

American Friends Service Committee

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8 REASONS TO HATE 8

Fifth in a series

<http://www.afsc.net/ctsosaw.html>

Jobs and services cut, rates and fees rise

Privatizing a public utility to a for-profit business corporation, likely foreign-owned, will result in a cut in jobs and service and a rise in rates and fees.

Utilities owned by the public employing public employees have as its primary mission to provide basic service at a fair price. The primary loyalty of public employees who run public utilities is to the public.

Utilities owned or leased by a for-profit business corporation, likely foreign, have no allegiance to the citizens of Akron or any other citizens of any other community. Their primary loyalty is to generate a profit on their investment for their owners and investors in whatever part of the world they may live. That's how for-profit business corporations work.

Akron's sewers generate a \$3 million annual surplus. If a for-profit business corporation wants to lease Akron's sewers, as called for in Issue 8, for upwards of \$250 million, they'll be looking for many ways to recoup their investment beyond the current \$3 million per year surplus – which would take 84 years. That's how for-profit business corporations work.

Here are the basic ways corporations will be looking to quickly and consistently make money from privatizing Akron's sewers if Issue 8 passes:

1. **Jobs cut.** Employees cost money. When corporations look to internally cut costs, buy other corporations, or purchase or lease a public utility or public function, almost first on their agenda is laying off people. This is standard practice in other communities with privatized utilities. Issue 8 says nothing about maintaining current staffing levels in the sewer department. (As a side note, the Akron Beacon Journal has suffered massive layoffs since its purchase by a foreign for-profit business corporation.) Laying off staff saves salaries and benefits. Fewer people are asked to do the same work. That's how corporations work.
2. **Services cut.** Money will be saved not only by cutting staff but also by

slashing funds for equipment, training, maintenance, etc. This is what has happened elsewhere. The results are a reduction of services. There will be broken lines. If your basement backs up from a sewer overflow, don't expect someone to promptly answer the phone or come out to your home. That's how corporations work.

3. Rates will rise. One of Issue 8 centerpieces is a supposed rate "cap" of 3.9%. Sounds limiting. What's not said is how long this rate will last. Home mortgages with low "teaser" rates lasted for a few years before rates skyrocketed, resulting in the housing foreclosure crisis. However, even if these rates hold for the entire life of the lease, Issue 8 language spells out that such rates are for "normal operations, maintenance, and capital improvements." There is no definition in Issue 8 what "normal" means. A for-profit business corporation wanting to lease Akron's sewers will obviously do everything they can to justify their expense as "abnormal" and thus need more money. That's how corporations work.

4. Fees will increase. Nowhere in Issue 8 is there any cap (even a teaser) on fees. Anytime and every time someone from the for-profit corporation comes out to inspect, repair or replace anything related to your sewers that before was provided at no cost or low cost you can bet will now have a cost or cost more. There's nothing in Issue 8 preventing it. That's how corporations work.

Issue 8 proponents may argue everything above will not happen because Issue 8 language stipulates, "the lessee must comply with all operating and maintenance standards required by the Director of Public Service." No "standards," however, are spelled out. Nothing is listed which remotely can be referred to as specific terms, stipulations, or conditions.

For-profit business corporations are looking to public utility privatization as a cash cow. We must keep public utilities public. That's the best way to preserve public jobs, control rates and fees, and maintain service quality.

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