

BACKGROUNDER

Failed and Flawed P3s in water/waste water projects

The city of Regina wants to sign a 30-year deal with a private corporation to privatize our waste water treatment plant. Municipalities around the world are bringing water services back into public hands, or rejecting privatization proposals. For example:

- In 2004, the **City of Hamilton-Wentworth** ended a water privatization contract after ten years of environmental problems and mismanagement by several private water corporations. Despite the promises of local economic development, new jobs and cost savings, the workforce was cut in half within 18 months; millions of litres of raw sewage spilled into Hamilton Harbour and flooded homes, and major additional costs were incurred.ⁱ
- In 1999, the **City of Moncton** entered into the first Canadian drinking water P3 with US Filter. The water treatment plant was built at a cost of \$23 million, but through the lease terms residents are paying a 10 percent interest rate while Moncton could have borrowed directly at 5.85%. The private financing of the plant means Moncton is paying an extra \$14.4 million in debt costs over the 20-year contract.ⁱⁱ The City of Regina says Moncton is a successful P3 but the evidence shows that it has been costly for residents. The ownership of the plant has changed hands many times and is now controlled by Veolia, a French multinational corporation.
- In 2003, **Halifax City Council** backed out of a major waste water P3 with French water multinational Suez after the company refused to take responsibility for meeting environmental standards – a move that would have left taxpayers on the hook for any fines.
- In 2010, the **City of Indianapolis** decided to break its 20-year contract with Veolia and sell its water utility to Citizens Energy Group, a public charitable trust. Over the years there were many complaints from residents and employees including cuts to employee benefits by more than \$50 million, unfair billing and overcharging of customers, a 2005 boil water alert that affected over one million people and cuts to staffing, water testing, treatment chemicals and maintenance.ⁱⁱⁱ The city had to pay \$29 million to Veolia, who had operated the utility since 2002, as part of the termination clause in its contract. The city estimated it would save \$60 million annually after the first three years of transition^{iv}.
- **Paris, France** made water services fully public in January 2010, ending water management P3s with Suez Lyonnaise des Eaux and Veolia Environnement. The corporations had almost total control over operations, there was little transparency, and rates more than doubled between 1990 and 2003. Now, \$47 million CDN that had been paid in corporate profits is reinvested in water operations. Rates have dropped, and there is better coordination of water production, distribution and treatment. The service now meets environmental, economic, democratic and social objectives that were not possible under privatization.
- In 2010, the **City of Brussels** ended a privatization contract with Aquiris, a Veolia-led consortium. Aquiris deliberately dumped the waste water from 1.1 million people into the

river Zenne for ten days, while in a dispute with public authorities. The chief executive of the regional water authority described this action as equal to "releasing an atomic bomb" into the river. 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."

- **Montara**, a small town south of San Francisco, won back local public control of their water system in 2003. Residents had suffered poor service and some of the highest rates in California before finally taking back control from American Water, then owned by RWE of Germany. According to Food and Water Watch, "there were community meetings, a door-to-door operation and a televised debate. Then, in 2001, residents voted by a 4-1 spread to borrow \$19 million to buy the system from Cal-Am. At first, the company refused to sell, but the company bowed down and Montara claimed victory." Water and sanitation services are now administered by the Municipal Water Board, which includes community representatives.

Rejected P3s

- In November 2011, residents of **Abbotsford, British Columbia** voted in a referendum to reject a drinking water P3 by 74 per cent. The \$291 million joint project with the community of Mission would have been the largest privately-financed undertaking in the Canadian water sector to date. Federal funding for the project was available on the condition that the project be delivered as a P3. In the municipal election held at the same time the mayor, who was a strong proponent of the P3, was defeated.^v
- In 2006, the council of the **Resort Municipality of Whistler** (RMOW) voted against going to referendum on a proposed P3 for a waste water treatment plant upgrade, ending a proposal that would see the plant operation privatized. One of the cost saving plans of the P3 was to truck untreated sewage to Squamish, which the public strongly opposed. The trucking plan was secret and only made public through a freedom of information request. Whistler's new publicly-financed and operated waste water treatment plant is one of the most efficient and environmentally-sustainable plants in Canada.^{vi}

ⁱ John Loxley, *Public Service, Private Profits: The Political Economy of Public-Private Partnerships in Canada*, Fernwood Publishing, 2010, p.161-170.

ⁱⁱ John Loxley, *Asking the Right Questions: A guide for municipalities considering P3s*, CUPE, June 2012, p.9.

ⁱⁱⁱ Food and Water Watch, *Veolia Water North America: A Corporate Profile*, August 2013.

^{iv} American Water Intelligence website: <http://www.americanwaterintel.com/archive/1/12/general/indianapolis-terminates-contract-veolia.html>.

^v Kevin Mills, "Abbotsford mayor swept out with water project," *Abbotsford News*, November 19, 2011.

^{vi} Guy Warrington, "Down the Drain goes a P3," *The Tyee*, June 23, 2006.

