

United Water: A Corporate Profile

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United Water is the second-largest private operator of water systems in the United States, with revenues of \$625 million in 2008. Since its founding in 1869, the company has ballooned from a small New Jersey utility called Hackensack Water Co. to a giant that in 2008 served 7.2 million people in 21 states. The expansive enterprise caught the eye of French multinational Suez, which bought United Water in 2000. In 2008 Suez Environnement provided drinking water to 76 million people and sewer service to 44 million people worldwide.¹

Over the last decade, United Water's growth has plateaued. It served 300,000 fewer people in 2008 than when Suez bought it eight years earlier.² The company is persisting on smaller-scale deals and frequent rate hikes,³ and gets its biggest boost from the occasional takeover of a competitor. It bought Aquarion Operating Services in 2007 and Earth Tech's North American water operations business in 2008. Nevertheless, the company lost its largest client, the city of Milwaukee, in 2007, and it signed no new contracts in 2008.⁴

Poor performance may have led to these stagnant waters. The company is responsible for several of the nation's worst privatizations, including the colossal debacle in Atlanta. The following case studies highlight the troubles that communities across the country have experienced after turning their water systems over to United Water.

Costly Failures

Atlanta: A disastrous model of privatization

In 2003, Atlanta canceled its 20-year, \$428 million contract with United Water after four years of terrible service and a laundry list of problems.

The company cut the workforce in half, accumulated a maintenance backlog of 14,000 work orders, delayed repairs, and inadequately staffed the system to respond quickly to emergencies, according to the city. Atlanta said that the company's failure to collect enough late bills and to read, install and maintain water meters cost the city millions of dollars. The city also claimed that United Water submitted bills for work it didn't do and even worked on other contracts while on Atlanta's dime.⁵



Moreover, corruption tainted the deal. The company was allegedly linked to questionable payments to then-mayor Bill Campbell,⁶ who was sentenced to 30 months in prison for federal tax evasion.⁷

"It's a cautionary tale because quality has been jeopardized," Lee Morris, who was an Atlanta council member when the contract was inked, told CBC Radio.⁸

Milwaukee: A messy decade

Milwaukee gave United Water the boot after a series of contract violations and sewage overflows.

The Milwaukee Sewerage District paid the company more than \$335 million to run its sewer system for 10 years. By the end of its contract in 2007, the district had issued 20 notices of contract noncompliance to United Water for various problems, including sewage overflows and spills.⁹ From 1999 to 2001, 107 million gallons of raw sewage reportedly leaked into area waterways after the company turned off pumps to the storage tunnels.¹⁰ Then, in May 2004, the system dumped an unprecedented 4.6 billion gallons of raw sewage.¹¹

These problems may have arisen because of understaffing and poor system upkeep. By 2003, United Water had cut the workforce from 300 to 209, and an audit found that the company inadequately maintained non-critical equipment and general facilities.¹² Understandably, the city decided against keeping United Water when its contract came up for renewal in 2007.¹³

Other Notable Failures

Houston, Texas – Houston ran up hundreds of thousands of dollars in legal support fees after deciding not to renew its 5-year, \$16.3 million water treatment contract with United Water in 2001. After a six-year legal dispute over unpaid bills and improper maintenance, both sides finally decided to drop the case in September 2007.¹⁴

Rockland County, N.Y. – In 2008, United Water New York paid a \$10,000 fine for releasing too much water from the Lake Deforest Reservoir in Rockland County.¹⁵ Meanwhile, but unrelated, residents of West Nyack, N.Y., and River Vale, N.J., sued the company for \$130 million in 2008 after it allegedly allowed their homes and businesses to flood.¹⁶ In 2009, Rockland County residents became concerned that the desalination plant that United Water planned to build along the Hudson River would be costly, risky and environmentally unsound.¹⁷

Fairfield and Suisun, Calif. – In 2008, the board of the Fairfield-Suisun Sewer District unanimously voted to cancel its wastewater contract with United Water. Consultants hired by the city found that public operation should stabilize sewer rates and save 10 to 15 percent a year on operation costs after 2008.¹⁸

Ways Forward

These cases are just a few examples of what happens when corporate interests reign supreme over the public good. Companies like United Water have underserved communities while padding the pockets of stockholders. From sewage spills to maintenance delays, poor service and neglect plague their customers. As communities across the nation will attest, privatization does not work. It often fails.

Instead of siphoning off public resources to the highest bidder, local officials should reorganize their water and wastewater systems under sustainable local, public control. Many cities nationwide have demonstrated that this type of reform saves money, rewards employees, enhances services and improves water quality while protecting the environment. Responsible public management can ensure water is safe, clean and affordable for generations to come.

Endnotes

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