



CAMPAIGNING TO KEEP  
WATER AS A PUBLIC TRUST

# Top 10 Reasons to Oppose Water Privatization

The World Bank has predicted that by 2025, two-thirds of the world's population will run short of fresh drinking water. Given such a grim outlook, it comes as little surprise that *Fortune* magazine recently defined water as “the oil of the 21<sup>st</sup> century.” Poised to capitalize on this crisis are private companies, many of which are multinationals whose tentacles are probing the planet for opportunities to turn the misery of water-starved regions into profits for their executives and stockholders.

Instead of protecting existing supplies, enhancing conservation efforts, helping vulnerable populations, curbing pollution and raising public awareness, more and more government officials throughout the world are turning to privatization — transferring the control of this precious resource from the public sector to the private sector.

It is no underestimation to say that the very survival of untold millions of people could rest on decisions being made today — largely behind closed doors — in corporate boardrooms and government offices throughout the world. With each drop of water that falls into the hands of private interests, any sustainable solution to the global water crisis moves further and further from the public's grasp.

## **Privatization Leads to Rate Increases**

Corporations have utilized rate hikes to maximize profits, which, by definition, is their bottom line. This bottom line often comes at the expense of water quality and customer service, but not at the expense of maintaining inflated executive salaries. Among the more unseemly aspects of handling water as a marketable commodity, rather than a basic human need and a natural resource, is that the poor are often denied access. Because living without water is not an option, people are often forced to consume unsafe water, lest be faced with going without food, medicine or education.

## **Privatization Undermines Water Quality**

Because corporate agendas are driven by profits rather than the public good, privatization usually results in the compromising of environmental standards. The National Association of Water Companies (NAWC), which represents the U.S. private water industry, intensively and perennially lobbies Congress and the Environmental Protection Agency to refrain from adopting higher water quality standards. The NAWC also persistently requests that all federal regulations be based on sound cost-benefit analysis, which means that public health is compromised for the sake of higher profits.

## **Companies Are Accountable to Shareholders, Not Consumers**

In many cases, deals that government agencies make with water companies include exclusive distribution rights for 25 to 30 years, effectively sanctioning a monopoly. Companies are under little pressure to respond to customer concerns, especially when the product in question is not a luxury item that families can do without if they are dissatisfied with the performance of the only provider.

### **Privatization Fosters Corruption**

The very structures of privatization encourage corruption. Checks and balances that could prevent corruption, such as accountability and transparency, are missing at every step of the process, from bidding on a contract to delivering water. Contracts are usually worked out behind closed doors with the details often still kept secret after the contract is signed, even though it is the public that will be directly affected by the conditions of the contract. This situation opens itself up to bribery, which, if recent scandals throughout the world are any indication, is not an uncommon occurrence.

### **Privatization Reduces Local Control and Public Rights**

When water services are privatized, very little can be done to ensure that the company — be it domestic, foreign or transnational — will work in the best interest of the community. Furthermore, if a community is dissatisfied with the performance of the company, buying back the water rights is a very difficult and costly proposition. Again, the prime directive of the water companies is to maximize profits, not protect consumers.

### **Private Financing Costs More than Public Financing**

There is a false perception that when water services are privatized, the financial burden will shift from the public to the private sector, which will save taxpayer money by assuming the costs of repairing, upgrading and maintaining infrastructure. In reality, taxpayers simply wind up paying for these projects through their monthly bills. Tax-free public financing translates into lower-cost projects, while taxable private financing results in higher interest rates. As a result, consumers are also forced to make these higher payments on company loans.

### **Privatization Leads to Job Losses**

Massive layoffs often follow in the wake of privatization, as companies try to minimize costs and increase profits. At times, service and water quality are put at risk due to understaffing. As a result, layoffs can be devastating not only to the workers and their families, but to consumers as well.

### **Privatization is Difficult to Reverse**

Once a government agency hands over its water system to a private company, withdrawing from the agreement borders on the impossible. Proving breach of contract is a difficult and costly ordeal. And multinational trade agreements provide corporations with powerful legal recourse. A private company, for example, can use the North American Free Trade Agreement's secretive tribunals to contest challenges to privatization. And in World Bank loan deals, which often makes water privatization a condition, companies are usually guaranteed cash payments if a government agency returns its water system to public control.

### **Privatization Can Leave the Poor with No Access to Clean Water**

Contrary to public assertions, World Bank and International Monetary Fund privatization schemes in the developing world usually result in reduced access to water for the poor. "Structural adjustment" programs foisted upon governments seeking loans often include water privatization as a condition. Impoverished, politically enfeebled countries are hardly in a position to refuse these conditions, as doing so would cause them to default on their debts. As a result, the World Bank and IMF are able to provide lucrative and virtually risk-free contracts for multinationals, due to guaranteed rates of return and investment protection clauses.

### **Privatization Would Open the Door for Bulk Water Exports**

Fully aware of bleak water supply prognostications, corporations are in a mad dash to obtain access to fresh water that they can sell at huge profits, as high as 35 percent. It goes without saying that those who control water supplies will exercise economic and political power at almost unimaginable degrees. Bulk water exports — transporting water from water-rich countries to water-poor countries — could have disastrous consequences. Massive extraction of water from its natural sources can result in ecological imbalance and destruction. Disrupting aquifers by over-extraction often damages the environment and socioeconomic standards. Groundwater is being over-extracted as it is, and once aquifers are emptied or polluted, they are almost impossible to restore.