

CASHING IN ON CRUMBLING INFRASTRUCTURE

The dual threat our cities face from private water and Trump's infrastructure plan

Today, U.S. cities, which for decades have struggled to keep up their water systems with diminishing federal support, face a dual threat. The private water industry has been promising efficiency and investment, but instead has delivered corner-cutting measures and has failed to invest in the infrastructure our cities truly need. Now the Trump administration has proposed an infrastructure plan¹ that would further pad the profits of the private sector, while failing to solve our cities' water infrastructure crisis.

The Trump administration's pro-privatization stance represents a dream come true for private water corporations and their trade associations like the National Association of Water Companies. Yet Trump's infrastructure approach is a nightmare for cities desperate for federal support for maintenance, repair, and improvement of their aging water systems.

Why? Trump's plan is little more than a corporate welfare initiative for large, private corporations. It would provide up to \$137 billion in tax credits for corporate investors, with no mechanism to prioritize needed projects or ensure results. And the water industry is already angling for Trump to grant unfettered access to other subsidies and tax breaks. The National Association of Water Companies has told the president-elect that it is "eager to work with [his] administration to open the door" to a slate of pro-privatization policies.²



In Baltimore (pictured above) and other cities across the country, communities have expressed grave concerns about public-private partnerships in the water sector.

Trump's plan and the water industry's policy wish list are dangerous for cities because they would:

- 1. Cede control of public resources (like water systems) to private corporations,** making the privatization of essential parts of our public infrastructure even more attractive and accessible to corporations. Driven by the profit incentive, the private water industry has a track record of cutting corners that can lead to serious health hazards, labor abuses, and infrastructure neglect, as well as implementing rate hikes that disproportionately impact low-income communities.³
- 2. Fail to ensure infrastructure repair and expansion where it is most needed.** Corporations are mandated to maximize shareholder profit, so even with massive tax credits they seek out only profitable projects. Giving incentives to the private industry via subsidies or tax breaks will not solve our infrastructure crisis because corporations will never take on infrastructure projects that are desperately needed but not profitable. (And the public would waste money via unneeded subsidies to corporations investing in profitable projects.)

Both Trump and the for-profit water industry ignore the solution we know works: investing in public funding and financing programs that address our highest priority infrastructure needs.

Rather than giving away billions in tax breaks or subsidies to the private sector, the federal government could fund infrastructure grants, increase funding to the Drinking Water State Revolving Fund (the primary source of federal funding for drinking water systems), and leverage public financing at the state and municipal levels—proven methods for building strong, publicly controlled water systems and other infrastructure.

Mayors should be wary of the false solutions presented by the private water industry, and the false promises of an infrastructure plan that offers more of the same. **Mayors can pursue public solutions to water-related challenges, including public-public partnerships, green bonds, and other municipal bonds or taxes needed for infrastructure projects.**

To bolster the national commitment to public funding for our water systems, mayors can join the call to our federal government to reprioritize public funding for this essential infrastructure.



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Private water's role in lead contamination crises

In Flint, the private water corporation Veolia failed to warn of possible lead contamination despite documenting a lack of adequate corrosion control. It even declared Flint's water to be safe. Announcing his suit alleging Veolia committed professional negligence and fraud,⁴ Michigan Attorney General Bill Schuette has accused Veolia of "callously and fraudulently" dismissing medical concerns by claiming that "some people may be sensitive to any water."⁵

The Pittsburgh Water and Sewer Authority has similarly brought Veolia into arbitration for gross mismanagement of its water system that violated federal and state safety regulations for water treatment.⁶ Now, the city's water has lead concentrations exceeding the EPA's "action level."⁷

Private water corporations do not adequately invest in infrastructure

For example, in Hoboken, New Jersey, residents experienced 20 main breaks in 2016 alone.⁸ Suez, the corporation charged with maintaining the system, invests a paltry \$350,000 per year for capital improvements while extracting millions in revenue—\$8 million in 2011 alone.⁹ Suez claims the main breaks will continue until the city—and its taxpayers—invest more of their own funds to update the city's infrastructure.¹⁰

Skyrocketing rates as a result of private water deals

In Bayonne, New Jersey, a privatization deal involving Suez and private equity firm KKR has left residents with skyrocketing rates. The upfront payment the city received has come at a very high price to residents, who are left to pay back not only the upfront payment amount, but also the added cost of investment returns that the private sector demands.¹¹ Some residents, struggling to pay their water bills (which have already increased by nearly 28 percent since the deal went through) have even had liens placed on their homes that could lead to foreclosure.¹²

1 Wilbur Ross and Peter Navarro, "Trump Versus Clinton on Infrastructure," October 27, 2016, <http://peternavarro.com/sitebuildercontent/sitebuilderfiles/infrastructurereport.pdf>.

2 Michael Deane, "Michael Deane to Donald Trump" (National Association of Water Companies, November 16, 2016), [http://www.nawc.org/uploads/documents-and-publications/documents/Transition%20Letter%20\(11-18-2016\).pdf](http://www.nawc.org/uploads/documents-and-publications/documents/Transition%20Letter%20(11-18-2016).pdf).

3 Emanuele Lobina, "Troubled Waters: Misleading Industry PR and the Case for Public Water" (Boston: Corporate Accountability, 2014), <https://www.corporateaccountability.org/resources/cashing-in-on-crumbling-infrastructure-the-dual-threat-our-cities-face-from-private-water-and-trumps-infrascture-plan/>; Julia Lurie, "This Major City's Drinking Water Was Fine. Then Came the Private Water Company," *Mother Jones*, October 26, 2016, <http://www.motherjones.com/environment/2016/10/private-water-pittsburgh-veolia/>; Danielle Ivory, Ben Protess, and Griff Palmer, "In American Towns, Private Profits From Public Works," *The New York Times*, December 24, 2016, <http://www.nytimes.com/2016/12/24/business/dealbook/private-equity-water.html>.

4 "Schuette Files Civil Suit against Veolia and LAN for Role in Flint Water Poisoning," *State of Michigan Attorney General*, June 22, 2016, http://www.michigan.gov/ag/0,4534,7-164-46849_47203-387198--,00.html.

5 Walter Smith-Randolph, "Michigan

AG Suing Two Major Water Companies over Flint Water Crisis," *WWMT*, June 22, 2016, <http://wwmt.com/news/local/michigan-ag-suing-two-major-water-companies-over-flint-water-crisis>.

6 "PWSA Files Suit Against Veolia Water North America-Northeast," *Pittsburgh Water and Sewer Authority*, October 12, 2016, <http://pgh20.com/release?id=6578>.

7 "PWSA 2016 Lead Test Results," *Pittsburgh Water and Sewer Authority*, July 22, 2016, <http://www.pgh20.com/release?id=6278>.

8 Brian Thompson, "Hoboken Gets 1st Water Main Break of 2017," *NBC New York*, January 4, 2017, <http://www.nbcnewyork.com/news/local/Hoboken-First-Water-Main-Break-2017-409703355.html>.

9 Ravinder Bhalla, "Suez Contract Must Be Reconsidered," *Hudson Reporter*, December 6, 2015, <http://hudsonreporter.com/bookmark/26989613-Suez-contract-must-be-reconsidered>.

10 Brian Thompson, "Another Water Main Break in Hoboken, Utility Warns Breaks Will Continue," *NBC New York*, November 30, 2015, <http://www.nbcnewyork.com/news/local/Another-Water-Main-Break-Hoboken-New-Jersey-NJ-Monroe-Street-First-Avenue-358712601.html>.

11 Emanuele Lobina, "Troubled Waters: Misleading Industry PR and the Case for Public Water," 32.

12 Danielle Ivory, Ben Protess, and Griff Palmer, "In American Towns, Private Profits From Public Works."