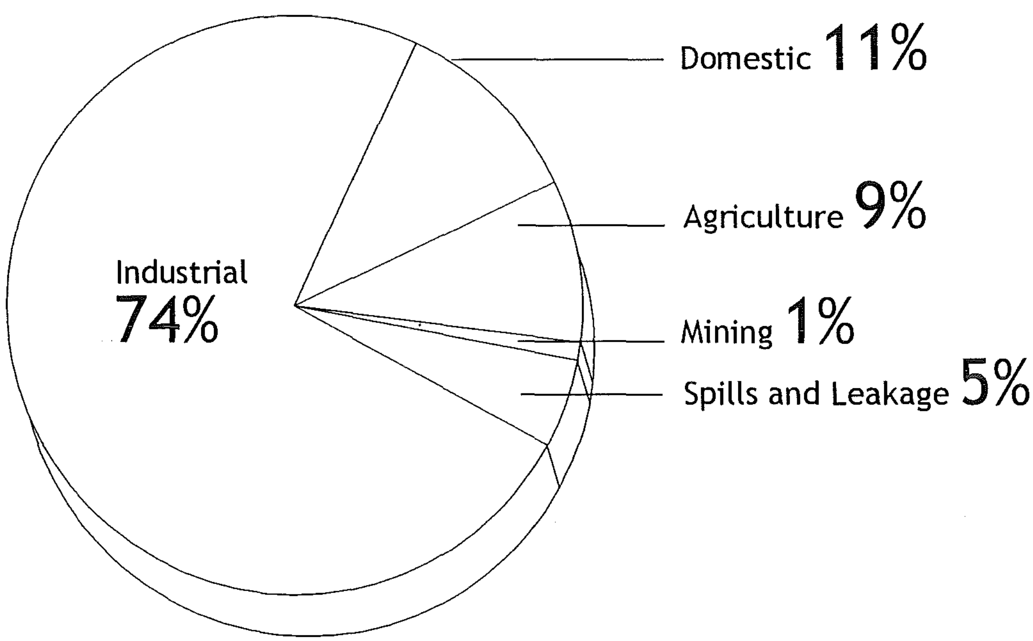
The Threat

Water Facts

- Canadians use an average of 340 litres of water daily.
- Nearly 25% of the globe's wetlands are in Canada.
- The value of Canada's water treatment systems is $100 billion.
- Two thirds of our electrical power comes from hydroelectric facilities.
- Water bodies provide important habitats for a wide variety of plant and animal life.
- Manufacturing industries rely heavily on the supply of fresh water. Industry uses 74% of all water taken from the environment.
- More than 360 chemicals have been identified in the waters of the Great Lakes.

Water Use



Some Clean Water Facts

Did you know that?

- 1 drop of oil can make 25 litres of water unfit to drink.
- 1 gram of 2,4-D (a household herbicide) can contaminate 10 million litres of drinking water.

Some of the leading causes of water pollution are:

- Fertilizers
- Industrial wastes
- Pesticides
- Seepage from landfills, mining operations and industrial sites
- Domestic sewage
- Radioactive materials
- Thermal pollution from cooling towers
- Dumping of garbage

We need to take action to stop the ongoing degradation of our waters and to put measures in place that will return water to its unpolluted condition.

There must be better controls on water usage. Industrial and domestic water users must begin by adopting conservation measures

Canada's Water under Threat

A small and powerful group of corporations is stepping up their efforts to privatize water and wastewater services in Canadian municipalities. If they succeed, the quality and supply of our drinking water will be at risk as profits replace service and safety as the suppliers' priority.

These transnational water corporations have a record around the world of corruption and incompetence. They finance their ventures through government guarantees and higher prices to consumers. They cut jobs to hike profits. They cut corners, endangering safety. They are more accountable to their shareholders than to the public.

Other corporations want to export our water resources, filling tankers for sale overseas or redirecting our water through pipelines to the south.

These twin threats to the public ownership and control of Canada's water services and resources could have a devastating impact on our environment, our economy and our quality of life. Issues of equity, sovereignty and democracy are at stake.

Privatization by the Back Door

The push to privatize water that swamped Europe in the past decade is now threatening North America. French and British-based water corporations are working to establish themselves in Canada through subsidiaries and affiliates.

Because the disastrous consequences of privatizing water services in Britain are well known to Canadians, corporations are trying to reduce public resistance by taking control of our water services in stages.

Rather than made a bid at outright ownership, water companies tend to establish their presence through short-term (three to five year) operations and maintenance contracts. Under this arrangement the private company will operate and manage the municipal water facilities for several years under contract.

The contractors generally promise cost savings for the municipality. These savings are achieved by cutting jobs and maintenance and reducing quality control. The municipality maintains ownership of the facilities but loses control over the day-to-day operations of the facility.

As they grow more bold, the water corporations are increasingly seeking "public private partnerships" and long-term operating agreements (10 to 25 years). Under these arrangements, they stand to make much more money, assured long-term revenues as a private monopoly. Again, they cut staff and most often standards, while making it increasingly difficult to return the service to public operation. At the same time, they work to build support among the powerful elite for outright private sector ownership of municipal water services.

Turning off the Funding Tap

The Canadian Infrastructure Program delivered federal and provincial government funding for public infrastructure, providing Canadian municipalities with financial support to build, operate and maintain water and wastewater systems.

But the program lapsed at the end of 1998 and the federal government has made no commitment to renew its support. Despite a federal budget surplus of more than $10 billion - and much talk of productivity and investing in our future - no funding has been provided to renew Canada's basic infrastructure.

There is a looming crisis in Canada as a number of municipalities continue to dump raw sewage into our rivers and oceans and many more need to upgrade and expand their water and wastewater services. At the same time, municipalities are struggling as provinces have downloaded more responsibility for services onto the municipal property tax base.

To assure adequate funding to renew and expand water services, a renewed commitment of federal and provincial funding is essential. The need for a Water and Wastewater Infrastructure Fund is urgent.

The Corporate Lie

Aware that many municipalities are straining under the burden of budget cuts and down-loading, the private sector is anxious to fill the funding vacuum, promising to provide cheaper and more efficient water services. The water corporations and their proponents claim that private sector involvement in the provision of water services will produce a number of benefits including:

- private sector financing of water infrastructure projects;
- improved technology and increased efficiency;
- improved water conservation.

Yet experience shows that these claims are false. The public sector can finance projects more cheaply than the private sector because it pays a lower rate of interest. The public sector can also upgrade its technology while ensuring that standards are respected and there is sufficient staff to run the system safely. Private sector conservation efforts usually rely on solely on pricing. But making water less accessible to the poor and the elderly is not the way to promote conservation.

Affordable, high-quality and publicly operated water services are essential. They are too important to be sacrificed to corporate greed and government irresponsibility.

The Giveaway – Free Trade and Water

Several companies are seeking a licence to export Canadian water to other countries. The Nova Group fought, without success, for the rights to draw 10 million litres of Lake Superior water each day and ship it to Asia. The McCurdy Group of Companies wants to export 52 billion litres of water annually from Gisborne Lake in Newfoundland.

Should water be treated like any other commodity? The Liberal Government has argued that under Canadian domestic law, water is not subject to the provisions of the North American Free Trade Agreement (NAFTA).

But domestic law does not bind NAFTA panels. Mickey Kantor, former United States Trade Representative, says, "When water is traded as a good, all provisions of the agreement governing trade in goods apply." So, once private corporations are allowed to access and trade water, it will be open to American companies to exploit under NAFTA.

NAFTA also allows American investors to sue governments for compensation due to loss of future profit. As a result, the government of British Columbia is being sued by American-based transnational Sun Belt Corporation for "profits lost" when the province passed legislation banning the export of Canadian water.

NAFTA can only undermine Canadian control of water resources and further promote the private takeover of water services.

The Water Watch Campaign

CUPE represents thousands of water and wastewater workers in more than 200 Canadian municipalities. These workers, along with CUPE members in other sectors, social and environmental activists and the public at large will fight to ensure our water services and resources remain in public hands.

Water Watch committees will be set up in communities across the country. These committees will press municipal governments to reject the privatization of water and call on the federal and provincial governments to adequately fund infrastructure renewal.

As well, they'll oppose the bulk export of Canada's water and promote conservation and the protection of water ecosystems.

For more information, see *Water for Profit: Coming to a Community near You?*, a CUPE Research publication (B3).

WATER FOR PROFIT: Coming to a Community near You?

Canadian Union of Public Employees
Research Report
December, 1998

The Threat to Public Water Services

Canadian municipalities are considering turning over water and wastewater services to a small group of transnational water corporations and their corporate partners.

These corporations have a record of corruption, incompetence and rejection by municipalities in other parts of the world. They have financed their ventures through government guarantees and higher prices to consumers. They have cut jobs to generate dividends and they have more accountability to shareholders than to the public.

Other corporations want to get into the water export business, whether to fill tankers for sale overseas or to divert water through pipelines to the south.

There is clear and present danger to the public ownership and control of Canadian water resources and water services. As corporations look to privatize water services in hundreds of Canadian municipalities and turn our water resources into an export commodity, the public needs to be alerted and encouraged to tell the water corporations, keep your hands off our water.

The new corporate vehicle for the takeover of water and wastewater services is "public private partnerships" (PPP's). The disastrous consequences of outright privatization of water services in Britain received deservedly negative attention. Corporations are trying to avoid similar public criticism by moving to take control of water facilities in stages.

Public private partnerships and the long-term operation (10 to 25 years) of water services by private corporations are seen by the private sector as a more feasible strategy of privatization. If they succeed in taking over all public functions in water services except setting regulation, complete private ownership will be a next logical step.

Private sector participants at the National Roundtable on the Environment and the Economy (NRTEE) clearly indicated that private sector ownership of assets should be allowed since it provided greater security for financiers.

The private sector promises less costly and more efficient water services at a time when budget cuts and service downloading are impacting on municipalities. Canadians will increasingly be confronted with false promises. Affordable, high-quality and publicly controlled water services are at risk. We must not allow such vital services to be sacrificed to corporate greed and government irresponsibility. The price to pay for the privatization of water is too great.

CUPE represents several thousand water and wastewater workers in more than 200 Canadian municipalities. These workers, along with CUPE members in other sectors and the public at large, will fight to ensure that our water services and resources remain in public hands.

The International Scene

Transnational water corporations are targeting water and wastewater systems throughout the world. The annual Water Supply and Wastewater Treatment Summit is where water industry executives, financiers, water equipment manufacturers and government officials get together to discuss privatization programs around the world.

The theme of the 1998 water summit was "Facilitating Private Sector Investment in Water and Wastewater Infrastructure and Services." It promised to show participants how to overcome political obstacles and identify new opportunities for the private sector. Over 170 high profile corporate executives and government officials addressed participants on the ways they can get a piece of the estimated US$700 billion required for water and wastewater projects over the next ten years.

The corporate participants at the water summit represent leading water corporations such as Suez Lyonnaise des Eaux, United Utilities and Anglian Water International. The summit presentations reflect the push for lower costs by addressing such topics as "best practices", "workable, profitable and financeable" water projects and "overcoming the obstacles to privatization".

Financial support for private involvement in water projects is also available to summit participants. The Global Environment Fund (GEF), an investment group dedicated to providing investment equity to environmental infrastructure projects worldwide, has approximately $440 million earmarked for investment in 1998.

The push towards deregulation and privatization is also encouraging water corporations to diversify into hydro and gas services as a means of achieving economies of scale and maximizing profit. Cross-utility mergers allow them to integrate customer services, billing and marketing functions. For example, the British-based United Utilities realized substantial cost savings by integrating the water utility operations of its subsidiary North West Water with Norweb, its electric utilities operations.

Water Corporations are Transnational

The largest water and wastewater corporations in the world are based in France and Britain with affiliates or subsidiaries around the globe. The largest are the France-based firms, Suez Lyonnaise des Eaux and Vivendi, the General Motors and Ford Company of the water world. They own, or have controlling interests in, water companies in approximately forty (40) countries and six continents.

In 1997 Suez Lyonnaise des Eaux had sales of approximately $56 billion. It has interests in energy, waste management and communications but its core business is water. It now has controlling interest in the Belgian conglomerate Tractebel, which dominates the gas and electricity industry in Belgium. It also owns the water engineering company Degremont and Sita, one of the world's largest waste management multinationals. Suez Lyonnaise has recently won water services contracts in Budapest, Manila, Jakarta, La Paz and Cordoba.

Vivendi also has interests in energy, waste, transport, construction and telecommunications. Its total turnover in sales is about $46 billion. Generale des Eaux, its water operations, still generate most of its profit, approximately $860 million in 1996. It owns the water engineering companies Kruger and OTV and the waste management giant, Onyx.

In France and elsewhere in Europe the approach of these companies is known as delegated management. Under this system, the municipality retains ultimate responsibility for and ownership of water infrastructure. The water companies are provided with long-term franchising or leasing contracts between 12 and 35 years in duration. These long-term agreements sometimes allow the companies to design, build and own the facilities and to directly charge consumers.

The largest utility corporation in Britain is United Utilities which owns or controls water companies in at least ten countries. It is the result of a merger of North West Water and the electric utility NORWEB. Another example of cross utility mergers was the takeover of the British company Southern Water by Scottish Power. Other large British-based water companies are Anglian Water, Severn Trent and Thames Water. The British experienced total privatization of water and other utilities in the late 1980's. Privatization has resulted in increased prices, poorer service quality, generous company profits and huge executive salaries.

The Table below indicates the relative size of the major water corporations. (All figures are approximate. Currency amounts are expressed in US dollars.)

Table I

The Water Giants			
Corporation	**Total Sales (1995)**	**Water division sales (1995)**	**# of Water Subsidiaries**
Vivendi	$55 billion	$14 billion	60 in 38 countries
Lyonnaise des Eaux	$33 billion	$8 billion	60 in 39 countries
United Utilities	$23.5 billion	$1.5 billion	12 in 10 countries
Anglian Water	$1.5 billion	$1.5 billion	19 in 9 countries
Severn Trent	$2 billion	$1.7 billion	9 in 9 countries
Thames Water	$2.3 billion	$1.8 billion	13 in 12 countries

North American Water Services are a Target

The water privatization push that has enveloped Europe in the last decade and a half has now reached North America. The French and British-based water corporations are just beginning to establish themselves in North America through their subsidiaries and affiliates. There are no independent water multinationals in North America. However, there are a few Canadian-based corporations such as Philip Services, which among their other business activities pursue operations and maintenance contracts in water and wastewater.

The water corporations' attempt to get hold of the water and wastewater industry in the United States and Canada is meeting with resistance. The 1995 international water summit identified the following obstacles to water privatization in North America: municipal, union and public opposition, as well as the lack of tax-exempt financing and government subsidies and grants.

In particular, concerns about employee displacement, union contracts, loss of municipal control, user fees and the impact of privatization on standards and security of service are especially troubling for the public and workers who provide public water services. The corporations see these concerns as unwarranted and as a reflection of a "bias" against water privatization.

Despite these obstacles, the promoters of the corporate solution are greatly encouraged by the economics of the situation. The decreasing federal, provincial and municipal financing available is driving municipalities to look hard at the so-called "benefits" of private sector involvement.

The current surge of interest in privatization has also been promoted by the supposed "success" of Indianapolis, which in 1994 turned over its two wastewater plants to United Water Resources, part of the Lyonnaise group of companies.

In the first year of operation, the company slashed a proposed budget of $30.1 million to $17.6 million with the city expected to save $65 million over the five-year agreement. The operational savings came at the expense of jobs. The Indianapolis contractor had reduced the work force to 176 from 328. The impact of these cuts is still under review but experience elsewhere indicates that service and safety are likely to be endangered. Other large centres that have embraced the private sector are those in Milwaukee, Buffalo and Houston.

In North America, private sector involvement has not taken the form of investor-owned water and wastewater utilities. The more typical approach by water companies is to establish their presence through short-term (three to five year) operations and maintenance (O&M) contracts. With this arrangement the private company operates and manages the publicly owned facilities for a number of years according to a contract negotiated between the municipality and the company. The contractor promises cost savings for the municipality. These savings are achieved by shrinking the work force, minimizing maintenance and subcontracting services. The municipality maintains ownership of the facilities but loses control over the day to day operations of the facility for the life of the contract.

The recent move toward privatizing water services in the United States has seen scores of municipalities turning over the operation of their water and wastewater treatment plants to private companies on a contract basis. In 1995 there were an estimated 400 operation and maintenance contracts in the United States for municipal water and wastewater facilities with rated capacities over 1 million gallons per day. This represents about 5 percent of all facilities. While no statistics are available for Canada, it is likely that the proportion of contracted facilities is even smaller than in the United States.

The North American water and wastewater industry is dominated by a small number of large companies (see Table II), most of which are affiliated to, or subsidiaries of, the large European-based companies. These European-based companies have partnered with US and Canadian companies to form consortia that bid on water contracts.

A consortium usually consists of a water corporation, a financial partner, a construction company and a consulting firm. Consortia that include domestic companies allow foreign corporations to more easily penetrate a national market without raising concerns about foreign control of essential resources and infrastructure.

Table II

The Principal North American Corporate Players

US or Canadian Corporation	Controlling Corporation	Other Corporate Links
Professional Services Group	Générale des Eaux	Air and Water Technologies
United Water Services	Suez Lyonnaise des Eaux	JMM, General Water Works, United Water Resources
North West Water	United Utilities	Consumer Utilities
Allied Water	Anglian Water	American Water Works Co
Canadian Clean Water Systems		Yorkshire Water
Severn Trent Environmental Services	Severn Trent	
Wheelabrator	WMX Technologies	Wessex Water
Philip Services		Has participated in various Consortia
OMI	CH2M Water Works	TAP (The Atlantic to Pacific) Consortium
Aquatech	SAUR	Groupe Bougyues, SNC-Lavalin
US Filter Corporation		Culligan Water Technologies

Free Trade Threatens Canadian Water Resources and Services

Several companies in Canada have applied for a license to export Canadian water to other countries. The Nova Group fought for the rights to draw 10 million litres of Lake Superior water each day and ship it to Asia. When the request to withdraw water from the lake was rescinded Nova appealed the decision. As of December, the Nova Group has withdrawn their appeal.

In addition to the Nova Group, there is the McCurdy Group of Companies. This group of companies wants to export 52 billion litres of water annually from Gisborne Lake in Newfoundland.

The central question is whether water should be treated like any other commodity. This is especially important within the context of free trade agreements like NAFTA. The Canadian Government has tried to allay people's fears by arguing that under Canadian domestic law, NAFTA does not apply to trade in water.

Maude Barlow of the Council of Canadians has underlined that, "domestic law does not bind NAFTA panels". Mickey Kantor, then United States Trade Representative, supported this view by stating, "when water is traded as a good, all provisions of the agreement governing trade in goods apply". So, once the private corporations are allowed to access and trade water, it will be open to American companies to exploit under NAFTA. The situation is further complicated due to the stipulations of Chapter 11 of NAFTA. Under this provision of the NAFTA, American investors could sue governments for compensation due to loss of future profit.

NAFTA can only undermine Canadian control of water resources and further promote the private takeover of water services.

The Crisis confronting Canadian Water Services

The Canadian Infrastructure Program (CIP) supplemented by grants from provinces has provided most Canadian municipalities with financial support to build, operate and maintain water and wastewater infrastructure.

But the CIP lapsed at the end of 1998 and the federal government has made no commitment to renew the program. As of December 1998, the federal government budget surplus rests at a comfortable $10 billion, not including the Unemployment Insurance surplus. Yet the federal government has offered no funding to renew Canada's basic infrastructure.

The need for a Water and Wastewater Infrastructure Fund is urgent. In an era of downloading, we can see that the provinces have shifted more responsibility for services onto the municipal property tax. Yet the amounts of funding that are required to renew and expand water and wastewater treatment is beyond the means of many municipalities.

Sensing an opening, the water privateers are anxious to fill the funding vacuum. According to the National Roundtable on the Environment and the Economy (NRTEE) report, "public fiscal realities require a major infusion of private capital to maintain existing systems and build new facilities." The assumption is that government is not responsible for the necessary investment. But this reasoning has more to do with ideology than public interest, based in the belief that government should not properly fund public services.

The Ontario government has moved most decisively in the direction of encouraging the private sector. Through Bill 107, it transferred to municipalities all responsibility for water services except regulation and gives cash-strapped communities the right to sell their water and wastewater facilities to private corporations.

The province also plans to sell the Ontario Clean Water Agency (OCWA) which has operated many small and medium size water and wastewater facilities in Ontario. Without OCWA, many small communities in Ontario will be at the mercy of private corporations for the provision of water services.

Other provinces are also encouraging greater private sector involvement in service delivery, including water provision.

The private sector is encouraged by these developments. An indication of the growing corporate and government push to privatize water services is the annual Water and Wastewater Summit sponsored by the US-based Center for Business Intelligence. Like its international counterpart, it promotes privatization by providing a forum where corporate representatives and municipal decision-makers meet to discuss the obstacles and potential for privatizing water services.

However, the pace of contracting out and privatization has not been fast enough for the corporations. There are fewer than 30 municipalities in Canada where the private sector is providing water services, according to the latest inventory prepared by the Canadian Council for Public Private Partnerships. However, they are mostly short-term operations and maintenance contracts such as those in Lambton, Plympton Township, Petrolia, the Village of Point Edward, Haldimand-Norfolk and Banff. The corporations want long-term PPP arrangements similar to those in Moncton and Hamilton-Wentworth.

What do the Water Corporations Promise?

The water corporations and their proponents claim that private sector involvement in the provision of water services through public private partnerships will produce a number of benefits to municipalities and the public at large.

These promises include:

- cheaper financing of water infrastructure projects;
- more water conservation and a more sustainable environment;
- better water quality;
- a more rational pricing system for water;
- a more efficient method of delivering and treating water and dealing with wastewater.

CUPE maintains that these are false promises made by corporations interested only in profit.

Indeed, only a publicly controlled and accountable water and wastewater system can deliver affordable, high quality and safe water services. The following discusses the seven reasons why that is so.

1) Private Financing of Infrastructure is not cheaper

As federal and provincial governments cut transfer payments and grants, municipalities are put under increasing pressure to do more with less. Between 1971 and 1990, all public financing of infrastructure fell from 3.5 per cent to slightly over 2 per cent of Gross Domestic Product.

Estimates of unmet water and wastewater infrastructure requirements range from $38 to $49 billion. In addition, new capital demands for water and wastewater infrastructure will exceed $41 billion by the year 2015. In total, Canadian requirements for environmental infrastructure will be between $79 billion and $90 billion over the next 20 years.

The provinces and municipalities are reluctant to commit such expenditures to water and wastewater infrastructure. Instead, they will attempt to reduce costs in what is one of their biggest areas of expenditure. Canadian municipalities probably face a situation similar to that in the United States where water and sewer projects are the single largest expenditure that local governments face (totaling $43.5 billion a year). For instance, in Newfoundland, between 30 and 80 percent of municipal capital costs are to build or upgrade sewage infrastructure.

Municipalities have traditionally financed water and other infrastructure works through federal and provincial funding and by floating municipal bonds. They are enticed by the private sector claim that it can finance infrastructure projects more cheaply than municipalities.

Yet with few exceptions, municipalities can borrow money more cheaply than corporations. Because they are more stable than even the largest corporations, large and medium sized municipalities pay lower rates of interest than corporate borrowers.

Whatever the source of the loans, it is consumers who repay these loans, with interest. It is important to remember that private corporations rarely invest much of their own capital in water services projects. They usually borrow the money from banks and other lending agencies, often with loan guarantees from governments.

The higher costs of private sector borrowing will eventually be borne by the public. The private corporation is not interested in losing money on the financing. Indeed, it will want to make a profit.

Municipalities also like the idea of paying the private operator for financing and operating facilities over an extended period of time because lease payments often do not show up on their accounts as debt owed.

But municipalities do not avoid debt with private sector financing. Provincial auditors-general have argued that lease payments to corporations must be considered a form of debt even if they do not show up on municipal books as debt. At best, municipalities are deferring debt and usually spreading repayment over a longer period of time. This kind of deferral will cost the public more in the end.

2) Safe and Accessible Water Systems in Danger

Evidence from the U.K., France and other countries indicate privatization of water is consistent with poor environmental outcomes and access problems for their customers. There is a rising level of dissatisfaction among the customers of private companies in France, with more than 20 per cent of Lyonnaise des Eaux customers saying they are unhappy with their service.

Générale des Eaux was successfully prosecuted in 1994 for supplying water which was unfit for consumption due to excessive nitrates and pesticides on 476 days between 1990 and 1993. A French government sponsored report has revealed that 5,210,000 French consumers are supplied with water which is "bacteriological unacceptable".

Since water services in France were privatized in 1984, customer fees have increased 150 per cent and led to some water companies cutting off water to customers when they cannot pay their bills. The Financial Times reveals recently that Générale des Eaux was accused by residents of Tucuman in Argentina of having delivered contaminated water while customers' bills doubled.

In 1995-1996, Yorkshire Water in England was forced to hire a fleet of trucks for months to get water to the major towns it serviced. Other British companies also had problems with the supply and quality of water they provided. It is no wonder that most English people react with disbelief when they hear that other countries like Canada are seriously considering inviting the water companies to operate their systems.

Compare this experience with Canada's. At the present time almost all Canadian municipalities enjoy safe and accessible drinking water.

However, higher environmental standards for wastewater services need to be implemented. For example, Halifax and Dartmouth have been discharging raw sewage into Halifax harbour for the past 250 years. St. John's dumps 38.3 million cubic metres a year of raw sewage into its harbour. In Saint John more than 8.5 million cubic metres of raw sewage are dumped into its harbour. More than six hundred thousand people living in some 194 cities, towns, and municipalities in the Atlantic region dispose of their sewage in the same way. Of the approximate 1.1 million cubic metres of wastewater generated daily by residents, businesses, and industries in the four Atlantic Provinces, about a quarter is released raw into our coastal waters. Treated and untreated municipal wastewater released into Canadian waters contains over 200 chemicals and other toxins that are dumped into sewers.

The idea that the private sector is best suited to deal with these problems is questionable. In the case of Hamilton-Wentworth Region, one of the few privately operated systems in Canada, 180 million litres of sewage water spilled into Lake Ontario and backed up into homes and businesses in the regional municipality in 1995. The incident occurred at the same time that there was a reduction in the workforce and poorer maintenance by the owner - Philip Services. The region was expected to picked the cost of damages resulting from the flood.

The water corporations maintain that higher environmental standards and higher water quality can be achieved through public private partnerships. The NRTEE report argues that private sector investment in water and wastewater infrastructure will provide Canada's environmental technology sector with a big boost as it introduces new technology that is designed to conserve water and improve quality. The report argues that water conservation and the introduction of new technology are lacking in Canada "due to subsidized and below-cost pricing for water and wastewater services".

The report argues that we need higher prices so the private sector can introduce new technology and conserve water supplies. And, while we are at it, the report suggests we should let them finance and operate, and perhaps even own, water and wastewater facilities. Using private sector technology is one thing. Turning such important services over to private corporations is quite another. It is something CUPE very much opposes.

3) Higher Costs to the Consumer Will Result

According to the NRTEE report, there are two "market distortions" regarding water and wastewater services. First, consumer prices do not reflect the "true cost" of those services; instead they are "artificially low consumer prices, subsidized by taxes". The report boldly states that "Canadians use excessive amounts of water due to subsidized prices".

Secondly and closely related to the first, the report points out that water and wastewater services are not provided on a user pay basis. Instead, many Canadians pay only indirectly for water services through general tax revenue. In 1991, approximately 10 million Canadian households, including some in urban areas, received unmetered water services. Furthermore, many communities that have user fees charge a flat rate fee rather than one based on volume. Therefore, the report argues that a user pay system based on volume is needed to conserve water.

The relationship between water metering and lower consumption is supported by the Canadian experience. Residential users under a flat rate system average 450 liters per person per day compared with 270 liters per person per day under volume rates. The case of Kelowna and Vernon, British Columbia provides further evidence. The average water consumption for a Kelowna household every three months is 160 cubic meters, which is nearly double the amount used in Vernon, a nearby city that has had water meters for the last two years. It is estimated that metering of water service connections in Kelowna would allow for the reduction of total annual water use by approximately 20 per cent. Not surprisingly, Kelowna has entered into a $3.9 million deal with Schlumberger Industries to supply and install 11,200 residential meters and 1,200 commercial meters, perform ongoing maintenance to the metering system, read water and electricity meters and conduct a comprehensive public education program.

One of the important questions is how to introduce metering in a way that guarantees low-income people affordable and accessible high quality water services. The private sector will provide no such guarantees. Only a publicly operated and accountable service can accomplish such objectives.

It is the need for companies to make water contracts profitable - to build in a profit margin - that leads to increased pressure on water rates. Under private sector water services people tend to use less water but they pay more for it. In France, where private companies supply water, people pay up to three times the price Canadians do for a gallon of water. Furthermore, private water rates in France are an average 30 per cent higher than where work is done by a publicly managed operation. Since 1984 charges to customers have increased by 150 per cent. Since 1992, prices have increased an average 10 per cent per year.

Since the privatization of water in Britain, domestic water and sewerage bills have shot up by 67 per cent on average between 1989/90 and 1994/95. Among the ten water and sewerage companies, price increases ranged from 54 to 108 per cent for water and from 52 to 122 per cent for sewerage. Charges of some water companies doubled over a three-year period. In one case the increase was almost 150 per cent. Meanwhile chief executives have been awarded pay rises of 130 per cent while the number of customers who have been cut off for failure to pay water bills has risen 50 per cent since privatization.

A 1995 study found that the average cost of public water services in three cities in Sweden was lower and provided more value than those in six English cities where water had been privatized.

In many places, people are fighting against the rising price of water imposed by the companies and their government backers. In Aguas Calientes, Mexico and Tucuman, Argentina, organized political resistance forced the companies to make significant cuts in the price of water.

Even where corporations operate water systems without formal ownership, they still have great influence over prices. While French municipalities have the legal right to set water prices, they have little option but to accept the recommendation of the water companies.

It also is not uncommon for contracts to guarantee that the water company makes a profit. This was accomplished in Germany, Czech Republic and Hungary by stipulating that the council will compensate the company if water usage or prices are not high enough to cover all their costs.

We can expect the most pressure for private sector involvement including user charges to be felt in small and medium size communities. Small systems, lacking economies of scale, do not have the resources to finance new and upgraded infrastructure.

A 1992 survey by the American Association of Metropolitan Sewerage Agencies projects that household user fees will double over the 10-year period ending in 2000 and could increase tenfold by 2010.

The Canadian people will encounter the same pressure for higher prices in the name of conservation and technological improvements. Those pushing higher prices will also argue that in the name of fairness people should pay according to how much water they use. If successful, low-income people will not have the same access to water as do wealthy people.

4) Profits Will Rise at the Expense of Jobs

The Water corporations clearly see labour costs as a key area of cost control and profit potential.

Philip Services, in its operations in Hamilton-Wentworth, has used aggressive workforce reduction as a profit making strategy. Since taking over the public plant facilities in 1995 the company has reduced the workforce from approximately 120 to 85 workers, a decrease of about 30 per cent. It has also announced plans to cut that number down to 59 workers, a reduction of 50 per cent of the number employed when Philip Services first took over the facilities. It is estimated that these job cuts have allowed the company to reduce its annual wage bill by almost $2 million per year while its ten year contract with the municipality ensures that it will count most of these savings as profit.

In Toronto, an American consulting firm, EMA, has recommended dramatic cuts in the quality of waste water that the city dumps into Lake Ontario as a prerequisite to cutting jobs. The firm is conducting a "pilot project" with a view to improving the efficiency of the Highland Creek treatment plant. Staff has already been cut from 140 to 102 and the consultants want to reduce that number to 68 - a 50 per cent reduction in staffing. But to achieve that goal, they want to reduce the city's water quality standards to match the minimum standards set by the province.

The international experience also supports the argument that corporations profit at the expense of jobs. A recent review of the 10 largest wastewater treatment facilities in Massachusetts showed that staffing for three private sector plants was approximately 25 percent lower than that of 7 comparable municipal operations. Suez Lyonnaise des Eaux and the Hyder Company have stated that they see reduced labour costs as a source of profit.

When United Utilities was formed by the merger of North West Water and Norweb it also created a new company, Vertex, to run a combined billing and invoicing service for both water and electricity. It then announced that it wanted to eliminate trade unions for Vertex staff, and that it expected to cut 2,500 jobs.

In central Europe, private companies reduced the workforce in seven cities from 7,860 to 5,643 in a matter of a few years: a reduction of almost 30 per cent.

5) Competition under Privatization is a Myth

The private corporations claim that they want to introduce competition into the water and wastewater sector by competing with public sector providers. They claim they want to give people a choice about who provides their water services. Competition in turn is supposed to increase efficiency and reduce the cost of water services.

There are a few things about water services that make them unique and make competition very difficult. First of all, water does not lend itself to competition because it exhibits all the characteristics of a natural monopoly. That is, the increase in costs that would accrue from duplicating infrastructure to allow service by more than one supplier would far outweigh any benefits derived from the introduction of competition.

Once a private corporation has won a contract for the provision of water services they become a monopoly. Furthermore, the trend towards longer contracts (10 to 35 years) means the public is stuck with the private sector monopoly for many years.

Secondly, water is a "good" where there is no ability for consumers as individuals to alter their minimal levels of consumption in response to price changes. Increasing the cost of water to a full-cost recovery and user-pay system coupled with private sector involvement will seriously affect low-income people.

Finally, water corporations often collude with one another. The Cour des Comptes report from the French Audit Office reported that there was "organized competition" in France because only three companies control 80 per cent of the water business. This level of concentration and lack of choice leads to a tendency to extend existing contracts without subjecting them to public tender, something that has created "substantial profit margins".

The English experience provides more evidence of the lack of real competition. Water corporations were given a regional monopoly for 25 years in 1989 and therefore do not have to compete with one another in their regional markets. When the companies do compete outside Europe they sometimes cooperate with each other by forming consortia.

In 1993 Lyonnaise and Générale prepared and won a bid for water services in Argentina against Thames Water. In another case, unrelated to water services, the three big French water companies formed a cartel to build and operate the new National Stadium in Paris, an indication of their diversification as well as their collusion.

It is not surprising that most people think that water services should remain in public hands. A 1996 opinion poll conducted by Insight Canada indicated that 76 per cent of Ontario residents wish water to remain in public hands. A 1997 Vector Poll conducted for CUPE indicated that 68 per cent of Canadians did not want water services to be contracted out or privatized. In a 1998 Vector Poll only 19 per cent of respondents thought that the private sector could provide better water services.

6) There is a Tendency Toward Corruption

Whenever large powerful corporations pursue contracts that are worth millions of dollars and provide virtual monopolies, there is a tendency for corruption to occur. According to the French Cour des Comptes report "the lack of supervision and control of delegated (privatized) public services, aggravated by the lack of transparency of this form of management, has led to abuses".

For example:

- In the city of Metz, the water company did not submit any accounts for a period of 20 years;
- In Bandol-Savary (near Toulon) a subsidiary of Générale des Eaux charged the municipal council twice over for the same water treatment, costing the municipality at least 15.3 million francs more than it should have;
- In Grenoble, the former mayor and an executive of Lyonnaise des Eaux both received prison sentences for receiving and giving bribes to award the water contract to a subsidiary of Lyonnaise;
- Two executives of Générale des Eaux were convicted for bribing the mayor of St. Denis (Ile de la Reunion);
- Councils began the practice (now illegal) of boosting their revenues by charging the successful corporate bidder "entry payments". For instance, the St. Etienne Council was paid 338 million francs by Stephanoise des Eaux (jointly owned by Lyonnaise and Generale). The company simply increased the water bills from 3.52 francs to 8.50 francs from 1990 to 1996 in order to get their money back.
- In mid-1996, at least 5 out of 13 directors on the board of Générale des Eaux were under investigation for corruption.

The report concluded that the system "left elected councilors on their own, without support, to deal with conglomerates wielding immense political, economic and financial power". The same kinds of things are likely to occur in Canada if private water companies become established and the water services industry is opened to them.

7) Privatization is not Easily Reversed

The long-term consequences of privatization are very serious. This is especially true for private sector companies that push PPP arrangements that run 10 to 35 years. Here are some things that municipalities and the public need to keep in mind when considering contracting out or privatization.

- Any surplus revenue that was or could be generated from water utilities goes into the pockets of corporations and is not available to the municipality.
- Municipalities will quickly lose their expertise (personnel and equipment) at providing services like water and wastewater and become more dependent on and vulnerable to corporations. This will make it very difficult to reverse a decision to privatize water services.
- An extreme example of the loss of municipal control is the Spanish town of Valencia. In 1900 it privatized the water system through a contract that was to last 120 years. In 1994, 94 years into the contract, the city decided to test the market to see if it was getting good value for its money. The company, an affiliate of the Bouygues/SAUR group, responded by threatening to sue the city for 26 years of lost earnings. The company kept the contract.

Conclusion

It is clear that the risk is too great to seriously consider turning our water resources and services over to the private corporations. Yet that is exactly what some of our elected leaders are considering. CUPE is determined to fight this ill-conceived plan. We will work with the public to maintain affordable, high-quality water services that remain under public operation and control. We will fight to make sure that water privatization does not happen in our communities.

Select Bibliography of Resources Used or Quoted

Barlow, Maude, "Free Trade Springs a Leak", *Canadian Perspectives*, Summer, 1998.

Canadian Environmental Law Association, *Action Alert: Public Control of Water on the Chopping Block*, 1996.

Canadian Union of Public Employees, *Behind the Pretty Packaging: Exposing Public Private Partnerships*, 1998.

Canadian Union of Public Employees, *An Analysis and Summary of Bill 107: The Municipal Water and Sewage Transfer Act, 1997*

Canadian Union of Public Employees, Various Files on Water Privatization.

Goudriaan, Jan-Willem and David Hall, "Private Water Firms Rife with Corruption", *CCPA Monitor*, April 1997.

Hartman, Roger, *Contracting Water and Wastewater Utility Operations*, Reason Foundation, How-to Guide, No. 8, 1993.

Hofer, Garry, "Private Lessons", *Aqueduct 2000*, Vol. 63, No.2, March/April 1997.

Johnson, Michael and Michael Paddon, "Keeping Our Heads Above Water: Is Privatization of the NSW Water Industry Inevitable", PSRC Paper No. 37.

Labor Research Association, *The Pitfalls of Wastewater Privatization*, Report prepared for the Utility Workers Union of America, Local 534, 1995.

Linton, Jamie, *Beneath the Surface: The State of Water in Canada*, Canadian Wildlife Federation, 1997.

Loxley, John, *The Economic and Financial Analysis of Public Private Partnerships*, prepared for CUPE, 1996.

National Roundtable on the Environment and the Economy, *State of the Debate: Water and Wastewater Services in Canada*, 1996.

Natal, Martin: *Troubled Waters: Municipal Wastewater Pollution on the Atlantic Coast*, 1996.

Nelson, Joyce, *There Goes Our Water: A Citizen's Guide to the Water Privateers*, Unpublished Manuscript, 1997.

Public Services International; Miscellaneous Papers on Water Privatization.

Public Services Privatization Research Unit, International Papers: 1 Water and Energy, 1997.

Public Services Privatization Research Unit, *Privatization News*, Various Issues, 1995-98.

Public Works Financing, Various Issues, 1995-98.

Schofield, Richard and Jean Shaoul, "Regulating the Water Industry" Swimming Against the Tide or Going Through the Motions", *The Ecologist*, Vol. 27, No. 1, January/February, 1997.

Corporate Cash-in
Fact Sheets

FACT SHEET

Canadian Union of Public Employees
21 Florence Street,
Ottawa, Ontario K2P 0W6
Telephone: (613) 237-1590 Fax: (613) 237-5508

SUEZ LYONNAISE DES EAUX

In 1997 a new multinational giant was formed by the merger of Lyonnaise Des Eaux with Compagnie de Suez. Lyonnaise Des Eaux (LDE), based in France is active in the privatization of water and distributes to 68 million people in more than 30 countries on all five continents. The company's worldwide revenue in 1995 exceeded $25 billion and it employs over 150,000 workers. Almost half of its investments are in the water sector with the remainder in the privatization of garbage, construction, energy, communications, and transportation.

Through its merger with Suez, Lyonnaise Des Eaux acquires greater financial resources to support its expansion. More specifically it becomes a true multi-utility company since Suez controlled much of the electrical industry in Belgium through the holding company Tractebel.

Just the Facts...

CEO: Gerard Mestrallet

CEO Salary: not reported

Revenue: Approximately $25 billion (1996)

Profits: $999 million (1995)

Employees: 156,719 (1997)

The company's development strategy is to increase its environmental services businesses (water, energy and waste management) on the overseas markets, especially Canada and the United States. Lyonnaise is already a major waste management company through its subsidiary Sita which is one of the largest waste management companies in Europe.

WAITING ON THE SHORE: LDE IN CANADA AND THE UNITED STATES

LDE has been located in Toronto since 1995 and has actively promoted the privatization of water in Canada. It is one of the sponsors listed for the Canadian Council on Public-Private Partnerships and is a regular presenter at water privatization conferences.

One of LDE's many subsidiaries, Degremont Infilco Ltée is located in Lachine, Québec and specializes in the design and supply of water treatment facilities to municipalities in the nuclear, paper, steel and chemical sectors and has worked with the municipalities of Montréal, Laval, Châteaugay, Saint-Jean, Repentigny and Drummondville. LDE is not only interested in Canada's water. It is also active in the areas of energy, garbage collection, communications, construction, and road building contracts in Canada through various subsidiaries (Trigen, GTM-Entrepose, Janin, and Entreprise Jean Lefebvre/Construction DJL Inc.). Most notably, Janin won the contract for the building of the Confederation bridge linking Prince Edward Island to New Brunswick.

LDE is the main shareholder of United Water Resources (UWR), the second largest water utility in the US which supplies water to more than 2.5 million Americans across 14 states. In 1995, a 5-year contract with Jersey City resulted in the largest privatization contract ever signed in the US for distribution of drinking water. Through another jointly-owned subsidiary, JMM Operational Services Inc., LDE is involved in an additional 19 plants in the US. UWR is also active in Banff and Edmonton, Alberta.

Through United Waste Services (UWS) and its stake in UWR, Suez Lyonnaise recently obtained a ten-year $300 million contract to provide wastewater services to 1.2 million people in the Milwaukee area. It also has a contract to provide water and wastewater services to the city of Indianapolis.

With the possibility of water privatization in Canada, companies with holdings in the US will be at an advantage when selling our water to the US. Water is included in the tariff schedule under NAFTA and once it is diverted south of the border, it will be next to impossible to get it back. When water is sent to the US, LDE will be more concerned in their healthy profit level than healthy drinking water for Canadians.

WHO ARE THE WINNERS AND WHO ARE THE LOSERS WHEN WATER IS PRIVATIZED?

Between 1989 when water was privatized in the UK and 1995, there was a 110% increase in the amount of money consumers paid for water to Northumbrian Water, a subsidiary of LDE. The salary for the CEO increased by 150% during this time. Corporate profits rose by 800%. Leakages at this time were reported at 16 million gallons/day. It is clear that consumers are paying for these incredibly high profits through increased rates. Money is pumped to inflate an already huge profit margin instead of being pumped back into repairing and maintaining needed infrastructure.

France's national audit office recently criticised the degree of concentration in the water supply market because of the dominance of LDE and Générale Des Eaux, another large supplier. As a result of privatization in France, the price of water rose by a national average of 47.7% from 1990 to 1994. This has led the mayor of Lyon to force LDE to cut the base price of water by 7%.

The British water regulator OFWAT recently criticised LDE for "featherbedding" their own subsidiaries when it came to awarding contracts. Two transportation subsidiaries of LDE have put in bids for vehicle maintenance to contracts held by Northumbrian Water (subsidiary of LDE).

DO WE TRUST LDE WITH OUR WATER?

In 1995, a French court confirmed that the water contracts awarded LDE in Grenoble in 1989 involved corrupt dealings and this resulted in the mayor of the city receiving a 5-year prison sentence for taking bribes from the company. Also sentenced were high level managers of LDE. All sentences are currently under appeal. As a result of the renegotiation of the contract, LDE will now stop levying extra user charges and will also surrender majority control of the water concession back to Grenoble.

CASE STUDY: LYONNAISE DES EAUX AND CASABLANCA, MOROCCO

"We are here to make money. Sooner or later the company that invests recoups its investment, which means the customer pays for it." (Mr. During, Director of LDE in Casablanca)

In 1995 LDE signed a contract to supply water to the city of Casablanca. The deal was finally solidified in April, 1997. The two-year wait was a result of the city council's concerns over the eminent cost increase of water to the citizens of Casablanca resulting from privatization by LDE. The contract projected a rise in water prices of 10-15% and of wastewater disposal by 60%. A senior city official stated that nothing justifies the increase in prices the company is projecting. In addition, criticism was waged that LDE was not injecting enough of its own capital into the project. Investment money was coming from bank loans and the company paid virtually no new capital at all.

FACT SHEET

Canadian Union of Public Employees
21 Florence Street,
Ottawa, Ontario K2P 0W6
Telephone: (613) 237-1590 Fax: (613) 237-5508

PHILIP SERVICES CORPORATION (formally Philip Environmental Inc.)

Philip Services Corporation (PSC) is the largest integrated resource recovery and industrial services company in North America with annual revenue in excess of US$ 1.7 billion, with over 320 operating locations.

Philip is a Canadian company based in Ontario. It has been transforming itself since last year by selling solid waste business and using the proceeds to buy companies in metals recycling and industrial services which includes everything from demolition to the recycling of wastewater from manufacturing plants.

In December 1994 and March 1995, the Regional Municipality of Hamilton-Wentworth signed two agreements with Philip Utilities Management Corporation (PUMC) – a Division of Philip Services Corporation. These agreements contracted-out to PUMC the responsibility for management and operation of the region's water and sewage treatment facilities. Phililp has used these contracts as their foothold in the water and sewage treatment industry.

Just the Facts...

CEO: Allen Fracassi

CEO Salary: not reported

Revenue: 1997: $1.75 billion
1998 (est): $3 billion

Percent of 1997 Revenue from US Operations: 70%

Profit: None due to acquisition of at least 16 companies since September 1996

NO NEED TO LOOK OVERSEAS: A CANADIAN EXAMPLE OF THE PROBLEMS OF PRIVATIZATION

In January 1996, an accident at the Hamilton treatment plant managed by PUMC caused the worst spill in its history where 180 million litres of raw sewage poured into the harbour. Over 70 homes and businesses reported excessive damages after their basements were filled with this raw sewage. More than one year after this catastrophe, the region and PUMC were still wrangling over who was responsible to pay for the clean up. Sorting out responsibility is estimated to have cost the municipality $400,000 in legal, staff and consulting fees.

Additional concerns were raised in 1996 when a regional councillor expressed frustration that they do not receive communications from PUMC and that the company acts at too much of an arm's length from the political process. Some regional politicians are also feeling that they have spent an inordinate amount of time dealing with difficulties arising from the PUMC-run facilities.

The region still owns the PUMC-run facilities and is responsible for the actions of the company. Philip, however, successfully negotiated contracts where they would not be held liable for many problems arising from their management of the facility.

HOW DOES PHILIP TREATS ITS EMPLOYEES?

In March, 1996 the company announced layoffs of 20 of its 119 workers, representing 17% of its workforce. In addition, 19 other positions were vacant at the time PUMC took over the facility. These positions have never been filled. The layoffs were not reported to the councillors of the region even though the region still owns the plant.

Under the original agreement, PUMC agreed to hire all current employees until March 31, 1996. The first chance Philip had to issue layoff notices, they took it. The amount Philip receives for operating the facilities is not linked to the number of employees. Therefore, reducing the wage bill through attrition and layoffs, means big profit for Philip.

The company had originally promised to contribute $15 million in new capital projects and to guarantee the region 100 new jobs within the region. It pledged to pay the region a penalty of $10,000 for every job less than 100 created. What happened to this promise? What impact is a fine of $10,000 when the company makes in excess of $18 million per year? Once again, job security and the importance of public sector work are sacrificed to corporate greed.

CORPORATE EXPANSION AND MISMANAGEMENT

Philip Services has been aggressively buying up or gaining control of numerous companies in the last few years. Among them have been American based companies such as Allwaste and Serv Tech. In fact, almost 70% of its revenue has been generated in the United States.

But Philip's appetite is larger than its resources. It attempted to acquire Safety-Kleen Corp. — a recycling and industrial cleaning company worth approximately $2 billion - but it lost out to Laidlaw.

It was also discovered that in its rush to expand it "lost" or "misrecorded" $90 million worth of copper inventory. Because of this and other miscalculations, the company has had to announce "writedowns" of more than $250 million. The expansion and misadventures mean that Philip is claiming a loss of more than $100 million for 1997.

This has some Philip shareowners so upset, they have filed class action suits against the company for issuing "materially false and misleading statements".

Public sector decision-makers should rethink having Philip and other companies operate and control vital services like water and wastewater treatment.

PHILIP — THE *SILENT PARTNER* IN PUBLIC-PRIVATE PARTNERSHIPS

In October 1995, the region proposed to transfer energy from its solid waste incinerator to the power-hungry sewage treatment plant managed by PUMC. This transfer would reap $2.5 million in savings. The region and PUMC have been battling over who should benefit from these savings. One councillor suggested to the media that what Philip was demanding in this dispute was *"more or less blackmail"*.

When an incinerator owned by the region and operated by PUMC was shut down and waste trucked to a landfill site nearby, it created substantial savings. According to Philip's deal with the region, 60% of the savings that might have benefited taxpayers was to be handed directly to Philip. Some members in the region's government believe that all such savings (millions of dollars) should go directly to the region and the taxpayers.

The *Silent Partner* — **Profit** — is reaping the highest rewards in the deal in Hamilton. **Philip is managing the facility for the profits and faces no liability for damages.** In effect, the region has given Philip a *"damages guarantee"*, allowing them to operate a public facility for its own profit, without facing the risks that fully private businesses must face daily. The *Silent Partner* has effectively tied the hands of the region prohibiting them from pursuing environmentally-sound and financially prudent innovations which would benefit the communities and the taxpayers.

FACT SHEET

Canadian Union of Public Employees
21 Florence Street,
Ottawa, Ontario K2P 0W6
Telephone: (613) 237-1590 Fax: (613) 237-5508

UNITED UTILITIES (NORTH WEST WATER, CANADA)

United Utilities (UU) was formed in 1995 when North West Water (NW Water) and Norweb merged. NW Water is one of the largest private water and wastewater companies in the world. UU is also involved in electrical, gas supply, and telecommunications. Revenues exceeded $4 billion in 1996 and the company employs over 10,000 workers worldwide.

UU has set up shop in Canada and the company is called NW Water, Canada. It has two wholly-owned subsidiaries: Asdor Limited and Wallace and Tiernan Canada Inc., both suppliers of equipment for water and wastewater treatment processes.

Water is *"the next biggest worldwide market after power generation. While people can live without electricity, everyone has to have water."* (Gordon Waters, International Division Managing Director, United utilities).

Just the Facts...

Total CEO Salaries and Benefits for top six executives 1996/97: approx. $3 million

Top six executives own over 100,000 shares in UU and have options on almost another 500,000 shares.

Revenue: Approximately $2 billion (1996-97)

Profits: Approximately $1 billion (1996-97)

DO WE WANT UU PROVIDING US WITH WATER?

In the UK, between 1989 when water was privatized and 1995, there was a 106% increase in the amount of money consumers paid for water to NW Water. This is accompanied by a 692% increase in profits. The salary of the highest paid director of NW Water increased by 708% during this time.

In May, 1997, Councillors for York region in Ontario voted down a proposal to enter into a partnership with a consortium which included NW Water, Canada. This project included the construction of a pipeline from Lake Ontario and a new water treatment facility at Lake Simcoe. The regional councillors saw the importance of keeping water as a public responsibility.

HOW DOES UU TREAT ITS EMPLOYEES?

Job Security
Vertex, a subsidiary of UU provides a combined billing and invoicing service for both water and electricity. When Vertex was formed, UU announced that it would de-recognize the trade unions for Vertex staff and that it expected to axe 2,500 jobs. Vertex refused to recognize unions for collective bargaining and wanted its staff to sign personal contracts. The company admitted that the savings from the layoffs would be used to pay for the costs of the merger and increased dividends. Customers would not see any benefit of these "savings" until the year 2000.

Health and Safety
Injuries in the UK resulting in absences of more than 3 days from work require that the employer report to the Health and Safety Executive. Employers are putting pressure on workers not to remain off work for more than these 3 days. NW Water's policy is that *"employees should be encouraged to return to work, even on alternative duties, at the earliest opportunity that their injuries will allow."* According to UNISON, a union representing public sector workers in the UK, NW Water is using intimidation by sending managers out to convince the workers to come back to work before they are able.

THE SUMMER OF '95 DROUGHT AND MISMANAGEMENT IN THE UK

The worst example to date of the problems in water privatization occurred in the UK in 1995. During a devastating drought, NW Water imposed rotating water cutoffs at the same time as increasing water prices. Complaints were made that profits of $213 million were not reinvested into infrastructure resulting in leaky pipes causing lack of water.

NW Water berated its customers for using sprinklers on their gardens while losing an astonishing 37 per cent of its supplies through its leaking mains and pipe network. Leakages at this time were reported at 157 million gallons/day.

Residents were given compensation for going without water, but unfortunately it was at such a low rate that it did not benefit the company to fix the leaky pipes — it was cheaper for them to disadvantage their customers and pay the fines to customers afterward.

UU's Chairman Sir Desmond Pitcher's response to the crisis: AVOIDANCE. While almost 18 million households were suffering from drought orders, he has an abundance of water as he was aboard his new $1 million yacht lounging off the south of France.

WATER DISCONNECTIONS AND FORCED METERING

In 1996, Norweb, the energy arm of UU entered over 2,500 homes without the permission of the residents to disconnect supplies or to install pre-payment meters. NW Water disconnected 490 customers in 1996.

The British Medical Association in 1996 called for a ban on water disconnections citing that *"disconnection of water supplies should be made illegal because of the vital role of water in health and disease prevention."* In 1991-92, water disconnection reached its peak in England and Wales at over 21,000 disconnections. At the same time, the number of dysentery cases increased from 2,756 in 1990 to 9,935 in 1991.

WHAT ELSE CAN WE EXPECT

JOB LOSS — Estimate of 6,700 fewer jobs as a result of privatization in the UK water industry by the year 2000.

COMMUNITY HEALTH AND SAFETY — NW Water had the lowest rate of compliance of 12 UK water companies for suitable swimming water in 1996.

SELL-OFF OF VALUABLE RESOURCES — To add insult to injury — during the worst drought in England's history, NW Water sold off 4 reservoirs to property developers — boosting their corporate profits by $15 million.

THE PURSUIT OF PROFIT — "All our actions are guided by a single prime objective — to grow shareholder value on an ongoing and consistent basis." (Quoted from UU 1997 report to shareholders)

opeiu 491
April 1998

WATER WATCH

Canadian Perspectives, Excerpt from Winter 1999 issue

Canadian Perspectives

WINTER 1999 THE COUNCIL OF CANADIANS

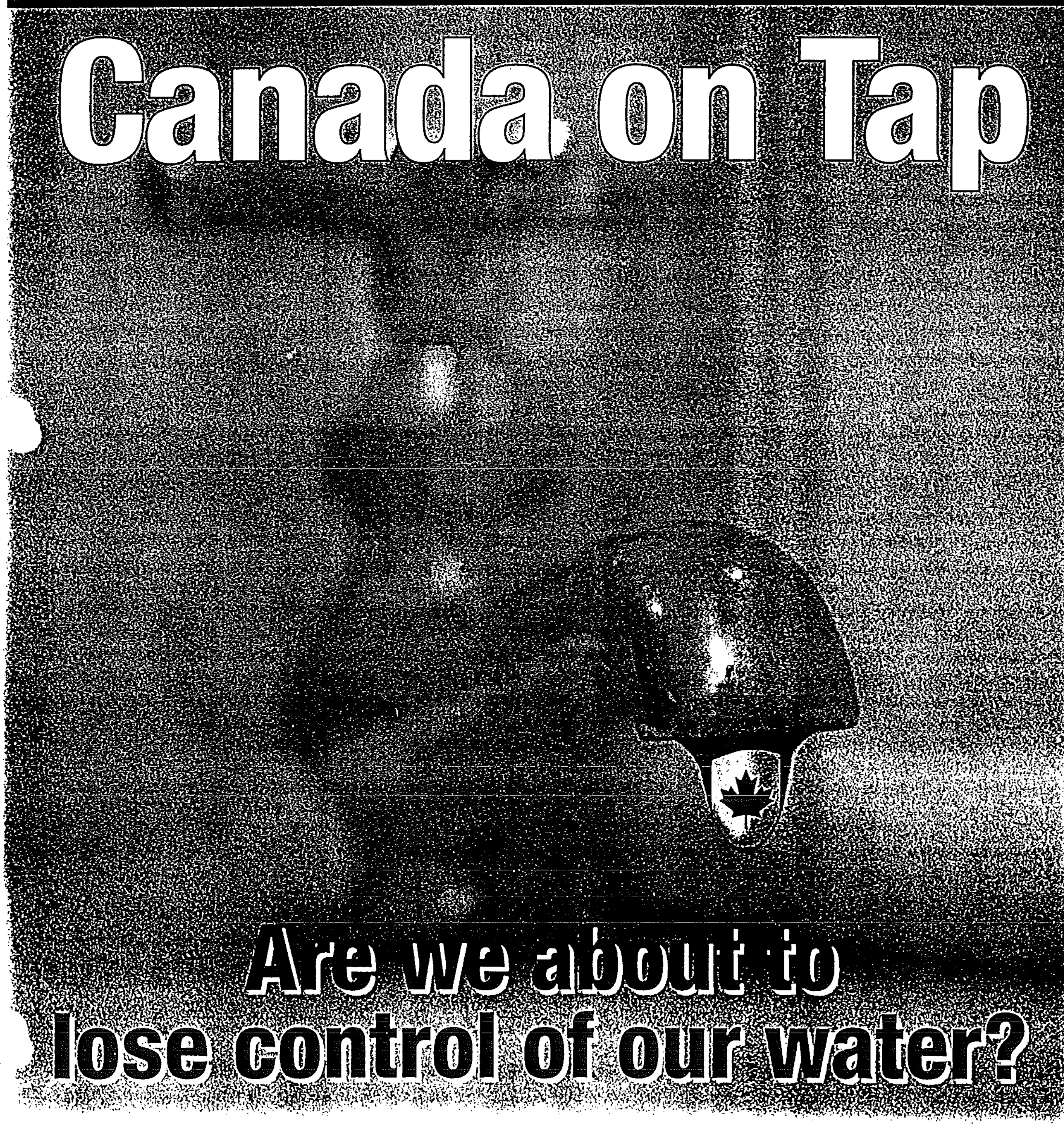


Photo: Gregor Madden

Five Things You Should Know About Water

December 4, 1998, Sun Belt Water, Inc., of Santa Barbara, became the third U.S. company in a year to launch a lawsuit against Canada under the North American Free Trade Agreement (NAFTA). Sun Belt is suing Canada because of an earlier British Columbia decision preventing the company from exporting billions of litres of freshwater from B.C. to California. The case is important, not only because it demonstrates – again – the power of foreign businesses to sue our government under NAFTA, but also because it highlights mounting efforts by business to privatize and export Canadian freshwater abroad – efforts the federal government appears unwilling (or unable) to stop.

1 A global water crisis

Growing numbers of the world's people are living in areas where freshwater is a scarce resource, creating a global water crisis. Canada holds 20% of the world's supply of freshwater and investors are proposing to export and sell bulk quantities of it abroad for profit. None of the schemes proposed would help people who lack access to sustainable supplies of clean water. Water shipped abroad would be bought only by the few who could pay for it. Drought-stricken nations and the poor would be least able to afford it. Furthermore, countries that import Canadian water would be less inclined to find better, local solutions to their water problems.

2 Priming the privatization pump

Investors see water as the oil of the next century. Although Canada's freshwater is publicly owned and controlled, increasingly private companies are vying for control of water treatment, delivery and sewage services. Some municipalities are exploring public-private partnerships in the provision of water services. The Ontario government has been pushing water privatization for several years.

But privatization comes at a price. In England and Wales, where water services were privatized in the late 1980s, customers have seen their rates soar, water shortages have been severe, and thousands of low-income people have had their water disconnected, raising serious concerns about the public health consequences. Little has been reinvested in the aging infrastructure, and the actual savings from privatization – the result of massive layoffs, pay cuts and union busting – have been poured into lavish executive salaries, high shareholder dividends and capital to buy other utilities worldwide.

3 Corporate water giants

France, an even earlier convert to water privatization, has had similar experiences, spawning in the process their own corporate water giants. Lyonnaise Des Eaux (LDE), one of the world's biggest promoters of water privatization, owns Degremont Infilco Ltee of Lachine, Quebec, which supplies water treatment facilities to many municipalities. It also owns most of the second largest water utility in the U.S., United Water Resources. Many worry that, under free trade, if water is allowed to be privatized and exported to the U.S., we won't be able to turn the tap off – and companies with large holdings in the U.S., like LDE, will be more concerned with healthy profits than healthy drinking water for Canadians.

4 Leaky trade

Canada already permits the sale and export of bottled drinking water. Unfortunately, we lack a comprehensive national water policy and legislation prohibiting the bulk export of freshwater. Last year the Nova Group of Sault Ste. Marie announced it had been given a five-year permit from the Ontario government to draw up to 10 million litres of freshwater a day from Lake Superior for export to Asia. A few months later the McCurdy Group of Gander announced it was applying to export 52 billion litres of water a year from Gisborne Lake in southern Newfoundland. Under NAFTA, Canada could lose control of its freshwater once it becomes a tradable commodity. The Nova Group has since withdrawn its application, on the understanding that it will be first in line at Lake Superior if water ever does become tradable; the Newfoundland application is still being considered.

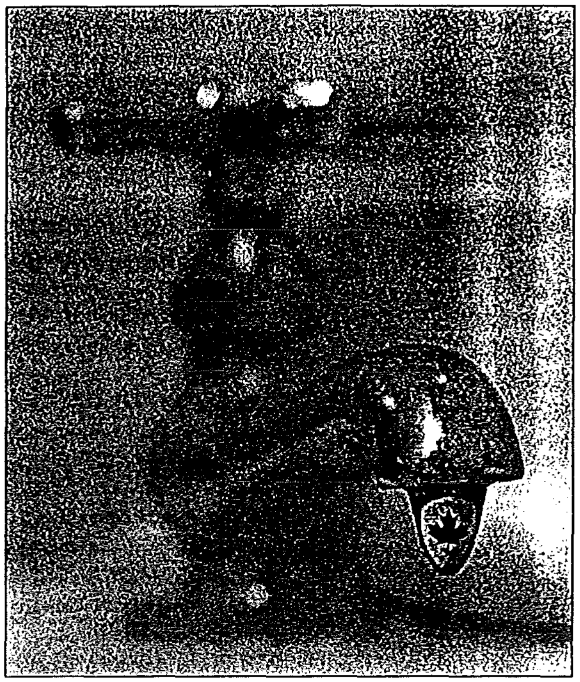
5 What our government should do

First, introduce an immediate moratorium on the bulk export of Canadian freshwater to stave off further export threats. Second, enact legislation prohibiting large-scale water exports. Third, open negotiations to exempt water from NAFTA or, preferably, kill the deal. Fourth, develop a broad national water policy that ensures ownership and control of Canada's freshwater remains in public hands. Fifth, join with other countries and NGOs worldwide to promote more efficient use and maintenance of local freshwater.

Our Water's Not For Sale

Freshwater is a public trust, not a private commodity

BY MAUDE BARLOW



Last May, Foreign Affairs Minister Lloyd Axworthy promised to take measures to protect Canadian water after a public outcry greeted the news that companies were on the brink of exporting bulk water to foreign markets. He and Environment Minister Christine Stewart were to consult the provinces over the summer and table legislation in the fall – a long overdue Liberal promise from the 1993 election campaign.

This is not the first attempt to protect our water. In 1988, the Mulroney government tabled the *Canada Water Preservation Act*, largely in response to the Liberals' charge that the Canada-U.S. Free Trade Agreement posed a threat to Canadian water security; but that session of Parliament ended before the law could be passed and it was never re-introduced. As the House of Commons prepares to adjourn for the holiday, once again there is no legislation in sight. This is not acceptable.

A drain on the public trust

Increasing water scarcity and worldwide destruction of the health of the aquatic ecosystem are creating a global water crisis. The consumption of water is doubling every 20 years – more than twice the rate of the increase in human population. By the year 2025, as much as two-thirds of the world's population could face severe water shortages. The World Bank says, "the wars of the next century will be about water."

Global corporations and financial institutions believe they have the answer – the privatization and commodification of the world's water. Every year, they hold a global water summit where industry leaders like Lyonnaise Des Eaux of France, which distributes private water services to 68 million people worldwide, rub shoulders with influential politicians and thinkers to advance their mutual interests. In Canada, which holds over 20% of the world's freshwater supplies, the push is on to get in on the ground floor of this business opportunity.

Liberal MP Dennis Mills is promoting the GRAND Canal project, which would entail massive water diversion of Canadian freshwater to the United States. A Canadian company, Global Water Corporation, has signed an agreement with Sitka, Alaska, to export 18 billion gallons per year of glacier water to China where it will be bottled in one of that country's infamous free trade zones to save on labour costs. The company brochure entices investors "to harvest the accelerating opportunity...as traditional sources of water around the world become progressively depleted and degraded" and laments the B.C. government's ban on bulk water exports.

Before this goes any further, we need a public debate in Canada. I believe that water is a public trust; it belongs to the people. No one has the right to appropriate it or profit from it at someone else's expense. An adequate supply of clean water for peoples' daily living needs is a basic human right and is best protected by maintaining control of water in the public sector.

Pouring cold water on trade

It is wrong – environmentally, economically and morally – to engage in the large-scale trade of water. Water must never be regarded as a commodity for exchange in the international marketplace. Adequate supplies of clean water for people in water-scarce regions can only be ensured by promoting efficient utilization of local water resources. This is not to say that I oppose sharing water in times of crisis. But the people who now lack access to supplies of clean water simply could not afford to import it if it were sold on a for-profit basis. Exporting water for the elites who could afford it would reduce the urgency of finding real, sustainable and equitable solutions to water problems in the developing world.

We urgently need legislation to prohibit the large-scale export of water by tanker or diversion. As well, the government must realize that because NAFTA does not explicitly exempt water, it gives U.S. corporations "national treatment" rights to our water once any Canadian company is granted an export permit. In opposition, Lloyd Axworthy himself said that the free trade agreements "would override the Federal Water Policy prohibition of exports of interbasin water." Perhaps that is why Minister Axworthy is dragging his heels now.

This is a crucial moment for Canadians and peoples around the world. Privatizing, commodifying and commercializing water will serve to make a small handful of water transnationals very wealthy while doing nothing for people who need access to clean water resources. It will also threaten the environment by placing lakes, rivers and groundwater beyond the reach of governments and beyond the rule of law. Neither poor people nor those trying to protect aquatic ecosystems have the financial resources necessary to compete for water in the open marketplace.

Maude Barlow is the National Chairperson of the Council of Canadians.

Fact Sheet: Trading Water

THE COUNCIL OF CANADIANS / LE CONSEIL DES CANADIENS

Fact Sheet #1: Water

Trading Water: Water is in the Deal

Despite what the government has been saying for years, water is covered by the North American Free Trade Agreement (NAFTA).[1]

Even American trade representative Michael Kantor, who negotiated the Free Trade Agreement between the US and Canada, and later NAFTA, says: "when water is traded as a good, all provisions of the agreements governing trade in goods apply,"[2]

The NAFTA provisions that will apply

Chapter 3 National Treatment
This section states that American and Mexican companies must be treated like Canadian companies in access to goods and markets. Trading water cannot be limited to Canadian companies nor can we place limits on how it is traded, how much is traded or who it is traded with.

Proportionality
This provision means that we can never end trade in water regardless of the environmental effects in Canada or the needs of Canadians.

Chapter 11 Investor - State
This chapter on investment allows investors from outside Canada to sue the Canadian government should it pass a law that interferes with its ability to make profits now or in the future. The process is secret and companies could even sue if they were considering investing in an enterprise affected by new legislation.

- Recently the government of Canada was forced to pay Ethel, an American chemical company, $20 million in compensation for lost profits and repeal a law banning MMT, a gasoline additive the government concluded could be harmful to Canadians.
- Currently Sunbelt, a company from California, is suing the government of Canada for $220 million because the Government of British Columbia, who has constitutional jurisdiction over its water, passed a law banning bulk export of water. **If we allow bulk exports of water now it will mean future generations will have to pay billions in compensation just to govern our own resources.**

Act Now to protect Canada's water

- Call, write or fax your MP, or Minister of Trade Sergio Marchi and tell them to **Put A Cork In Water Trade.**
- Call The Council of Canadians at 1-800-387-7177 to find out about Water Watch activities in your area.

---

[1] NAFTA defines a good for the purposes of the agreement's obligations, " as understood in the General Agreement on Tariffs and Trade" , which includes, " waters, including natural or artificial waters and aerated waters…;ice and snow" GATT Harmonised Commodity Description and Coding System 22.01

[2] Letter from the office of Mickael Kantor, October 28, 1993

Privatization facts

It's as clear as...

- Since water went private in France in 1984, customer fees have increased by 150 per cent. The French now pay up to three times more for a gallon of water than Canadians do.

- Since water service was privatized in Britain, domestic water and sewerage bills shot up by as much as 67 per cent a year (that happened in 1990 and 1994). Among the 10 water and sewerage companies, price increases have ranged from 54 to 108 per cent for water and from 52 to 122 per cent for sewerage.

- Générale des Eaux was prosecuted in 1994 for supplying water unfit for consumption due to excessive nitrates and pesticides. A French government-sponsored report revealed that 5,210,000 French consumers were supplied with water that is "bacteriol ogically unacceptable".

- In Grenoble, France the former mayor and an executive of Suez Lyonnaise des Eaux both received prison sentences for receiving and giving bribes to award the water contract to a subsidiary of Suez Lyonnaise. Two executives of Générale des Eaux were convicted of bribing the mayor of St. Denis. In mid-1996, at least five out of 13 directors on the board of Générale des Eaux were under investigation for corruption.

- Residents of Tucuman in Argentina have accused Générale des Eaux of delivering contaminated water while doubling the cost of water services, according to the Financial Times.

- Hamilton-Wentworth Region in Ontario has one of the few privately-operated wastewater systems in Canada. In 1995, 180 million litres of sewage water backed up into Hamilton harbour and neighbouring homes and businesses. The incident occurred while there was a reduction in the workforce and poor maintenance by the operator, Philip Services.

- In 1994, Indianapolis turned over its two wastewater plants to United Water Resources, part of the Suez Lyonnaise group of companies. In the first year of operation the company slashed a proposed budget of $30.1 million to $17.6 million. The savings came at the expense of jobs. Staff was cut from 328 to 176.

- Ontario plans to sell the Ontario Clean Water Agency, which has operated many small and medium sized water and wastewater facilities in Ontario. Without OCWA, many small communities will be at the mercy of private corporations for their water.

- Municipalities have traditionally financed water works and other infrastructure through federal and provincial funding and by floating municipal bonds. They are enticed by the private sector claim that it can finance infrastructure projects more cheaply. Yet municipalities can borrow money more cheaply than corporations.

- Remember that private corporations rarely invest much of their own capital in water services projects. They usually borrow the money from banks and other lending agencies, often with loan guarantees from governments.