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Tomgram: Snitow and Kaufman, Water Wars in America

[**Note to TomDispatch Readers:** *Since the following piece is excerpted from a new book produced by the invaluable website [Alternet.org](#), I thought this might be a fine moment to urge all of you -- if you don't visit the site already -- to visit that ever vigorous, thoughtful, provocative site. Everyday it has a menu of superb pieces -- some from websites like this one, others original -- that add up to some of the best reading on the progressive blogosphere. You can sign up (as I have) for their emails, which put their top pieces in your email box daily, by clicking [here](#).]*

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The headlines scream. The world goes mad. The Bush administration, which failed to fully impose its [unitary executive presidency](#) on the nation through war via a Commander-in-Chief presidency, now seems intent on doing the same in its waning days through a Treasury-Secretary-in-Chief version of the same. The following [passage](#) in the original proposed bill for the \$700 billion bailout legislation now in Congress may take your breath away -- "Decisions by the Secretary pursuant to the authority of this Act are non-reviewable and committed to agency discretion, and may not be reviewed by any court of law or any administrative agency..." -- but it is recognizably pure Bush.

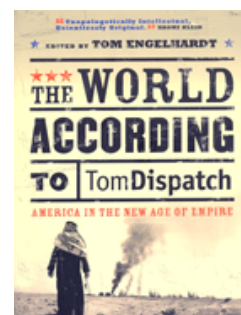
Though that particular phrasing is now gone, administration officials are using the politics of fear and panic over the very financial mess they had a hand in creating to institutionalize a presidential power grab of startling magnitude. And then, of course, following the pattern of this administration, they will privatize that power, undoubtedly subcontracting the work of governmental buying and selling to the very financial characters involved in creating this mayhem. As a result, in the Bush years the Treasury Department, [like the Pentagon](#), will have both expanded its power exponentially and privatized it all at once. Yes, Congress will add caveats and "oversight," but these may be little more than window dressing from a body of government which has already essentially given up the ghost (of power) along with its power of the purse. If you thought we had an imperial presidency before the present economic meltdown, what's coming may put that to shame.

Anyone who believes that an administration incapable of getting itself out of its own disasters from Kabul to Baghdad to New Orleans finally has a formula for doing so at a moment of ultimate economic debacle is surely deluded. In the meantime, Congress may turn over the checks (as in checkbooks) from those classic American governmental checks and balances to the Treasury. And as for the balances, well, you already know that story. So, a skyscraper's worth of private financial indebtedness will now be socialized on the backs of taxpayers; and yet, as Alan Snitow and Deborah Kaufman, award-winning filmmakers and experts in the privatization of water supplies and systems, indicate below, the most basic public services that once gave meaning to the government now stand in danger of going "private" not just in the developing world but in the United States.



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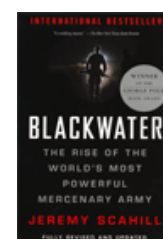
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Their post, by the way, is an adaptation of an essay they wrote for a wonderful new book on a subject that will reshape our lives for decades to come -- the redistribution of water on this planet, including the present fierce droughts in the American southeast and west. The Altnet.org book, [Water Consciousness: How We All Have to Change to Protect Our Most Critical Resource](#), is in itself a resource of the first order. (Check out the book's [website](#) while you're at it.) *Tom*

Drinking at the Public Fountain

The New Corporate Threat to Our Water Supplies

By Alan Snitow and Deborah Kaufman

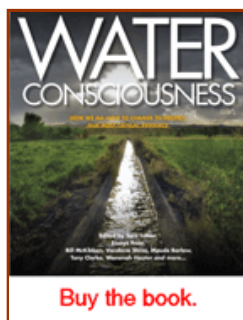
In the last few years, the world's largest financial institutions and pension funds, from Goldman Sachs to Australia's Macquarie Bank, have figured out that old, trustworthy utilities and infrastructure could become reliable cash cows -- supporting the financial system's speculative junk derivatives with the real concrete of highways, water utilities, airports, harbors, and transit systems.

The spiraling collapse of the financial system may only intensify the quest for private investments in what is now the public sector. This flipping of public assets could be the next big phase of privatization, and it could happen even under an Obama administration, as local and state governments, starved during Bush's two terms in office, look to bail out on public assets, employees, and responsibilities. The Republican record of neglect of basic infrastructure reads like a police blotter: levees in New Orleans, a major bridge in Minneapolis, a collapsing power grid, bursting water mains, and outdated sewage treatment plants.

Billions in private assets are now parked in "infrastructure funds" waiting for the crisis to mature and the right public assets to buy on the cheap. The first harbingers of a potential fire sale are already on the horizon. The City of Chicago has leased its major highway and Indiana its toll road. Private companies are managing major ports and bidding for control of local water systems across the country. Government jobs are also up for sale. For the first time in American history, the federal government employs more contract workers than regular employees.

This radical shift to the private sector could become one of history's largest transfers of ownership, control, and wealth from the public trust to the private till. But more is at stake. The concept of democracy itself is being challenged by multinational corporations that see Americans not as citizens, but as customers, and government not as something of, by, and for the people, but as a market to be entered for profit.

How the Water Revolt Began



And a huge market it is. About 85% of Americans receive their water from public utility departments, making water infrastructure, worth trillions of dollars, a prime target for privatization. To drive their agenda, water industry lobbyists have consistently opposed federal aid for public water agencies, hoping that federal cutbacks would drive market expansion. So far, the strategy has worked. In 1978, just before the Reagan-era starvation diet began, federal funding covered 78% of the cost for new water infrastructure. By 2007, it covered just

3%.

As a result, local and state governments are desperately trying to figure out how to make up the difference without politically unpopular rate increases. A growing number of mayors and governors, Republicans and Democrats, are turning to the industry's designated solution: privatization.

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Foreign

Providing clean, accessible, affordable water is not only the most basic of all government services, but throughout history, control of water has defined the power structure of societies. If we lose control of our water, what do we, as citizens, really control?

The danger is that most citizens don't even know there's a problem. Water systems are generally underground and out of sight. Most of us don't think about our water until the tap runs dry or we flush and it doesn't go away. That indifference could cost us dearly, but privatization is not yet destiny.

A citizens' water revolt has been slowly spreading across the United States. The revolt is not made up of "the usual suspects," has no focused ideology, and isn't the stuff of headlines. It often starts as a "not-in-my-backyard" movement but quickly expands to encompass issues of global economic justice.

In Lee, Massachusetts, the revolt began against potential water-plant layoffs. In Felton, California, it was initially about rate increases and local control; in Atlanta, broken pipes and sewage lines. In other communities, it focused on corruption, cover-ups, and complicity between politicians and giant corporations.

One of the epicenters of this nascent movement has been Stockton, California, in the heart of the state's agricultural San Joaquin Valley. A citizens' group there took on not only the mayor and city council, but also some of the world's largest private water corporations in a preview of the corporate water wars to come.

When private water companies case a city as a potential privatization target, they look for a "champion" in city government, someone who will take the lead in selling off the city's water services. In Stockton, they found their champion in Mayor Gary Podesto, a former "big box" grocery store owner. In his view, it was "time that Stockton city government treat its citizens as customers."

But Mayor Podesto had other reasons to privatize. Stockton was already under pressure from state and federal environmental agencies to modernize its sewage plant to reduce San Joaquin River pollution. This was an expensive project, and the mayor thought that a private company could do it cheaper, if not better.

In 2002, Podesto sought bids from private water companies to take over the city's water department. The winner of the bidding war was a consortium of two multinational giants: OMI, the water division of Colorado-based CH2M-Hill, one of the largest engineering firms in the United States, and London's water company, Thames Water, which was itself a subsidiary of German energy powerhouse RWE. For OMI and RWE/Thames, Stockton was an opportunity to show California, and the country, what a private utility could do. It would be the largest water privatization deal in the western United States--a 20-year, \$600 million contract.

But Mayor Podesto and the water giants were in for a surprise.

Water's Dirty History

Although hidden from sight (and scent), even pipes have a history. In the nineteenth century, water ownership and management in the United States was largely in private hands.

But as populations grew, private water companies did not have the resources or expertise to meet the need. Citizens demanded, and eventually won, modern public water systems, financed through bonds, operated by reliable engineers and experts, and accountable to local governments. The nation built a dazzling system of community waterworks that provided clean, reasonably priced water and sewer systems that still rank among the best in

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the world.

But in recent years, federal disinvestment in water services has sparked a new era of privatization with contemporary players repeating promises made by nineteenth century entrepreneurs. The world's largest private water companies have quickly entered the American market: Suez and Veolia from France and Germany's RWE/Thames. Few Americans have heard of them, but the Big Three have dominated the global water business and are among the world's largest corporations. Together they control subsidiaries in more than 100 countries.

Relying on free market ideology rather than research, neither government officials nor the media have generally bothered to check the shaky record of these multinationals in cities around the world. Suez and Veolia have had a reputation for influence peddling in France that has reached right into the presidential palace. Suez's first foray in the United States was in Atlanta, which threw the company out after four years of brown water, low water pressure, and general incompetence.

The companies directly involved in the Stockton deal have also had their share of controversy. OMI was charged with falsifying water quality reports in several small American cities. RWE/Thames had been named "worst polluter" in Britain several years running.

How to Privatize an American City

If Stockton Mayor Podesto had doubts about OMI and RWE/Thames, he didn't let on, saying only that Suez's failures in Atlanta would come back to haunt them in the American market. In his view, privatization promised efficiencies of scale, as well as competitive cost cutting, lower water rates, and a business culture that would favor real-estate development.

The argument for marketplace competition should lose all traction with a monopoly service like water, but water companies still contend that the profit motive gives them an incentive to cut costs. However, such efficiencies usually turn out to come from somewhere else -- usually from service cutbacks, staff layoffs, and failures to invest in preventive maintenance.

As for rates, studies from across the country reveal that private water systems charge more -- often much more -- than public systems right next door. But private water operations make their biggest profits by expanding their service areas as cities grow. The industry's business culture makes it a natural ally of developers and an opponent of citizens' groups trying to limit growth, preserve agricultural land, or establish greenbelts.

All these political and business considerations make it easy to forget that even when water is public, it is not really our water at all. It is the planet's circulation and life force. Climate change expresses itself through water or the lack of it. Droughts are a spreading problem across the United States, making conservation of water a high priority. However, private water companies want customers to use *more* water, not less, in order to maximize profit for their shareholders.

It's not always easy to define the spark that ignites local rebellion. In Stockton, it was a growing distrust of local government. The Concerned Citizens Coalition of Stockton ("the coalition") had formed in 2001 to monitor and challenge what its members called they mayor's "political-control machine." For the next six years, fighting water privatization would become its defining cause.

The coalition was unified by the conviction that Mayor Podesto was out to railroad the water privatization plan through the city council without a thorough public hearing and a citywide vote. Coalition members tenaciously

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confronted the mayor and his allies every step of the way. When it appeared that he still wouldn't listen, they gathered 18,000 signatures to put an initiative on the ballot to require a citywide vote before privatization could take place.

Increasingly embattled, Podesto recognized that the coalition's initiative was a poison pill for privatization. He wasn't about to be outmaneuvered. In early 2003, less than two weeks before the initiative was to go to the voters, he put the proposed OMI/Thames contract on the city council. A vote by the seven-member council could preempt the 18,000 signers. Hundreds of people came out to protest. The details of the privatization deal itself had become secondary. At the electrifying two-hour meeting, the debate was over the rights of citizens, the value of the ballot, the meaning of representative democracy, and the human right to water.

In the end, Podesto himself cast the deciding vote in a 4 to 3 decision to approve the contract. Days later, Stocktonians voted overwhelmingly to approve the coalition's initiative, but their votes had been made moot by the council's action.

The coalition fought back in court. In its rush to approve the privatization, the city had failed to do an environmental impact study. The coalition's lawyers claimed that was illegal and filed suit to stop privatization.

Podesto and OMI/Thames moved quickly to implement the contract. On July 31, 2003, water department employees turned in their city badges for ones with the OMI/Thames logo. Meanwhile, the coalition's legal challenge went before superior court judge Robert McNatt, whose record indicated that it would be a hard sell. In October 2003, the judge shocked observers by throwing out privatization and giving the city 180 days to unravel the deal. McNatt wrote that the city's self-exemption from environmental law was "an abuse of discretion." But the city appealed, setting in motion a multi-year legal battle.

The coalition didn't leave the battle solely up to its lawyers as appeals continued. Each year of private control, the group issued damning report cards on OMI/Thames' performance. Mayor Podesto had, for instance, claimed that water rates would rise only 7% over the 20-year life of the contract, but the coalition analysis showed an 8.5% increase in just the first three years. In addition, leakage doubled, maintenance backlogs skyrocketed, and staff turnover was constant.

Some residents of Stockton also noticed a difference when they sniffed the air. Workers at the plant said that OMI/Thames had cut back on odor-control chemicals to save approximately \$40,000 a month.

As if that weren't enough, on the Friday before a hot summer weekend in 2006, the wastewater-treatment plant spilled eight million gallons of sewage into the San Joaquin River, contaminating a mile-long stretch where people normally went swimming. It took 10 hours for managers to notice the problem and another three days to notify the public about the health danger.

In late 2006, the courts finally reaffirmed the coalition's position that the city had violated California environmental law and, in the spring of 2007, after Mayor Podesto had left office, Stockton's new city council -- dissatisfied with OMI/Thames' performance -- voted not to appeal and set March 1, 2008, for Stockton to resume full control of its water system.

Nevertheless, the city faced all kinds of problems taking its water system back from the private consortium. The water department remained understaffed with a huge backlog of maintenance, and it was estimated that it would now take millions of dollars to fix the system.

Reverberations

The events in Stockton were followed by activists around the country and reverberated through the private water industry as well. In September 2005, RWE/Thames cited growing "public resistance to privatization schemes" in its decision to get out of the water business. In leaked minutes from an executive board meeting in Essen, Germany, then CEO Henry Roels complained that the water business required too much long-term investment in plant and equipment and offered little hope for once anticipated quick profits. But there was an ominous note in the RWE minutes. An unidentified board member cited a Goldman Sachs prediction that the "water business would become the oil business of the decade from 2020 to 2030."

And so a new stage in the water privatization wars beckons as Goldman Sachs, Macquarie bank, huge pension funds, and billionaire investors hop on the infrastructure bandwagon.

Will the Democrats -- if elected -- resist the trend? Past history suggests that the Party is deeply split on the issue of privatization and that only public resistance has slowed the fire sale. No matter who is president, the fate of public services and assets is likely to be left to local citizens groups that have cut their teeth on water battles like the one in Stockton.

Those local groups have already coalesced into a national movement for a democratic and sustainable water future. The unanswered question is whether these twenty-first century water wars are merely a last stand against an inevitable corporatized future, or the beginning of a far-reaching revolt to reclaim citizenship, reassert democratic values, and redefine how we interact with our environment.

Alan Snitow and Deborah Kaufman are award-winning filmmakers whose PBS documentary "Thirst" was the first film to bring attention to the global movement against water privatization. Their book by the same name exposed how the corporate drive to control water has become a catalyst for community resistance to globalization. Their PBS films include "Secrets of Silicon Valley" and "Blacks and Jews." Snitow is on the board of Food and Water Watch. Kaufman is on the board of the Progressive Jewish Alliance. They are currently working on a film about Jewish power and identity in America. This essay was adapted from a longer version in the new book [Water Consciousness: How We All Have to Change to Protect Our Most Critical Resource](#), edited by Tara Lohan (AlterNet Books, 2008).

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