

Privatization of Detroit's water moving forward at 'lightning pace'

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Plans to privatize the Detroit Water and Sewerage Department (DWSD) are moving forward with increasing speed.

In March, Detroit Emergency Manager Kevyn Orr requested proposals from private companies interested in the DWSD. These proposals are due this week, with final bids to follow by June. The water department in Detroit may become the largest water system to be privatized in US history, according to *Global Water Intelligence*.

The transfer of the DWSD to private hands will have disastrous consequences for workers and consumers. A *Detroit Free Press* report published Friday, "Detroit's fast track to private water risks high rates, bad service, experts say," warned of "higher water and sewer rates, poorer service and a mountain of administrative headaches" as a result of privatization.

In an editorial published the same day, the *Detroit Free Press*, which has backed the bankruptcy as a whole, noted that Orr is seeking to push through privatization of DWSD to raise cash as plans to transfer the department to a regional authority are faltering. "Because the regional deal is dying, and because it's essential that the city's bankruptcy settlement wring some money out of the water department, Orr has issued requests for initial bid proposals from private operators... It's a lightning pace for deals of this type and complexity," the *Free Press* wrote.

The privatization proposals are coming in as the city has begun shutting off thousands of consumers from water every week, targeting many of the approximately 150,000 residents behind on their bills. The brutal cutoff of a basic necessity, clean water, is a strategy to make the DWSD more attractive for investors.

Hundreds of jobs at the department are also being eliminated.

Loss of public control over the DWSD poses a serious health risk, places lives in danger, and will further impoverish the people of Detroit. Privatization of water systems typically leads to large rate increases and the further deterioration of infrastructure, reports show.

A Food and Water Watch (FWW) fact sheet found that water privatizations are taking place worldwide, enriching water corporations while degrading service. "Around the world, multinational corporations are seizing control of public water resources and prioritizing profits for their stockholders and executives over the needs of the communities they serve. These private water companies try to persuade cash-strapped cities and towns to relinquish control over their valuable public water and sewer systems. Many communities that experimented with privatization have found that it often results in worse service at a higher cost," the FWW wrote.

"After taking over a municipal water system, water companies aggressively hike water rates by an average of about 10 percent a year, adding hundreds of dollars onto the typical annual household bill," the report states.

Poor and working class neighborhoods in Detroit can expect to lose service if DWSD is transferred to private hands. Private companies are "prone to cherry-picking service areas to avoid serving low-income communities where low water use and frequent bill collection problems could hurt corporate profits," the FWW wrote.

Many industry experts say that private companies usually seek alternative means to effectively raise prices, even when price caps are imposed.

Another FWW report corroborated this perspective, finding that water privatizations typically lead to large

price increases. In “Water=Life: How Privatization Undermines the Human Right to Water,” the FWW found that “investor owned utilities typically charge 33 percent more for water and 63 percent more for sewer service than local government utilities... Private ownership increased drinking water bills by 4 percent in Alaska to 75 percent in Delaware; and sewer bills by 7 percent in West Virginia to 154 percent in Texas.”

“After privatization, water rates increase at about three times the rate of inflation, with an average increase of 18 percent every other year... As of 2011, after an average of 11 years of private control, residential water rates had nearly tripled on average, increasing a typical household’s annual bill by more than \$300,” the FWW found.

Atlanta signed a 20-year contract with United Water, a company that currently has contracts with Pontiac, in 1999, but cancelled the deal in 2003 because of the results.

A report by Public Citizen on Atlanta’s catastrophic experiment with water privatization, “The water privatization ‘model’: a backgrounder on United Water’s Atlanta fiasco,” found that during the years of private control, the company systematically neglected to perform upkeep on the water system.

“A backlog of work orders and maintenance ballooned for virtually every portion of the system, from main breaks and facility maintenance to meter installation, hydrant repairs and fleet maintenance,” Public Citizen wrote, while at the same time United Water reduced staff overseeing Atlanta’s water operations from 700 to 300.

While neglecting to maintain the water infrastructure, the city paid heavily in extra charges conjured up by the company. “A broken water line could take as much as two months to fix; maintenance projects hovered at a 50 percent completion rate....Almost immediately, United Water started hitting up the city for more money, and tried to add \$80 million to the contract. The city refused. United Water came back with charges of \$80 million for additional expenditures,” Public Citizen found.

The surge in water privatizations occurring globally represents a barbaric social regression. Publicly controlled water systems began to supplant private ones during the 19th century in response to the failure of private water companies to make necessary investments

and provide services for all residents. Sanitary urban conditions and dependable access to water for the masses of workers only became possible on the basis of public ownership.

Since the 1990s, as part of the right-wing “free market” policy agenda supported by both Democrats and Republicans, privately owned water systems have returned with a vengeance. In 1989, the government of Margaret Thatcher in Britain privatized all the public water and sewerage operations in England. Paris and Berlin privatized water infrastructure during the 1990s.

Water privatization has been pushed aggressively in the former colonial countries, often as a condition of loans offered by the International Monetary Fund and World Bank. The 1990s and 2000s saw a surge in private sector control over urban water supplies, with Gabon, Mozambique, Senegal, South Africa, Malaysia, Indonesia, Philippines, Armenia, Brazil, Chile, Columbia, Ecuador, Morocco, Honduras, Ghana, Saudi Arabia, Algeria, Cuba, China, Romania, Bulgaria, Poland, Estonia, Czech Republic, Hungary, and Chile all experiencing major transfers of public water resources to private corporations for the first time during these decades.

This process has fueled the rise of gigantic water conglomerates, such as Veolia Environnement (Vivendi) and Suez (parent company of United Water, which signed a five-year deal with Pontiac in 2011), which provide service to more than 120 million customers each. The very existence of such firms points to the staggering irrationality of the capitalist system, in which the most basic needs of entire populations are subordinated to the profit drive of a tiny minority of owners.

Privatization of the DWSD is not only part of an attack on the Detroit working class, it is also, like the bankruptcy as a whole, seen as a model for the escalation of the privatization of water and other basic necessities throughout the country and internationally.



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