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# Great American Water Crisis

The biggest threat to our water system may be privatization

by Maude Barlow and Wenonah Hauter, from *Sojourners*

**THE UNITED STATES** has one of the best public water supply systems in the world. More than 250 million people count on local governments to provide safe drinking water. Over the last 40 years, federal, state, and municipal governments have worked together to improve and protect water resources. The Clean Water Act, the Safe Drinking Water Act, and the Endangered Species Act have kept the U.S. on target for preserving rivers, lakes, watersheds, wetlands, natural aquifers, and other sources of fresh water.

Great strides have been made in managing waste water and storm water. More than 90 percent of community water systems in 2012 met all federal health standards. Public water utilities have been a tremendously successful model for the U.S. and continue to keep drinking water safe, accessible, and affordable for all Americans.

It hasn't always been this way.

During the 1800s, private companies controlled the water systems of several large U.S. cities—to dire effect. Because the companies were more interested in making a profit than providing good service, many poor residents lacked access to water. As a result, cholera outbreaks were common in poor neighborhoods; water pressure was sometimes too low to stop fires, which destroyed both homes and businesses.

**BY THE TURN** of the 20th century, city governments, including Baltimore, Boston, New Orleans, and New York City, had taken over drinking water provision from private companies. The goal of government was to improve service, reduce waterborne diseases, and increase water pressure to better fight fires. New York City, for example, assumed control of its drinking water services from the bank and holding company called the Manhattan Company, the predecessor of JPMorgan Chase, after an outbreak of cholera killed 3,500 people and a devastating fire caused extensive property damage.

These cities learned the hard way just how important public water provision is for human and environmental health. The shift to a public utility system, responsive to community needs, allowed local public control of water and sewer services. Public utilities helped local governments manage water resources, growth, and



development, and ensured that safe and reliable services were available to all.

Now, just past the turn of the 21st century, our national water framework needs rethinking with climate change and sustainability in mind. It's time for an integrated, holistic national water policy, including the establishment of a federal water trust fund. Instead we face the cannibalization of our public utilities by private corporations.

Despite our success over the last 100 years, public water utilities face daunting challenges in the days ahead:

1. Water systems nationwide are aging and wearing out. Last summer more than 150,000 residents in the greater Washington, D.C. region faced the specter of being without water for days because of a stuck valve on a major water main. Delayed maintenance on the valve due to funding cuts led to the crisis.

There are 237,600 water line-related breaks in the United States each year, resulting in \$2.8 billion lost in potential revenue and tax dollars annually. An influx of money is needed for repairs and replacements to prevent leaks and to maintain reliable service. In total, U.S. drinking water systems will need \$384 billion in improvements over the next 20 years to continue to provide safe water, according to the EPA.

2. As water needs rise, federal funding dwindles. With a U.S. population of more than 316 million, the need for clean water continues to grow. Yet water systems are among the first on the chopping block during congressional budget battles. From 1977

to 2009, federal funding for water and sewer systems fell by 75 percent (after accounting for inflation). Following a brief respite from the 2009 national stimulus, federal water funding continues its downward trajectory. Cuts in federal funding shift a greater financial burden to local governments. Local governments are still grappling with budget shortfalls carried over from the recession.

3. Enter climate change into this equation. Climate change may pose a serious risk to water supplies in about 70 percent of U.S. counties—a third of these counties will be at high or extreme risk of water shortages. Warmer temperatures worsen water pollution and cause more extreme weather events. As we saw with Hurricane Sandy, extreme weather can destroy water facilities and infrastructure, with seawater seeping into reservoirs. Climate change will continue to stress water supplies and create water shortages.

But sustainable water management isn't just about our water infrastructure. Every well developed for fracking uses 3 to 5 million gallons of water as part of the process. According to some estimates, 20 percent of that water can be reused for more fracking, but 80 percent is highly salinized wastewater.

All these problems intersect to create the Great American Water Crisis.

**WHENEVER A CRISIS** arises there are those who battle it and, unfortunately, those who take advantage of it for personal gain. Private water corporations and investment banks once again are stepping in to take advantage of this crisis through takeovers and buyouts of public water systems. The aggressive strategy of private water utility companies in the last 10 years raises fears that the public may be losing control of its most vital resource.

These corporations work to undermine federal funding for public utilities, while seeking special tax benefits and government subsidies for themselves. They target local governments with offers of upfront cash in exchange for long-term control of water resources. Currently, about 12 percent of the U.S. population receives water service from privately owned community water systems. These private water providers, which include both nonprofit associations and for-profit companies, primarily serve subdivisions and areas outside municipal limits.

In many ways, water privatization can leave poor households high and dry. Private water utilities are businesses, and like any business they are accountable first and foremost to their owners. As a result, their primary objectives are often different than those of a local government, which is accountable to constituents and voters. This impacts decisions about where to extend service and the price and quality of that service.

As a matter of public policy, a city seeks to provide water service to every neighborhood within its borders and may aim to keep water rates as affordable as possible. Private companies, however, base their decisions on profitability. When they expand water service areas, they tend to exclude households with the greatest need. Private companies are prone to cherry-pick service areas to avoid low-income communities where low water use and frequent bill collection problems can hurt earnings. Instead, private companies may enter into deals with real estate developers to provide water service to new suburban developments, which can promote urban sprawl.

When private players take over public water systems, prices typically increase much faster than inflation. In general, compared to local governments, for-profit water utilities charge customers considerably higher prices. On average, private financing costs one-and-a-half to two-and-a-half times as much as public financing, translating into higher rates for consumers. A survey of the largest water utilities in the Great Lakes region, for example, found that privately owned systems charged households more than twice as much as municipal systems charged for the same amount of water. The researchers attributed this difference to private companies' profits, rate-making practices, higher overall service costs, and taxes.

Water prices are regressive. When households are unable to pay for service, private players usually respond by cutting existing connections. This deprives low-income households of their human right to water, with potentially disastrous health and social welfare consequences.

Privatization may also interfere with local government efforts to prepare for climate change and protect water



supplies. *Sustainable management* of water resources requires coordination across government divisions and jurisdictions in a watershed, but private utilities have no incentive or requirement to participate in integrated water management programs. Private companies are in the business of making money, not delivering clean water at the lowest cost.

Despite these dangers, some local governments continue to fall prey to the quick-fix and budget gimmicks proffered by privatization advocates.

**THE GOOD NEWS** is that faith-based, consumer, labor, and other community organizations have teamed up to fend off many attempted takeovers to keep their water under local public control, for the health of the poorest and the strength of the whole community. A few examples:

In February 2008, Akron's Mayor Don Plusquellic ended his State of the City address with a proposal to lease the city's sewers to private interests under the guise of raising money for a scholarship program. Greg Coleridge, director of the Economic Justice and Empowerment Program at the Northeast Ohio American Friends Service Committee, responded quickly. He brought together stakeholders throughout the city to form a broad coalition of labor, faith, and community organizations known as Citizens to Save Our Sewers and Water, or Citizens SOS.

Citizens SOS decided that the best way to counter the mayor's proposal was to require voter approval before the privatization of any public utility. To do this, they needed to pass a ballot referendum. They had to collect enough signatures to get their proposal on the November 2008 ballot, then educate voters about the issue.

In May 2008, Citizens SOS kick-started its petition drive with a community meeting attended by more than 150 people. With this auspicious beginning, they had no trouble collecting the necessary signatures to get their issue on the ballot. Next, Citizens SOS educated their constituency about privatization and countered Plusquellic's aggressive campaign promoting his own ballot initiative to authorize the lease.

On Election Day 2008, with a county-wide voter turnout of more than 70 percent, Akron overwhelmingly rejected privatization and overwhelmingly supported the public's right to have a voice in what happens to their utilities, by a margin of two-to-one. "It's just a wonderful collective victory with so many people having a role that was so powerful," Coleridge told Food and Water Watch after the victory.

Plusquellic was not alone in his misguided quest to privatize public services, but community groups around the country continue to organize to keep their water in public hands.

In 2008, the comptroller of Milwaukee suggested leasing its water utility to a corporation for 75 to 99 years in exchange for a one-time cash infusion to help fund city operations.


By June 2009, a broad coalition named Keep Public Our Water (KPOW) helped shelve the lease of Milwaukee's water system.

In 2010, a Trenton community coalition beat back the proposed sale of part of their city's water system to American Water. A resounding 80 percent of voters rejected the deal, even though the water company spent more than \$1 million to curry their favor, nearly 32 times as much as the stop-the-sale campaign.

In 2011, community organizing stopped privatization deals in Franklin Township, New Jersey, and Muskogee, Oklahoma. In 2012, the city council of Grand Island, Nebraska, unanimously rejected a waste-water privatization deal with Veolia Water because of public opposition. In 2013, residents of Bethel, Connecticut, soundly defeated a proposal to sell their water system to Aquarion Water Company. More than 70 percent of voters rejected the sale.

**BECAUSE WATER IS FUNDAMENTAL** to life and human dignity, the United Nations has recognized access to safe water and sanitation as a basic human right. Involving private enterprises in water operations can conflict with the human right to water. It is up to consumer groups, civil society, and faith communities to stop corporate takeovers of public water systems established for the common good to ensure universal access to safe water.

Together, we can protect our water supplies in the face of growing challenges. We can establish a federal water trust fund to provide dedicated monies for our water and sewer systems; we can ban fracking to protect our water resources; and we can enshrine the human right to water in federal and state law. Responsible public provision of our water and sewer services, along with these three policy steps, is the best way to safeguard water, uphold the human right to water, make sure that no one suffers from lack of this essential element, and move our country toward a sustainable integrated national water policy.

Water is the lifeblood of our communities. It is essential for health and well-being. Its substance is beyond value and transcends the physical—it's sacred. Let us cherish—and protect—this precious resource. 

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