

Double trouble: Veolia, Suez, and the risks of water privatization

PUBLIC WATER WORKS

For more than two centuries, publicly-controlled water systems across the United States have been fundamental to meeting people's most basic needs, improving public health, and providing economic opportunity.

But it's no secret: Federal investment in our water systems has declined precipitously. Corporations like Veolia and Suez have taken advantage of this situation, marketing water privatization, including "public-private partnerships" (PPPs), as a solution to cities' water system issues.

But case after case shows that privatizing public water is risky business for mayors, city governments, and residents themselves.

WATER PRIVATIZATION: A RAW DEAL

Water privatization, including in the form of PPPs, has led to:

- Significant rate hikes, which have a disproportionate impact on low-income communities and communities of color.
- Labor cuts and abuses.
- Serious health and safety violations.
- Dangerous cost cutting that puts public health in jeopardy.
- Failure to invest in necessary infrastructure upgrades.

In fact, the private water industry's disastrous track record in city after city has generated widespread public opposition to water privatization contracts across the U.S.

"Veolia's declaration that [Flint's] water was 'safe' provided an assurance at odds with its own private concerns about lead and other water quality issues."

—Michigan Attorney General Dana Nessel¹

Case studies

FLINT, MICHIGAN

In February 2015, at the height of the Flint water crisis, Veolia was hired to study the city's drinking water quality.² Veolia declared Flint's water safe, failed to warn the public of possible lead contamination, and even recommended a chemical change that the state alleges worsened the crisis.³ In April 2019, Michigan Attorney General Dana Nessel filed an updated complaint against Veolia for its failures in Flint, building on her predecessor's 2016 lawsuit⁴ with even stronger and more detailed allegations. Attorney General Nessel argues that Veolia's abuses amount to professional negligence and fraud.⁵

PITTSBURGH, PENNSYLVANIA

Pittsburgh has also suffered a lead crisis. Under Veolia's management of the Pittsburgh Water and Sewer Authority (PWSA), the corrosion control chemical used to prevent lead contamination was switched to a cheaper alternative without the required approval, violating state regulations.⁶ Following the switch, lead levels exceeded Environmental Protection Agency limits for the first time in the authority's history.⁷ In the end, Veolia walked away with over \$11 million

from its management contracts in Pittsburgh,⁸ while local officials were left to find hundreds of millions of dollars to replace pipes leaching lead. After the city's disastrous experience with Veolia, Pittsburgh's Mayor William Peduto has come out forcefully on the side of public water, stating: "Pittsburgh's water belongs to its people and the PWSA will never be up for sale."⁹

PLYMOUTH, MASSACHUSETTS

Under Veolia's operation of the city's wastewater system, over 10 million gallons of raw sewage flooded Plymouth between December 2015 and January 2016. This spurred a lawsuit by Massachusetts Attorney General Maura Healey, which resulted in Veolia paying a \$1.6 million settlement.¹⁰

BAYONNE, NEW JERSEY

In Bayonne, a PPP deal involving Suez and private equity firm KKR has left residents with skyrocketing rates. The \$150 million upfront payment the city received has come at a very high price to ratepayers who are not only paying back that massive sum, but also paying the added cost of investment returns the private sector demands. Some residents who are struggling to pay their water bills—with rates already increased by nearly 28 percent—have even had liens placed on their homes, which could lead to foreclosure. It's no surprise that this contract model, which Suez is widely marketing, was the subject of a scathing New York Times investigation.¹¹

Sidestepping trouble

PROVIDENCE, RHODE ISLAND

The disastrous track record of Veolia and Suez was not lost on the residents of Rhode Island. Both were among the corporations vying for a contract in Providence¹²—and it spelled trouble. The contract would have put 60 percent of the state's water supply under private control for decades. Faced with this prospect, hundreds of residents came together to oppose it. From city hall to the media, they made their position clear: they wanted their water system to stay public. In April 2019, elected officials listened to the demands of their residents and withdrew support of a proposal that

would pave the way to privatize the Providence Water Supply Board.¹³

"By failing to properly maintain and operate wastewater treatment facilities, companies like Veolia are not only violating the law, they are threatening public health and our invaluable coastal water resources."

—Massachusetts Attorney General
Maura Healey on Veolia in Plymouth.¹⁴

Key takeaways

Not only do privatization deals not live up to their promises, but they're also vastly unpopular with residents. Rather than turning to the private water industry to address water system challenges, elected officials should instead implement solutions that maintain strong public control.

ENDNOTES

- 1 Attorney General Nessel, on behalf of the People of the State of Michigan v. Veolia North America, Inc. et al., No. 16-107576-NM, 37, (Mich. 7th Cir. 2019), April 12, 2019.
- 2 Office of the Emergency Manager Ambrose, "Resolution to Veolia Water for Water Quality Consultant," February 4, 2015.
- 3 Veolia North America, "Interim Water Quality Report," 3, February 18, 2015; Veolia North America, "Water Quality Report," March 12, 2015; Attorney General Nessel, on behalf of the People of the State of Michigan v. Veolia North America, Inc. et al., 43-45.
- 4 Kennedy, "They Made It Worse": Michigan Sues 2 Companies Over Flint Crisis," June 22, 2016.
- 5 Attorney General Nessel, on behalf of the People of the State of Michigan v. Veolia North America, Inc. et al.; Fonger, "AG Claims Bad Advice from Private Companies Caused Flint Water Crisis," April 22, 2019.
- 6 City Controller Lamb et al., "Performance Audit: Pittsburgh Water and Sewer Authority," 60–61, June 2017.
- 7 Pittsburgh Water and Sewer Authority, "PWSA 2016 Lead Test Results," July 22, 2016; Pennsylvania Department of Environmental Protection, "Actions Related to Pittsburgh Water and Sewer Authority," 6, April 25, 2016.
- 8 City Controller Lamb et al., 11.
- 9 Mayor Peduto, "Letter to Chairman Gladys Brown Dutrieuille," May 28, 2019.
- 10 Office of Attorney General Healey and Massachusetts Department of Environmental Protection, "Veolia to Pay \$1.6 Million for Massive Sewage Spills, Discharges Causing Shellfish Bed Closures in Plymouth Harbor," April 10, 2018.
- 11 Ivory, Protes, and Palmer, "In American Towns, Private Profits From Public Works," December 24, 2016.
- 12 Global Water Intelligence, "Providence lease/O&M, RI," January 14, 2019.
- 13 List, "Elorza pulls plug on plan to lease out Providence's water system," April 9, 2019.
- 14 Office of Attorney General Maura Healey and Massachusetts Department of Environmental Protection.