Biden administration infrastructure council advises removing barriers to privatization of water utilities

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At the end of August, the National Infrastructure Advisory Council (NIAC), appointed by the Biden administration, published a document with policy recommendations to address the deepening water crisis in the United States. Most of the report is full of mundane and basic infrastructure needs, including the necessity for increasing funding for water utilities and water resource monitoring programs.

Tucked away in the report, however, is an endorsement for the privatization of American water utilities.

Under the misleading header, "Remove barriers to new ways of funding water projects," the report recommends that the Biden administration "]R]emove barriers to privatization, concessions, and other nontraditional models of funding community water systems."

In addition, the report urges the Biden administration to "[A]llow access of privately-owned water providers to Water Infrastructure Finance and Innovation Act (WIFIA) and U.S. Federal grant programs." This would allow privately owned water utilities to secure taxpayer money to develop profit-generating projects.

The report also promotes the regionalization and consolidation of water systems, as well as "modifying current grant allocation formulas to actively promote beneficial consolidation of water systems." Under a system of privatization, this would amount to the conversion of water utility systems into large regional corporations similar to private electric and gas utility companies. Ultimately, the recommendations of the NIAC amount to the promotion of the conversion of publicly funded and accountable water utilities into privately held conglomerates answerable only to Wall Street.

On top of this, the report suggests that private water companies be given "safe harbor" from "regulatory penalties" if they take over "troubled systems." This amounts to granting private water utilities the ability to poison millions of people for a "reasonable time period" as they continue to be subjected to unsafe levels of lead and other contaminants in their water. Whatever defines a "reasonable time period" will be made to protect the profit margins of whatever private water company takes control.

When it comes to the needs of the broader population, water privatization has a global history of failure over the past several decades. A study by Food and Water Watch found that private water utilities charge an average of 59 percent more for water and 63 percent more for sewage than public utilities. Rate increases far outpaced the rate of inflation, typically reaching 18 percent every two years. This increased the annual water bill for households by an average of $300. Overall, water privatization has played a larger role in the increasing of water rates than drought or system aging.

This increase in cost is primarily attributed to the need of private corporations to extract a profit from their operations, as well as the financial interests of Wall Street. A typical public water infrastructure project is funded through municipal bonds with an interest rate of 4 percent. According to Food and Water Watch, however, "Private water companies use a mix of equity and corporate debt. This mix has a weighted average cost that ranges from 7.5% to 14% or higher. So, in total, over 30 years, private financing is nearly 1.5 to 2.5 times as expensive as public financing. It adds $0.8 million to $2.5 million onto the total cost of every $1 million investment." In total, "Corporate profits, dividends and income taxes can add 20 to 30% to operation and maintenance costs."

A report by the Transnational Institute (TNI), Public Services International Research Unit and the Multinational Observatory found that over the past decade, 180 cities across 35 countries have returned their water systems to public ownership from private. More than 100 of these were in the United States and France. While the Small Planet Institute found that water and sewage privatizations over a five-year period had a "failure" rate of 34 percent.

An ever growing body of research has found that the common thread of water privatization has been one of higher rates, poorer quality, and ultimate failure around the globe. So why then is the Biden administration endorsing water privatization?

NIAC Chair Adebayo Ogunlesi is the chairman and chief executive officer of Global Infrastructure Partners (GIP), which has $84 billion in managed assets, including a close partnership with the Suez Group, a leading enterprise in private water utilities around the world. He also spent 23 years working for the global investment bank Credit Suisse, which has championed increasing water rates around the world. The rest of the NIAC is composed of a host of industry executives and experts from a broad array of engineering and infrastructure fields, including David Gadis, who is the general manager and CEO of DC Water.

The call for privatization has clearly come, not from any scientific basis, but purely out of the financial interests of the capitalist class. There are billions to be made in the water industry, especially as the American Southwest struggles with a more than 20-year-long drought.

Political calls to expand water privatization are nothing new, but the open calls from Biden's NIAC to remove barriers to privatization and to open public funding for privatized utilities are a stark indication of the growing financial crisis in the United States.

In tandem with its efforts to suppress wage growth and trigger a spike in unemployment, the Biden administration and Wall Street are desperate to open up new paths for the extraction of wealth from the working class. The privatization of water utilities and their conversion into regional conglomerates will be a disaster for the working class as water rates skyrocket and the quality of service declines. Once privatized, Wall Street will gut funding for service improvements and maintenance and funnel every dollar it can to the funding of exorbitant corporate salaries.

The poorest in the United States will bear the brunt of the consequences. Low income households under private water utilities pay an average of 4.4 percent of their income on water each year, about 1.5 percentage points more than cities with public utilities.

No positive change will occur under any regime of water privatization. The only solution to the decline in the American infrastructure is the expropriation of Wall Street and the capitalist class, turning their vast hoarded wealth into extensive funding to provide high quality water to all as a social right. Existing utilities are woefully underfunded and often tolerate unsafe levels of contaminants in their water.

Nearly a decade after the beginning of the Flint water crisis, the city still does not have safe drinking water. So long as the social needs of the working class are subordinated to the profit interests of the capitalist system as a whole, water infrastructure will continue to degrade and fail to meet the needs of the population.

Water privatization will only exacerbate the increasingly dire situation of American infrastructure and further deepen the water crisis facing many American cities.