The Value of Water Coalition: Corporate greed masquerading as activism

John Marion
9 June 2014

At the end of May, both houses of the US Congress overwhelmingly passed the Water Resources Reform and Development Act of 2014 (WRRDA). The bill, which is expected to be signed into law by President Obama this week, authorizes approximately $12 billion in funding for the Army Corps of Engineers, and with it for projects to maintain levees, locks, and ports.

Whereas Congress typically renewed such funding every two to four years during the late 1980s and 1990s, WRRDA is the first renewal since 2007. The bill also de-authorizes some $18 billion in funding for projects that were authorized before 2007 but never executed. The result is a savings to the US government of approximately $6 billion.

In light of estimates that more than $1 trillion of infrastructure upgrades for drinking and wastewater are needed across the United States, the measure is pathetically inadequate.

It does, however, include $175 million of federal loan guarantees to cities and states that move toward privatization of public water supplies through "public-private partnerships." To this end, the word "reform" has been added to the title of the bill, and the report of the House Transportation and Infrastructure Committee is full of code words about reforming bureaucracy, "attracting private sector job-creators," allowing "flexibility for non-federal interests," etc.

If signed, it will require the Army Corps of Engineers to solicit, through the Federal Register, proposals from private corporations "regarding water resources development needs." Included are municipal drinking and wastewater systems.

Corporations are anxious to jump on this bandwagon. Masking their intent behind a web site that purports to support water conservation and "grass roots" pressure on governments to invest in water infrastructure, they have established an organization called the Value of Water Coalition. This coalition advocates for privatization measures and includes as members Veolia Water, Xylem, Inc., and American Water.

Xylem is a recent spinoff of ITT Corporation, infamous for its support of Latin American coups and its business dealings with the Nazis. Veolia Water is a division of the same corporation that has attacked the jobs of school bus drivers in Boston and other US cities.

Veolia Water has already "piloted" its model for municipal privatizations. Per its July 2012 newsletter, the company was hired to manage 270 public employees at the Pittsburgh Water and Sewer Authority in a drive to privatize the PWSA. Veolia Water executive Jim Good was appointed interim executive director of the Water Authority, and other Veolia Water "specialists" were hired to support him. However, the company did not replace the majority of utility workers, in order to "make it easier for decision-makers to make what can sometimes be the politically difficult decision to hire us."

"Our agreement is unique in that via a peer-to-peer relationship it leverages Veolia's worldwide knowledge of utility best practices with that of local public sector knowledge of the Pittsburgh system," the newsletter states. "The agreement also includes performance-based incentives that will reward Veolia for achieving exceptional results." In other words, it will wring as much profit out of remaining workers as it can, while appeasing the unions.

The same model had already been used in Winnipeg and New York City, which "expected to save more than $100 million annually" as a result.

A report titled "Public Water Works!" by the Corporate Accountability Project, citing articles in the

© World Socialist Web Site

Charleston Gazette, describes how American Water approached a privatization project in West Virginia. The company tried to impose a 13 percent rate hike, but then abandoned needed infrastructure maintenance when the community refused to approve the increase.

In his book titled *Water: Towards a Culture of Responsibility*, Veolia Environnement CEO Antoine Frerot wrote that "many of the best performing contracts are those where a private operator assumes the operational and commercial risks, but not the major capital expenditures." In Frerot's world, "performance" means only profit; the Corporate Accountability Project report describes an incident in which a Veolia employee put incorrect chemicals into the Indianapolis wastewater system, and Veolia didn't report the problem until 12 hours later.

While profiting from privatization, such companies will go to great lengths to avoid paying taxes that otherwise might fund infrastructure projects. When Xylem was spun off from ITT in 2013, the latter received special dispensation from the IRS so that it would not have to pay any tax on the associated gain. Xylem's 2013 annual report noted that the IRS decision was based on information provided by the companies, but that the government probably wouldn't question them further. ITT's shareholders are protected as well.

Xylem's effective tax rate in 2013 was 23.5 percent. Its revenues for each of the last three years have been around $3.8 billion, of which 45 percent were from industrial business and 34 percent from the Public Utility "End Market." The Value of Water Coalition bases its cynical appeals for "reform" on statistics that do, in fact, demonstrate the decrepit state of US water infrastructure caused by decades of inadequate funding. It cites, for example, a May 22 *New York Times* article documenting that a water main break occurs every two minutes in the United States, and that "the City of Milwaukee has experienced 64 water main breaks during the last two weeks alone." Water mains from the 1800s are still in use in cities such as Detroit.

In a May 22 open letter to Barack Obama which, without mentioning the WRRDA, is clearly a call for its passage, the Coalition predicts that "more than $1 trillion will be needed over the next 25 years to repair and expand drinking water infrastructure alone." In a separate "draft white paper," it seeks to "motivate the public to spend the estimated $1.3 trillion needed in improvements for drinking water, storm water and wastewater." At the same time, however, it worries about public protest if household water bills continue to go up.

Given that $175 million of federal loan guarantees is a tiny percentage of the $1.3 trillion needed and that private investors will cut corners when funding infrastructure projects, municipalities will inevitably have to turn to predatory bond markets to fund needed improvements. Bankruptcies and cuts to other social services will be the result.

For the businesses behind the Value of Water Coalition, however, the alternative is unthinkable: "without investment, deteriorating water infrastructure will cause American businesses to lose $734 billion in sales between now and 2020."

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site