to the Census they averaged less than $50,000 a year in the public sector, less than the national average salary and 5 per cent to 20 per cent below salaries for similar occupations in the private sector. What's lucrative are the $1 million plus annual base salaries paid to executives of water companies such as Veolia, American Water Works, and often much higher salaries paid to executives of privately-held companies that don't reveal how much they pay their executives.

The report recommends that water rates for individuals in the community be increased at the same time that private companies gain access to operating and capital contracts. If, as the argument goes, the private sector is more efficient why then do community members have to pay higher rates?

A particularly sinister suggestion in the report suggests that municipal leaders should raise water rates before embarking on private sector partnerships because "if higher prices accompany private-sector involvement, criticism (from the ratepayers) will likely be harsh". This strategy is highly deceptive and an affront on an electoral system that has a mandate to serve the interests of the public in a transparent and accountable way.

It is worth noting that 60 per cent of Canadians are living paycheque to paycheque right now and are facing record levels of indebtedness[6], it is for good reason that ratepayers criticize water rate hikes. Furthermore, the majority of Canadians support a significant federal investment in water infrastructure. The recent poll revealed that 78 per cent of Canadians support spending $31 billion in federal budgets over the coming years for urgently needed maintenance and upgrading of water and waste water infrastructure.[7]

A central contradiction that occurs when the private sector provides municipal water services to municipalities is that their primary interest is not water for the community but profit for their stakeholders. Veolia, the largest multinational water corporation in the world made $US 776 million in profit in 2010. It is difficult to understand how efficiency gains are serving municipalities when the private sector is clearly reaping significant economic benefits.

[6] Canadian Center for Policy Alternatives. 2011. Alternative Federal Budget (AFB). Rethink, rebuild, renew. A post recession recovery plan. http://www.policyalternatives.ca/.

[7] New poll indicates most Canadians want Harper to recognize the right to water and make water a budget priority. http://www.canadians.org/media/water/2011/21-Mar-11.html

The argument put forward that the private sector is more efficient uses data from on a 2010 Conference Board Report that had already been analyzed and deemed biased and superficial by CUPE.[8] The reference provided from the UK from 2003 can certainly be disputed in the face of several high profile failures. Recent reports by the UK National Audit Office and the Public Accounts Committee have shown the UK's Private Finance Initiative (P3) to be a fiasco, have criticized the government for pushing local governments into it, with some saying it is the "biggest rip-off in UK public sector history." The higher costs of these projects—whether they are considered successful or not—are paid by the public, often through cuts to public services and higher taxes and fees. This includes the multi-billion Metronet failure and the C$100 billion+ the UK's health service is on the hook for paying its P3 operators.

When the Metronet P3 collapsed in London England in 2007 the parliamentary report concluded:

> *"Whether or not the Metronet failure was primarily the fault of the particular companies involved, we are inclined to the view that the model itself was flawed and probably inferior to traditional public-sector management. We can be more confident in this conclusion now that the potential for inefficiency and failure in the private sector has been so clearly demonstrated. In comparison, whatever the potential inefficiencies of the public sector, proper public scrutiny and the opportunity of meaningful control is likely to provide superior value for money. Crucially, it also offers protection from catastrophic failure. It is worth remembering that when private companies fail to deliver on large public projects they can walk away—the taxpayer is inevitably forced to pick up the pieces."*[9]

The report further argues that the most obvious benefit of private sector water provision is the access to capital, and the investment in water infrastructure that this will entail. The Public Service International Research Unit (PSIRU) states that, "while it remains possible for people to hypothesize or imagine that such private water companies might be vehicles for investment to extend water systems, there is no historical record of this happening." In France, where the historical water privatization experience is long, "funding for water services is still overwhelmingly public, and private funding accounts for only 12 per cent of the investment".[10]

This report puts forward the standard argument that the private sector takes on public sector risk but provides little substantial evidence to support this claim. It disregards experience and the emerging proof that the private sector neither takes on the entire risk nor saves the public sector money in the long term.

[8] http://cupe.ca/updir/The_Conference_Board_on_P3s_-_Biased_and_superficial-0.pdf

[9] Report of the UK House of Commons Transport Committee, printed January 16, 2008: http://www.publications.10. parliament.uk/pa/cm200708/cmselect/cmtran/45/4502.htm

[10] Public Service International Research Unit. (2010). The past, present and future of finance for investment in water systems. http://www.psiru.org/.

It is already possible when procuring traditionally to have a “stipulated sum contract”, with a contracted fixed budget and an attached schedule to the contract. If the contractor is late then the government has penalties it can assess. If they are over budget they must absorb the cost at no extra fee.[11] It is therefore possible and less costly to hold the private sector accountable without going through the lengthy, costly process of a P3 (not to mention the benefit of retaining public control and accountability). It is not clear how the author justifies the claim that the private sector must be also compensated for the risk they take on because “the benefits of offsetting these risks are valuable enough to justify paying higher financing or transaction costs”(pg. 7).

The author cites the fact that Saint John, New Brunswick has applied to PPP Canada Inc. as positive but fails to disclose that in 2009, consultants from Florida-based Robinson Stafford & Rude Inc. and Ontario's NCE Value Engineers Inc. provided Saint John City Council with a report that found that the P3 option for their water treatment facility was too risky. The consultants found that city was better off opting for a traditional procurement arrangement. The City has reconsidered the P3 option and applied for funds from PPP Canada Inc. now because they cannot afford a new water system.[12]

A partial acknowledgement that ultimate liability always rests with the municipality is provided in a footnote quoting CUPE on this point. The author however puts forward the argument that municipalities must recognize the importance of negotiating “binding contracts with clear penalties, backstopped by letters of credit, performance bonds and other guarantees”. It is difficult to feel secure with a partner whose contradictory interests requires us to protect ourselves so vigorously even after we have financially compensated them for the liability they may or may not ultimately assume.

The point raised in the report, that there is a need for binding contracts and protection from the private sector is not unwarranted. There are several reasons to be concerned about signing contracts with the private sector.

The city of Brussels terminated a contract with Veolia in 2010 after Aquiris, a consortium created in 2001 by Veolia Environment to support a BOT (build own operate transfer) in the city, deliberately dumped the wastewater from 1.1 million people into the river Zenne for ten days. The chief executive of the regional water authority described this action as equal to “releasing an atomic bomb” into the river. Aquiris took this action while in a dispute with public authorities. One official noted that “whatever the rights and wrongs in the dispute it is hard to imagine that a publicly owned and operated company would have stopped the pumps like this.”[13]

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[11] Knappett, John. P.Eng. Knappett Projects Inc. Notes to presentation to Core Area Liquid Waste Management Committee. February 25, 2010.

[12] New Brunswick Telegraph-Journal. Council should consider P3 model - report; Infrastructure: The bill for a new water system is now estimated at an astonishing $259 million. June 21, 2010.

[13] Public Water for Sale: How Canada Will Privatize Our Public Water Systems. December 2010.

The reference in this report to a Veolia contract in Indianapolis as a sample performance based contract is worth noting for a couple reasons. First, the author makes note of the fact that the contract is expected to expire this year but fails to disclose that it was a 20 year contact that was supposed to expire in 2022. Second, the author fails to reveal that the city decided to terminate this agreement in 2010 after they experienced an array of problems with the Veolia including as class action suit alleging Veolia Water overcharged thousands of customers for their water usage[14], employee benefit cuts, boil water advisories, consumer complaints and allegations of falsified water reports[15]. The lawyer who filed the class action suit two years ago was quoted in the Winnipeg Free Press last May 2010 stating, "They get you to sign on the dotted line and once they are in and running the show, then they start complaining about unforeseen costs," said Peter Kovacs. "Then, they get you back to the bargaining table and extract a very substantial premium."[16] The city paid Veolia $29 million to end the contract.

Transaction costs and legal administrative fees are disregarded as though they are insignificant, which they certainly are not. Just going through the process of considering the P3 option cost the municipality of Whistler $1.37 million in legal fees, payments for staff reports and direct costs to Partnerships BC. This recommendation creates a lot of business for private consultants who are also finding a niche negotiating complex contracts in what is deemed to be the emerging “water industry”.

If municipalities want to implement a new process or take advantage of new equipment to adapt to or mitigate the impact of climate change for example, it would need to change the terms of the contract something the authors of this report recommend against. Their claim for the need of “complete and reliable information about the state of the infrastructure in the bidding process” is completely unrealistic. Full disclosure is never possible particularly when we are discussing future projections. The result will be legal and administrative costs, additional charges to the private company, and time delay to access potential advantages of new technology.

For example, if Whistler had opted for a P3, trucking biosolids to the Squamish compost facility was a major cost-cutting measure assumed in the proposal. Yet in 2006, the Squamish-Lillooet Regional District closed the facility for odour and nuisance violations. Whistler is now building its own compost facility at an additional cost of between $13 and $15 million. If the P3 had gone ahead, the R.M.O.W. would have had to cover this cost directly and negotiate that the private firm use the facility, or re-contract with the firm to build a private facility. Either way there would have been lengthy delays.[17]

[14] Stewart & Irwin pc. http://www.stewart-irwin.com/news/headline/40.
[15] Food and Water Watch. http://documents.foodandwaterwatch.org/veolia.pdf.
[16] Winnipeg Free Press. (May 2010). Veolia defends record as critics line up Improper billing, bribery alleged. http://www.winnipegfreepress.com/local/veolia-defends-record-as-critics-line-up-94563699.html
[17] The benefits of public procurement: A case study of Whistler’s wastewater treatment plant. http://cupe.ca/updir/FCM_09_Whistler_P3_E.pdf

Privatization is not a pre-condition or necessary for municipalities to access private sector innovation, expertise and technology. Nor are municipalities unable to ensure large infrastructure projects through to completion. Traditional procurement has always provided the specialized skills municipalities lack to build and upgrade their facilities and to this point municipal expertise has ensured Canada has some of the safest, cleanest water in the world.

Traditional procurement methods allowed the North Vancouver District Region to open Canada's largest water filtration plant, the Seymour-Capilano Water Filtration Plant in May 2010. Extensive use was made of sustainable and environmental technologies in its design and construction including an ultraviolet disinfection facility, and innovative features were added to maximize its energy efficiency.[18]

The report also refers to the decision by Sudbury's city council to consider a P3 for their new biosolids management project. It however remains unclear how council arrived at this position, as some of the documentation they used have been kept from the public. Key questions remain around value for money and liability the City would be exposed to. Enough reasonable doubt exists surrounding this project to re-examine the City's choices.[19] Two of the worst case scenarios remain unanswered:

1. What if there is a spill or environmental issue? What assurances does Council have aside from financial penalties (assuming those would exist)?
2. What if the company experiences serious financial difficulty or 'walks away' from the contract?

Questions regarding how the private sector addresses a spill or environmental issues are all but neglected in this report which is strange given the report is written by the head of an environmental organization. The author appears to have blind ideological faith that private markets, higher prices for water services and separation of regulatory and operating functions will cost less, promote conservation and always be best for the environment.

Higher prices for water have very little impact (low "elasticities of demand") on household consumption, because water is a necessity of life. It is lower and middle income households that will be hurt the most by these policies. Experiences in Hamilton, Ontario and Brussels, Belguim are cautionary and instructive. Trans-national water firms tend not to be involved in the water conservation field as it would contradict the profit motive; the more water they treat or deliver, the more money they make.[20]

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[18] Watertechnology.net. http://www.water-technology.net/projects/seymour-capilano/
[19] CUPE (2011). Sudbury, Biosolids & Public Private Partnerships.
[20] CUPE Submission to Expert Panel on Long-Term Water and Waste Water Infrastructure Investment and Financing Strategy, CUPE National Research Branch, November 2004. http://cupe.ca/privatization/ontarioexpertpanelwater

Conservation and environmental considerations are better met by governments and regulatory agencies working proactively with publicly-run water utilities to improve standards, reduce pollution and promote conservation, thereby lowering costs. Private operators are primarily interested in their profit and not broader environmental considerations. Long-term contracts required for private operation and P3s mean that any improvements to standards required would be very expensive as they would require changes to the contracts. By keeping operations public and following smart water conservation policies connected with other planning, municipalities will be able to reduce costs for the public and households.

The report makes several unfounded claims in favor of privatization. The suggestion that small utilities could be bundled together oversimplifies a complicated process that may or may not offset hefty transaction costs associated with P3's and is again catering to the interests of the private sector and their desire to generate profit from large facilities. Furthermore, refuting the fact that if the public sector can borrow at a cheaper rate today it might mean borrowing at higher rates tomorrow is an unfounded claim (pg. 9).

This report is extraordinarily selective and biased in the way it uses evidence to promote P3s and privatization of water systems. The C.D Howe institute and the business lobby groups want the public to pay many times over—both through much higher rates over many years, and by bailing out the private operators when they ultimately fail. The public always bears the final risk when public services are privatized.

Public operation remains a viable option

The claim that municipalities lack expertise is persistent throughout the report but the evidence is unclear. Pointing to the fact that the draft federal wastewater regulations are written in language that is inaccessible to the water operators in the most complex facilities in the country is hardly cause to claim that small facilities lack fundamental expertise to run their facilities when they don't understand them either. The Canadian Water and Wastewater Association (CWWA) was criticizing the Federal government for not following clear language guidelines when they made this statement.[21]

There are many sectors in Canada that will face labour shortages in the next 10 years, including the water sector. There are many strategies currently underway, and others which should be encouraged, to mitigate this issue including succession planning, mentoring and investment in skills training and certification programs in high schools, community colleges and workplaces. A living wage with pension and benefits is an incentive when employee retention is an issue in small communities. It is misleading to suggest that this is a situation that requires "private sector expertise", and cannot be remedied in a way that supports our next generation, local employment and community economic development. For example, as the new wastewater regulations are being implemented, training and recertification for water operators should be

[21] Position Statement on the Wastewater Systems Effluent Regulations under the *Fisheries A*ct, as published 2010 March 20 in *Canada Gazette, Part* 1. http://www.cwwa.ca/FisheriesRegulation.asp.

built into the planning and implementation process in a way that supports young worker career development.

The report refers to the experience in Moncton, New Brunswick but the promise of this Veolia contact may be deceiving. Moncton contracted with Veolia (then U.S. Filter) in 1999 for drinking water and for management, operation and maintenance of distribution, sewer and storm water systems. A case study published by John and Salim Loxley concludes that despite some advantages for the municipality if the city had raised its own financing it would have saved approximately $8.5million over the life of the agreement. The private partner received a 24 per cent return on its equity investment. The Loxley's analysis also makes the point that the aforementioned was not fully brought out to the public and it remains unclear how evaluations on the scheme were conducted.[22]

In Hamilton, Ontario, the city suffered more than pipe ruptures as is stated in the report. After awarding a contract to Philips Utilities Management Corporation for water and wastewater treatment, the community faced ten years of environmental disasters and financial upheaval. The workforce was cut in half within eighteen months, millions of litres of raw sewage spilled into the Hamilton Harbour, homes were flooded and major additional costs were incurred. The private water contract changed corporate hands four times before City Council ended its experiment with privatization and brought operation of its water and wastewater systems back in-house.

There is a growing movement internationally to bring water operations back in house not only because of the negative impact it may have had on the community but because cities are increasingly realizing that they are capable of doing the work at the same level or better than the private sector. What is compelling for cities is that what was once profit for shareholders is now revenue that can be reinvested back into the water systems and the community. For example, a year after the City of Paris brought their water services contract with Veolia and Suez Environnement in-house, they announced that starting July 1, 2011 they would be cutting their water prices by 8 per cent. The public utility, Eau de Paris, generated an annual gain of €35 million by transferring the services to the public sector. During its 25-year tenure, Veolia imposed successive increases that had the accumulated effect over the period of a rise of 260 per cent.[23]

The author criticizes municipalities for being unwilling to raise water rates yet many cities recognize that higher prices are a burden on low income people. User fees and pricing schemes that force users to pay the full amount of the per capita cost of water treatment endanger equitable access to water. Consultant Enid Slack, has argued in the past that public services are subsidized precisely because of their social value, arguing "When society puts a high value on these positive externalities, then below-cost provision or subsidies are warranted. The most

[22] CUPE (2011). Sudbury, Biosolids & Public Private Partnerships.
[23] Global Water Intelligence. Paris defends re-municipalisation record. http://www.globalwaterintel.com/archive/12/5/general/paris-defends-re-municipalisation-record.html

important general public concern with user fees is that they have adverse distributional effects: low-income families cannot afford to pay user fees and will either not use the services or will have to reduce their consumption of other services."

The history of public investment in water has been to ensure public health, social equity, environmental preservation and economic development. When the City of Toronto municipalized their water services in the late 1800's it was for public health reasons. The city was suffering from cholera and typhoid outbreak due to inadequate sanitation, and the city council, municipalized the water service and installed and financed new sewers and made sewerage connections compulsory whether householders asked for it or not. The public sector has been operating and improving this system ever since.[24]

Conclusion

Higher prices and less government grants are recommendations that respond to the needs of private corporations not the public. Water is fundamentally a human right that must be upheld as a principle, not a clause in a legal document that is subject to interpretation and fine print. Our right to water must be protected by more than contract stipulations driven by financial incentives for a corporation.

None of the recommendations in the report are new or innovative. What would have been innovative would have been to put forward solutions on the basis of the actual issues such as underfunding, climate change, and the need to support employee retention and recruitment in our water facilities. Instead, the report puts forward recommendations that protect the interests of the private sector through financial incentives and strengthened contract negotiations.

It is unfortunate that they seek only to enrich the corporate sector rather than inspiring a vision of a society that supports our youth, local employment, and community and economic development.

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[24] Public Service International Research Unit. (2010). The past, present and future of finance for investment in water systems. http://www.psiru.org/.