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## Landmark Survey Shows For-Profit Water is a Risky Rip-Off

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'Without shareholders expecting profits, public systems are less likely to cut corners on service,' says Food & Water Watch

by

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"Corporate influence has failed U.S. water systems," says Wenonah Hauter. (Photo: [Laura Nawrocik/flickr/cc](#))

With Flint's water supply still tainted and undrinkable, one advocacy group is spotlighting the benefits of publicly owned, locally managed water systems, which it says could help ensure that [the Michigan health crisis](#) doesn't repeat itself across the country.

In [a new survey](#) (pdf), the largest of its kind, Food & Water Watch (FWW) documents how the dominant trend in the U.S. is toward public ownership of water and sewer systems, while showing that the alternative—large, for-profit, privately owned systems—are often more expensive and less reliable.

"Rather than running water systems like businesses, or worse, handing them over to corporations, we need increased federal investment in municipal water."

—Wenonah Hauter, Food & Water Watch

Indeed, FWW's analysis finds that nearly nine out of 10 people in the country receive their water service from a publicly owned utility, leading the advocacy organization to propose establishing a steady, dedicated source of federal funding for such water systems that could pay for the replacement of lead pipes in schools and homes and rehabilitate aging water systems across the country.

"From emergency management in Michigan to failed privatization experiments across the country, corporate influence has failed U.S. water systems," said FWW executive director Wenonah Hauter on Tuesday.

It was a government-appointed [emergency manager](#) in Flint who made the decision to switch the city's water supply from a safe source to a polluted river in order to cut costs. "In a failed attempt to save a few bucks," one lawyer [said last month](#), "state-appointed officials poisoned the drinking water of an important American city, causing permanent damage to an entire generation of its children."

Meanwhile, "many of our community water systems are over 100 years old, and in desperate need of repair," she added. "Rather than running water systems like businesses, or worse, handing them over to corporations, we need increased federal investment in municipal water. With this federal funding, we can help avoid future infrastructure-related catastrophes."

The survey of water rates of the 500 largest U.S. community water systems also found that for-profit systems, which comprise about 10 percent of the national total, charged 58 percent more than large publicly owned systems. Private systems in New York and Illinois, for example, charge twice as much as not-for-profit systems, while in Pennsylvania, private systems charge 84 percent more than their public counterparts—\$323 more a year, typically.

"There are a variety of reasons why public water offers customer savings," the report explains. "Most importantly, public entities normally collect only the revenue necessary to improve and run their water systems. Privately owned utilities, however, generate profit by increasing rates. Other factors that make private water more costly for customers include: executive compensation, corporate overhead, subsidies, financing costs, rights of way, and differences in rate-making and financing practices."

What's more, the FWW report points out, private systems are less accountable to residents when it comes to equitable service, environmental concerns, or smart growth.

"Government utilities have a responsibility to promote and protect public health and safety, and are generally more responsive to community needs," said Hauter. "More and more cities and towns are seeing that water is more efficiently and affordably delivered when it is controlled by a not-for-profit entity. Without shareholders expecting profits, public systems are less likely to cut corners on service, and excess funds are invested back into systems, not sent out of communities as dividend checks."

According to FWW, federal contributions to water utility improvement projects peaked in 1977 at 63 percent of what was needed, dropped to record lows of 7 percent in 2006, and after a slight boost to 12 percent in 2010, fell back to 9 percent in 2014. From 1977 to 2014, federal funding for water utilities fell 74 percent after accounting for inflation. President Obama's [most recent proposed budget cuts](#) funding to

the State Revolving Funds for water infrastructure by another 11 percent.

These numbers make communities more vulnerable to privatization, the organization argues.

But "no family should ever be put in the situation that Flint families are facing, period," [reads](#) a FWW petition. "We must renew our commitment to public water."

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