



## **Water and Sewer Privatization Has Failed for Many U.S. Cities**

### **The First Major Failure in Atlanta, Ga.**

Contract: 20-year, \$428 million, 1999 - 2002

Company: United Water (Suez)

Atlanta canceled its contract with United Water after four years of terrible service. The company downsized the workforce by 400 jobs, accumulated a maintenance backlog of 14,000 work orders, delayed repairs, repaired fire hydrants at half the required speed and inadequately responded to emergencies. The company's failure to collect enough late bills and to read, install and maintain water meters cost the city millions of dollars. The city said United Water submitted bills for work it didn't do and even worked on other contracts and trying to win new contracts while on Atlanta's dime. Overall, only half of the expected cost savings were realized, and corruption tainted the ordeal, when the company was linked to questionable payments to Mayor Bill Campbell, who was sentenced to 30 months in prison for federal tax evasion.

### **High Rates in Felton, Calif.**

Privately owned and operated water system

Company: American Water (RWE)

Felton residents began to advocate for locally owned and managed water in 2002 when American Water took over their water system and sought a 74 percent rate hike. Believing a public utility can provide lower rates, better service and greater protection of their natural resources, the town's citizens voted 3-to-1 to approve an \$11 million bond to buy their system. At first American Water refused to sell, but in 2008, after a six-year legal battle, the company finally folded and Felton won public control over its water system.

### **High Rates, Poor Service in Ft. Wayne, Ind.**

Privately owned and operated water and sewer systems

Company: Aqua America

Plagued by high rates and poor service, northern Ft. Wayne decided to take over its water and sewer systems from Aqua America. The city and company are currently negotiating the purchase price. The systems need thousands of dollars in repairs, and the company has invested very little of what it budgeted for infrastructure despite seeking to hike rates by 75 percent. Public control will save the average family of four around \$90 a month, and small businesses around 40 percent on their bills.

### **Unrealized Savings in Laredo, Texas**

Contract: 5-year, \$47 million, 2002 - 2005

Company: United Water (Suez)

After years of intense lobbying, Suez convinced the city to hire a consultant in 2001 to study privatizing its water system. The consultant said Suez could deliver annual savings of \$4.2 million, but after winning the contract in 2002, Suez's first year on the job yielded only about \$950,000. Suez asked the city for \$5 million to cover unexpected expenses plus an additional \$3 million per year. City officials refused to change the terms of the contract, saying the company knew what it was getting itself into. In March 2005, about halfway into the five-year deal, Suez paid the city \$3 million and turned over some of its equipment to exit the contract.

### **Disrepair in Montara, Calif.**

Privately owned and operated water system

Company: American Water (RWE)

In 2002, after enduring poor maintenance and service on the part of American Water, the city opted for public operation and management of its water system. A year before, in 2001, more than 80 percent of voters approved a \$19 million bond to buy their system, but it took a state ruling to change the company's staunch opposition to a sale. After decades of water shortages, equipment failure, unresponsive management and some of the highest rates in California, Montara took control of its water system and began extensive rehabilitation. Local officials invested in long-overdue improvements, including new wells, storage tanks, meters and treatment equipment.

### **Corruption in Rockland, Mass.**

Contract: 10-year, \$12 million, 1998 - 2004

Company: Veolia

Rockland cancelled its contract in 2004 after state officials found the agreement, signed in 1998, may have been illegal because it was specifically tailored to Veolia and excluded other bidders. The same town official and Veolia employee who worked together to tailor the contract were convicted of stealing more than



\$300,000 from the city by submitting phony invoices and intercepting reimbursement checks. The official has served 18 months in prison and is now completing a five-year probation; the Veolia employee received five years' probation.

### **Countless Woes in Stockton, Calif.**

Contract: 20-year, \$600 million, 2003 – 2008

Company: OMI & Thames Water

Residents opposed the privatization from the beginning, when they quickly passed a referendum blocking any utility privatization deal worth more than \$5 million. But the city had already rushed through the contract with OMI-Thames. Many problems ensued: rates rose, customer service requirements went unfulfilled, the amount of unaccounted-for water tripled, maintenance tasks were backlogged, wastewater frequently overflowed and irrigation water was contaminated. Just three years into the 20-year deal, a San Joaquin County Superior Court judge officially overturned the Thames-OMI contract, determining that it would have “significant environmental impacts.” The city retook control in March 2008.

### **Community Leaders, Residents Are Choosing to Avoid Water Privatization**

#### **New Orleans, La.**

New Orleans dropped its privatization plans in 2004, after five years and \$5.7 million worth of study. The proposed 20-year, \$1.5 billion deal fizzled after city residents and the state legislature overwhelmingly approved measures giving voters the power to approve or reject privatization contracts worth more than \$5 million. A bribery scandal eventually emerged, and an engineering executive, whose company was advising the city on the privatization plan, was sentenced to six years and 10 months in prison following his conviction on nine federal corruption charges.

#### **Emmaus, Pa.**

Citizens stopped the privatization before it happened. More than 300 residents showed up to a public hearing to support local control, with 52 people speaking out against privatization. The town council listened to its constituency and rejected the privatization proposal.

#### **Knox, Pa.**

In this small town of 700 people, residents gathered 300 signatures in opposition to privatization, and the town council sided with its citizens.

#### **Lee, Mass.**

After initially favoring the deal, town representatives in September 2004 voted overwhelmingly against turning over its water and sewer system to Veolia – the only company to respond to the town’s advertisement for a private operator. Veolia said it could save the city \$6 million over 20 years, but residents grew uneasy with the arrangement when they read the fine print. Made public only days before the vote, the contract gave Veolia the right to set rates to treat trucked-in waste from outside Lee, allowed the town only limited access to documents and lacked a credible cost estimate against which promised savings could be measured.

#### **Mexico, Mo.**

Residents voted by a 2-to-1 margin in April 2006 against selling the town’s wastewater treatment facility to RWE subsidiary Missouri American.

#### **Newark, N.J.**

Community leaders decided not to pursue a privatization proposal. In 2003, the council voted the deal down 7-2, citing citizens' disapproval and the unclear details of the supposed reason for privatization.

#### **O’Fallon, Mo.**

Concerned that privatization would lead to high rates, poor service, and loss of accountability, community leaders decided against selling their water system. After citizens spoke out at a city council meeting, the council decided it needed more research and authorized a task force to study the issue. The task force found that the sale had numerous disadvantages, including loss of “control and representation,” “possible loss of jobs” and “loss of future revenues.” After the task force presented its findings, the city council decided not to pursue the sale.